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Interim Consolidated Report BBVA Group 2021

Auditors' Report, Condensed Interim Consolidated Financial Statements and Interim Consolidated Management Report as of and for the six-months ended June 30, 2021

Auditor's Report on Banco Bilbao Vizcaya Argentaria, S.A. and Subsidiaries

(Together with the condensed consolidated interim financial statements and consolidated interim management report of Banco Bilbao Vizcaya Argentaria, S.A. and Subsidiaries for the period from 1 January to 30 June 2021)

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

KPMG Auditores, S.L.
Pº. de la Castellana 259 C
28046 Madrid

Independent Auditor's Report on the Condensed Consolidated Interim Financial Statements

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

To the Shareholders of Banco Bilbao Vizcaya Argentaria, S.A.

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Opinion

We have audited the condensed consolidated interim financial statements of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter the "Bank") and its subsidiaries which, together with the Bank, form the Banco Bilbao Vizcaya Argentaria Group (hereinafter the "Group"), which comprise the balance sheet at 30 June 2021, and the income statement, statement of recognized income and expense, statement of total changes in equity and statement of cash flows for the six-month period then ended, and notes, all condensed and consolidated.

In our opinion, the accompanying condensed consolidated interim financial statements of the Group for the six-month period ended 30 June 2021 have been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial information.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Condensed Consolidated Interim Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the condensed consolidated interim financial statements pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

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

Key Audit Matters

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

Impairment of loans and advances to customers

See notes 6.2 and 13 to the condensed consolidated interim financial statements

Key audit matter	*How the matter was addressed in our audit*
The Group's portfolio of loans and advances to customers presents a net balance of Euros 315,752 million at 30 June 2021, and the impairment provisions recognized at that date amount to Euros 11,620 million. For the purposes of estimating impairment, financial assets measured at amortized cost are classified into three categories (stage 1, 2 or 3) according to whether a significant increase in credit risk since their initial recognition has been identified (stage 2), whether the financial assets are credit-impaired (stage 3), or whether neither of these circumstances has arisen (stage 1). For the Group, establishing this classification is a relevant process as the calculation of allowances and provisions for credit risk varies depending on the category in which the financial asset has been included. Impairment is calculated based on an expected loss model, which the Group estimates on both an individual and a collective basis. This calculation entails a considerable level of judgment as this is a subjective and complex estimate. Individual allowances and provisions consider estimates of future business performance and the market value of collateral provided for credit transactions. In the case of collective allowances and provisions, expected credit losses are estimated by means of internal models that use large databases, different macroeconomic scenarios, provision estimation parameters, segmentation criteria and automated processes. Such models are complex in their design and implementation and require past, present and future information to be considered. The Group periodically recalibrates and performs contrast tests on its internal models with a view to improving their predictive power on the basis of actual past experience.	Our audit approach in relation to the Group's estimate of impairment of loans and advances to customers due to credit risk mainly consisted of assessing the methodology applied to calculate expected losses, particularly as regards the methods and assumptions used to estimate exposure at default (EAD), probability of default (PD) and loss given default (LGD); determining the future macroeconomic variables; and evaluating the quantitative and qualitative criteria used to adjust collective allowances and provisions. We also assessed the mathematical accuracy of the expected loss calculations. The main procedures performed included evaluating the design and operating effectiveness of the relevant controls linked to the process of estimating impairment and performing different tests of detail on that estimate, to which end we brought in our credit risk specialists. Our procedures related to the control environment focused on assessing the main controls in the following key areas: • Development and approval of the credit risk management framework, the Group's accounting policies and the methodology used to estimate the expected loss. • Assessment of whether the portfolio of loans and advances to customers has been appropriately classified on the basis of credit risk, in accordance with the criteria defined by the Group, particularly as regards the correct identification and classification of refinancing and restructuring transactions. • Identification of the methods and assumptions used to estimate EAD, PD and LGD and to determine the future macroeconomic variables, considering the expected impacts of COVID-19.

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

Impairment of loans and advances to customers

See notes 6.2 and 13 to the condensed consolidated interim financial statements

Key audit matter	*How the matter was addressed in our audit*
Since 2020, the COVID-19 pandemic has been having a negative effect on the economy and business activities of the countries in which the Group operates. To mitigate the impacts of COVID-19, the governments of the different countries launched aid initiatives for the hardest hit sectors and customers, implementing various measures such as granting government-backed credit facilities, according penalty-free moratoria and making financing and liquidity facilities more flexible. All of these aspects are impacting on the parameters considered by the Group at 30 June 2021 when quantifying expected losses on financial assets (macroeconomic variables, customer net revenues, value of pledged collateral, probability of default, etc.), thus increasing the uncertainty associated with their estimation. Therefore, at 30 June 2021 the Group has recognized, inter alia, the adverse effects of COVID-19 on the allowances and provisions for impairment of financial assets by supplementing the expected losses with certain additional temporary adjustments deemed necessary to reflect the particular characteristics of borrowers, sectors and portfolios, which might not be identified in the general process. The consideration of this matter as a key audit matter is based both on the significance for the Group of the loans and advances to customers portfolio, and thus of the related allowance and provision, as well as on the relevance of the process for classifying these financial assets for the purpose of estimating impairment thereon and the subjectivity and complexity of calculating expected losses, while also taking into consideration the situation brought about by the COVID-19 pandemic.	• Evaluation of the functioning of the internal models for estimating both individual and collective allowances and provisions for expected losses, and of the management and valuation of collateral. • Evaluation of the need to make additional adjustments to the expected losses identified in the general process and, where applicable, whether these have been appropriately estimated at 30 June 2021. • Assessment of whether the aspects observed by the Internal Validation Unit in relation to the recalibration and contrast testing of the models for estimating collective allowances and provisions have been taken into consideration. • Assessment of the integrity, accuracy and updating of the data used. Our tests of detail on the estimated expected losses included the following: • With regard to the impairment of individually significant transactions, we assessed the suitability of the cash flow discounting models used by the Group. We also selected a sample from the credit-impaired significant risk population, for which we evaluated the appropriateness of the allowance and provision recognized by analyzing the reasonableness of the projected cash flows, the discount rates applied and the value of any related collateral. This sample included borrowers from the economic sectors most affected by COVID-19 and/or which have received government aid in relation to the pandemic. • With respect to the impairment provisions estimated collectively, we evaluated the methodology used by the Group, assessed the integrity and accuracy of the input data for the process, and determined whether the calculation engine is functioning correctly by running the calculation process again for a sample of contracts, considering the segmentation and assumptions used by the Group. • When performing our audit procedures, we took into consideration the impacts of COVID-19 and the government aid on the parameters for calculating the expected loss. In addition, we assessed the estimate of the additional adjustments to the expected losses identified in the general process, recognized at 30 June 2021. We also analyzed whether the disclosures in the notes to the condensed consolidated interim financial statements are appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Group.

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Fair value measurement of financial instruments

See notes 7 and 9 to the condensed consolidated interim financial statements

Key audit matter	*How the matter was addressed in our audit*
At 30 June 2021, the Group has financial assets and financial liabilities held for trading amounting to Euros 105,523 million and Euros 82,862 million, respectively, of which Euros 73,666 million and Euros 58,576 million, respectively, have been measured using valuation techniques as no quoted price in an active market is available (therefore classified as level 2 or 3 for measurement purposes). In the absence of a quoted price in an active market, determining the fair value of financial instruments requires a complex estimate using valuation techniques that may take into consideration market data that are neither directly nor indirectly observable, or complex pricing models which demand a high degree of subjectivity. We have therefore considered the estimate of fair value through these measurement methods as a key audit matter.	Our audit procedures with regard to the fair value measurement of financial instruments focused on assessing the models and valuation methods used by the Group to estimate the fair value of complex financial instruments (those classified in level 2 or 3). To this end, we performed tests of controls and tests of detail on the Group's estimates, with the involvement of our own financial instrument valuation specialists. Our procedures relating to the assessment of the design and operating effectiveness of the relevant controls associated with the process of measuring financial instruments focused on the following key areas: • Identification and approval of the risk management framework and controls relating to operations in the financial markets in which the Group operates. • Evaluation of the application of the Group's accounting policies. • Examination of the key controls associated with the process of measuring financial instruments. • Analysis of the integrity, accuracy and updating of the data used and of the control and management process in place with regard to existing databases. Our procedures as regards the tests of detail performed were as follows: • We assessed the reasonableness of the most significant valuation models used by the Group, and of the significant assumptions applied, particularly inputs not directly observable in the market, such as interest rates, issuer credit risk, volatility and correlations between these factors. • We selected a sample of complex financial instruments measured at fair value, for which we assessed the correctness of their classification for measurement purposes, the appropriateness of the valuation criteria applied and the reasonableness of their valuation by contrasting this with a valuation performed independently by our specialists. Lastly, we analyzed whether the disclosures in the notes to the condensed consolidated interim financial statements have been prepared in accordance with the criteria set out in the financial reporting framework applicable to the Group.

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Risks associated with information technology	
Key audit matter	*How the matter was addressed in our audit*
The Group has a complex technological operating environment, with large data processing centers in Spain and Mexico which provide support to different countries, as well as local data processing centers, such as those in Turkey and Argentina. This technological environment must reliably and efficiently satisfy business requirements and ensure that the Group's financial information is processed correctly. In this environment, it is essential to ensure appropriate coordination and standardization in the management of technological risks that could impact on information systems in key areas such as data and program security, systems operations, and development and maintenance of the applications and IT systems used to prepare the financial information. We have therefore considered this a key audit matter.	With the help of our information systems specialists, we performed tests relating to internal control over the processes and systems involved in generating the financial information, encompassing the following: • Understanding of the information flows and identification of the key controls that ensure the processing of information in each Group entity considered relevant for audit purposes. • Testing of the key automated processes used in generating the financial information. • Testing of application and system controls related with access to and processing of the information and with the security settings of those applications and systems. • Testing of controls over the operation, maintenance and development of applications and systems. • Analysis of deficiencies identified and monitoring of the improvement measures undertaken by the entities at both local and Group level.

Emphasis of Matter

We draw your attention to the accompanying note 1.2, which states that these condensed consolidated interim financial statements do not include all the information required in complete consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying condensed consolidated interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2020. Our opinion is not modified in respect of this matter.

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Other Information: Consolidated Interim Management Report

Other information solely comprises the consolidated interim management report for the six-month period ended 30 June 2021, the preparation of which is the responsibility of the Bank's Directors and which does not form an integral part of the condensed consolidated interim financial statements

Our audit opinion on the condensed consolidated interim financial statements does not encompass the consolidated interim management report. Our responsibility for the consolidated interim management report, in accordance with the requirements of prevailing legislation regulating the audit of accounts, consists of assessing and reporting on the consistency of the consolidated interim management report with the condensed consolidated interim financial statements, based on knowledge of the Group obtained during the audit of the aforementioned condensed consolidated interim financial statements, as well as assessing and reporting on whether the content and presentation of the consolidated interim management report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, we have verified that the information contained in the consolidated interim management report is consistent with that disclosed in the condensed consolidated interim financial statements for the six-month period ended 30 June 2021, and the content and presentation of the report are in accordance with applicable legislation.

The Bank's Directors' and Audit Committee's Responsibility for the Condensed Consolidated Interim Financial Statements

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

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

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

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

Auditor’s Responsibilities for the Audit of the Condensed Consolidated Interim Financial Statements

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

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

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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- Evaluate the overall presentation, structure and content of the condensed consolidated interim financial statements, including the disclosures, and whether the condensed consolidated interim financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the condensed consolidated interim financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated to the Bank's Audit Committee, we determine those that were of most significance in the audit of the condensed consolidated interim financial statements for the six-month period ended 30 June 2021, and which are therefore the key audit matters.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting held on 20 April 2021 for a period of one year, from the year commenced 1 January 2021.

Previously, we had been appointed for a period of one year, by consensus of the shareholders at their ordinary general meeting, and have been auditing the annual accounts since the year ended 31 December 2017.

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Services Provided

Non-audit services provided by KPMG Auditores, S.L. to the Group during the six-month period ended 30 June 2021 comprised limited review work on the interim financial statements, comfort letters in relation to debt and equity issuances, and work related to regulatory requirements imposed the supervisory bodies.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(*Signed on original in Spanish*)

Luis Martín Riaño
On the Spanish Official Register of Auditors ("ROAC") with No. 18,537

30 July 2021

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Condensed consolidated balance sheets as of June 30, 2021 and December 31, 2020

ASSETS (Millions of Euros)

	Notes	June 2021	December 2020 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**8**	**61,687**	**65,520**
FINANCIAL ASSETS HELD FOR TRADING	**9**	**105,523**	**108,257**
Derivatives		28,672	40,183
Equity instruments		14,315	11,458
Debt securities		25,116	23,970
Loans and advances to central banks		86	53
Loans and advances to credit institutions		28,831	20,499
Loans and advances to customers		8,504	12,095
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	**10**	**5,742**	**5,198**
Equity instruments		4,827	4,133
Debt securities		194	356
Loans and advances to customers		722	709
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**11**	**1,107**	**1,117**
Debt securities		1,107	1,117
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**12**	**73,186**	**69,440**
Equity instruments		1,347	1,100
Debt securities		71,811	68,308
Loans and advances to credit institutions		27	33
FINANCIAL ASSETS AT AMORTIZED COST	**13**	**368,026**	**367,668**
Debt securities		35,327	35,737
Loans and advances to central banks		5,087	6,209
Loans and advances to credit institutions		11,860	14,575
Loans and advances to customers		315,752	311,147
DERIVATIVES - HEDGE ACCOUNTING	**14**	**1,530**	**1,991**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**14**	**23**	**51**
JOINT VENTURES AND ASSOCIATES	**15**	**1,400**	**1,437**
Joint ventures		147	149
Associates		1,253	1,288
INSURANCE AND REINSURANCE ASSETS	**22**	**285**	**306**
TANGIBLE ASSETS	**16**	**7,321**	**7,823**
Properties, plant and equipment		7,111	7,601
For own use		6,826	7,311
Other assets leased out under an operating lease		285	290
Investment properties		210	222
INTANGIBLE ASSETS	**17**	**2,303**	**2,345**
Goodwill		889	910
Other intangible assets		1,414	1,435
TAX ASSETS	**18**	**16,166**	**16,526**
Current tax assets		1,104	1,199
Deferred tax assets		15,062	15,327
OTHER ASSETS	**19**	**2,647**	**2,513**
Insurance contracts linked to pensions		—	—
Inventories		446	572
Other		2,201	1,941
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**20**	**1,223**	**85,987**
TOTAL ASSETS	**5**	**648,169**	**736,176**

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

The accompanying Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2021.

BBVA

Condensed consolidated balance sheets as of June 30, 2021 and December 31, 2020

LIABILITIES AND EQUITY (Millions of Euros)

	Notes	June 2021	December 2020 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	**9**	**82,862**	**86,488**
Derivatives		29,329	41,680
Short positions		10,485	12,312
Deposits from central banks		13,183	6,277
Deposits from credit institutions		18,497	16,558
Customer deposits		11,368	9,660
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**11**	**9,811**	**10,050**
Customer deposits		852	902
Debt certificates		3,745	4,531
Other financial liabilities		5,214	4,617
Memorandum item: Subordinated liabilities		—	—
FINANCIAL LIABILITIES AT AMORTIZED COST	**21**	**479,618**	**490,606**
Deposits from central banks		50,731	45,177
Deposits from credit institutions		20,913	27,629
Customer deposits		338,795	342,661
Debt certificates		55,047	61,780
Other financial liabilities		14,132	13,358
Memorandum item: Subordinated liabilities		*14,685*	*16,488*
DERIVATIVES - HEDGE ACCOUNTING	**14**	**2,384**	**2,318**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**14**	**—**	**—**
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	**22**	**10,535**	**9,951**
PROVISIONS	**23**	**6,460**	**6,141**
Pensions and other post employment defined benefit obligations		3,923	4,272
Other long term employee benefits		43	49
Provisions for taxes and other legal contingencies		580	612
Commitments and guarantees given		697	728
Other provisions		1,217	479
TAX LIABILITIES	**18**	**2,501**	**2,355**
Current tax liabilities		677	545
Deferred tax liabilities		1,824	1,809
OTHER LIABILITIES	**19**	**4,053**	**2,802**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**20**	**—**	**75,446**
TOTAL LIABILITIES		**598,225**	**686,156**

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

The accompanying Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2021.

BBVA

Condensed consolidated balance sheets as of June 30, 2021 and December 31, 2020

LIABILITIES AND EQUITY (Continued) (Millions of Euros)

	Notes	June 2021	December 2020 (*)
SHAREHOLDERS' FUNDS		**59,864**	**58,904**
Capital	**25**	**3,267**	**3,267**
Paid up capital		3,267	3,267
Unpaid capital which has been called up		—	—
Share premium		**23,599**	**23,992**
Equity instruments issued other than capital		**—**	**—**
Other equity		**43**	**42**
Retained earnings	**26**	**31,320**	**30,508**
Revaluation reserves		**—**	**—**
Other reserves	**26**	**(239)**	**(164)**
Reserves or accumulated losses of investments in joint ventures and associates		(239)	(164)
Other		—	—
Less: Treasury shares		**(38)**	**(46)**
Profit or loss attributable to owners of the parent		**1,911**	**1,305**
Less: Interim dividends		**—**	**—**
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**27**	**(15,348)**	**(14,356)**
Items that will not be reclassified to profit or loss		**(2,077)**	**(2,815)**
Actuarial gains (losses) on defined benefit pension plans		(1,012)	(1,474)
Non-current assets and disposal groups classified as held for sale		—	(65)
Share of other recognized income and expense of investments in joint ventures and associates		—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income		(1,060)	(1,256)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		(5)	(21)
Items that may be reclassified to profit or loss		**(13,271)**	**(11,541)**
Hedge of net investments in foreign operations (effective portion)		(191)	(62)
Foreign currency translation		(14,221)	(14,185)
Hedging derivatives. Cash flow hedges (effective portion)		(358)	10
Fair value changes of debt instruments measured at fair value through other comprehensive income		1,512	2,069
Hedging instruments (non-designated items)		—	—
Non-current assets and disposal groups classified as held for sale		—	644
Share of other recognized income and expense of investments in joint ventures and associates		(13)	(17)
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	**28**	**5,428**	**5,471**
Accumulated other comprehensive income (loss)		(7,393)	(6,949)
Other items		12,821	12,421
TOTAL EQUITY		**49,944**	**50,020**
TOTAL EQUITY AND TOTAL LIABILITIES		**648,169**	**736,176**

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

	Notes	June 2021	December 2020 (*)
Loan commitments given	30	112,127	132,584
Financial guarantees given	30	10,937	10,665
Other commitments given	30	36,624	36,190

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

The accompanying Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2021.

Condensed consolidated income statements for the six months ended June 30, 2021 and 2020

CONDENSED CONSOLIDATED INCOME STATEMENTS (Millions of Euros)

	Notes	June 2021	June 2020 (*)
Interest and other income	32	10,962	11,828
Interest expense	32	(4,007)	(4,267)
NET INTEREST INCOME		**6,955**	**7,561**
Dividend income	33	125	74
Share of profit or loss of entities accounted for using the equity method	34	(5)	(17)
Fee and commission income	35	3,311	2,987
Fee and commission expense	35	(996)	(929)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	36	121	202
Gains (losses) on financial assets and liabilities held for trading, net	36	463	270
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	36	280	129
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	36	96	203
Gains (losses) from hedge accounting, net	36	(81)	35
Exchange differences, net	36	206	176
Other operating income	37	340	221
Other operating expense	37	(997)	(814)
Income from insurance and reinsurance contracts	38	1,350	1,307
Expense from insurance and reinsurance contracts	38	(909)	(765)
GROSS INCOME		**10,259**	**10,639**
Administration costs		(3,983)	(3,999)
Personnel expense	39	(2,371)	(2,385)
Other administrative expense	39	(1,612)	(1,614)
Depreciation and amortization	40	(615)	(661)
Provisions or reversal of provisions	41	(928)	(518)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	42	(1,580)	(3,572)
Financial assets measured at amortized cost		(1,587)	(3,502)
Financial assets at fair value through other comprehensive income		8	(70)
NET OPERATING INCOME		**3,153**	**1,889**
Impairment or reversal of impairment of investments in joint ventures and associates	43	—	(60)
Impairment or reversal of impairment on non-financial assets	44	(196)	(65)
Tangible assets		(158)	(62)
Intangible assets		(5)	(3)
Other assets		(33)	—
Gains (losses) on derecognition of non-financial assets and subsidiaries, net		5	3
Negative goodwill recognized in profit or loss		—	—
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	45	(73)	(10)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**2,889**	**1,757**
Tax expense or income related to profit or loss from continuing operations		(782)	(477)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**2,107**	**1,281**
Profit (loss) after tax from discontinued operations	20	280	(2,104)
PROFIT (LOSS)		**2,387**	**(823)**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	**28**	**476**	**333**
ATTRIBUTABLE TO OWNERS OF THE PARENT		**1,911**	**(1,157)**

	June 2021	June 2020 (*)
EARNINGS PER SHARE (Euros)	**0.26**	**(0.20)**
Basic earnings (losses) per share from continuing operations	0.21	0.11
Diluted earnings (losses) per share from continuing operations	0.21	0.11
Basic earnings (losses) per share from discontinued operations	0.04	(0.32)
Diluted earnings (losses) per share from discontinued operations	0.04	(0.32)

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

The accompanying Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2021.

BBVA

Condensed consolidated statements of recognized income and expense for the six months ended June 30, 2021 and 2020

CONDENSED CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)	June 2021	June 2020 (*)
PROFIT (LOSS) RECOGNIZED IN INCOME STATEMENT	**2,387**	**(823)**
OTHER RECOGNIZED INCOME (EXPENSE)	**(1,818)**	**(3,173)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**361**	**(375)**
Actuarial gains (losses) from defined benefit pension plans	214	166
Non-current assets and disposal groups held for sale	(3)	1
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	205	(560)
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	22	62
Income tax related to items not subject to reclassification to income statement	(77)	(44)
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(2,179)**	**(2,798)**
Hedge of net investments in foreign operations (effective portion)	**(137)**	**573**
Valuation gains (losses) taken to equity	(137)	573
Transferred to profit or loss	—	—
Other reclassifications	—	—
Foreign currency translation	**(453)**	**(3,917)**
Translation gains (losses) taken to equity	(435)	(3,918)
Transferred to profit or loss	(18)	1
Other reclassifications	—	—
Cash flow hedges (effective portion)	**(458)**	**167**
Valuation gains (losses) taken to equity	(321)	167
Transferred to profit or loss	(137)	—
Transferred to initial carrying amount of hedged items	—	—
Other reclassifications	—	—
Debt securities at fair value through other comprehensive income	**(825)**	**3**
Valuation gains (losses) taken to equity	(737)	103
Transferred to profit or loss	(88)	(100)
Other reclassifications	—	—
Non-current assets and disposal groups held for sale	**(663)**	**517**
Valuation gains (losses) taken to equity	(30)	517
Transferred to profit or loss	(634)	—
Other reclassifications	—	—
Entities accounted for using the equity method	**5**	**(14)**
Income tax relating to items subject to reclassification to income statements	**353**	**(127)**
TOTAL RECOGNIZED INCOME (EXPENSE)	**569**	**(3,996)**
Attributable to minority interest (non-controlling interests)	**32**	**(243)**
Attributable to the parent company	**537**	**(3,753)**

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

The accompanying Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2021.

BBVA

Condensed consolidated statements of changes in equity for the six months ended June 30, 2021 and 2020

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

June 2021	Capital (Note 25)	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 26)	Revaluation reserves	Other reserves (Note 26)	Treasury shares	Profit or loss attributable to owners of the parent	Interim dividend (Note 4)	Accumulated other comprehensive income (Note 27)	Non-controlling interest		Total
												Accumulated other comprehensive income (Note 28)	Other (Note 28)	
Balances as of January 1, 2021 (*)	**3,267**	**23,992**	**—**	**42**	**30,508**	**—**	**(164)**	**(46)**	**1,305**	**—**	**(14,356)**	**(6,949)**	**12,421**	**50,020**
Total income (expense) recognized	—	—	—	—	—	—	—	—	1,911	—	(1,374)	(444)	476	569
Other changes in equity	—	(393)	—	1	813	—	(75)	8	(1,305)	—	382	—	(75)	(645)
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)	—	(393)	—	—	—	—	—	—	—	—	—	—	(84)	(477)
Purchase of treasury shares	—	—	—	—	—	—	—	(270)	—	—	—	—	—	(270)
Sale or cancellation of treasury shares	—	—	—	—	15	—	—	278	—	—	—	—	—	293
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers within total equity	—	—	—	—	996	—	(73)	—	(1,305)	—	382	—	—	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(11)	—	—	—	—	—	—	—	—	—	(11)
Other increases or (-) decreases in equity	—	—	—	12	(199)	—	(1)	—	—	—	—	—	8	(180)
Balances as of June 30, 2021	**3,267**	**23,599**	**—**	**43**	**31,320**	**—**	**(239)**	**(38)**	**1,911**	**—**	**(15,348)**	**(7,393)**	**12,821**	**49,944**

(*) Balances as of December 31, 2020 as originally reported in the consolidated Financial Statements for the year 2020.

The accompanying Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2021.

BBVA

Condensed consolidated statements of changes in equity for the six months ended June 30, 2021 and 2020

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

June 2020 (*)	Capital (Note 25)	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 26)	Revaluation reserves	Other reserves (Note 26)	Treasury shares	Profit or loss attributable to owners of the parent	Interim dividend (Note 4)	Accumulated other comprehensive income (Note 27)	Non-controlling interest		Total
												Accumulated other comprehensive income	Other (Note 28)	
Balances as of January 1, 2020 (**)	**3,267**	**23,992**	**—**	**56**	**26,402**	**—**	**(125)**	**(62)**	**3,512**	**(1,084)**	**(7,235)**	**(3,526)**	**9,728**	**54,925**
Effect of changes in accounting policies	—	—	—	—	2,985	—	6	—	—	—	(2,992)	(2,045)	2,045	—
Adjusted initial balance	**3,267**	**23,992**	**—**	**56**	**29,388**	**—**	**(119)**	**(62)**	**3,512**	**(1,084)**	**(10,226)**	**(5,572)**	**11,773**	**54,925**
Total income (expense) recognized	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,157)**	**—**	**(2,596)**	**(577)**	**333**	**(3,996)**
Other changes in equity	**—**	**—**	**—**	**(19)**	**1,201**	**—**	**(41)**	**34**	**(3,512)**	**1,084**	**—**	**—**	**(122)**	**(1,374)**
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)	—	—	—	—	(1,065)	—	—	—	—	—	—	—	(122)	(1,187)
Purchase of treasury shares	—	—	—	—	—	—	—	(494)	—	—	—	—	—	(494)
Sale or cancellation of treasury shares	—	—	—	—	(2)	—	—	528	—	—	—	—	—	526
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers within total equity	—	—	—	—	2,467	—	(39)	—	(3,512)	1,084	—	—	—	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(21)	—	—	—	—	—	—	—	—	—	(21)
Other increases or (-) decreases in equity	—	—	—	2	(198)	—	(2)	—	—	—	—	—	—	(198)
Balances as of June 30, 2020	**3,267**	**23,992**	**—**	**37**	**30,589**	**—**	**(160)**	**(28)**	**(1,157)**	**—**	**(12,822)**	**(6,148)**	**11,984**	**49,555**

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

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

The accompanying Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2021.

BBVA

Condensed consolidated statements of cash flows for the six months ended June 30, 2021 and 2020

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (Millions of Euros)

	Notes	June 2021	June 2020 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)		**(10,343)**	**27,354**
1. Profit for the period		**2,387**	**(823)**
2. Adjustments to obtain the cash flow from operating activities		**4,366**	**7,962**
Depreciation and amortization		615	661
Other adjustments		3,750	7,301
3. Net increase/decrease in operating assets		**(7,222)**	**(70,798)**
Financial assets held for trading		3,466	(20,986)
Non-trading financial assets mandatorily at fair value through profit or loss		(486)	(196)
Other financial assets designated at fair value through profit or loss		10	116
Financial assets at fair value through other comprehensive income		(4,171)	(11,468)
Financial assets at amortized cost		(6,308)	(37,577)
Other operating assets		267	(688)
4. Net increase/decrease in operating liabilities		**(9,065)**	**91,762**
Financial liabilities held for trading		(4,167)	22,607
Other financial liabilities designated at fair value through profit or loss		(443)	(61)
Financial liabilities at amortized cost		(5,124)	68,477
Other operating liabilities		669	738
5. Collection/Payments for income tax		**(808)**	**(749)**
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)		**(1,925)**	**(134)**
1. Investment		**(11,778)**	**(269)**
Tangible assets		(10)	(14)
Intangible assets		(270)	(256)
Investments in joint ventures and associates		(23)	1
Subsidiaries and other business units		—	—
Non-current assets classified as held for sale and associated liabilities	20	(11,476)	—
Other settlements related to investing activities		—	—
2. Divestments		**9,854**	**136**
Tangible assets		19	3
Intangible assets		—	—
Investments in joint ventures and associates		53	27
Subsidiaries and other business units		8	—
Non-current assets classified as held for sale and associated liabilities	20	9,773	105
Other collections related to investing activities		—	—
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)		**(2,706)**	**(2,938)**
1. Payments		**(2,999)**	**(4,558)**
Dividend distribution (shareholders remuneration)		(393)	(1,065)
Subordinated liabilities		(2,031)	(2,634)
Treasury stock amortization		—	—
Treasury stock acquisition		(270)	(494)
Other items relating to financing activities		(305)	(365)
2. Collections		**293**	**1,621**
Subordinated liabilities		—	1,095
Treasury shares increase		—	—
Treasury shares disposal		293	526
Other items relating to financing activities		—	—
D) EFFECT OF EXCHANGE RATE CHANGES		**(228)**	**(2,709)**
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)		**(15,201)**	**21,573**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD (**)		**76,888**	**44,303**
G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (E+F)		**61,687**	**65,877**

COMPONENTS OF CASH AND EQUIVALENT AT END OF THE PERIOD (Millions of Euros)

	Notes	June 2021	June 2020 (*)
Cash	8	5,872	5,669
Balance of cash equivalent in central banks	8	50,154	54,442
Other financial assets	8	5,661	5,766
Less: Bank overdraft refundable on demand		—	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**8**	**61,687**	**65,877**

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

(**) In 2021 it includes the balance of the Group's businesses in the United States included within the scope of the sale to PNC (see Notes 1.3 and 3).

The accompanying Notes and Appendices are an integral part of the condensed interim consolidated financial statements as of and for the six months ended June 30, 2021.

Notes to the condensed interim consolidated financial statements as of and for the six months ended June 30, 2021

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, 2020 were approved by the shareholders at the Annual General Meeting (“AGM”) on April 20, 2021.

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

The BBVA Group’s condensed interim consolidated financial statements (hereinafter, the “Consolidated Financial Statements”) as of and for the six months ended June 30,2021 are presented in accordance with the International Accounting Standard “Interim Financial Reporting” (“IAS 34”) and have been approved by the Board of Directors at its meeting held on July 29, 2021. 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 accompanying 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, 2020.

The aforementioned annual consolidated financial statements were prepared in accordance with the EU-IFRS applicable as of December 31, 2020, considering the Bank of Spain Circular 4/2017, and with any other legislation governing financial reporting which is applicable and with the format and mark-up requirements established in the EU Delegated Regulation 2019/815 of the European Commission.

The accompanying 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, 2020, taking into consideration the new Standards and Interpretations that became effective from January 1, 2021 (see Note 2.1), so that they present fairly the Group’s consolidated equity and financial position as of June 30, 2021, together with the consolidated results of its operations and the consolidated cash flows generated by the Group during the six months ended June 30, 2021.

The Consolidated Financial Statements and explanatory 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 accompanying 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 accompanying Consolidated Financial Statements and the explanatory notes relating to December 31, 2020 and June 30, 2020, is presented for the purpose of comparison with the information for June 30, 2021.

Sale of BBVA's U.S. subsidiary to PNC Financial Service Group

As mentioned in Note 3, in 2020, BBVA reached an agreement to sell its entire stake in BBVA USA Bancshares, Inc., which in turn owns all the capital stock of the bank, BBVA USA, as well as other companies of the BBVA Group in the United States with activities related to this banking business. On June 1, 2021 and once the mandatory authorizations had been obtained, BBVA completed the sale mentioned above.

As required by IFRS 5 "Non-current assets held for sale and discontinued operations", the balances of assets and liabilities corresponding to such companies for sale were reclassified in 2020 from their corresponding accounting headings to the headings "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale" respectively, from the consolidated balance sheet as of December 31, 2020. Similarly, as required by the aforementioned IFRS 5, the results generated by these companies for the first five months of 2021 are presented in the heading "Profit (loss) after taxes from discontinued operations" of the condensed consolidated income statement for such period, and in the heading "Non-current assets and disposal groups classified as held for sale" of the condensed consolidated statements of recognized income and expense for such period. Additionally, the results corresponding to the first six months of 2020 have been reclassified, to facilitate the comparison between periods, to those same sections of the respective condensed consolidated income statements and condensed consolidated statements of recognized income and expense for that period. Finally, the total consideration received in cash for the sale of BBVA's business in the United States has been recorded under the heading of "Divestments - Non-current assets classified as held for sale and associated liabilities" of the condensed consolidated cash flow statements as of and for the first half of 2021.

Note 20 shows a breakdown of the financial information of the companies sold in the United States as of December 31, 2020 and for the first five months of 2021 and the first half of 2020.

1.4. Seasonal nature of income and expense

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

1.5. Management and impacts of the COVID-19 pandemic

The appearance of the Coronavirus COVID-19 in China and its global expansion to a large number of countries, has motivated the viral outbreak to be classified as a global pandemic by the World Health Organization since last March 11, 2020. The pandemic has affected and continues to adversely affect the world economy and economic activity and conditions in the countries in which the Group operates, leading many of them to economic recession. The governments of the different countries in which the Group operates have adopted different measures that have conditioned the evolution (see Note 6.2).

In this pandemic situation, BBVA has focused its attention on ensuring the continuity of the business operational security as a priority and monitoring the impacts on the business and on the risks of the Group (such as the impacts on results, capital or liquidity). Additionally, BBVA adopted from the beginning a series of measures to support its main interest groups. In this sense, the purpose and the Group's long-term strategic priorities remain the same and are even reinforced, with a commitment to technology and data-driven decision-making.

With the aim of mitigating the impact of COVID-19, various European and International bodies have made pronouncements aimed at allowing greater flexibility in the implementation of the accounting and prudential frameworks. The BBVA Group took these pronouncements into consideration when preparing this report (see Note 6.1).

The main impacts of COVID-19 pandemic in the BBVA Group's Consolidated Financial Statements are detailed in the following explanatory notes:

- Note 1.6 includes information on the consideration of the COVID-19 pandemic in the estimates made.
- Note 6.1 details the main risks associated with the pandemic as well as the impacts that have occurred both in the activity and in the Consolidated Financial Statements for the first half of 2021.
- Note 6.2 includes information related to the initiatives carried out by the Group to help the most affected clients, jointly with the measures of the corresponding governments. Likewise, it contains, among others, information regarding the number of operations and the amount corresponding to payment deferrals' measures, both public and private, granted by the Group worldwide.
- Note 6.3 presents information regarding the impact on liquidity and financing risk.

- Note 29 includes information with regard to the impact on the Group's capital.

1.6. Responsibility for the information and for the estimates made

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

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

- Loss allowances on certain financial assets (see Notes 6, 12, 13 and 15).
- The assumptions used to quantify certain provisions (see Notes 22 and 23) and for the actuarial calculation of post-employment benefit liabilities and other commitments (see Note 24).
- The useful life and impairment losses of tangible and intangible assets (see Notes 16, 17, 19 and 20).
- The valuation of goodwill and price allocation of business combinations (see Note 17).
- The fair value of certain unlisted financial assets and liabilities (see Note 7, 9, 10, 11, 12 and 14).
- The recoverability of deferred tax assets (see Note 18).

As mentioned before, on March 11, 2020, COVID-19 was declared as a global pandemic by the World Health Organization (see Note 1.5). The great uncertainty associated to the unprecedented nature of this pandemic 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 June 30, 2021. However, it is possible that events may take place in the future which could make it necessary to amend these estimations (upward or downward), which would be carried out prospectively, recognizing the effects of the change in estimation in the corresponding consolidated income statement.

During the six-month period ended on June 30, 2021 there have been no significant changes in the estimates made at the end of the 2020 financial year, other than those indicated in these Consolidated Financial Statements.

1.7. Separate 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 interim financial statements of Banco Bilbao Vizcaya Argentaria, S.A. as of and for the six-months ended June 30, 2021.

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 accompanying Consolidated Financial Statements do not differ significantly to those applied in the Consolidated Financial Statements of the Group for the year ended December 31, 2020 (Note 2), except for the entry into force of new standards and interpretations in the year 2021.

2.1. Standards and interpretations that became effective in the first six months of 2021

The following amendments to the IFRS standards or their interpretations (hereinafter "IFRIC") became effective on or after January 1, 2021:

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Modifications - IBOR reform

On August 27, 2020, the IASB issued the second phase of the IBOR reform that involves the introduction of amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, to ensure that the financial statements reflect the economic effects of the IBOR reform.

These modifications focus on accounting for financial instruments, once a new risk-free benchmark has been introduced (Risk Free Rate, hereinafter "RFR"). The modifications introduce the accounting relief for changes in the cash flows of financial instruments directly caused by the IBOR reform if they take place in a context of "economic equivalence", by updating the effective interest rate of the instrument. Additionally, they introduced a series of reliefs to the hedging requirements so as not to have to interrupt certain hedging relationships when the new benchmark is introduced. However, similar to the Phase 1 amendments (which entered into force in 2020), the Phase 2 amendments do not provide for exceptions to the measurement requirements applicable to hedged items and hedging instruments in accordance with IFRS 9 or IAS 39. Thus, once the new benchmark has been implemented, the hedged items and hedging instruments must be measured according to the new index, and the possible ineffectiveness that may exist in the hedge will be recognized in profit or loss.

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

BBVA Group has a significant number of financial assets and liabilities referenced to IBOR rates, especially EURIBOR, which are used, among others, in loans, deposits, debt issuances and financial derivatives. Furthermore, although the exposure to EONIA is lower in the banking book, this benchmark interest rate is used in financial derivatives in the trading book, as well as in the collateral agreements, and most are booked in Spain. In the case of LIBOR, even with the divestiture of BBVA USA by the Group in June 2021, which has significantly reduced the exposure to LIBOR USD, the USD continues to be the most relevant currency for both cash products and financial derivatives in the banking book and the trading book. Other LIBOR currencies (CHF, GBP and JPY) have a much lower exposure.

Therefore, BBVA Group established an IBOR transition program, provided with a robust governance structure by means of an Executive Steering Committee, with representation from senior management of the affected areas, which reports directly to the Group's Global Leadership Team. At the local level, each geography has defined a local governance structure with the participation of senior management. The coordination between geographies is realized through the Project Management Office (PMO) and the Global Working Groups that incorporate a multi-geographic and transversal view on the areas of Legal, Risk, Regulatory, Engineering, Finance and Accounting. The project also involves both Corporate Assurance of the different geographies and business lines and Global Corporate Assurance of the Group.

The IBOR transition project within BBVA Group takes into account the different approaches and timings of transition to the new RFRs when evaluating different risks associated with de reform, as well as defining the lines of action to mitigate them. BBVA is aligned with the Good Practices issued by the ECB that outline how banks can better structure their governance, identify related risks and create contingent action plans and documentation in relation to the transition of reference rates.

A relevant aspect of this transition is its impact on contracts referenced to LIBOR and EONIA maturing after December 31, 2021 (when most indices disappear) and June 30, 2023 (in the case of dollar LIBOR except 1-week and 2-month).

In the case of the EONIA, BBVA is carrying out the novation of the contracts maturing after 2021 (it should be noted that these exposures are immaterial in the Group and mostly against clearing houses) and has already begun, proactively, the renegotiation of collateral contracts to adapt them to the operations against clearing houses already migrated in July 2020. The Group already has new fallbacks in place which incorporate the €STR as a replacement rate, as well as language to incorporate this benchmark as the main reference rate in new contracts.

In the case of LIBOR, BBVA Group has identified the stock of contracts maturing after December 31, 2021 and June 30, 2023 (in the case of dollar LIBOR except 1-week and 2-month) and is working on the implementation of tools/systems that will allow the stock to be migrated to solutions such as those proposed by ISDA (Group entities are already adhered to the ISDA protocol) or in bilateral negotiations. Likewise, BBVA Group continues to work on adapting all its systems and processes to deal with alternative Risk Free Rates, such as SOFR and SONIA. In this sense, BBVA is already operating in both derivative products and loans with Risk Free Rates indices. In addition, BBVA Group is also actively reducing the number of new contracts with LIBOR rates with expiration beyond 2021.

In the case of EURIBOR, the European authorities have encouraged amendments of its methodology so that it complies with the requirements of the European Regulation on Benchmarks. BBVA actively participates in various working groups, including the EURO RFR WG which works specifically, amongst others, on the definition of fallbacks in contracts, in anticipation of an option to change the index in the future.

Additionally, numerous communication and training initiatives are being carried out both for the Group's internal staff and for clients, in order to have a good understanding of the project.

The following is the BBVA Group's exposure to financial assets and liabilities maturing after the transition dates of these IBORs to their corresponding RFRs, which as of June 30, 2021 are referenced to IBOR and EONIA indices. In the case of loans and advances to customers, asset and liability debt instruments, and deposits, the gross amounts are shown, and in the case of derivatives their notional value:

Millions of Euros	Loans & Advances	Debt Securities Assets	Debt Securities Issued (Liabilities)	Deposits	Derivatives (notional)
EONIA with maturity > December 31, 2021	7	—	—	9,213	102,203
LIBOR ex USD & LIBOR USD 1W/2M with maturity > December 31, 2021	3,666	—	244	1,215	37,695
LIBOR USD with maturity > June 30, 2023	17,308	153	1,975	2,146	372,575
Total	**20,980**	**153**	**2,219**	**12,575**	**512,473**

94% of the derivative instruments exposures are settled either through clearing houses (mainly LCH or EUREX) or are operations with counterparties currently adhering to the ISDA protocol.

Amendments to IFRS 4 Insurance Contracts

The amendment to IFRS 4 includes a deferral in the temporary exception option regarding the application of IFRS 9 for entities whose business model is predominantly an insurance model until January 1, 2023, aligning it with the entry into force of the IFRS 17 Insurance Contracts rule. This modification is applicable from January 1, 2021, although it will not have an impact on the Group since the Bank does not take such an option.

IFRS 16 - Leases - COVID-19 modifications

The IASB has extended the term to qualify for the exemption that allows tenants not to register concessions in rents as a modification of the lease if they are a direct consequence of COVID-19. This exemption has not had an impact on the Group since the Bank has not received concessions on its rents as a result of COVID-19.

The application of the exemption will remain optional and applies to rent concessions made until June 30, 2022.

2.2. Standards and interpretations issued but not yet effective as of June 30, 2021

The following new International Financial Reporting Standards together with their Interpretations had been published at the date of preparation of the accompanying Consolidated Financial Statements, but are not mandatory as of June 30, 2021. Although in some cases the International Accounting Standards Board ("IASB") allows early adoption before their effective date, the BBVA Group has not proceeded with this option for any such new standards.

IFRS 17 – Insurance contracts

IFRS 17 establishes the principles for account insurance contracts. This new standard supersedes IFRS 4, by introducing deep changes in the accounting of insurance contracts with the aim of achieving greater homogeneity and increasing comparability between entities.

Unlike IFRS 4, the new standard establishes minimum requirements for grouping insurance contracts for the purposes of their recognition and measurement, determining the units of account by considering three levels: portfolios (contracts subject to similar risks and managed together), annual cohorts and their possibility of becoming onerous.

Regarding the measurement model, the new standard contemplates several methods, being the General Model (Building Block Approach) the method that will be applied by default for the valuation of insurance contracts, unless the conditions are given to apply any of the two other methods: the Variable Fee Approach, and the Simplified Model (Premium Allocation Approach).

With the implementation of IFRS 17, the valuation of insurance contracts will be based on a model that will use updated assumptions at each balance sheet date.

The General Model requires entities to value insurance contracts for the total of:

a. 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;

b. and the contractual service margin, which represents the expected unearned benefit from the insurance contracts, which will be recognized in the entity's income statement as the service is provided in the future, instead of being recognized at the time of the estimation.

The amounts recognized in the income statement shall be classified into insurance revenue, insurance service expenses and insurance finance income or expenses. Insurance revenue and insurance service expenses shall exclude any investment components. Insurance revenue shall be recognized over the period the entity provides insurance coverage.

An entity shall apply IFRS 17 for annual reporting periods beginning on or after January 1, 2023 (with at least one year comparative information); however, the endorsement by the European Commission is still pending.

Since 2019, the Group maintains a project to implement IFRS 17 in order to harmonize the criteria in the Group and with the participation of all involved areas and countries.

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 different IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors with the aim of improving the quality of the disclosures in relation to the accounting policies applied by the entities with the ultimate aim of providing useful and material information in the Financial Statements.

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies and include guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments to IAS 8 also clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The amendments to IAS 1 and IAS 8 will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. No significant impact is expected on BBVA's consolidated financial statements.

Amendment IAS 12- accounting for deferred tax

The IASB has issued an amendment to IAS 12 that clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations.

The amendments clarify that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. No significant impact is expected on the BBVA Group´s consolidated financial statements.

Minor changes to IFRS Standards and Annual Improvements to IFRS 2018-2020 (IAS 1 - First application of IFRS, IFRS 9 Financial Instruments, IAS 41 Agriculture and modifications to the illustrative examples of IFRS 16 - Leases)

The IASB has issued minor amendments and improvements to various IFRSs to clarify the wording or correct minor consequences, oversights or conflicts between the requirements of the Standards. The modified standards are: IFRS 3 Business Combination, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, IFRS 9 Financial Instruments, IFRS 16 Leases 16, IAS 1 First Time Adoption of IFRS and IAS 41 Agriculture.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2022. No significant impact is expected on the BBVA Group's consolidated financial statements.

3. BBVA Group

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

The following information is detailed in the Appendices to the consolidated financial statements of the Group for the year ended December 31, 2020:

- Appendix I shows relevant information related to the consolidated subsidiaries and structured entities.
- Appendix II shows relevant information related to investments in subsidiaries, 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 and Asia (see Note 5).

Significant transactions in the first six months of 2021

Divestitures

Sale of BBVA's U.S. Bancshares, Inc. to PNC Financial Service Group

On June 1 2021, after obtaining all the required authorizations, BBVA completed the sale to The PNC Financial Services Group, Inc. of 100% of the capital stock of its subsidiary BBVA USA Bancshares, Inc., which in turn owns all the capital stock of the bank, BBVA USA.

The consideration received in cash by BBVA, as a consequence of the referred sale, amounts to approximately 11,500 million USD (price provided in the agreement minus the agreed closing price adjustments) equivalent to approximately 9,600 million euros (with an exchange rate of 1.20 EUR / USD).

The accounting of both the results generated by BBVA USA Bancshares since the announcement of the transaction and of its closing, have had an aggregate positive impact on the BBVA Group's Common Equity Tier 1 ("fully loaded") ratio of approximately 294 basis points, which includes the generation of capital contributed by the subsidiary to the Group until the closing of the transaction (June 1, 2021) and a profit net of taxes of 582 million euros. Thus, the BBVA Group has been reflecting the results that BBVA USA Bancshares, Inc. has been generating, as well as the positive impact, mainly, of these results on the Common Equity Tier 1 ("fully loaded") ratio of BBVA Group. The calculation of the impact on Common Equity Tier 1 has been made taking into account the amount of the transaction in euros and BBVA Group's financial statements as of June 2021.

The BBVA Group will continue to develop the institutional and wholesale business in the US that it currently carries out through its broker-dealer BBVA Securities Inc. and its branch in New York. BBVA will also maintain its investment activity in the fintech sector through its participation in Propel Venture Partners US Fund I, L.P.

Note 20 shows a breakdown of the financial information of the companies sold in the United States as of December 31, 2020 and the results for the first five months of 2021 and the first half of 2020.

Sale of the BBVA Group's stake in Paraguay

On January 22, 2021 and once the mandatory authorizations were obtained, BBVA completed the sale of its direct and indirect shareholding of 100% of the capital stock of Banco Bilbao Vizcaya Argentaria Paraguay, S.A. ("BBVA Paraguay") to Banco GNB Paraguay S.A., a subsidiary of the Gilinski Group. The total amount received by BBVA amounts to approximately 250 million US dollars (approximately 210 million euros). The transaction has generated a capital loss net of taxes of approximately 9 million euros. Likewise, this transaction has a positive impact on the Common Equity Tier 1 ("fully loaded") of the BBVA Group of approximately 6 basis points, which is reflected in the capital base of the BBVA Group as of June 2021.

Significant transactions in 2020

Divestitures

Alliance with Allianz, Compañía de Seguros y Reaseguros, S.A

On April 27, 2020, BBVA reached an agreement with Allianz, Compañía de Seguros y Reaseguros, S.A. to create a bancassurance joint venture in order to develop the non-life insurance business in Spain, excluding the health insurance line of the business.

On December 14, 2020, once the required authorizations had been obtained, BBVA completed the transaction and announced the transfer to Allianz, Compañía de Seguros y Reaseguros, S.A. of half plus one share of the company BBVA Allianz Seguros y Reaseguros, S.A., for which it received €274 million euros, without taking into account a variable part of the price (up to 100 million euros depending on certain objectives and planned milestones). This operation resulted in a profit net of taxes of 304 million euros and a positive impact on the fully loaded CET1 of the BBVA Group of 7 basis points recorded in the Consolidated Financial Statements as of December 31, 2020.

4. Shareholder remuneration system

The Annual General Meeting of BBVA held on April 20, 2021, approved, under item 3 of the Agenda, the cash distribution in the amount of €0.059 gross per share against the share premium account as shareholder remuneration in relation to the Group's result in the 2020 financial year per BBVA outstanding share, paid to shareholders on April 29, 2021.

Additionally, the European Central Bank (ECB) published on July 23, 2021, recommendation 2021/31 repealing recommendation ECB/2020/62 as from September 30, 2021. Recommendation ECB/2021/31 establishes that the ECB will assess banks' plans to distribute dividends and conduct share buybacks on an individual basis with a careful forward-looking assessment of capital plans in the context of the normal supervisory cycle, and repeals any further restrictions on dividends and share buybacks contained in recommendation ECB/2020/62.

Once recommendation ECB/2021/31 has been released, BBVA intends to reintroduce its dividend policy announced on February 1, 2017, that consist in the distribution of an annual payout of between 35% and 40% of the profits obtained in each financial year fully in cash in two different payments (expected for October and April, subject to the applicable authorizations) as from September 30, 2021.

5. Operating segment reporting

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

As of June 30, 2021, the structure of the information by operating segments reported by the BBVA Group differs from that presented at the end of the 2020 financial year, mainly as a consequence of the exclusion of the United States as an operating segment, as a result of the sale agreement reached with PNC (see Note 3).

The BBVA Group's operating segments and the agreements reached are summarized below:

- Spain

  Includes mainly the banking and insurance business that the Group carries out in Spain, including the proportional share of results of the new company that emerged from the bancassurance agreement reached with Allianz at the end of 2020 (see Note 3).

- Mexico

  Includes banking and insurance businesses in this country as well as the activity that BBVA Mexico carries out through its branch in Houston.

- Turkey

  Reports the activity of Garanti BBVA group that is mainly carried out in this country and, to a lesser extent, in Romania and the Netherlands.

- South America

  Mainly includes the banking and insurance activity carried out in the region. The information for this operating segment includes the results, activity, balance sheet and relevant management indicators for BBVA Paraguay for 2020; data which is not included for 2021 since the sale agreement was completed in January 2021 (see Note 3).

- Rest of business

  Mainly incorporates the wholesale activity carried out in Europe (excluding Spain), and the United States with regard to the New York branch, as well as the institutional business that the Group develops in the United States through its broker-dealer BBVA Securities Inc. It also incorporates the banking business developed through the five BBVA branches located in Asia.

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, including the stake in the venture capital fund Propel Venture Partners; certain tax assets and liabilities; funds for employee commitments; goodwill and other intangible assets, as well as the financing of such asset portfolios. Additionally, the results obtained by the Group's businesses in the United States until the sale to PNC on June 1, 2021 (see Note 20), are presented in a single line under the heading "Profit (loss) after tax from discontinued operations" in the condensed consolidated income statement. Finally, the costs related to the Banco Bilbao Vizcaya Argentaria, S.A. restructuring process in Spain, being considered such process an strategic decision, are included in this aggregated area and are registered in the lines "Provisions", "Provisions or reversal of provisions", " Impairment or reversal of impairment on non-financial assets" and Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (see Notes 23, 41, 44 and 45).

The breakdown of the BBVA Group's total assets by operating segments as of June 30, 2021 and December 31, 2020, is as follows:

Total Group assets by operating segments (Millions of Euros)

	June 2021	December 2020
Spain	399,180	410,409
Mexico	114,501	110,236
Turkey	59,243	59,585
South America	53,343	55,436
Rest of Business	34,364	35,172
Subtotal assets by operating segments	**660,631**	**670,839**
Corporate Center and adjustments	(12,462)	65,336
Total assets BBVA Group	**648,169**	**736,176**

The following table sets forth the attributable profit and main margins of the condensed consolidated income statement by operating segment and Corporate Center for the six months ended June 30, 2021 and 2020:

Main margins and profit by operating segments (Millions of euros)

		Operating Segments					
	BBVA Group	Spain	Mexico	Turkey	South America	Rest of Business	Corporate Center
June 2021							
Net interest income	6,955	1,762	2,771	1,036	1,328	140	(82)
Gross income	10,259	3,057	3,604	1,571	1,480	400	147
Operating income	5,661	1,557	2,337	1,073	797	173	(277)
Operating profit /(loss) before tax	2,889	1,013	1,605	953	424	184	(1,290)
Profit/(loss) after tax from discontinued operations	280	—	—	—	—	—	280
Attributable profit (loss) (*)	**1,911**	**745**	**1,127**	**384**	**218**	**145**	**(708)**
June 2020							
Net interest income	7,561	1,801	2,717	1,534	1,443	145	(79)
Gross income	10,639	2,909	3,553	1,957	1,664	451	106
Operating income	5,980	1,376	2,351	1,394	945	221	(307)
Operating profit /(loss) before tax	1,757	128	893	715	297	140	(416)
Profit/(loss) after tax from discontinued operations	(2,104)	—	—	—	—	—	(2,104)
Attributable profit (loss) (*)	**(1,157)**	**108**	**656**	**266**	**159**	**109**	**(2,454)**

(*) See Note 48.1

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

6. Risk management

The principles and risk management policies, as well as tools and procedures established and implemented in the Group as of June 30, 2021 do not differ significantly from those included in Note 7 in the consolidated financial statements of the Group for the year ended December 31, 2020.

6.1. Risk factors

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

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

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

As part of this process, a forward projection of the risk appetite framework variables in stress scenarios is conducted in order to identify possible deviations from the established thresholds. If any such deviations are detected, appropriate measures are taken to keep the variables within the target risk profile.

In this context, there are a number of emerging risks that could affect the evolution of the Group's business, including the below:

- Risk associated with the COVID-19 pandemic

The COVID-19 (coronavirus) pandemic has affected and is expected to continue to adversely affect the world economy, and economic activity and conditions in the countries in which the Group operates, despite the recent gradual improvement driven by the increasing distribution of effective vaccines and growing inoculation of the population of these countries. This recession is expected to be followed by high but uneven activity growth across sectors and geographies in 2021. Among other challenges, these countries are still dealing with experiencing very high increases in unemployment levels, weak activity, supply disruptions and increasing inflationary pressures, while public debt has significantly increased due to the support and spending measures implemented by authorities. Furthermore, an increase in loan losses by both companies and individuals is expected, which has so far been slowed down by the impact of government and sector support measures, including bank payment deferrals and direct aid measures. In addition, volatility in the financial markets may continue, affecting exchange rates and the value of assets and investments, all of which has adversely affected the Group's results in 2020 and is expected to continue to affect them in the future.

Furthermore, the Group has been and may continue to be affected by the specific measures or recommendations adopted by authorities in the banking sector, such as variations in reference interest rates, the relaxation of prudential requirements, the suspension of dividend payments, the deferral of monthly installments for certain loans and the implementation of credit lines with public guarantees, especially to companies and self-employed individuals, as well as any changes in financial assets purchase programs by the ECB. Although as of June 30, 2021, the majority of the amounts of the payment deferrals granted due to the COVID-19 pandemic have already expired and, therefore, it has been possible to observe the payment behavior for many customers, there are still existing transactions that expire in the second half of 2021. Hence, as of June 30, 2021, it is not possible to anticipate completely the behavior of the existing operations because it cannot yet be assured that economic conditions will improve during that period.

Since the outbreak of the COVID-19 pandemic, the Group has experienced a decline in its activity. For instance, the granting of new loans to individuals has decreased since mobility restriction measures were approved in certain countries in which the Group operates. In addition, the Group faces various risks, such as a greater risk of volatility of the value of its assets (including financial instruments valued at fair value, which may suffer significant fluctuations) and of the securities held for liquidity reasons, an even further increase in impaired loans and risk-weighted assets, as well as a negative impact on the Group's financing cost and its access to financing (especially in an environment where credit ratings are affected). As of June 30, 2021, 5,5% of the Group's exposure is placed in sectors identified as most vulnerable to the current environment, especially leisure, commercial real estate, non-food retailers (excluding those developed markets where recovery is observed) and air transportation.

Additionally, in several of the countries in which the Group operates, including Spain, the Group has closed branches, reduced opening hours to the public depending on the confinement measures established in each geography, and the teams which provide central services have been working remotely, and continue to do so. Despite the fact these measures have been partially reversed, it is unclear how long it will take before they can be fully reversed due to the persistence of the COVID-19 pandemic. Furthermore, the pandemic could adversely affect the business and operations of third parties that provide critical services to the Group and, in particular, the higher demand and/or the lower availability of certain resources could, in some cases, make it more difficult for the Group to maintain the required service levels. In addition, the widespread use of remote work has increased the risks related to cybersecurity, as the use of non-corporate networks has increased.

Therefore, the COVID-19 pandemic has had an adverse effect on the Group's results and capital base.

- Macroeconomic and geopolitical risks

The Global economy is recovering from the crisis caused by the COVID-19 pandemic, which resulted in a fall of around 3.2% of global GDP in 2020. Improved activity in the first half of 2021 was primarily due to the increasing rollout of coronavirus vaccines—which has allowed a relatively rapid reopening of the economy—as well as to strong monetary and fiscal stimuli. Similarly, recovery in global growth has been accompanied by higher pressure on prices than expected, mainly in the United States, where consumer inflation reached 5.4% in June 2021.

It is hoped that increased vaccination will enable greater control of the pandemic and that economic policy will remain focused on supporting economic activity. Economic recovery is therefore most likely to continue. According to BBVA Research, global GDP will increase by around 6.3% in 2021 and 4.7% in 2022, inflation will gradually moderate in the coming quarters as the supply of products and services reacts to the recent increase in demand, and monetary policy benchmark interest rates will remain at all-time lows in the United States, where growth will reach 6.7% in 2021 and 4.8% in 2022. Meanwhile, several factors, such as the United States Federal Reserve's withdrawal of monetary stimuli, more persistent inflation, or new coronavirus variants, are contributing to uncertainty remaining exceptionally high and pose a risk to the expected economic recovery scenario.

With regard to the banking system, in an environment in which much of the economic activity has been at a partial standstill for several quarters, the services it provides have played an essential role. There are two main reasons for this: first, the banks have ensured the proper functioning of collections and payments for households and companies, thereby contributing to the maintenance of economic activity; second, the granting of new credit or the renewal of existing credit has reduced the impact of the economic slowdown on household and business incomes. The support provided by the banks over the months of lockdown and public guarantees have been essential in softening the impact of the crisis on companies' liquidity and solvency, meaning that banking has become the main source of funding for most companies.

In terms of profitability, European banks (including Spanish banks) have deteriorated from the outset of the crisis, primarily because many entities made high allocations for provisions for financial asset impairment in the first half 2020 as a result of the worsening macroeconomic environment following the pandemic outbreak. However, the profitability of European banks recovered strongly in the first quarter of 2021. According to data published by the Risk Dashboard of the European Banking Authority (hereinafter "EBA"), the average ROE for the major EU banking groups (covering approximately 80% of the banking business in Europe) rose from 1.9% in 2020 to 7.6% in the first quarter due to the widespread signs of economic recovery. Furthermore, the accumulation of capital by banks and the very low interest-rate environment we have found ourselves in for several years will continue to put pressure on bank profitability. Nevertheless, European entities are facing this situation from a healthy position and with solvency that has been constantly increasing since the 2008 crisis, with reinforced capital and liquidity buffers and, therefore, with a greater capacity to lend.

- Regulatory and reputational risks

Financial institutions are exposed to a complex and ever-changing regulatory environment defined by governments and regulators. This can affect their ability to grow and the capacity of certain businesses to develop, and result in stricter liquidity and capital requirements with lower profitability ratios. The Group constantly monitors changes in the regulatory framework that allow for anticipation and adaptation to them in a timely manner, adopt industry practices and more efficient and rigorous criteria in its implementation.

The financial sector is under ever closer scrutiny by regulators, governments and society itself. In the course of activities, situations which might cause relevant reputational damage to the entity could raise and might affect the regular course of business. The attitudes and behaviors of the Group and its members are governed by the principles of integrity, honesty, long-term vision and industry practices through, inter alia, the internal control model, the Code of Conduct, the Corporate Principles in tax matters and Responsible Business Strategy of the Group.

- Business, operational and legal risks.

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

Technological risks and security breaches: The Group is exposed to new threats such as cyber-attacks, theft of internal and customer databases, fraud in payment systems, etc. that require major investments in security from both the technological and human point of view. The Group gives great importance to the active operational and technological risk management and control.

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

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

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

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

As of June 30, 2021, the Group had €580 million in provisions for the proceedings it is facing (included in the line "Provisions for litigation and pending tax cases" in the consolidated balance sheet) (see Note 23), of which €536 million correspond to legal contingencies and €44 million to tax related matters. However, the uncertainty arising from these proceedings (including those for which no provisions have been made, either because it is not possible to estimate them or for other reasons) makes it impossible to guarantee that the possible losses arising from these proceedings will not exceed, where applicable, the amounts that the Group currently has provisioned and, therefore, could affect the Group's consolidated results in a given period.

As a result of the above, legal and regulatory actions and proceedings currently faced by the Group or to which it may become subject in the future or otherwise affected by, individually or in the aggregate, if resolved in whole or in part adversely to the Group's interests, could have a material adverse effect on the Group's business, financial condition and results of operations.

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

This criminal judicial proceeding is at the pre-trial phase. Therefore, it is not possible at this time to predict the scope or duration of such proceeding or any related proceeding or its or their possible outcomes or implications for the Group, including any fines, damages or harm to the Group's reputation caused thereby.

6.2. Credit risk

Since the beginning of the pandemic, the Group has offered payment deferral to its customers (retail, SMEs and wholesale) in all the geographies where it operates. These moratoriums have been both legislative (based on national laws) and non-legislative (based on sectorial or individual schemes), aimed at mitigating the effects of COVID-19. Depending on the cases, the payment of principal and / or interest has been postponed, maintaining the original contract. Generally, these deferrals have been given for a period of less than one year. This measure has been extended to different sectors, being Leisure and Real Estate, the main users. The deadline to qualify for the moratorium has expired in most of the geographies except for Colombia and Turkey (deadline in the third quarter of 2021) after the extension of the originally set period.

Specifically, the Group's participation in the following moratorium or public guarantee measures by geography stands out:

- In Spain, payment deferral measures have been covered mainly by Royal Decree Law 8/2020 and 11/2020, as well as the sectorial agreement promoted by the Spanish Banking Association (hereinafter "AEB") to which BBVA has adhered.

  The moratoriums covered by the Royal Decree Law ("RDL") have been proposed to the especially vulnerable groups indicated in the regulation. These measures consist of payment deferral of three months of principal and interest. In addition, the possibility of customers joining sector agreements for the remaining term until the limit established has been offered that, once said legal moratorium has expired. By type of customer, they are aimed at individuals, individual or self-employed entrepreneurs, and by type of product, mortgage, personal loans or consumer loans.

  The moratoriums granted under the sectorial agreement of the AEB are aimed at individuals for up to 12 months of capital deferral in the case of mortgage loans and up to 6 months in personal loans. Said sector agreement has been in force until September 29, 2020, but it was extended until March 31, 2021, although the new conditions only provided for the payment deferral of capital in mortgages up to 9 months, remaining 6 months on personal loans.

  In addition, the Official Credit Institute ("ICO") has published several aid programs aimed at the self-employed, SMEs and companies, through which a guarantee of between 60% and 80% is granted for a period of up to 5 years to the new financing granted. The amount of the guarantee and its length depends on the size of the company and the type of aid. For financial operations realized before November 18, 2020 and supported by the government under RDL 8/2020 and RDL34/2020 there was the opportunity until May 15 to extend the deadline up to 3 years and up to a further 12 months of grace period regarding the initial deadlines and grace accorded.

  Additionally, there are facilities in terms of deadline extensions (up to 10 years under requirements), change financing operations into participative loans as well as haircut in part of financing (RDL 5/2021 and Code of Good Practices).

  The ICO has also subsidized individuals the amount of the rent up to 6 months in loans up to 6 years.

- In Mexico, the National Banking Commission of Securities ("CNBV") published official letters P285/2020 of March 26, 2020 and P293/2020 of April 15, 2020, allowing the granting of capital and interest payment deferral for a period 4 months extendable for additional 2 additional months. The deadline date of these measures was July 31, 2020. These measures were mainly used by individuals and companies, affecting mortgage loans, personal loans and consumer loans, including credit cards;

- In Turkey, in mid-March 2020 the government announced a program to stimulate the economy (Economic Stability Shield) allowing banks to defer payments for 3 months, with the possibility of extending up to 6 months, which was accompanied by several communications of the Banking Regulation and Supervisory Agency ("BRSA") in this regard. These supporting measures are granted to both individuals and companies. The deadline to adhere is September 2021.

  Likewise, public support programs have been recognized guaranteeing up to 80% of loans granted to companies for a period of 1 year.

- In Colombia, the binding legislation for payment deferral comes from the Financial Superintendency, specifically from its Circulars 07/2020 and 14/2020, as well as from Resolution No. 385. The payment deferral consists of the deferral of payments of principal and interest until 6 months. The term to apply for such payment deferrals has been extended until August 2021.

- In Peru, measures were approved through various official letters issued by the Superintendency of Banking and Insurance ("SBS"), allowing the deferral of principal and interest payments initially up to 6 months and then extended to 12, mainly to individuals, self-employed and small companies. The deadline date for the adoption of these measure was March 31, 2021.

  Additionally, there have been public support programs such as "Reactiva", "Crecer" or "FAE" aimed at companies and micro companies with guaranteed amounts that, depending on the program and the type of company, are in a range of between 60% and 98%. "Reactiva" program allowed to extend the time of previously accepted operations from Apr 2021 to Sep 30, 2021

- In Argentina, payment deferral measures are based on state legislation such as Royal Decree 544/2020 or Decree 319/202, as well as various Central Bank regulations. Aimed at a broad group of customers, they facilitate deferral of capital and interest for up to 3 months. The deadline date for the adoption of these measure was March 31, 2021.

  There have been public support programs which offer guarantees up to 100% to micro-SMEs or self-employed and up to 25% to the rest of the companies in financing up to 1 year.

The amount of payment deferrals (existing and completed) under EBA standards and the financing granted with public guarantees given at a Group level, as well as the number of customers of both measures, as of June 30, 2021 and December 31, 2020, are as follows:

Amount of payment deferrals and financing with public guarantees of the Group (Millions of Euros)

	Payment deferrals				Financing with public guarantees			
	Existing	**Completed**	**Total**	**Number of customers**	**Total**	**Number of customers**	**Total payment deferrals and guarantees**	**(%) credit investment**
June 2021	2,778	22,669	25,447	2,651,810	16,093	259,773	41,539	12.0 %
December 2020	6,536	21,868	28,405	2,779,964	16,053	249,458	44,458	12.9 %

The amount of payment deferrals (existing and completed) under EBA standards and financing granted with public guarantees given at a Group level, broken down by segment, as of June 30, 2021 and December 31, 2020, are as follow:

Amount of payment deferral and financing with public guarantees (Millions of Euros)

	Payment deferrals						Financing with public guarantees	
	Existing		Completed		Total			
	June 2021	December 2020	June 2021	December 2020	June 2021	December 2020	June 2021	December 2020
Group	**2,778**	**6,536**	**22,669**	**21,868**	**25,447**	**28,405**	**16,093**	**16,053**
Customers	2,076	4,503	15,087	14,550	17,162	19,052	1,292	1,235
Of which: Mortgages	*1,877*	*3,587*	*9,063*	*7,471*	*10,941*	*11,059*	*1*	*1*
SMEs	488	1,023	4,321	4,743	4,809	5,766	10,739	10,573
Non-financial corporations	202	961	3,074	2,397	3,276	3,358	4,043	4,232
Other	12	50	187	179	199	229	18	13

Amount of payment deferrals by stages (Millions of Euros)

	Stage 1		Stage 2		Stage 3		Total	
	June 2021	December 2020	June 2021	December 2020	June 2021	December 2020	June 2021	December 2020
Group	**15,126**	**18,602**	**7,916**	**7,736**	**2,405**	**2,066**	**25,447**	**28,405**
Customers	10,341	12,336	4,849	4,997	1,972	1,719	17,162	19,052
Of which: Mortgages	*6,570*	*7,347*	*3,137*	*2,844*	*1,234*	*867*	*10,941*	*11,059*
SMEs	3,048	4,147	1,399	1,327	362	292	4,809	5,766
Non-financial corporations	1,563	1,903	1,643	1,399	70	56	3,276	3,358
Other	173	216	26	13	—	—	199	229

The payment deferral measures for bank customers in the different countries in which the Group operates (such as those included in Royal Decree Law 11/2020, as well as in the AEB sectorial agreement to which BBVA has adhered in Spain) result in the temporary suspension, total or partial, of the contractual obligations with a deferral for a specific period of time.

Regarding the classification of exposures according to their credit risk, the Group has maintained a rigorous application of IFRS 9 when granting the payment deferrals and has reinforced the procedures for monitoring credit risk both throughout the life of the transactions and at their maturity. This means that the payment deferrals granting does not imply in itself an automatic trigger for a significant increase in risk and that the transactions subject to the payment deferrals are initially classified in the stage they had previously, unless, based on their risk profile, they should be classified in a worse stage. On the other hand, as evidence of payment has ceased to exist or has been reduced, the Group has introduced additional indicators or segmentations to identify the significant increase in credit risk that may have occurred in some transactions or a set of them and, where appropriate, they have been classified in Stage 2 or Stage 3.

Furthermore, the indications provided by the EBA have been taken into account to not consider forbearance the payment deferrals that meet a series of requirements and have been previously requested before March 31, 2021. All this without prejudice to maintaining its consideration as a forbearance if it was previously qualified as such or classifying the exposure in the corresponding stage previously stated.

On the other hand, the accounting treatment of singular transactions, that is to say, not covered by the general frameworks described, as well as that of the payment deferrals that expire and may require additional support and the requested as of March 31, 2021 is in accordance with the updated evaluation of the customer's credit quality and the characteristics of the solution granted.

Regarding public support for the loans' lending, it does not affect the evaluation of the significant increase in risk since it is valued through the credit quality of the instrument. In case of extensions a new valuation of credit quality is made and if applicable accounting classification. However, in estimating the expected loss, the existence of the guarantor implies a possible reduction in the level of provisions necessary since, for the hedged part, the loss that would be incurred in the foreclosure of the guarantee is taken into account.

The public guarantees granted in the different geographies in which the Group operates have been considered as an integral part of the terms and conditions of the loans granted under the consideration that the guarantees are granted at the same time that the financing is granted to the client and in a way inseparable from it.

The quantitative information on refinancing and restructuring operations is presented in the Appendix III "Quantitative information refinancing and restructuring operations and other requirement under Bank of Spain Circular 6/2012".

6.2.1. Measurement of Expected Credit Loss (ECL)

IFRS 9 requires determining the expected credit loss (ECL) of a financial instrument in a way that reflects an unbiased estimation removing any conservatism or optimism, including the time value of money and a forward-looking perspective (including the economic forecast), all this based on the information that is available at a certain point in time and that is reasonable and bearable with respect to future economic conditions.

Therefore, the recognition and measurement of expected credit losses is highly complex and involves the use of significant analysis and estimation including formulation and incorporation of forward-looking economic conditions into the ECL model.

The modeling of the ECL calculation is subject to a governance system that is common to the entire Group. Within this common framework, each geography makes the necessary adaptations to capture its particularities. The methodology, assumptions and observations used by each geography are reviewed annually, and after a validation and approval process, the outcome of this review is incorporated into the ECL calculations.

Risk parameters by homogeneous groups

Expected losses can be estimated both individually and collectively. Regarding the collective estimate, the instruments are distributed in homogeneous groups (segments) that share similar risk characteristics. Following the guidelines established by the Group for the development of models under IFRS 9, each geography performs the grouping based on the information available, its representativeness or relevance and compliance with the necessary statistical requirements.

Depending on the portfolio or the parameter being estimated, one risk driver or another will apply and different segments will reflect differences in PDs and LGDs. Thus, in each segment, changes in the level of credit risk will respond to the impact of changing conditions on the common range of credit risk drivers. The effect on the group's credit risk in response to changes in forward-looking information will be considered as well. Macroeconomic modeling for each segment is carried out using some of the shared risk characteristics.

These segments share credit risk characteristics such that changes in credit risk in a part of the portfolio are not concealed by the performance of other parts of the portfolio. In that sense, the methodology developed for ECL estimation indicates the risk drivers that have to be taken into account for PD segmentation purposes, depending on whether the estimation is for retail or wholesale portfolios.

As an example of the variables that can be taken into consideration to determine the final models, the following stand out:

- PD - Retail: Contractual residual maturity, credit risk scoring, type of product, days past due, forbearance, time on books, time to maturity, nationality of the debtor, sale channel, original term, indicator of credit card activity, percentage of initial drawn balance in credit cards.

- PD - Wholesale: Credit Risk Rating, type of product, watch-list level, forbearance (client), time to maturity, industry sector, updated balance (y/n), paid off, grace period.

- LGD – retail: credit Risk Scoring, segment, type of product, secured / unsecured, type of collateral, sales channel, nationality, business area, debtor’s commercial segment, forbearance (account), EAD (this risk driver could be correlated with the time on books or the LTV so, before including it, an assessment should be done in order to avoid a double counting effect), time on default of the account (for defaulted exposures), geographical location.

- LGD - wholesale: credit Risk Rating, geographical location, segment, type of product, secured / Unsecured, type of collateral, business area, forbearance (client), debtor’s commercial segment time on default of the deal (for defaulted exposures).

- CCF: wholesale/retail, percentage of initial drawn balance, debtor’s commercial segment, days past due, forbearance, credit limit activity, time on books.

In the BBVA Group, the expected losses calculated are based on the internal models developed for all the Group's portfolios, unless clients are subject to individualized estimates.

Exposures with other credit institutions, sovereign debt or with public administrations are characterized by a low number of defaults, so the Group's historical bases do not contain sufficiently representative information to build impairment models based on them. However, there are external sources of information that, based on broader observations, are capable of providing the necessary inputs to develop models of expected losses. Therefore, based on the rating assigned to these exposures and taking into account the inputs obtained from these sources, the calculations of expected losses are developed internally, including their projection based on the macroeconomic perspectives.

Individual estimation of expected credit losses

The Group periodically and individually reviews the situation and credit rating of its customers, regardless of their classification, taking into consideration the information deemed necessary to do so. It also has procedures in place within the risk management framework to identify the factors that may lead to increased risk and, consequently, to a greater need for provisions.

The monitoring model established by the Group consists of continuously monitoring the risks to which it is exposed, which guarantees their proper classification in the different categories of IFRS 9. The original analysis of the exposures is reviewed through the procedures for updating the rating tools (rating and scoring), which periodically review the financial situation of clients, influencing the classification by stages of exposures.

Within this credit risk management framework, the Group has procedures that guarantee the review, at least annually, of all its wholesale counterparties through the so-called financial programs, which include the current and proposed positioning of the Group with the customer in terms of credit risk. This review is based on a detailed analysis of the client's up-to-date financial situation, which is complemented by other information available in relation to individual perspectives on business performance, industry trends, macroeconomic prospects or other public data. As a result of this analysis, the preliminary rating of the client is obtained, which, after undergoing the internal procedure, can be revised down if deemed appropriate (for example, general economic environment or evolution of the sector). These factors in addition to the information that the client can provide are used to review the ratings even before the scheduled financial plan reviews are conducted if circumstances warrant.

Additionally, the Group has established procedures to identify wholesale customers in the internal Watch List category, which is defined as that risk in which, derived from an individualized credit analysis, an increase in credit risk is observed, either due to economic or financial difficulties or because they have suffered, or are expected to suffer, adverse situations in their environment, without meeting the criteria for classification as impaired risk. Under this procedure, all a customer's Watch List exposures are considered Stage 2 regardless of when they originated, if as a result of the analysis the customer is considered to have significantly increased risk.

Finally, the Group has so-called Workout Committees, both local and corporate, which analyze not only the situation and evolution of significant clients in Watch List and doubtful situations, but also those significant clients in which, without having still rated on Watch List, they may present some Stage 2 rated exposure for a quantitative reason (PD comparison from origination). This analysis is carried out in order to decide if, derived from this situation, all the client's exposures should be considered in the Watch List category, which would imply the migration of all the client's operations to Stage 2 regardless of the date on which they originated.

With this, the Group ensures an individualized review of the credit quality of its wholesale counterparties, identifying the situations in which a change in the risk profile of these clients may have occurred and proceeding, where appropriate, to estimate individualized credit losses. Along with this review, the Group individually estimates the expected losses of those clients whose total exposure exceeds certain thresholds, including those that part of their operations may be classified in stage 1 and part in stage 2. In setting thresholds, each geography determines the minimum amount of a client's exposure whose expected losses must be estimated individually taking into account the following:

- For clients with exposures in stage 3. The analysis of clients with total risk above this threshold implies analyzing at least 40% of the total risk of the wholesale portfolio in stage 3. Although the calibration of the threshold is done on the wholesale portfolio, clients of other portfolios must be analyzed if they exceed the threshold, staying in Stage 3.

- For all other situations. The analysis of clients with total risk above this threshold implies analyzing at least 20% of the total risk of the Watch List wholesale portfolio. Although the threshold calibration is carried out on the exposure classified as Watch List, wholesale clients or clients belonging to other portfolios that have exposures classified as Watch-List and whose total exposure exceeds the mentioned threshold must be analyzed individually, considering both the exposures classified in stage 1 as in stage 2.

Regarding the methodology for the individual estimation of expected losses, it should be mentioned, firstly, that these are measured as the difference between the asset's carrying amount and the estimated future cash flows discounted at the financial asset's effective interest rate.

The estimated recoverable amount should correspond to the amount calculated under the following method:

- The present value of estimated future cash flows discounted at the financial asset's original effective interest rate; and

- The estimation of the recoverable amount of a collateralized exposure reflects the cash flows that may result from the liquidation of the collateral.

The estimated future cash flows depend on the type of approach applied, which can be:

- Going concern scenario: when the entity has updated and reliable information about the solvency and ability of payment of the holders or guarantors. The operating cash flows of the debtor, or the guarantor, continue and can be used to repay the financial debt to all creditors. In addition, collateral may be exercised to the extent it does not influence operating cash flows. The following aspects should be taken into account:

    - Future operating cash flows should be based on the financial statements of the debtor.

    - When the projections made on these financial statements assume a growth rate, a constant or decreasing growth rate must be used over a maximum growth period of 3 to 5 years, and subsequently constant cash flows.

    - The growth rate should be based on the analysis of the evolution of the debtor's financial statements or on a sound and applicable business restructuring plan, taking into account the resulting changes in the structure of the company (for example, due to divestments or the interruption of unprofitable lines of business).

    - (Re)-investments that are needed to preserve cash flows should be considered, as well as any foreseeable future cash-flow changes (e.g. if a patent or a long-term loan expires).

    - When the recoverability of the exposure relies on the realization of the disposal of some assets by the debtor, the selling price should reflect the estimated future cash flows that may result from the sale of the assets less the estimated costs associated with the disposal.

- Gone concern scenario: when the entity does not have updated and reliable information, it should consider that the estimation of loan receivable flows is of high uncertainty. Estimation should be carried out through the estimation of recoverable amounts from the effective real guarantees received. It will not be admissible as effective guarantees, those whose effectiveness depends substantially on the creditworthiness of the debtor or economic group in which it takes part. Under a gone concern scenario, the collateral is exercised and the operating cash flows of the debtor cease. This could be the case if:

    - The exposure has been past due for a long period. There is a rebuttable presumption that the allowance should be estimated under a gone concern criterion when arrears are greater than 18 months.

    - Future operating cash flows of the debtor are estimated to be low or negative.

    - Exposure is significantly collateralized, and this collateral is central to cash-flow generation.

    - There is a significant degree of uncertainty surrounding the estimation of the future cash flows. This would be the case if the earnings before interest, taxes, depreciation and amortization (EBITDA) of the two previous years had been negative, or if the business plans of the previous years had been flawed (due to material discrepancies in the back-testing).

    - Insufficient information is available to perform a going concern analysis.

Significant increase in credit risk

As indicated in Note 2.2 of the Group Annual Accounts as of December 2020, the criteria for identifying the significant increase in risk are applied consistently throughout the Group, distinguishing between quantitative reasons or by comparison of probabilities of default and qualitative reasons (more than 30 days of default, watch list consideration or non-impaired refinancing).

To manage credit risk, the Group uses all relevant information that is available and that may affect the credit quality of the exposures. This information may come mainly from the internal processes of admission, analysis and monitoring of operations, from the strategy defined by the Group regarding the price of operations or distribution by geographies, products or sectors of activity, from the observance of the macroeconomic environment, from market data such as interest rate curves, or prices of the different financial instruments, or from external sources of credit rating.

This set of information is the basis for determining the rating and scoring corresponding to each of the exposures and which are assigned a probability of default (PD) that, as already mentioned, it undergoes an annual review process that assesses its representativeness (back testing) and is updated with new observations. Furthermore, the projection of these PDs over time has been modeled based on macroeconomic expectations, which allows obtaining the probabilities of default throughout the life of the operations.

Based on this common methodology, and in accordance with the provisions of IFRS 9 and the EBA guidelines on credit risk management practices (EBA / GL / 2017/06), each geography has established absolute and relative thresholds for identifying whether the expected changes in the probabilities of default have increased significantly compared to the initial moment, adapted to the particularities of each one of them in terms of origination levels, product characteristics, distribution by sectors or portfolios, and macroeconomic situation. To establish the aforementioned thresholds, a series of general principles are considered, such as:

- Uniformity: Based on the rating and scoring systems that, in a homogeneous manner, are implemented in the Group's units.

- Stability: The thresholds must be established to identify the significant increase in risk produced in exposures since their initial recognition and not only to identify those situations in which it is already foreseeable that they will reach the level of impairment. For this reason, it is to be expected that of the total exposures there will always be a representative group for which said increased risk is identified.

- Anticipation: The thresholds must consider the identification of the increased risk in advance with respect to the recognition of the exposures as impaired or even before a real default occurs. The calibration of the thresholds should minimize the cases in which the instruments are classified in stage 3 without having previously been recognized as stage 2.

- Indicators or metrics: It is expected that the classification of the exposures in stage 2 will have sufficient permanence to allow them to develop an anticipatory management of them before, where appropriate, they end up migrating to stage 3.

- Symmetry: IFRS 9 provides for a symmetric treatment both to identify the significant increase in risk and to identify that it has disappeared, so the thresholds also work to improve the credit classification of exposures. In this sense, it is expected that the cases in which the exhibitions that improve from stage 3 are directly classified into stage 1 will be minimal.

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

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

$$(\text{Current PD})/(\text{origination PD}) - 1*100 > \text{Relative Threshold } (\%) \text{ and}$$

$$\text{Current PD} - \text{origination PD} > \text{Absolute threshold (pbs)}$$

These absolute and relative thresholds are consistently established for each geography and for each portfolio, taking into account their particularities and based on the principles described. The thresholds set by each geography are included within the annual review process and, generally speaking, are in the range of 30% to 250% for the relative threshold and from 10 to 150 basis points for the absolute threshold.

The establishment of absolute and relative thresholds, as well as their different levels, comply with the provisions of IFRS 9 when it indicates that a certain change, in absolute terms, in the risk of a default will be more significant for a financial instrument with a lower initial risk of default compared to a financial instrument with higher initial risk of default.

For existing contracts before the implementation of IFRS 9, given the limitations in the information available on them, the thresholds are calibrated based on the PDs obtained from the prudential or economic models for calculating capital.

Risk Parameters Adjusted by Macroeconomic Scenarios

Expected credit loss (ECL) must include forward looking information, in accordance with IFRS 9, which states that the comprehensive credit risk information must incorporate not only historical information but also all relevant credit information, also including forward-looking macroeconomic information. BBVA uses the typical credit risk parameters PD, LGD and EAD in order to calculate the ECL for the credit portfolios.

BBVA´s methodological approach in order to incorporate the forward looking information aims to determine the relation between macroeconomic variables and risk parameters following three main steps:

- Step 1: Analysis and transformation of time series data.
- Step 2: For each dependent variable find conditional forecasting models that are economically consistent.
- Step 3: Select the best conditional forecasting model from the set of candidates defined in Step 2, based on their forecasting capacity.

How economic scenarios are reflected in calculation of ECL

The forward looking component is added to the calculation of the ECL through the introduction of macroeconomic scenarios as an input. Inputs highly depend on the particular combination of region and portfolio, so inputs are adapted to available data regarding each of them.

Based on economic theory and analysis, the main indicators most directly relevant for explaining and forecasting the selected risk parameters (PD, LGD and EAD) are:

- The net income of families, corporates or public administrations.
- The outstanding payment amounts on the principal and interest on the financial instruments.
- The value of the collateral assets pledged to the loan.

BBVA Group approximates these variables by using a proxy indicator from the set included in the macroeconomic scenarios provided by the BBVA Research department.

Only a single specific indicator for each of the three categories can be used and only one of the following core macroeconomic indicators should be chosen as first option:

- The real GDP growth for the purpose of conditional forecasting can be seen as the only "factor" required for capturing the influence of all potentially relevant macro-financial scenarios on internal PDs and LGD.
- The most representative short term interest rate (typically the policy rate or the most liquid sovereign yield or interbank rate) or exchange rates expressed in real terms.
- A comprehensive and representative index of the price of real estate properties expressed in real terms in the case of mortgage loans and a representative and real term index of the price of the relevant commodity for corporate loan portfolios concentrated in exporters or producers of such commodity.

Real GDP growth is given priority over any other indicator not only because it is the most comprehensive indicator of income and economic activity but also because it is the central variable in the generation of macroeconomic scenarios.

Multiple scenario approach

IFRS 9 requires calculating an unbiased probability weighted measurement of expected credit losses ("ECL") by evaluating a range of possible outcomes, including forecasts of future economic conditions.

The BBVA Research teams within the BBVA Group produce forecasts of the macroeconomic variables under the baseline scenario, which are used in the rest of the related processes of the Group, such as budgeting, ICAAP and risk appetite framework, stress testing, etc.

Additionally, the BBVA Research teams produce alternative scenarios to the baseline scenario so as to meet the requirements under the IFRS 9 standard.

Alternative macroeconomic scenarios

- For each of the macro-financial variables, BBVA Research produces three scenarios.
- BBVA Research tracks, analyzes and forecasts the economic environment to provide a consistent forward looking assessment about the most likely scenario and risks that impact BBVA's footprint. To build economic scenarios, BBVA Research combines official data, econometric techniques and expert judgment.
- Each of these scenarios corresponds to the expected value of a different area of the probabilistic distribution of the possible projections of the economic variables.
- The non-linearity overlay is defined as the ratio between the probability-weighted ECL under the alternative scenarios and the baseline scenario, where the scenario's probability depends on the distance of the alternative scenarios from the base one.
- BBVA Group establishes equally weighted scenarios, being the probability 34% for the baseline scenario, 33% for the worst alternative scenario and 33% for the best alternative scenario.

The approach in BBVA Group consists on using the scenario that is the most likely scenario, which is the baseline scenario, consistent with the rest of internal processes (ICAAP, Budgeting…) and then applying an overlay adjustment that is calculated by taking into account the weighted average of the ECL determined by each of the scenarios. This effect is calculated taking into account the average weight of the expected loss determined for each scenario.

It is important to note that in general, it is expected that the effect of the overlay is to increase the ECL. It is possible to obtain an overlay that does not have that effect, whenever the relationship between macro scenarios and losses is linear. However, the overlay is not expected to reduce the ECL.

On the other hand, the BBVA Group also takes into account the range of possible scenarios when defining its significant increase in credit risk. Thus, the PDs used in the quantitative process to identify the significant increase in credit risk will be those that result from making a weighted average of the PDs calculated under the three scenarios.

Macroeconomic scenarios used on the calculation of expected credit losses

The COVID-19 pandemic has generated a macroeconomic uncertainty situation with a direct impact on credit risk of the entities, particularly, on the expected credit losses under IFRS9. This situation has allowed the accounting authorities and the banking supervisors to adopt measures in order to mitigate the impacts that this crisis could imply on the calculation of expected credit losses under IFRS9 as well as on solvency.

One of these measures was to mitigate the potential procyclicality of the accounting regulation. Although, BBVA group adopted measures aligned with this indication, as of June 30th 2021, these measures have practically no effect on the consideration of forward looking information, once the different economies have initiated a recovery after the declines recorded in the main macroeconomic variables during 2020.

The estimate for the next five years of the Gross Domestic Product (GDP), of the variation in the unemployment rate and of the House Price Index (HPI), for the most relevant countries where it represents a significant factor, is determined by BBVA Research and it has been used at the time of the calculation of the expected credit loss as of June 30, 2021:

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

	Spain			Mexico			Turkey	
Date	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**
2021	6.09%	15.38%	(1.88)%	5.54%	4.67%	1.02%	8.90%	12.69%
2022	7.44%	13.05%	1.94%	3.41%	4.65%	1.36%	6.83%	11.74%
2023	2.99%	11.11%	4.16%	2.41%	4.62%	0.79%	4.19%	12.15%
2024	2.28%	9.73%	3.91%	2.06%	4.57%	2.36%	4.11%	12.47%
2025	2.22%	8.49%	3.49%	1.69%	4.50%	2.77%	4.15%	12.53%
2026	2.18%	7.39%	2.94%	1.51%	4.44%	2.58%	4.16%	12.54%

	Peru		Argentina		Colombia	
Date	GDP	Unemployment	GDP	Unemployment	GDP	Unemployment
2021	12.65%	9.90%	11.81%	9.95%	6.85%	15.83%
2022	6.54%	8.55%	5.86%	8.63%	5.66%	14.76%
2023	3.92%	8.30%	2.19%	7.91%	3.40%	14.26%
2024	3.59%	6.98%	2.10%	7.40%	3.51%	12.76%
2025	3.38%	6.80%	2.12%	6.84%	3.51%	11.64%
2026	3.30%	6.72%	2.22%	6.82%	3.61%	10.76%

Estimate of GDP, unemployment rate and HPI for the main geographies

	Spain			Mexico			Turkey	
Date	GDP	Unemployment	HPI	GDP	Unemployment	HPI	GDP	Unemployment
2021	5.47%	16.58%	(3.28)%	4.67%	4.78%	1.08%	4.98%	13.91%
2022	6.96%	14.65%	0.33%	2.77%	4.84%	1.24%	4.50%	13.12%
2023	2.91%	12.73%	3.62%	2.31%	4.77%	0.68%	4.03%	12.76%
2024	2.27%	11.30%	3.49%	2.02%	4.70%	2.40%	3.99%	12.71%
2025	2.22%	10.00%	3.04%	1.67%	4.63%	2.75%	4.03%	12.71%
2026	2.19%	8.75%	2.49%	1.49%	4.56%	2.56%	4.04%	12.71%

	Peru		Argentina		Colombia	
Date	GDP	Unemployment	GDP	Unemployment	GDP	Unemployment
2021	10.01%	10.04%	7.01%	10.80%	5.46%	16.03%
2022	4.76%	8.79%	2.98%	9.68%	4.80%	15.05%
2023	3.78%	8.52%	2.02%	8.65%	3.40%	14.55%
2024	3.59%	7.17%	2.00%	7.93%	3.51%	13.05%
2025	3.38%	6.97%	1.99%	7.33%	3.51%	11.93%
2026	3.30%	6.90%	2.09%	7.33%	3.61%	11.03%

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

	Spain			Mexico			Turkey	
Date	GDP	Unemployment	HPI	GDP	Unemployment	HPI	GDP	Unemployment
2021	4.87%	17.74%	(4.70)%	3.84%	4.91%	1.09%	0.99%	15.09%
2022	6.51%	16.20%	(1.08)%	2.12%	5.03%	1.03%	1.86%	14.56%
2023	2.83%	14.30%	3.03%	2.22%	4.94%	0.49%	3.88%	13.41%
2024	2.23%	12.87%	2.84%	1.97%	4.84%	2.32%	3.90%	12.94%
2025	2.18%	11.53%	2.28%	1.63%	4.76%	2.75%	3.96%	12.89%
2026	2.15%	10.13%	1.73%	1.45%	4.69%	2.56%	3.96%	12.88%

	Peru		Argentina		Colombia	
Date	GDP	Unemployment	GDP	Unemployment	GDP	Unemployment
2021	7.36%	10.18%	2.26%	11.62%	4.06%	16.22%
2022	2.97%	9.04%	(0.26)%	10.69%	3.89%	15.33%
2023	3.63%	8.75%	1.82%	9.38%	3.40%	14.82%
2024	3.59%	7.38%	1.86%	8.43%	3.51%	13.32%
2025	3.38%	7.18%	1.84%	7.79%	3.51%	12.18%
2026	3.30%	7.11%	1.93%	7.80%	3.61%	11.27%

Sensitivity to macroeconomic scenarios

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

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

The expected loss variation is as follow:

June 2021 (*)

	BBVA Group					Spain			Mexico			Turkey		
GPD	**Total Portfolio**	**Retail**	**Mortgages**	**Wholesaler**	**Fixed income**	**Total Portfolio**	**Mortgages**	**Companies**	**Total Portfolio**	**Mortgages**	**Cards**	**Total Portfolio**	**Mortgages**	**Cards**
-100pb	3.32%	3.15%	*3.41%*	4.28%	1.73%	3.32%	4.03%	4.16%	3.73%	2.06%	6.57%	1.56%	1.58%	1.62%
+100pb	(3.07)%	(2.90)%	*(2.92)%*	(4.01)%	(1.73)%	(3.06)%	(3.35)%	(3.97)%	(3.56)%	(1.96)%	(6.07)%	(1.47)%	(1.55)%	(1.47)%
Housing price														
-100pb							5.17%	0.78%		3.66%				
+100pb							(5.11)%	(0.77)%		(3.43)%				

(*) Last available data as of May 31, 2021, and from Turkey as of December 31, 2020.

Additional adjustments to expected losses measurement

In addition to what is described on individualized and collective estimates of expected losses and macroeconomic estimates, the Group may supplement the expected losses if it deems it necessary to account for the effects that may not be included, either by considering risk drivers or by the incorporation of sectorial particularities or that may affect a set of operations or borrowers. These adjustments should be temporary, until the reasons that motivated them disappear or materialize.

For this reason, the expected losses have been supplemented with additional amounts that have been considered necessary to collect the particular characteristics of borrowers, sectors or portfolios and that may not be identified in the general process. In order to incorporate those effects that are not included in the impairment models, there are management adjustments to the expected losses which amount to 348 million euros as of June 30, 2021, 315 million in Spain and 32 million euros in Peru. The variation in Spain and Peru is driven by an additional provision given the possibility of new extensions in the financing granted or agreements aimed at ensuring business viability.

6.2.2. Credit risk exposure

In accordance with IFRS 7 "Financial Instruments: Disclosures", the BBVA Group's credit risk exposure by headings in the balance sheets as of June 30, 2021 and December 31, 2020 is provided below. It does not consider the loss allowances and the availability of collateral or other credit enhancements to guarantee compliance with payment obligations. The details are broken down by the nature of the financial instruments and counterparties:

Maximum credit risk exposure (Millions of Euros)

	Notes	June 2021	Stage 1	Stage 2	Stage 3
Financial assets held for trading		**76,852**			
Debt securities	9	25,116			
Equity instruments	9	14,315			
Loans and advances	9	37,421			
Non-trading financial assets mandatorily at fair value through profit or loss		**5,742**			
Loans and advances	10	722			
Debt securities	10	194			
Equity instruments	10	4,827			
Financial assets designated at fair value through profit or loss	**11**	**1,107**			
Derivatives (trading and hedging)		**43,528**			
Financial assets at fair value through other comprehensive income		**73,252**			
Debt securities		71,877	71,531	345	—
Equity instruments	12	1,347			
Loans and advances to credit institutions	12	27	27	—	—
Financial assets at amortized cost		**379,722**	**332,953**	**31,734**	**15,036**
Loans and advances to central banks		5,098	5,098	—	—
Loans and advances to credit institutions		11,877	11,858	15	4
Loans and advances to customers		327,372	280,797	31,562	15,013
Debt securities		35,375	35,199	157	19
Total financial assets risk		**580,202**	**—**	**—**	**—**
Total loan commitments and financial guarantees		**159,688**	**148,865**	**10,019**	**804**
Loan commitments given	30	112,127	106,241	5,745	141
Financial guarantees given	30	10,937	9,620	1,044	273
Other commitments given	30	36,624	33,004	3,231	389
Total maximum credit exposure		**739,890**			

Maximum credit risk exposure (Millions of Euros)	Notes	December 2020	Stage 1	Stage 2	Stage 3
Financial assets held for trading		**68,075**			
Debt securities	9	23,970			
Equity instruments	9	11,458			
Loans and advances	9	32,647			
Non-trading financial assets mandatorily at fair value through profit or loss		**5,198**			
Loans and advances	10	709			
Debt securities	10	356			
Equity instruments	10	4,133			
Financial assets designated at fair value through profit or loss	**11**	**1,117**			
Derivatives (trading and hedging)		**46,302**			
Financial assets at fair value through other comprehensive income		**69,537**			
Debt securities		68,404	67,995	410	—
Equity instruments	12	1,100			
Loans and advances to credit institutions	12	33	33	—	—
Financial assets at amortized cost		**379,857**	**334,552**	**30,607**	**14,698**
Loans and advances to central banks		6,229	6,229	—	—
Loans and advances to credit institutions		14,591	14,565	20	6
Loans and advances to customers		323,252	277,998	30,581	14,672
Debt securities		35,785	35,759	6	20
Total financial assets risk		**570,084**	**—**	**—**	**—**
Total loan commitments and financial guarantees		**179,440**	**165,726**	**12,682**	**1,032**
Loan commitments given	30	132,584	124,104	8,214	265
Financial guarantees given	30	10,665	9,208	1,168	290
Other commitments given	30	36,190	32,414	3,300	477
Total maximum credit exposure		**749,524**			

The breakdown by geographical location and Stage of the maximum credit risk exposure, the accumulated allowances recorded and the carrying amount of the loans and advances to customers at amortized cost as of June 30, 2021 and December 31, 2020 is shown below:

June 2021 (Millions of Euros)	Gross exposure				Accumulated allowances				Carrying amount			
	Total	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**
Spain (*)	197,698	170,980	18,575	8,143	(5,378)	(697)	(974)	(3,707)	192,320	170,283	17,601	4,436
Mexico	54,931	48,722	4,463	1,746	(2,056)	(719)	(402)	(935)	52,875	48,003	4,061	811
Turkey (**)	39,186	31,215	4,616	3,355	(2,275)	(197)	(438)	(1,640)	36,911	31,019	4,178	1,715
South America (***)	34,532	28,866	3,906	1,760	(1,903)	(357)	(430)	(1,117)	32,629	28,510	3,476	643
Others	1,025	1,013	3	9	(8)	(1)	—	(7)	1,017	1,012	2	2
Total (****)	**327,372**	**280,797**	**31,562**	**15,013**	**(11,620)**	**(1,970)**	**(2,244)**	**(7,406)**	**315,752**	**278,827**	**29,318**	**7,607**
Of which: individual					*(2,653)*	*(5)*	*(541)*	*(2,107)*				
Of which: collective					*(8,966)*	*(1,965)*	*(1,703)*	*(5,298)*				

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

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

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

(****) The amount of the accumulated impairment includes the provisions recorded for credit risk over the remaining expected lifetime of purchased financial instruments. Those provisions were determined at the moment of the Purchase Price Allocation (PPA) and were originated mainly in the acquisition of Catalunya Banc S.A. (as of June 30, 2021, the remaining balance was €301 million). These valuation adjustments are recognized in the consolidated income statement during the residual life of the instrument or applied as allowances in the value of the financial instrument when the losses materialize.

December 2020 (Millions of Euros)

	Gross exposure				Accumulated allowances				Carrying amount			
	Total	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**
Spain (*)	195,983	171,397	16,387	8,199	(5,679)	(753)	(849)	(4,077)	190,304	170,644	15,538	4,122
Mexico	52,211	46,373	4,071	1,767	(2,211)	(685)	(442)	(1,083)	50,000	45,688	3,628	684
Turkey (**)	39,633	30,832	5,806	2,995	(2,338)	(246)	(535)	(1,557)	37,295	30,586	5,272	1,438
South America (***)	34,499	28,484	4,312	1,703	(1,870)	(320)	(460)	(1,090)	32,629	28,165	3,852	612
Others	925	912	5	8	(7)	(1)	—	(6)	918	911	4	2
Total (****)	**323,252**	**277,998**	**30,581**	**14,672**	**(12,105)**	**(2,005)**	**(2,287)**	**(7,813)**	**311,147**	**275,993**	**28,294**	**6,860**
Of which: individual					*(2,611)*	*(10)*	*(479)*	*(2,122)*				
Of which: collective					*(9,494)*	*(1,995)*	*(1,808)*	*(5,691)*				

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

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

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

(****) The amount of the accumulated impairment includes the provisions recorded for credit risk over the remaining expected lifetime of purchased financial instruments. Those provisions were determined at the moment of the Purchase Price Allocation (PPA) and were originated mainly in the acquisition of Catalunya Banc S.A. (as of December 31, 2020, the remaining balance was €363 million). These valuation adjustments are recognized in the consolidated income statement during the residual life of the instrument or applied as allowances in the value of the financial instrument when the losses materialize.

The breakdown by counterparty and product of the maximum credit risk exposure, the accumulated allowances recorded, as well as the carrying amount by type of product, classified in different headings of the assets as of June 30, 2021 and December 31, 2020 is shown below:

June 2021 (Millions of Euros)

	Central banks	**General governments**	**Credit institutions**	**Other financial corporations**	**Non-financial corporations**	**Households**	**Total**	**Gross carrying amount**
On demand and short notice	—	31	—	182	2,549	619	3,381	3,544
Credit card debt	—	—	—	2	1,450	11,760	13,213	14,235
Commercial debtors		603	—	728	14,971	70	16,372	16,578
Finance leases	—	202	—	6	7,261	327	7,795	8,131
Reverse repurchase loans	933	—	1,781	2	—	—	2,716	2,731
Other term loans	3,986	18,657	3,855	5,822	110,475	135,339	278,134	287,986
Advances that are not loans	168	275	6,251	3,529	1,052	560	11,835	11,890
LOANS AND ADVANCES	**5,087**	**19,769**	**11,887**	**10,270**	**137,759**	**148,675**	**333,448**	**345,097**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*354*	*—*	*248*	*22,213*	*94,707*	*117,522*	*120,904*
Of which: other collateralized loans	*919*	*1,024*	*314*	*334*	*3,779*	*2,011*	*8,380*	*8,857*
By purpose of the loan								
Of which: credit for consumption						*41,120*	*41,120*	*44,087*
Of which: lending for house purchase						*94,959*	*94,959*	*96,551*
By subordination								
Of which: project finance loans					*10,240*		*10,240*	*10,715*

December 2020 (Millions of Euros)	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Gross carrying amount
On demand and short notice	—	7	—	502	1,798	528	2,835	3,021
Credit card debt	—	—	—	2	1,485	11,605	13,093	14,220
Commercial debtors		898	—	317	14,262	67	15,544	15,796
Finance leases	—	197	—	6	7,125	322	7,650	8,013
Reverse repurchase loans	472	—	1,914	—	71	—	2,457	2,463
Other term loans	5,690	18,111	3,972	5,799	111,141	132,603	277,317	287,467
Advances that are not loans	48	260	8,721	3,191	1,084	473	13,777	13,833
LOANS AND ADVANCES	**6,209**	**19,475**	**14,608**	**9,817**	**136,966**	**145,598**	**332,672**	**344,813**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*372*	*—*	*209*	*22,091*	*94,147*	*116,819*	*120,194*
Of which: other collateralized loans	*472*	*952*	*—*	*317*	*3,763*	*2,059*	*7,562*	*7,776*
By purpose of the loan								
Of which: credit for consumption						*39,799*	*39,799*	*43,037*
Of which: lending for house purchase						*94,098*	*94,098*	*95,751*
By subordination								
Of which: project finance loans					*10,721*		*10,721*	*11,032*

The value of guarantees received as of June 30, 2021 and December 31, 2020, is as follows:

Guarantees received (Millions of Euros)	June 2021	December 2020
Value of collateral	**117,917**	**116,900**
Of which: guarantees normal risks under special monitoring	*11,951*	*11,296*
Of which: guarantees non-performing risks	*3,699*	*3,577*
Value of other guarantees	**47,988**	**47,012**
Of which: guarantees normal risks under special monitoring	*6,042*	*4,045*
Of which: guarantees non-performing risks	*768*	*575*
Total value of guarantees received	**165,906**	**163,912**

6.2.3. Impaired secured loans

The breakdown of loans and advances, within the heading "Financial assets at amortized cost", impaired loans and advances and accumulated impairment, as well as the gross carrying amount, by counterparties as of June 30, 2021 and December 31, 2020, is as follows:

June 2021 (Millions of Euros)	Gross carrying amount	Impaired loans and advances	Accumulated impairment	Impaired loans and advances as a % of the total
Central banks	5,098	—	(12)	—
General governments	19,711	67	(38)	0.3 %
Credit institutions	11,877	4	(17)	—
Other financial corporations	10,297	14	(27)	0.1 %
Non-financial corporations	143,226	8,082	(6,009)	5.6 %
Households	154,137	6,850	(5,546)	4.4 %
LOANS AND ADVANCES	**344,348**	**15,017**	**(11,649)**	**4.4%**

December 2020 (Millions of Euros)	Gross carrying amount	Impaired loans and advances	Accumulated impairment	Impaired loans and advances as a % of the total
Central banks	6,229	—	(20)	—
General governments	19,439	76	(48)	0.4%
Credit institutions	14,591	6	(16)	—
Other financial corporations	9,856	14	(39)	0.1%
Non-financial corporations	142,547	7,477	(6,123)	5.2%
Households	151,410	7,106	(5,895)	4.7%
LOANS AND ADVANCES	**344,072**	**14,678**	**(12,141)**	**4.3%**

The changes during the six months ended June 30, 2021, and the year ended December 31, 2020 of impaired financial assets and contingent risks (financial assets and guarantees given) are as follows:

Changes in impaired financial assets and guarantees given (Millions of Euros)	June 2021	December 2020
Balance at the beginning	**15,478**	**16,770**
Additions	4,235	9,533
Decreases (*)	(2,000)	(5,024)
Net additions	**2,236**	**4,509**
Amounts written-off	(1,918)	(3,603)
Exchange differences and other	(96)	(968)
Discontinued operations	—	(1,230)
Balance at the end	**15,700**	**15,478**

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

6.2.4. Loss allowances

Below are the changes in the six months ended June 30, 2021, and the year ended December 31, 2020 in the provisions recognized on the accompanying condensed consolidated balance sheets to cover the estimated loss allowances in loans and advances of financial assets at amortized cost:

Changes in loss allowances of loans and advances at amortized cost (Millions of Euros)	June 2021	December 2020
Balance at the beginning of the period	**(12,141)**	**(12,427)**
Increase in loss allowances charged to income	(4,480)	(9,274)
Stage 1	(966)	(1,699)
Stage 2	(1,022)	(2,169)
Stage 3	(2,491)	(5,407)
Decrease in loss allowances charged to income	2,906	4,381
Stage 1	930	1,485
Stage 2	717	1,077
Stage 3	1,259	1,818
Transfer to written-off loans, exchange differences and other	2,065	4,056
Transfer to discontinued operations	—	1,123
Closing balance	**(11,649)**	**(12,141)**

6.3. Liquidity and funding risk

In view of the initial uncertainty caused by the outbreak of COVID-19 in March 2020, the various different central banks provided a joint response through specific measures and programs, the extent of which, in some cases, has been extended until 2021 to facilitate the financing of the real economy and the provision of liquidity in the financial markets, increasing liquidity buffers in almost all geographical areas.

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

- The BBVA Group's liquidity coverage ratio (LCR) remained comfortably above 100% throughout the first half of 2021, and stood at 179% as of June, 30. For the calculation of this ratio, it is assumed that there is no transfer of liquidity among subsidiaries; i.e. no type of excess liquidity levels in foreign subsidiaries are considered in the calculation of the consolidated ratio. When considering these excess liquidity levels, the BBVA Group's LCR would stand at 218%.

- The net stable funding ratio (NSFR), defined as the ratio between the amount of stable funding available and the amount of stable funding required, demands banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. This ratio should be at least 100% at all times. The BBVA Group's NSFR ratio, calculated based on the criteria established in the Regulation (UE) 2019/876 of the European Parliament and the European Council, as of 20 May, 2019; whose starting date is June 2021, stood at 134% as of June 30, 2021.

One of the key elements in BBVA's Group liquidity and funding management is the maintenance of large high quality liquidity buffers in all business areas where the group operates. In this respect, the Group has maintained for the last 12 months an average volume of high quality liquid assets (HQLA) accounting to €148 billion, among which, 95% correspond to maximum quality assets (LCR Tier 1).

The main transactions carried out in wholesale financing markets by the companies that form part of the BBVA Group on the first half of 2021 were:

- In March 2021 BBVA, S.A. issued preferred senior debt totaling €1,000 million at 0.125%.
- In Turkey, there have been no issuances during the first half of 2021. On June 2, BBVA Garanti renewed 100% of a syndicated loan indexed to sustainability criteria. Formed by two separate sections, amounting to USD 279 million of euros and €294 million of euros with a 1-year expiration date and signed by 34 banks from 18 different countries.

7. Fair value of financial instruments

The criteria and valuation methods used to calculate the fair value of financial assets as of June 30, 2021 do not differ significantly from those included in Note 8 from the consolidated financial statements for the year ended December 31, 2020.

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 2020.

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 2020.

Below is a comparison of the carrying amount of the Group’s financial instruments in the accompanying condensed consolidated balance sheets and their respective fair values as of June 30, 2021 and December 31, 2020:

Fair Value and Carrying Amount (Millions of euros)

	Notes	June 2021		December 2020	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS					
Cash, cash balances at central banks and other demand deposits	8	61,687	61,687	65,520	65,520
Financial assets held for trading	9	105,523	105,523	108,257	108,257
Non-trading financial assets mandatorily at fair value through profit or loss	10	5,742	5,742	5,198	5,198
Financial assets designated at fair value through profit or loss	11	1,107	1,107	1,117	1,117
Financial assets at fair value through other comprehensive income	12	73,186	73,186	69,440	69,440
Financial assets at amortized cost	13	368,026	374,126	367,668	374,267
Derivatives – Hedge accounting	14	1,530	1,530	1,991	1,991
LIABILITIES					
Financial liabilities held for trading	9	82,862	82,862	86,488	86,488
Financial liabilities designated at fair value through profit or loss	11	9,811	9,811	10,050	10,050
Financial liabilities at amortized cost	21	479,618	481,619	490,606	491,006
Derivatives – Hedge accounting	14	2,384	2,384	2,318	2,318

The following table shows the financial instruments in the accompanying condensed consolidated balance sheets, broken down by the measurement technique used to determine their fair value as of June 30, 2021 and December 31, 2020:

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

		June 2021			December 2020		
	Notes	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
ASSETS							
Cash, cash balances at central banks and other demand deposits	**8**	**61,511**	**—**	**176**	**65,355**	**—**	**165**
Financial assets held for trading	**9**	**31,858**	**68,621**	**5,045**	**32,555**	**73,856**	**1,847**
Loans and advances		1,274	31,599	4,548	2,379	28,659	1,609
Debt securities		12,638	12,157	321	12,790	11,123	57
Equity instruments		14,276	—	38	11,367	31	60
Derivatives		3,669	24,865	138	6,019	34,043	121
Non-trading financial assets mandatorily at fair value through profit or loss	**10**	**2,432**	**2,212**	**1,099**	**3,826**	**381**	**992**
Loans and advances		200	—	522	210	—	499
Debt securities		—	166	27	4	324	28
Equity instruments		2,232	2,045	549	3,612	57	465
Financial assets designated at fair value through profit or loss	**11**	**940**	**157**	**9**	**939**	**178**	**—**
Loans and advances		—	—	—	—	—	—
Debt securities		940	157	9	939	178	—
Equity instruments		—	—	—	—	—	—
Financial assets at fair value through other comprehensive income	**12**	**63,363**	**9,089**	**734**	**60,976**	**7,866**	**598**
Loans and advances		27	—	—	33	—	—
Debt securities		62,133	9,052	626	59,982	7,832	493
Equity instruments		1,203	37	108	961	34	105
Financial assets at amortized cost	**13**	**32,608**	**13,033**	**328,484**	**35,196**	**15,066**	**324,005**
Derivatives – Hedge accounting	**14**	**69**	**1,452**	**9**	**120**	**1,862**	**8**
LIABILITIES							
Financial liabilities held for trading	**9**	**24,286**	**56,578**	**1,998**	**27,587**	**58,045**	**856**
Deposits		9,658	31,729	1,661	8,381	23,495	621
Trading derivatives		4,218	24,774	336	7,402	34,046	232
Short positions		10,410	75	—	11,805	504	3
Financial liabilities designated at fair value through profit or loss	**11**	**1**	**8,329**	**1,481**	**—**	**8,558**	**1,492**
Customer deposits		—	852	—	—	902	—
Debt certificates		1	2,262	1,481	—	3,038	1,492
Other financial liabilities		—	5,214	—	—	4,617	—
Financial liabilities at amortized cost	**21**	**89,092**	**242,661**	**149,866**	**90,839**	**255,278**	**144,889**
Derivatives – Hedge accounting	**14**	**32**	**2,325**	**26**	**53**	**2,250**	**15**

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

The breakdown of the balance under the heading "Cash, cash balances at central banks and other demand deposits" in the accompanying condensed consolidated balance sheets is as follows:

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

	June 2021	**December 2020**
Cash on hand	5,872	6,447
Cash equivalent balances at central banks	50,154	53,079
Other financial assets	5,661	5,994
Total	**61,687**	**65,520**

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9. Financial assets and liabilities held for trading

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

Financial assets and liabilities held for trading (Millions of Euros)	Notes	June 2021	December 2020
ASSETS			
Derivatives (*)		28,672	40,183
Equity instruments	6.2	14,315	11,458
Debt securities	6.2	25,116	23,970
Issued by central banks		1,082	1,011
Issued by public administrations		21,299	19,942
Issued by financial institutions		1,066	1,479
Other debt securities		1,669	1,538
Loans and advances	6.2	37,421	32,647
Loans and advances to central banks		86	53
Reverse repurchase agreement		*86*	*53*
Loans and advances to credit institutions (**)		28,831	20,499
Reverse repurchase agreement		*28,824*	*20,491*
Loans and advances to customers		8,504	12,095
Reverse repurchase agreement		*8,014*	*11,493*
Total assets	**7**	**105,523**	**108,257**
LIABILITIES			
Derivatives (*)		29,329	41,680
Short positions		10,485	12,312
Deposits (**)		43,048	32,496
Deposits from central banks		13,183	6,277
Repurchase agreement		*13,183*	*6,277*
Deposits from credit institutions		18,497	16,558
Repurchase agreement		*18,162*	*16,217*
Customer deposits		11,368	9,660
Repurchase agreement		*11,322*	*9,616*
Total liabilities	**7**	**82,862**	**86,488**

(*) The variation corresponds mainly to derivatives evolution in BBVA S.A

(**) The variation corresponds mainly to the evolution of "Reverse repurchase agreement" of BBVA S.A., partially offset by the evolution of "Repurchase agreement".

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

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

Non-trading financial assets mandatorily at fair value through profit or loss (Millions of Euros)	Notes	June 2021	December 2020
Equity instruments	6.2	4,827	4,133
Debt securities	6.2	194	356
Loans and advances to customers	6.2	722	709
Total	**7**	**5,742**	**5,198**

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

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

Financial assets and liabilities designated at fair value through profit or loss (Millions of Euros)

	Notes	June 2021	December 2020
ASSETS			
Debt securities	6.2 / 7	1,107	1,117
LIABILITIES			
Customer deposits		852	902
Debt certificates issued		3,745	4,531
Other financial liabilities: Unit-linked products		5,214	4,617
Total liabilities	**7**	**9,811**	**10,050**

12. Financial assets at fair value through other comprehensive income

12.1. Breakdown of the balance

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

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

	Notes	June 2021	December 2020
Equity instruments	6.2	1,347	1,100
Debt securities		71,811	68,308
Loans and advances to credit institutions	6.2	27	33
Total	**7**	**73,186**	**69,440**
Of which: loss allowances of debt securities		*(66)*	*(97)*

12.2. Equity instruments

The breakdown of the balance under the heading "Equity instruments" of the accompanying condensed consolidated balance sheets as of June 30, 2021 and December 31, 2020, is as follows:

Financial assets at fair value through other comprehensive income. Equity instruments (Millions of Euros)

	June 2021		December 2020	
	Cost	Fair value	Cost	Fair value
Equity instruments				
Spanish companies shares	2,235	1,114	2,182	873
Foreign companies shares	101	126	100	121
The United States	*30*	*30*	*27*	*27*
Mexico	*1*	*32*	*1*	*34*
Turkey	*2*	*5*	*2*	*6*
Other countries	*69*	*58*	*70*	*54*
Subtotal equity instruments listed	**2,336**	**1,239**	**2,282**	**995**
Equity instruments				
Spanish companies shares	5	5	5	5
Foreign companies shares	55	103	58	100
Mexico	*—*	*1*	*—*	*1*
Turkey	*5*	*5*	*5*	*5*
Other countries	*50*	*98*	*52*	*94*
Subtotal unlisted equity instruments	**60**	**108**	**62**	**105**
Total	**2,396**	**1,347**	**2,344**	**1,100**

12.3. Debt securities

The breakdown of the balance under the heading "Debt securities" of the accompanying condensed consolidated balance sheets as of June 30, 2021 and December 31, 2020, is as follows:

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

	June 2021		December 2020	
	Amortized cost	**Fair value**	**Amortized cost**	**Fair value**
Domestic debt securities				
Government and other government agency debt securities	24,123	24,827	28,582	29,367
Central banks	—	—	—	—
Credit institutions	1,149	1,207	1,363	1,439
Other issuers	633	658	867	906
Subtotal	**25,905**	**26,691**	**30,811**	**31,712**
Foreign debt securities				
Mexico	**10,638**	**10,502**	**9,107**	**9,395**
Government and other government agency debt securities	9,956	9,813	8,309	8,579
Central banks	—	—	—	—
Credit institutions	122	122	113	118
Other issuers	560	567	685	698
The United States	**5,733**	**5,762**	**4,642**	**4,691**
Government and other government agency debt securities	3,552	3,541	2,307	2,315
Credit institutions	107	109	186	188
Other issuers	2,074	2,112	2,149	2,187
Turkey	**3,383**	**3,332**	**3,456**	**3,473**
Government and other government agency debt securities	3,383	3,332	3,456	3,473
Central banks	—	—	—	—
Credit institutions	—	—	—	—
Other issuers	—	—	—	—
Other countries	**25,028**	**25,524**	**18,340**	**19,037**
Other foreign governments and government agency debt securities	16,626	16,936	10,458	10,943
Central banks	1,955	1,963	1,599	1,611
Credit institutions	2,465	2,556	2,521	2,629
Other issuers	3,983	4,068	3,762	3,854
Subtotal	**44,783**	**45,119**	**35,545**	**36,596**
Total	**70,688**	**71,811**	**66,356**	**68,308**

The credit ratings of the issuers of debt securities as of June 30, 2021 and December 31, 2020, are as follows:

Debt securities by rating	June 2021		December 2020	
	Fair value (Millions of Euros)	**%**	**Fair value (Millions of Euros)**	**%**
AAA	4,290	6.0 %	4,345	6.4 %
AA+	649	0.9 %	595	0.9 %
AA	442	0.6 %	449	0.7 %
AA-	421	0.6 %	406	0.6 %
A+	7,344	10.2 %	5,912	8.7 %
A	1,817	2.5 %	2,112	3.1 %
A-	27,311	38.0 %	31,614	46.3 %
BBB+	11,436	15.9 %	8,629	12.6 %
BBB	3,966	5.5 %	4,054	5.9 %
BBB-	9,182	12.8 %	5,116	7.5 %
BB+ or below	4,556	6.3 %	4,731	6.9 %
Unclassified	397	0.6 %	345	0.5 %
Total	**71,811**	**100.0%**	**68,308**	**100.0%**

12.4. Gains/losses

Changes in gains (losses)

The changes in the gains/losses (net of taxes) during the six months ended June 30, 2021 and in the year ended December 31, 2020 of debt securities recognized under the equity heading “Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Fair value changes of debt instruments measured at fair value through other comprehensive income” and equity instruments recognized under the equity heading “Accumulated other comprehensive income – Items that will not be reclassified to profit or loss – Fair value changes of equity instruments measured at fair value through other comprehensive income” in the accompanying condensed consolidated balance sheets are as follows:

Other comprehensive income - Changes in gains (losses) (Millions of Euros)		Debt securities		Equity instruments	
	Notes	**June 2021**	**December 2020**	**June 2021**	**December 2020**
Balance at the beginning		**2,069**	**1,760**	**(1,256)**	**(403)**
Valuation gains and losses		(696)	489	201	(876)
Amounts transferred to income		(81)	(72)		
Amounts transferred to Reserves					—
Income tax and other		220	(107)	(6)	23
Balance at the end	**27**	**1,512**	**2,069**	**(1,060)**	**(1,256)**

During the six-month period ended June 30, 2021, a reversal of impairment on debt securities has been recognized in the accompanying consolidated income statements that amounted to €8 million, and during the six-month period ended June 30, 2020 was recorded a reversal of impairment on debt securities that amounted to €70 million under the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification - Financial Assets at fair value through other comprehensive income" (see Note 42).

In 2020, equity instruments presented a decrease of 876 million euros in the heading “Gains and losses from valuation - Accumulated other comprehensive income - Items that will not be reclassified to profit and loss - Fair value changes of equity instruments measured at fair value through other comprehensive income”, mainly due to the change in the valuation of Telefónica.

13. Financial assets at amortized cost

13.1. Breakdown of the balance

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

Financial assets at amortized cost (Millions of Euros)	Notes	June 2021	December 2020
Debt securities		**35,327**	**35,737**
Loans and advances to central banks		**5,087**	**6,209**
Loans and advances to credit institutions		**11,860**	**14,575**
Loans and advances to customers		**315,752**	**311,147**
Government		19,673	19,391
Other financial corporations		10,270	9,817
Non-financial corporations		137,217	136,424
Other		148,591	145,515
Total	**7**	**368,026**	**367,668**
Of which: impaired assets of loans and advances to customers (*)		*15,013*	*14,672*
Of which: loss allowances of loans and advances (*)		*(11,649)*	*(12,141)*
Of which: loss allowances of debt securities		*(48)*	*(48)*

(*) See Note 6.2.

During the six months ended June 30, 2021 and the year ended December 31, 2020, there have been no significant reclassifications neither from “Financial assets at amortized cost” to other headings nor from other headings to “Financial assets at amortized cost”.

13.2. Loans and advances to customers

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

Loans and advances to customers (Millions of Euros)	June 2021	December 2020
On demand and short notice	3,381	2,835
Credit card debt	13,213	13,093
Trade receivables	16,372	15,544
Finance leases	7,795	7,650
Reverse repurchase agreements	2	71
Other term loans	269,667	267,031
Advances that are not loans	5,321	4,924
Total	**315,752**	**311,147**

The heading “Financial assets at amortized cost – Loans and advances to customers” in the accompanying condensed consolidated balance sheets also includes certain secured loans that, as mentioned in Appendix II and pursuant to the Mortgage Market Act, are linked to long-term mortgage covered bonds.

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

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

Derivatives – Hedge accounting and fair value changes of the hedged items in portfolio hedge of interest rate risk (Millions of Euros)

	June 2021	December 2020
ASSETS		
Derivatives - Hedge accounting	1,530	1,991
Fair value changes of the hedged items in portfolio hedges of interest rate risk	23	51
LIABILITIES		
Derivatives - Hedge accounting	2,384	2,318
Fair value changes of the hedged items in portfolio hedges of interest rate risk	—	—

15. Investments in joint ventures and associates

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

Joint ventures and associates (Millions of Euros)

	June 2021	December 2020
Joint ventures	147	149
Associates	1,253	1,288
Total	**1,400**	**1,437**

16. Tangible assets

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

Tangible assets. Breakdown by type (Millions of Euros)

	June 2021	December 2020
Property plant and equipment	**7,111**	**7,601**
For own use	**6,826**	**7,311**
Land and buildings	4,288	4,380
Work in progress	49	52
Furniture, fixtures and vehicles	5,486	5,515
Right to use assets	3,077	3,061
Accumulated depreciation	(5,512)	(5,275)
Impairment (*)	(561)	(422)
Leased out under an operating lease	**285**	**290**
Assets leased out under an operating lease	329	345
Accumulated depreciation	(44)	(54)
Impairment (*)	—	—
Investment property	**210**	**222**
Building rental	163	198
Other	4	4
Right to use assets	149	123
Accumulated depreciation	(53)	(42)
Impairment	(53)	(60)
Total	**7,321**	**7,823**

(*) In 2021, it includes allowances on right of use of the rented offices after the agreement with the union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain (see Notes 23 and 44).

17. Intangible assets

17.1. Goodwill

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

Goodwill. Breakdown by CGU and changes of the year (Millions of Euros)

	The United States (*)	Mexico	Turkey	Colombia	Chile	Other	Total
Balance as of December 31, 2019	**3,846**	**550**	**346**	**164**	**27**	**22**	**4,955**
Additions	—	—	—	—	—	—	—
Exchange difference	(22)	(72)	(92)	(21)	—	(1)	(208)
Impairment	(2,084)	—	—	—	—	(13)	(2,097)
Companies held for sale	(1,740)	—	—	—	—	—	(1,740)
Other	—	—	—	—	—	—	—
Balance as of December 31, 2020	**—**	**478**	**254**	**143**	**27**	**8**	**910**
Additions	—	—	—	—	—	—	—
Exchange difference	—	17	(30)	(8)	—	—	(21)
Impairment	—	—	—	—	—	—	—
Companies held for sale	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Balance as of June 30, 2021	**—**	**495**	**224**	**135**	**27**	**8**	**889**

(*) Since the sale of BBVA USA, the United States is no longer considered a CGU (see Note 3).

Impairment test

As mentioned in Note 2.2.7 of the consolidated financial statements for the year 2020, the CGUs to which goodwill has been allocated are periodically tested for impairment by including the allocated goodwill in their carrying amount. This analysis is performed at least annually or whenever there is any indication of impairment. As of and for the six months ended June 30, 2021, no indicators of impairment have been identified in any of the CGUs.

17.2. Other intangible assets

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

Other intangible assets (Millions of Euros)

	June 2021	December 2020
Computer software acquisition expense	1,223	1,202
Other intangible assets with an infinite useful life	12	12
Other intangible assets with a definite useful life	180	221
Total	**1,414**	**1,435**

18. Tax assets and liabilities

18.1. Consolidated tax group

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

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

18.2. Current and deferred taxes

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

Tax assets and liabilities (Millions of Euros)

	June 2021	December 2020
Tax assets		
Current tax assets	1,104	1,199
Deferred tax assets	15,062	15,327
Total	**16,166**	**16,526**
Tax liabilities		
Current tax liabilities	677	545
Deferred tax liabilities	1,824	1,809
Total	**2,501**	**2,355**

19. Other assets and liabilities

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

Other assets and liabilities (Millions of Euros)

	June 2021	December 2020
ASSETS		
Inventories	446	572
Transactions in progress	107	160
Accruals	797	756
Other items	1,297	1,025
Total	**2,647**	**2,513**
LIABILITIES		
Transactions in progress	27	75
Accruals	1,749	1,584
Other items	2,276	1,144
Total	**4,053**	**2,802**

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

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

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

	June 2021	December 2020
Foreclosures and recoveries	1,328	1,398
Other assets from tangible assets (*)	627	480
Companies held for sale (**)	41	84,792
Accrued amortization (***)	(111)	(89)
Impairment losses (*)	(662)	(594)
Total non-current assets and disposal groups classified as held for sale	**1,223**	**85,987**
Companies held for sale (**)	—	75,446
Total liabilities included in disposal groups classified as held for sale	**—**	**75,446**

(*) In 2021, it includes the reclassification of owned offices and facilities from "tangible assets" to "non-current assets and disposal groups classified as held for sale" and the adjustments due to the closure of the owned offices and the decommissioning of facilities after the agreement with the union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain (see Notes 23 and 45).

(**) It includes mainly BBVA's stake in BBVA U.S in 2020 (see Note 3).

(***) Accumulated amortization until related asset was reclassified as "Non-current assets and disposal groups classified as held for sale".

Assets and liabilities from discontinued operations

As mentioned in Note 1.3 and 3, the agreement for the sale of the BBVA subsidiary in the United States was announced in 2020 and finally completed on June 1, 2021. The assets and liabilities corresponding to the 37 companies sold were reclassified to the headings "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale" of the consolidated balance sheet as of December 31, 2020; and the earnings of these companies for the six months ended June 30, 2021 and 2020 were classified under the heading "Profit (loss) after tax from discontinued operations" of the accompanying condensed consolidated income statements (see Note 1.3).

The condensed consolidated balance sheets as of June 30, 2021 and December 31, 2020, and the condensed consolidated income statements and the condensed consolidated statements of cash flows for the first five months of 2021 and for the six months of 2020 of the companies sold in the United States are provided below:

Condensed consolidated balance sheets of the companies sold in the United States subsidiary as of June 30, 2021 and December 31, 2020

CONDENSED CONSOLIDATED BALANCE SHEETS (Millions of euros)	June 2021	December 2020
Cash, cash balances at central banks and other demand deposits	—	11,368
Financial assets held for trading	—	821
Non-trading financial assets mandatorily at fair value through profit or loss	—	13
Financial assets at fair value through other comprehensive income	—	4,974
Financial assets at amortized cost	—	61,558
Derivatives - Hedge accounting	—	9
Tangible assets	—	799
Intangible assets	—	1,949
Tax assets	—	360
Other assets	—	1,390
Non-current assets and disposal groups classified as held for sale	—	16
TOTAL ASSETS	**—**	**83,257**
Financial liabilities held for trading	—	98
Financial liabilities at amortized cost	—	73,132
Derivatives - Hedge accounting	—	2
Provisions	—	157
Tax liabilities	—	201
Other liabilities	—	492
TOTAL LIABILITIES	**—**	**74,082**
Actuarial gains (losses) on defined benefit pension plans	—	(66)
Hedge of net investments in foreign operations (effective portion)	—	(432)
Foreign currency translation	—	801
Hedging derivatives. Cash flow hedges (effective portion)	—	250
Fair value changes of debt instruments measured at fair value through other comprehensive income	—	70
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**—**	**622**

Condensed consolidated income statements of companies sold in the United States subsidiary for the periods ended June 30, 2021 and June 30, 2020.

CONDENSED CONSOLIDATED INCOME STATEMENTS (Millions of Euros)		
	June 2021	**June 2020**
Interest and other income	974	1,400
Interest expense	(53)	(307)
NET INTEREST INCOME	**921**	**1,092**
Dividend income	2	2
Fee and commission income	285	337
Fee and commission expense	(86)	(94)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	(4)	27
Gains (losses) on financial assets and liabilities held for trading, net	26	70
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	2	—
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	2	2
Gains (losses) from hedge accounting, net	(1)	5
Exchange differences, net	5	(11)
Other operating income	9	9
Other operating expense	(30)	(34)
GROSS INCOME	**1,132**	**1,405**
Administration costs	(661)	(748)
Depreciation and amortization	(80)	(104)
Provisions or reversal of provisions	4	(22)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(66)	(574)
NET OPERATING INCOME	**330**	**(43)**
Impairment or reversal of impairment on non-financial assets	—	(2,084)
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	(2)	1
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	3	1
PROFIT (LOSS) BEFORE TAX FROM	**330**	**(2,126)**
Tax expense or income related to profit or loss	(80)	22
PROFIT (LOSS) AFTER TAX	**250**	**(2,104)**
Profit (loss) after tax from the sale	29	—
PROFIT (LOSS) FOR THE PERIOD	**280**	**(2,104)**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	**—**	**—**
ATTRIBUTABLE TO OWNERS OF THE PARENT (*)	**280**	**(2,104)**

(*) Cumulative profit net of taxes earned and recognized by BBVA Group in relation to the sale of BBVA USA Bancshares has been €582 million, corresponding to the results generated by the entities within the scope of the sale agreement from the date of the agreement to the closing date of the agreement, plus the profit after tax on the sale as of the closing date.

Condensed consolidated statements of cash flows of companies sold in the United States subsidiary for the periods ended June 30, 2021 and June 30, 2020.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Millions of Euros)	June 2021	June 2020
A) CASH FLOWS FROM OPERATING ACTIVITIES	62	5,361
B) CASH FLOWS FROM INVESTING ACTIVITIES	(34)	(63)
C) CASH FLOWS FROM FINANCING ACTIVITIES	(26)	(34)
D) EFFECT OF EXCHANGE RATE CHANGES	60	(87)
INCREASE (DECREASE) NET CASH AND CASH EQUIVALENTS (A+B+C+D)	**62**	**5,177**

Effects of disposal on the financial position of the Group

EFFECT OF DISPOSAL ON THE FINANCIAL POSITION OF THE GROUP (Millions of Euros)	June 2021
Cash, cash balances at central banks and other demand deposits	(11,476)
Financial assets held for trading	(638)
Non-trading financial assets mandatorily at fair value through profit or loss	(15)
Financial assets at fair value through other comprehensive income	(4,620)
Financial assets at amortized cost	(61,440)
Derivatives - Hedge accounting	(8)
Tangible assets	(788)
Intangible assets	(1,938)
Tax assets	(349)
Other assets	(1,439)
Non-current assets and disposal groups classified as held for sale	(10)
Total assets	**(82,720)**
Financial liabilities held for trading	129
Financial liabilities at amortized cost	72,357
Provisions	156
Tax liabilities	207
Other liabilities	491
Total liabilities	**73,341**
Total net assets/liabilities	**(9,378)**

EFFECT ON NET CASH INFLOWS FROM DISCONTINUED OPERATIONS - USA (Millions of Euros)	June 2021
Consideration received satisfied in cash	9,512
Cash and cash equivalents disposed of	(11,476)
Total net cash inflows from discontinued operations - USA	**(1,964)**

EFFECT OF THE DIVESTMENT OF THE MOST SIGNIFICANT SALES OF NON-CURRENT ASSETS FOR SALE OF THE BBVA GROUP REFLECTED IN THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Millions of Euros)	June 2021
Consideration received satisfied in cash - USA	9,512
Consideration received satisfied in cash - Paraguay	210
Other collections from non-current assets and liabilities for sale	54
Total cash received from non-current assets and liabilities for sale	**9,776**

21. Financial liabilities at amortized cost

21.1. Breakdown of the balance

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

Financial liabilities measured at amortized cost (Millions of Euros)

	Note	June 2021	December 2020
Deposits		410,440	415,467
Deposits from central banks		50,731	45,177
Demand deposits		*380*	*163*
Time deposits and other		*43,184*	*38,274*
Repurchase agreements		*7,168*	*6,740*
Deposits from credit institutions		20,913	27,629
Demand deposits		*8,240*	*7,196*
Time deposits and other (*)		*8,688*	*16,079*
Repurchase agreements		*3,985*	*4,354*
Customer deposits		338,795	342,661
Demand deposits		*271,721*	*266,250*
Time deposits and other (*)		*65,320*	*75,666*
Repurchase agreements		*1,754*	*746*
Debt certificates		55,047	61,780
Other financial liabilities		14,132	13,358
Total	7	**479,618**	**490,606**

(*) It is mainly due to the decrease in time deposits at Banco Bilbao Vizcaya Argentaria, S.A. due to the current interest rate situation.

The amount recorded in Deposits from central banks - Time deposits includes the provisions of the TLTRO III facilities of the European Central Bank, mainly BBVA S.A. amounting to €38,692 and €35,032 million as of June 30, 2021 and December 31, 2020, respectively.

The positive income currently being generated by the drawdowns of the TLTRO III facilities is recorded under the heading of "Interest income and other similar income – other income" in the condensed consolidated income statements and amounts to €187 million and €29 million for the six months ended June 30, 2021 and 2020 respectively (see Note 32.1).

21.2. Deposits from credit institutions

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

Deposits from credit institutions (Millions of Euros)

	Demand deposits	Time deposits and others (*)	Repurchase agreements	Total
June 2021				
Spain	1,531	453	—	1,984
Mexico	514	577	288	1,380
Turkey	119	753	13	885
South America	273	1,387	—	1,660
Rest of Europe	1,759	2,738	3,684	8,182
Rest of the world	4,044	2,779	—	6,823
Total	**8,240**	**8,688**	**3,985**	**20,913**
December 2020				
Spain	345	1,405	1	1,751
Mexico	689	672	188	1,549
Turkey	8	580	28	617
South America	557	1,484	—	2,041
Rest of Europe	2,842	4,531	4,070	11,444
Rest of the world	2,755	7,406	67	10,228
Total	**7,196**	**16,079**	**4,354**	**27,629**

(*) Subordinated deposits are included amounting to €13 million and €12 million as of June 30, 2021 and December 31, 2020, respectively

21.3. Customer deposits

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

Customer deposits (Millions of Euros)

	Demand deposits	Time deposits and others	Repurchase agreements	Total
June 2021				
Spain	170,112	15,100	2	185,214
Mexico	47,789	10,317	1,134	59,240
Turkey	17,926	17,114	2	35,042
South America	25,976	10,478	—	36,454
Rest of Europe	8,310	9,957	616	18,883
Rest of the world	1,608	2,354	—	3,962
Total	**271,721**	**65,320**	**1,754**	**338,795**
December 2020				
Spain	168,690	20,065	2	188,757
Mexico	43,768	10,514	117	54,398
Turkey	17,906	16,707	8	34,621
South America	25,730	11,259	—	36,989
Rest of Europe	8,435	12,373	619	21,427
Rest of the world	1,720	4,748	—	6,468
Total	**266,250**	**75,666**	**746**	**342,661**

21.4. Debt certificates

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

Debt certificates (Millions of Euros)	June 2021	December 2020
In Euros	**34,878**	**42,462**
Promissory bills and notes	503	860
Non-convertible bonds and debentures	14,277	14,538
Covered bonds (*)	9,900	13,274
Hybrid financial instruments (**)	340	355
Securitization bonds	2,306	2,538
Wholesale funding	244	2,331
Subordinated liabilities	7,307	8,566
Convertible perpetual certificates	3,500	4,500
Non-convertible preferred stock	—	159
Other non-convertible subordinated liabilities	3,807	3,907
In foreign currencies	**20,169**	**19,318**
Promissory bills and notes	1,296	1,024
Non-convertible bonds and debentures	8,082	8,691
Covered bonds (*)	212	217
Hybrid financial instruments (**)	1,843	455
Securitization bonds	3	4
Wholesale funding	1,366	1,016
Subordinated liabilities	7,366	7,911
Convertible perpetual certificates	1,687	1,633
Non- convertible preferred stock	—	35
Other non-convertible subordinated liabilities	5,678	6,243
Total	**55,047**	**61,780**

(*) Including mortgage-covered bonds (see Appendix II)

(*) Corresponds to structured note issuance whose underlying risk is different from the underlying risk of the derivative.

Most of the foreign currency issues are denominated in U.S. dollars.

21.5. Other financial liabilities

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

Other financial liabilities (Millions of Euros)	June 2021	December 2020
Lease liabilities	2,586	2,674
Creditors for other financial liabilities	3,048	2,408
Collection accounts	3,994	3,276
Creditors for other payment obligations	4,504	5,000
Total	**14,132**	**13,358**

22. Assets and liabilities under insurance and reinsurance contracts

The heading “Assets under reinsurance and insurance contracts” in the accompanying condensed consolidated balance sheets includes the amounts that the consolidated insurance entities are entitled to receive under the reinsurance contracts entered into by them with third parties and, more specifically, the share of the reinsurer in the technical provisions recognized by the consolidated insurance subsidiaries. As of June 30, 2021 and December 31, 2020, the balance under this heading amounted to €285 million and €306 million, respectively.

The most significant provisions recognized by consolidated insurance subsidiaries with respect to insurance policies issued by them are under the heading “Liabilities under insurance and reinsurance contracts” in the accompanying condensed consolidated balance sheets.

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

Technical reserves (Millions of Euros)

	June 2021	December 2020
Mathematical reserves	9,184	8,731
Provision for unpaid claims reported	694	672
Provisions for unexpired risks and other provisions	657	548
Total	**10,535**	**9,951**

23. Provisions

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

Provisions. Breakdown by concepts (Millions of Euros)

	Notes	June 2021	December 2020
Provisions for pensions and similar obligations		3,923	4,272
Other long term employee benefits		43	49
Provisions for taxes and other legal contingencies	6.1	580	612
Provisions for contingent risks and commitments	30	697	728
Other provisions (*)		1,217	479
Total		**6,460**	**6,141**

(*) Individually insignificant provisions or contingencies for various concepts in different geographies. In 2021, it also includes a €754 million provision for the collective layoff procedure that has been carried out at Banco Bilbao Vizcaya Argentaria, S.A.

Collective layoff procedure

On June 8, 2021, BBVA reached an agreement with the union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain on April 13, 2021, which would affect 2,935 employees. The agreement also included the closing of 480 offices. The cost of the process includes 994 million euros before taxes, of which 754 million euros correspond to the collective layoff and 240 million euros to the closing of offices (see Notes 16, 20, 29, 41, 44 and 45).

Ongoing legal proceedings and litigation

The financial sector faces an environment of increased regulatory pressure and litigation. In this environment, the various Group entities are often sued on lawsuits and are therefore involved in individual or collective legal proceedings and litigation arising from their activity and operations, including proceedings arising from their lending activity, from their labor relations and from other commercial, regulatory or tax issues, as well as in arbitration.

On the basis of the information available, the Group considers that, at June 30, 2021, the provisions made in relation to judicial proceedings and arbitration, where so required, are adequate and reasonably cover the liabilities that might arise, if any, from such proceedings. Furthermore, on the basis of the information available and with the exceptions indicated in Note 6.1 "Risk factors", BBVA considers that the liabilities that may arise from such proceedings will not have, on a case-by-case basis, a significant adverse effect on the Group's business, financial situation or results of operations.

24. Pension and other post-employment commitments

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

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

Condensed consolidated income statement impact (Millions of Euros)	Notes	June 2021	June 2020
Interest income and expense		22	24
Personnel expense		64	66
Defined contribution plan expense	*39.1*	*37*	*40*
Defined benefit plan expense	*39.1*	*27*	*26*
Provisions, net	41	90	145
Total: expense (income)		**177**	**236**

25. Capital

As of June 30, 2021 and December 31, 2020, BBVA's share capital amounted to €3,267,264,424.20 divided into 6,667,886,580 fully subscribed and paid-up registered shares, all of the same class and series, at €0.49 par value each, represented through book-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.

26. Retained earnings and other reserves

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

Retained earnings and other reserves (Millions of Euros)	June 2021	December 2020
Retained earnings	31,320	30,508
Other reserves	(239)	(164)
Total	**31,082**	**30,344**

27. Accumulated other comprehensive income

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

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

	Notes	June 2021	December 2020
Items that will not be reclassified to profit or loss		**(2,077)**	**(2,815)**
Actuarial gains (losses) on defined benefit pension plans		(1,012)	(1,474)
Non-current assets and disposal groups classified as held for sale		—	(65)
Fair value changes of equity instruments measured at fair value through other comprehensive income	12.4	(1,060)	(1,256)
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		(5)	(21)
Items that may be reclassified to profit or loss		**(13,271)**	**(11,541)**
Hedge of net investments in foreign operations (effective portion)		(191)	(62)
Of which: Mexican peso		*(535)*	*(362)*
Of which: Turkish lira		*357*	*317*
Of which: other exchanges		*(12)*	*(18)*
Foreign currency translation		(14,221)	(14,185)
Of which: Mexican peso		*(4,782)*	*(5,220)*
Of which: Turkish lira		*(5,410)*	*(4,960)*
Of which: Argentine peso		*(1,159)*	*(1,247)*
Of which: Venezuela Bolívar		*(1,860)*	*(1,860)*
Of which: other exchanges		*(1,010)*	*(898)*
Hedging derivatives. Cash flow hedges (effective portion)		(358)	10
Fair value changes of debt instruments measured at fair value through other comprehensive income	12.4	1,512	2,069
Non-current assets and disposal groups classified as held for sale (*)		—	644
Share of other recognized income and expense of investments in joint ventures and associates		(13)	(17)
Total		**(15,348)**	**(14,356)**

(*) Correspond mainly to BBVA USA

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

28. Non-controlling interest

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

Non-controlling interests: breakdown by subgroups (Millions of Euros)

	June 2021	December 2020
Garanti BBVA	3,609	3,692
BBVA Peru	1,146	1,171
BBVA Argentina	464	416
BBVA Colombia	70	70
BBVA Venezuela	68	65
Other entities	71	56
Total	**5,428**	**5,471**

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

Profit attributable to non-controlling interests (Millions of Euros)	June 2021	June 2020
Garanti BBVA	394	274
BBVA Peru	63	39
BBVA Argentina	3	18
BBVA Colombia	4	2
BBVA Venezuela	3	(2)
Other entities	8	3
Total	**476**	**333**

29. Capital base and capital management

The eligible capital instruments and the risk-weighted assets of the Group (phased-in) are shown below, calculated in accordance with the applicable regulation, considering the entities in scope required by such regulation, as of June 30, 2021 and December 31, 2020:

Capital ratios (phased-in)	June 2021 (*)	December 2020
Eligible Common Equity Tier 1 capital (millions of Euros) (a)	43,903	42,931
Eligible Additional Tier 1 capital (millions of Euros) (b)	5,696	6,667
Eligible Tier 2 capital (millions of Euros) (c)	7,688	8,547
Risk Weighted Assets (millions of Euros) (d)	305,599	353,273
Common Tier 1 capital ratio (CET 1) (A)=(a)/(d)	14.37 %	12.15 %
Additional Tier 1 capital ratio (AT 1) (B)=(b)/(d)	1.86 %	1.89 %
Tier 1 capital ratio (Tier 1) (A)+(B)	16.23 %	14.04 %
Tier 2 capital ratio (Tier 2) (C)=(c)/(d)	2.52 %	2.42 %
Total capital ratio (A)+(B)+(C)	**18.75 %**	**16.46 %**

(*) Provisional data.

BBVA's fully-loaded CET1 ratio stood at 14.17% at June 30, 2021, which represents an increase of 244 basis points compared to December 31, 2020. The consolidated phased-in CET1 ratio stood at 14.37%. The difference is mainly explained by the effect of the transitory adjustments for the treatment of the impacts of IFRS 9 in capital ratios.

These fully-loaded ratios include the effect of the sale of BBVA Paraguay in the first quarter (approximate impact of +6 basis points), the USA sale in the second quarter (approximate impact of +260 basis points) (see Note 3), and the collective layoff procedure with an impact of -25 basis points (see Note 23).

Excluding these impacts, during the first half of the year, BBVA´s profit generation, net of shareholder's remuneration and the remuneration on contingent convertible securities (CoCos), contributed by +45 basis points to the CET1 ratio and have made it possible to cover the negative evolution of market variables observed mainly in the first quarter of the year, as well as the regulatory impacts recorded throughout the first half of 2021.

Fully-loaded risk-weighted assets (RWAs) decreased in the first half of the year by approximately -€47 billion, mainly as a result of the USA sale and the sale of BBVA Paraguay. Excluding these impacts, RWA (which includes regulatory impacts) increased by approximately €5 billion.

The fully-loaded additional Tier 1 capital ratio (AT1) stood at 1.87% (1.86% phased-in) at June 30, 2021, which included the impact of €-1 billion due to the early amortization of a series of CoCos issued in 2016, offset by the RWA reduction.

The fully-loaded Tier 2 ratio stood at 2.44%, which represents an increase of +14 basis points compared to December 31, 2020, mainly explained by the RWA reduction during the first half of the year. The phased-in Tier 2 ratio stood at 2.52%. The difference with the fully-loaded Tier 2 ratio relates mainly to the transitional treatment of certain subordinated issuances.

In February 2021, BBVA Uruguay issued the first sustainable bond in the Uruguayan financial market for $15 million at an initial interest rate of 3.854%.

As result of the above, the total fully-loaded capital ratio stood at 18.48% as of June 30, 2021, and total phased-in ratio stood at 18.75%.

Regarding MREL (Minimum Requirement for own funds and Eligible Liabilities) requirements, BBVA has received a new communication from the Bank of Spain regarding its minimum requirement that has been calculated taking into account the financial and supervisory information as of December 31, 2019 (as the reference date used for the calibration of the MREL has been December 31, 2019, the effects, among other issues, of the USA Sale, have not been taken into account), and which supersedes the previous MREL communication published on November 19, 2019.

In accordance with this new MREL communication, BBVA has to reach, by January 1, 2022, an amount of own funds and eligible liabilities equal to 24.78% (in accordance with the new applicable regulation, the MREL in RWAs and the subordination requirement in RWAs do not include the combined capital buffer requirement; for these purposes, the applicable combined capital buffer requirement would be 2.5%, without prejudice to any other buffer that may be applicable at any time) of the total RWAs of its resolution group, on sub-consolidated level (the "MREL in RWAs"). Within this MREL in RWAs, an amount equal to 13.50% of the RWAs shall be met with subordinated instruments (the "subordination requirement in RWA"). This MREL in RWAs is equal to 10.25% in terms of the total exposure considered for calculating the leverage ratio (the "MREL in LR"), while the subordination requirement in RWAs is equal to 5.84% in terms of the total exposure considered for calculating the leverage ratio (the "subordination requirement in LR"). For BBVA, the most restrictive requirement as of today is the one expressed in RWA. The current own funds and eligible liabilities structure of the resolution group as of June 30 2021 meets the MREL in RWAs, being the MREL ratio in terms of RWA of 29.55%. Finally, as of June 30 2021, the MREL in LR is 12.43% and the subordination ratios in terms of RWA and in terms of LR are 26.84% and 11.29%, respectively.

The breakdown of the leverage ratio as of June 30, 2021 and 31 December 31, 2020, calculated according to CCR, is as follows:

Leverage ratio

	June 2021 (*)	December 2020
Tier 1 (millions of Euros) (a)	49,598	49,597
Exposure to leverage ratio (millions of Euros) (b)	665,415	741,095
Leverage ratio (a)/(b) (percentage)	7.45 %	6.69 %

(*) Provisional data

Finally, as of June 30, 2021, the phased-in leverage ratio, which includes the transitory treatment of certain capital elements (mainly the impact of IFRS 9), stood at 7.45% with a significant increase in the first half of the year which was mainly explained by the reduction in the exposure to the leverage ratio after the USA sale. These figures include the effect of the temporary exclusion of certain positions with central banks provided for in the "CRR-Quick fix".

30. Commitments and guarantees given

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

Commitments and guarantees given (Millions of Euros)			
	Notes	**June 2021**	**December 2020**
Loan commitments given	**6.2.2**	**112,127**	**132,584**
Of which: impaired		*141*	*265*
Central banks		3	—
General governments		2,622	2,919
Credit institutions		13,149	11,426
Other financial corporations		4,613	5,862
Non-financial corporations		55,305	71,011
Households		36,434	41,366
Financial guarantees given	**6.2.2**	**10,937**	**10,665**
Of which: impaired (*)		*273*	*290*
Central banks		—	1
General governments		138	132
Credit institutions		518	339
Other financial corporations		873	587
Non-financial corporations		9,207	9,376
Households		200	231
Other commitments given	**6.2.2**	**36,624**	**36,190**
Of which: impaired (*)		*389*	*477*
Central banks		4	124
General governments		207	199
Credit institutions		6,267	5,285
Other financial corporations		4,577	2,902
Non-financial corporations		25,403	27,496
Households		165	182
Total	**6.2.2**	**159,688**	**179,440**

(*) Impaired financial guarantees given amounted to €662 and €767 million, respectively, as of June 30, 2021 and December 31, 2020, respectively.

As of June 30, 2021, the provisions for loan commitments given, financial guarantees given and other commitments given, recorded in the consolidated balance sheet amounted €284 million, €170 million and €243 million, respectively (see Note 23).

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

31. Other contingent assets and liabilities

As of June 30, 2021 and December 31, 2020, there were no material contingent assets or liabilities other than those disclosed in the accompanying notes to the condensed interim Consolidated Financial Statements.

32. Net interest income

32.1. Interest and other income

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

Interest and other income. Breakdown by origin (Millions of Euros)

	June 2021	June 2020
Financial assets held for trading	518	709
Financial assets designated at fair value through profit or loss	2	3
Financial assets at fair value through other comprehensive income	814	681
Financial assets at amortized cost	8,849	9,780
Insurance activity	508	477
Adjustments of income as a result of hedging transactions	(55)	(36)
Other income (*)	326	214
Total	**10,962**	**11,828**

(*) The balance includes the interest accrued from TLTRO III operations (See Note 21.1).

32.2. Interest expense

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

Interest expense. Breakdown by origin (Millions of Euros)

	June 2021	June 2020
Financial liabilities held for trading	651	344
Financial liabilities designated at fair value through profit or loss	33	33
Financial liabilities at amortized cost	2,980	3,587
Adjustments of expense as a result of hedging transactions	(200)	(167)
Insurance activity	362	324
Cost attributable to pension funds	30	32
Other expense	150	114
Total	**4,007**	**4,267**

33. Dividend income

The balances for this heading in the accompanying condensed consolidated income statements correspond to dividends on shares and equity instruments other than those from shares in entities accounted for using the equity method (see Note 34), as per the breakdown below:

Dividend income (Millions of Euros)

	June 2021	June 2020
Non-trading financial assets mandatorily at fair value through profit or loss	59	7
Financial assets at fair value through other comprehensive income	66	68
Total	**125**	**74**

34. Share of profit or loss of entities accounted for using the equity method

Results from "Share of profit or loss of entities accounted for using the equity method" resulted in a loss of €5 million for the six months ended June 30, 2021, compared with the loss of €17 million recorded for the six months ended June 30, 2020.

35. Fee and commission income and expense

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

Fee and commission income. Breakdown by origin (Millions of Euros)

	June 2021	June 2020
Bills receivables	11	17
Demand accounts	199	168
Credit and debit cards and ATMs	1,181	1,020
Checks	64	69
Transfers and other payment orders	305	271
Insurance product commissions	109	71
Loan commitments given	111	87
Other commitments and financial guarantees given	178	178
Asset management	607	566
Securities fees	169	186
Custody securities	78	73
Other fees and commissions	299	283
Total	**3,311**	**2,987**

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

Fee and commission expense. Breakdown by origin (Millions of Euros)

	June 2021	June 2020
Demand accounts	2	3
Credit and debit cards	612	576
Transfers and other payment orders	56	46
Commissions for selling insurance	25	25
Custody securities	25	25
Other fees and commissions	275	254
Total	**996**	**929**

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

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

Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net. Breakdown by heading (Millions of Euros)

	June 2021	June 2020
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	121	202
Financial assets at amortized cost	*5*	*102*
Other financial assets and liabilities	*115*	*100*
Gains (losses) on financial assets and liabilities held for trading, net	463	270
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	280	129
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	96	203
Gains (losses) from hedge accounting, net	(81)	35
Subtotal gains (losses) on financial assets and liabilities	**878**	**838**
Exchange differences, net	206	176
Total	**1,084**	**1,013**

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

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

	June 2021	June 2020
Debt instruments	47	625
Equity instruments	1,207	(1,374)
Trading derivatives and hedge accounting	(810)	1,309
Loans and advances to customers	85	117
Customer deposits	42	(8)
Other	307	169
Total	**878**	**838**

37. Other operating income and expense

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

Other operating income (Millions of Euros)

	June 2021	June 2020
Gains from sales of non-financial services	168	115
Hyperinflation adjustment	82	39
Other operating income	90	67
Total	**340**	**221**

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

Other operating expense (Millions of Euros)	June 2021	June 2020
Change in inventories	83	55
Contributions to guaranteed banks deposits funds	401	381
Hyperinflation adjustment	280	161
Other operating expense	232	218
Total	**997**	**814**

38. Income and expense from insurance and reinsurance contracts

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

Income and expense from insurance and reinsurance contracts (Millions of Euros)	June 2021	June 2020
Income from insurance and reinsurance contracts	1,350	1,307
Expense from insurance and reinsurance contracts	(909)	(765)
Total	**441**	**542**

39. Administration costs

39.1. Personnel expense

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

Personnel expense (Millions of Euros)	Notes	June 2021	June 2020
Wages and salaries		1,823	1,825
Social security costs		333	348
Defined contribution plan expense	24	37	40
Defined benefit plan expense	24	27	26
Other personnel expense		152	147
Total		**2,371**	**2,385**

39.2. Other administrative expense

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

Other administrative expense. Breakdown by main concepts (Millions of Euros)	June 2021	June 2020
Technology and systems	565	558
Communications	87	88
Advertising	101	99
Property, fixtures and materials	190	211
Taxes other than income tax	201	188
Surveillance and cash courier services	85	80
Other expense	383	392
Total	**1,612**	**1,614**

40. Depreciation and amortization

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

Depreciation and amortization (Millions of Euros)	June 2021	June 2020
Tangible assets	370	404
For own use	*216*	*236*
Right-of-use assets	*152*	*166*
Investment properties and other	*2*	*2*
Intangible assets	245	257
Total	**615**	**661**

41. Provisions or reversal of provisions

In the six months ended June 30, 2021 and 2020 the net provisions recognized in this condensed income statement line item were as follows:

Provisions or reversal of provisions (Millions of Euros)	Notes	June 2021	June 2020
Pensions and other post employment defined benefit obligations	24	90	145
Commitments and guarantees given		(17)	85
Pending legal issues and tax litigation		38	198
Other provisions (*)		817	90
Total		**928**	**518**

(*) In 2021, it includes the agreement with the union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain (see Note 23).

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

The breakdown of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification by the nature of those assets in the accompanying condensed consolidated income statements is as follows:

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification (Millions of Euros)	Notes	June 2021	June 2020
Financial assets at fair value through other comprehensive income - Debt securities	12.4	(8)	70
Financial assets at amortized cost (*)		1,587	3,502
Of which: recovery of written-off assets		*(225)*	*(145)*
Total		**1,580**	**3,572**

(*) As of June 30, 2020 the amount includes mainly the negative impact of the update of the macroeconomic scenario following the COVID-19 pandemic (See Note 6.2).

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

No impairment or reversal of impairment was recorded in the first six months ended June 30, 2021. In the first six months ended June 30, 2020 there was a loss of €60 million.

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

The impairment losses on non-financial assets broken down by the nature of those assets in the accompanying condensed consolidated income statements are as follows:

Impairment or reversal of impairment on non-financial assets (Millions of Euros)

	June 2021	June 2020
Tangible assets (*)	158	62
Intangible assets	5	3
Others	33	—
Total	**196**	**65**

(*) In 2021, it includes the impairment due to the closure of rented offices after the agreement with the union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain (see Notes 16 and 23).

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

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

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

	June 2021	June 2020
Gains on sale of real estate	(9)	43
Impairment of non-current assets held for sale (*)	(75)	(53)
Gains (losses) on sale of investments classified as non-current assets held for sale	10	—
Total	**(73)**	**(10)**

(*) In 2021, it includes the impairment due to the closure of owned offices and the decommissioning of facilities after the agreement with the union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain (see Notes 20 and 23).

46. Related-party transactions

As financial institutions, BBVA and other entities in the Group engage in transactions with related parties in the normal course of their business. All of these transactions are not material and are carried out under normal market conditions. As of June 30, 2021 and December 31, 2020, the transactions with related parties are the following:

46.1 Transactions with significant shareholders

As of June 30, 2021 and December 31, 2020 there were no shareholders considered significant (see Note 25).

46.2 Transactions with BBVA Group entities

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

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

	June 2021	December 2020
Assets		
Loans and advances to credit institutions	6	148
Loans and advances to customers	1,715	1,743
Debt securities	6	—
Liabilities		
Customer deposits	481	791
Memorandum accounts		
Financial guarantees given	140	132
Other contingent commitments given	1,153	1,400
Loan commitments given	12	11

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

Balances of consolidated income statement arising from transactions with entities of the Group (Millions of Euros)		
	June 2021	**June 2020**
Income statement		
Interest and other income	9	9
Fee and commission income	4	3
Fee and commission expense	12	19

There were no other material effects in the Consolidated Financial Statements arising from dealings with these entities, other than the effects from using the equity method (see Note 2.1 to the consolidated financial statements of 2020) and from the insurance policies to cover pension or similar commitments (see Note 25 to the consolidated financial statements of 2020) and the derivatives transactions arranged by BBVA Group with these entities, associates and joint ventures.

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

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

The amount and nature of the transactions carried out with members of the Board of Directors and Senior Management of BBVA, as well as their respective related parties is given below. These transactions belong to the Bank's ordinary business or traffic, are of little relevance and have being carried out under normal market conditions.

As of June 30, 2021, the amount availed against the loans and credits granted by the Group's entities to the members of the Board of Directors amounted to €826 thousand. As of December 31, 2020, there were no loans or credits granted by the Group's entities to the members of the Board of Directors.

As of June 30, 2021, the amount availed against the loans and credits granted by the Group's entities to parties related to the members of the Board of Directors amounted to €205 thousand. As of December 31, 2020, there were no loans or credits granted by the Group's entities to parties related to the members of the Board of Directors.

As of June 30, 2021 and December 31, 2020 the amount availed against the loans and credits granted by the Group's entities to the members of Senior Management (excluding the executive directors) amounted to €5,296 and €5,349 thousand, respectively. On those same dates, the amount availed against the loans and credits granted by the Group's entities to parties related to the members of the Senior Management (excluding the executive directors) amounted to €565 and 580 thousand, respectively.

As of June 30, 2021, and December 31, 2020, no guarantees had been granted to any member of the Board of Directors. On those same dates, no guarantees had been granted to parties related to the members of the Board of Directors.

As of June 30, 2021 and December 31, 2020, the amount availed against guarantees arranged with members of the Senior Management amounted to €10 thousand, on both dates.

As of June 30, 20201, no guarantees had been granted to parties related to the members of the Senior Management. As of December 31, 2020, the amount availed against guarantees arranged with parties related to the Senior Management amounted €25 thousand.

The information on the remuneration and other benefits for the members of the BBVA Board of Directors and Senior Management is included in Note 47.

46.4 Transactions with other related parties

During the six months ended June 30, 2021 and the financial year ending December 31, 2020, the Group did not conduct any transactions with other related parties that are not in the ordinary course of its business, which were not carried out at arm's-length market conditions and of marginal relevance; whose information is not necessary to give a true picture of the BBVA Group's consolidated net equity, net earnings and financial situation.

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

Note 54 of the BBVA Group's Consolidated Annual Financial Statements Report, corresponding to the financial year ending December 31, 2020, details the remuneration and other benefits corresponding to the members of the Board of Directors and of the Bank's Senior Management, including the description of the policy and remuneration system applicable to them, and information regarding the conditions to receive such financial year's remuneration and other benefits.

Furthermore, the Bank's General Shareholders' Meeting held on 20 April 2021 approved the BBVA Directors' Remuneration Policy applicable to the remunerations for 2021, 2022 and 2023 financial years.

Information regarding the remuneration and other benefits for the members of the Board of Directors and of the Senior Management corresponding to the period between the start of the financial year and June 30, 2021 in application of such policies and remuneration systems is set forth below.

• Remuneration of non-executive directors

The remuneration paid to non-executive directors during the first half of the 2021 financial year is indicated below, individualized and itemized:

Remuneration for non-executive directors (thousands of euro)

	Board of Directors	Executive Committee	Audit Committee	Risk and Compliance Committee	Remunerations Committee	Appointments and Corporate Governance Committee	Technology and Cybersecurity Committee	Other positions (1)	Total
José Miguel Andrés Torrecillas	64	83	33	-	-	58	-	25	263
Jaime Caruana Lacorte	64	83	83	54	-	-	-	-	284
Raúl Galamba de Oliveira	64	-	-	54	-	-	21	-	139
Belén Garijo López	64	-	33	-	54	23	-	-	174
Sunir Kumar Kapoor	64	-	-	-	-	-	21	-	86
Lourdes Máiz Carro	64	-	33	-	21	-	-	-	119
José Maldonado Ramos	64	83	-	-	-	23	-	-	171
Ana Peralta Moreno	64	-	33	-	21	-	-	-	119
Juan Pi Llorens	64	-	-	107	-	23	21	40	256
Ana Revenga Shanklin	64	-	-	54	-	-	-	-	118
Susana Rodríguez Vidarte	64	83	-	54	-	23	-	-	224
Carlos Salazar Lomelín	64	-	-	-	21	-	-	-	86
Jan Verplancke	64	-	-	-	21	-	21	-	107
Total (2)	**837**	**333**	**215**	**321**	**139**	**150**	**86**	**65**	**2,146**

(1) Amounts received during the first half of 2021 by José Miguel Andrés Torrecillas, in his capacity as Deputy Chair of the Board of Directors, and by Juan Pi Llorens, in his capacity as Lead Director. .

(2) Including the amounts corresponding to the positions of the member of the Board and of the various committees during the first half of the 2021 financial year.

Likewise, during the first half of the 2021 financial year, €97 thousand was paid in healthcare and casualty insurance premiums to non-executive directors.

• Remuneration of executive directors

The remuneration paid to non-executive directors during the first half of the 2021 financial year is indicated below, individualized and itemized:

Fixed Remuneration (thousands of euro)

Chairman	1,462
Chief Executive Officer (1)	1,090
Total	**2,551**

(1) In addition, in accordance with the conditions established contractually and set forth in the BBVA Directors' Remuneration Policy, during the first half of the 2021 financial year, the Chief Executive Officer received €327 thousand as cash in lieu of pension and €300 thousand as a mobility allowance.

Variable remuneration 2020	**In cash** (Thousands of euro)	**In shares**
Chairman	0	0
Chief Executive Officer	0	0
Total	**0**	**0**

In view of the exceptional circumstances arising from the COVID-19 crisis, the two executive directors voluntarily waived the award of the entire Annual Variable Remuneration of 2020 financial year and, therefore, they have not accrued any remuneration for this concept.

Variable remuneration corresponding to previous financial years (1)	**In cash** (Thousands of euro)	**In shares**
Chairman	411	83,692
Chief Executive Officer	307	39,796
Total	**717**	**123,488**

(1) Remuneration corresponding to the deferred Annual Variable Remuneration (AVR) for the 2017 financial year to be paid in 2021, along with its update in cash. The deferred AVR for the 2017 financial year of the Chairman and the Chief Executive Officer is associated with their previous roles as Chief Executive Officer and President & CEO of BBVA USA, respectively.

Moreover, in the first half of the 2021 financial year, remuneration in kind was paid to executive directors, including insurance premiums and other items, for a total amount of €458 thousand, of which €304 thousand correspond to the Chairman and €154 thousand to the Chief Executive Officer.

• Remuneration of members of Senior Management

The remuneration paid to the Senior Management as a whole, excluding executive directors, during the first half of the 2021 financial year (15 members with such status as at 30 June 2021, excluding executive directors), is itemized below:

Fixed remuneration (Thousands of Euros)	
Senior Management Total	7,319

Variable remuneration 2020	**In cash** (Thousands of euro)	**In shares**
Senior Management Total	0	0

As the executive directors, the members of Senior Management have not received any amount corresponding to the 2020 financial year Annual Variable Remuneration, as in view of the exceptional circumstances arising from the COVID-19 crisis, all of them voluntarily waived its accrual

Variable remuneration corresponding to previous financial years (1)	**In cash (1)** (Thousands of euro)	**In shares (1)**
Senior Management Total	610	107,740

(1) Remuneration corresponding to the deferred AVR for the 2017 financial year to be paid in 2021, in the case of members who were beneficiaries, along with its update in cash.

Furthermore, during the first half of the 2021 financial year, remuneration in kind was paid in favor of Senior Management as a whole, which included insurance premiums and other items, for a total amount of €780 thousand.

• Fixed remuneration system with deferred delivery of shares of non-executive directors

During the first half of the 2021 financial year, the following" theoretical shares" were allocated, derived from the fixed remuneration system with deferred delivery of shares of non-executive directors, equivalent to 20% of the total annual fixed allowance in cash received by each of them in 2020 financial year:

	Theoretical shares allocated in 2021	Theoretical shares accumulated as of June 30, 2021
José Miguel Andrés Torrecillas	22,860	98,772
Jaime Caruana Lacorte	25,585	56,972
Raúl Galamba de Oliveira	9,500	9,500
Belén Garijo López	15,722	77,848
Sunir Kumar Kapoor	7,737	30,652
Lourdes Máiz Carro	10,731	55,660
José Maldonado Ramos	15,416	123,984
Ana Peralta Moreno	10,731	26,396
Juan Pi Llorens	23,079	115,896
Ana Revenga Shanklin	7,568	7,568
Susana Rodríguez Vidarte	20,237	161,375
Carlos Salazar Lomelín	5,642	5,642
Jan Verplancke	9,024	21,416
Total	**183,832**	**791,681**

• Pension commitments with executive directors and members of Senior Management

Executive directors (thousands of euros)			
	Contributions (1)		Accumulated funds
	Retirement	Death and disability	
Chairman	121	287	24,053
Chief Executive Officer	—	147	—
Total	**121**	**435**	**24,053**

(1) Contributions registered to fulfil the pension commitments undertaken with the executive directors in the proportional part corresponding to the first half of the 2021 financial year. In the case of the Chairman, these correspond to the sum of the annual contribution to cover retirement benefits (which has been reduced in the new BBVA Directors' Remuneration Policy approved by the General Shareholders' Meeting in 2021, as a result of the transformation of the Chairman's pension system) and the adjustment made to the "discretionary pension benefits" for the 2020 financial year, the contribution of which had to be made in the 2021 financial year and to the death and disability premiums. For the Chief Executive Officer, the contributions registered correspond exclusively to the premiums paid by the Bank to cover death and disability contingencies given that, in his case, there are no commitments to cover the retirement contingency.

Senior Management (thousands of euro)			
	Contributions (1)		Accumulated funds
	Retirement	Death and disability	
Senior Management Total	1,332	612	24,296

(1) Contributions registered to fulfil the pension commitments undertaken with the Senior Management as a whole in the proportional part corresponding to the first half of the 2021 financial year which correspond to the sum of the annual contributions to cover retirement benefits and the adjustments to the "discretionary pension benefits" for the 2020 financial year, the contribution of which had to be made in the 2021 financial year, and to the premiums paid by the Bank to cover death and disability contingencies.

• Payments for the termination of the contractual relationship

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

With regard to Senior Management, excluding executive directors, the Bank has not paid any amount corresponding to payments derived from the termination of a contractual relationship during the first half of 2021.

48. Other information

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

Dividends paid

The table below presents the dividends per share paid in cash during the six months ended June 30, 2021 and 2020 (cash basis dividend, regardless of the year in which they were accrued):

Paid Dividends

	June 2021			June 2020		
	% Over nominal	Euros per share	Amount (Millions of Euros)	% Over nominal	Euros per share	Amount (Millions of Euros)
Ordinary shares	—	—	—	32.65 %	0.16	1,067
Rest of shares	—	—	—	—	—	—
Total dividends paid in cash	**—**	**—**	**—**	**32.65 %**	**0.16**	**1,067**
Dividends with charge to income	—	—	—	32.65 %	0.16	1,067
Dividends with charge to reserve or share premium	—	—	—	—	—	—
Dividends in kind	—	—	—	—	—	—

Ordinary income and attributable profit by operating segment

The detail of the condensed consolidated ordinary income and profit for each operating segment is as follows for the six months ended June 30, 2021 and 2020:

Ordinary income and attributable profit by operating segment (Millions of Euros)

	Income from ordinary activities (1)		Profit/ (loss) (2)	
	June 2021	June 2020	June 2021	June 2020
Spain	4,241	4,444	745	108
Mexico	5,586	5,746	1,127	656
Turkey	3,689	3,515	384	266
South America	2,766	2,915	218	159
Rest of Business	475	653	145	109
Subtotal operating segments	**16,758**	**17,272**	**2,619**	**1,298**
Corporate Center	209	(17)	(708)	(2,454)
Total	**16,967**	**17,256**	**1,911**	**(1,157)**

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

(2) See Note 5.

Interest income and similar income by geographical area

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

Interest income. Breakdown by geographical area (Millions of Euros)

	Notes	June 2021	June 2020
Domestic		2,168	2,370
Foreign		8,794	9,458
European Union		*173*	*207*
Eurozone		*104*	*130*
Not Eurozone		*68*	*77*
Other countries		*8,621*	*9,251*
Total	**32.1**	**10,962**	**11,828**
Of which BBVA, S.A.:			
Domestic		1,985	2,119
Foreign		170	275
European Union		*74*	*101*
Eurozone		*61*	*81*
Not Eurozone		*13*	*20*
Other countries		*96*	*174*
Total		**2,155**	**2,394**

Average number of employees

The breakdown of the average number of employees in the BBVA Group as of June 30, 2021 and 2020 is as follows:

Average number of employees

	June 2021	June 2020
BBVA Group	**120,092**	**125,953**
Men	*55,505*	*58,285*
Women	*64,586*	*67,668*
Of which BBVA, S.A.:	**24,414**	**25,299**
Men	*11,970*	*12,501*
Women	*12,444*	*12,798*

Employees of companies sold in the United States in 2021 are included in the figures of June 2020.

48.2 Mortgage market policies and procedures

The information on "Mortgage market policies and procedures" (for the granting of mortgage loans and for debt issues secured by such mortgage loans) required by Bank of Spain Circular 5/2011, applying Royal Decree 716/2009, dated April 24 (which developed certain aspects of Act 2/1981, dated March 25, on the regulation of the mortgage market and other mortgage and financial market regulations), can be found in Appendix II.

49. Subsequent events

From July 1, 2021 to the date of preparation of these Consolidated Financial Statements, no subsequent events requiring disclosure in these interim Consolidated Financial Statements have taken place that significantly affect the Group's earnings or its consolidated equity position.

50. Explanation added for translation into English

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

Appendices

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

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

ASSETS (Millions of Euros)	June 2021	December 2020 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**34,800**	**44,107**
FINANCIAL ASSETS HELD FOR TRADING	**87,553**	**87,677**
Derivatives	26,725	36,545
Equity instruments	13,458	10,682
Debt securities	11,094	9,983
Loans and advances to central banks	86	53
Loans and advances to credit institutions	27,556	19,472
Loans and advances to customers	8,633	10,941
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	**394**	**409**
Equity instruments	156	183
Debt securities	142	142
Loans and advances to customers	95	84
OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**—**	**—**
FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME	**40,264**	**37,528**
Equity instruments	1,120	881
Debt securities	39,143	36,648
FINANCIAL ASSETS AT AMORTIZED COST	**227,207**	**225,914**
Debt securities	22,954	23,241
Loans and advances to central banks	142	7
Loans and advances to credit institutions	8,064	8,762
Loans and advances to customers	196,048	193,903
DERIVATIVES - HEDGE ACCOUNTING	**670**	**1,011**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**23**	**51**
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	**18,926**	**18,380**
Subsidiaries	18,125	17,547
Joint ventures	54	54
Associates	747	780
TANGIBLE ASSETS	**3,494**	**3,915**
Property, plant and equipment	3,407	3,836
For own use	*3,407*	*3,836*
Other assets leased out under an operating lease	*—*	*—*
Investment properties	87	80
INTANGIBLE ASSETS	**847**	**840**
Goodwill	—	—
Other intangible assets	847	840
TAX ASSETS	**13,007**	**12,764**
Current	486	633
Deferred	12,520	12,131
OTHER ASSETS	**2,839**	**2,837**
Insurance contracts linked to pensions	1,962	2,074
Inventories	—	—
Other	878	763
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	**986**	**9,978**
TOTAL ASSETS	**431,010**	**445,411**

(*) Presented for comparison purposes only.

LIABILITIES AND EQUITY (Millions of euros)	June 2021	December 2020 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	**67,418**	**69,514**
Trading derivatives	25,005	35,396
Short positions	8,644	9,625
Deposits from central banks	7,678	1,256
Deposits from credit institutions	16,239	16,083
Customer deposits	9,852	7,154
Debt certificates	—	—
Other financial liabilities	—	—
OTHER FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,498**	**3,267**
Deposits from central banks	—	—
Deposits from credit institutions	—	—
Customer deposits	2,498	3,267
Debt certificates	—	—
Other financial liabilities	—	—
Of which: Subordinated liabilities	*—*	*—*
FINANCIAL LIABILITIES AT AMORTIZED COST	**316,959**	**331,189**
Deposits from central banks	42,784	37,903
Deposits from credit institutions	15,682	22,106
Customer deposits	209,799	217,360
Debt certificates	37,774	43,692
Other financial liabilities	10,920	10,127
Of which: Subordinated liabilities	*9,886*	*11,096*
DERIVATIVES - HEDGE ACCOUNTING	**1,852**	**1,510**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**—**	**—**
PROVISIONS	**4,958**	**4,449**
Provisions for pensions and similar obligations	3,304	3,544
Other long term employee benefits	11	18
Provisions for taxes and other legal contingencies	406	439
Provisions for contingent risks and commitments	268	270
Other provisions	968	177
TAX LIABILITIES	**1,794**	**1,071**
Current	899	173
Deferred	894	898
OTHER LIABILITIES	**2,524**	**1,543**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**—**	**—**
TOTAL LIABILITIES	**398,004**	**412,543**

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LIABILITIES AND EQUITY (Continued) (Millions of euros)

	June 2021	December 2020 (*)
SHAREHOLDERS' FUNDS	**34,243**	**33,992**
Capital	**3,267**	**3,267**
Paid up capital	3,267	3,267
Unpaid capital which has been called up	—	—
Share premium	**23,599**	**23,992**
Equity instruments issued other than capital	**—**	**—**
Equity component of compound financial instruments	—	—
Other equity instruments issued	—	—
Other equity	**33**	**34**
Retained earnings	**6,474**	**8,859**
Revaluation reserves	**—**	**—**
Other reserves	**33**	**31**
Less: Treasury shares	**(8)**	**(9)**
Profit or loss of the period	**845**	**(2,182)**
Less: Interim dividends	**—**	**—**
ACCUMULATED OTHER COMPREHENSIVE INCOME	**(1,237)**	**(1,124)**
Items that will not be reclassified to profit or loss	**(1,184)**	**(1,376)**
Actuarial gains or (-) losses on defined benefit pension plans	(71)	(61)
Non-current assets and disposal groups classified as held for sale	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income	(1,108)	(1,294)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)	—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	(5)	(21)
Items that may be reclassified to profit or loss	**(53)**	**252**
Hedge of net investments in foreign operations (effective portion)	—	—
Foreign currency translation	—	—
Hedging derivatives. Cash flow hedges (effective portion)	(432)	(100)
Fair value changes of debt instruments measured at fair value through other comprehensive income	379	352
Hedging instruments (non-designated items)	—	—
Non-current assets and disposal groups classified as held for sale	—	—
TOTAL EQUITY	**33,006**	**32,867**
TOTAL EQUITY AND TOTAL LIABILITIES	**431,010**	**445,411**

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

	June 2021	December 2020 (*)
Loan commitments given	81,662	80,959
Financial guarantees given	10,002	8,745
Contingent commitments given	26,845	25,711

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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.

INCOME STATEMENTS (Millions of Euros)

	June 2021	June 2020 (*)
Interest and other income	2,155	2,394
Financial assets and liabilities at fair value through other comprehensive income	98	137
Financial assets at amortized cost	1,759	2,011
Other interest income	298	246
Interest expense	(428)	(614)
NET INTEREST INCOME	**1,727**	**1,780**
Dividend income	898	927
Fee and commission income	1,183	1,067
Fee and commission expense	(204)	(173)
Gains (losses) on recognition of financial assets and liabilities not measured at fair value through profit or loss, net	61	141
Financial assets at amortized cost	—	100
Other financial assets and liabilities	61	41
Gains (losses) from hedge accounting, net	229	300
Reclassification of financial assets from fair value through other comprehensive income	—	—
Reclassification of financial assets from amortized cost	—	—
Other gains or losses	229	300
Gains (losses) on on-trading financial assets mandatorily at fair value through profit or loss, net	79	8
Reclassification of financial assets from fair value through other comprehensive income	—	—
Reclassification of financial assets from amortized cost	—	—
Other gains or losses	79	8
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	42	(65)
Gains (losses) from hedge accounting, net	(28)	10
Exchange differences,	28	(65)
Other operating income	89	71
Other operating expense	(264)	(248)
GROSS INCOME	**3,840**	**3,752**
Administration costs	(1,816)	(1,785)
Personnel expense	(1,086)	(1,057)
Other administrative expense	(729)	(728)
Depreciation and amortization	(322)	(332)
Provisions or reversal of provisions	(939)	(372)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(326)	(945)
Financial assets at amortized cost	(330)	(932)
Financial assets at fair value through other comprehensive income	5	(13)
NET OPERATING INCOME	**437**	**318**
Impairment or reversal of impairment of investments in joint ventures and associates	(35)	(348)
Impairment or reversal of impairment on non-financial assets	(155)	(46)
Tangible assets	(156)	(46)
Intangible assets	—	—
Other assets	1	—
Gains (losses) on derecognized assets not classified as non-current assets held for sale, net	3	—
Negative goodwill recognized in profit or loss	—	—
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	110	(24)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**360**	**(99)**
Tax expense or income related to profit or loss from continuing operations	208	(24)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**568**	**(122)**
Profit or loss after tax from discontinued operations	277	(1,468)
PROFIT FOR THE PERIOD	**845**	**(1,590)**

(*) Presented for comparison purposes only.

STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)	June 2021	June 2020 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	**845**	**(1,590)**
OTHER RECOGNIZED INCOME (EXPENSES)	**(113)**	**(468)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**192**	**(466)**
Actuarial gains (losses) from defined benefit pension plans	(10)	2
Non-current assets available for sale	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income, net	187	(525)
Gains or losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	22	62
Income tax related to items not subject to reclassification to income statement	(6)	(5)
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(305)**	**(2)**
Hedge of net investments in foreign operations [effective portion]	**—**	**—**
Foreign currency translation	**—**	**—**
Translation gains or (losses) taken to equity	—	—
Transferred to profit or loss	—	—
Other reclassifications	—	—
Cash flow hedges [effective portion]	**(428)**	**86**
Valuation gains or (losses) taken to equity	(428)	86
Transferred to profit or loss	—	—
Transferred to initial carrying amount of hedged items	—	—
Other reclassifications	—	—
Hedging instruments [non-designated elements]	**—**	**—**
Debt securities at fair value through other comprehensive income	**39**	**(89)**
Valuation gains (losses)	100	(51)
Amounts reclassified to income statement	(61)	(38)
Reclassifications (other)	—	—
Non-current assets held for sale and disposal groups held for sale	**—**	**—**
Income tax related to items subject to reclassification to income statement	**85**	**1**
TOTAL RECOGNIZED INCOME/EXPENSES	**732**	**(2,058)**

(*) Presented for comparison purposes only.

Statement of changes in equity for the six months ended June 30, 2021 of BBVA, S.A.

STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

June 2021	Capital	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Total
Balances as of January 1, 2021	**3,267**	**23,992**	**—**	**34**	**8,859**	**—**	**31**	**(9)**	**(2,182)**	**—**	**(1,124)**	**32,867**
Total income(expense) recognized	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**845**	**—**	**(113)**	**732**
Other changes in equity	**—**	**(393)**	**—**	**—**	**(2,385)**	**—**	**2**	**1**	**2,182**	**—**	**—**	**(594)**
Issuances of common shares	—	—	—	—	—	—	—	—	—	—	—	—
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Period or maturity of other issued equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt on equity	—	—	—	—	—	—	—	—	—	—	—	—
Common Stock reduction	—	—	—	—	—	—	—	—	—	—	—	—
Dividend distribution	—	(393)	—	—	—	—	—	—	—	—	—	(393)
Purchase of treasury shares	—	—	—	—	—	—	—	(234)	—	—	—	(234)
Sale or cancellation of treasury shares	—	—	—	—	—	—	(3)	235	—	—	—	233
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—
Transfers between total equity entries	—	—	—	(2)	(2,184)	—	4	—	2,182	—	—	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	—	—	—	—	—	—	—	—	—
Other increases or (-) decreases in equity	—	—	—	2	(201)	—	—	—	—	—	—	(199)
Balances as of June 30, 2021	**3,267**	**23,599**	**—**	**33**	**6,474**	**—**	**33**	**(8)**	**845**	**—**	**(1,237)**	**33,006**

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Statement of changes in equity for the six months ended June 30, 2020 of BBVA, S.A.

STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

June 2020 (*)	Capital	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Total
Balances as of January 1, 2020	**3,267**	**23,992**	**—**	**48**	**9,107**	**—**	**1**	**—**	**2,241**	**(1,086)**	**(381)**	**37,189**
Total income(expense) recognized	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,590)**	**—**	**(468)**	**(2,058)**
Other changes in equity	**—**	**—**	**—**	**(18)**	**(109)**	**—**	**1**	**—**	**(2,241)**	**1,086**	**—**	**(1,282)**
Issuances of common shares	—	—	—	—	—	—	—	—	—	—	—	—
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Period or maturity of other issued equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt on equity	—	—	—	—	—	—	—	—	—	—	—	—
Common Stock reduction	—	—	—	—	—	—	—	—	—	—	—	—
Dividend distribution	—	—	—	—	(1,067)	—	—	—	—	—	—	(1,067)
Purchase of treasury shares	—	—	—	—	—	—	—	(422)	—	—	—	(422)
Sale or cancellation of treasury shares	—	—	—	—	—	—	2	422	—	—	—	424
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—
Transfers between total equity entries	—	—	—	(2)	1,159	—	(1)	—	(2,241)	1,086	—	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	—	—	—	—	—	—	—	—	—
Other increases or (-) decreases in equity	—	—	—	(16)	(201)	—	—	—	—	—	—	(217)
Balances as of June 30, 2020	**3,267**	**23,992**	**—**	**29**	**8,998**	**—**	**2**	**—**	**(1,590)**	**—**	**(849)**	**33,849**

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CASH FLOW STATEMENTS (Millions of Euros)	June 2021	June 2020 (*)
A) CASH FLOW FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)	**(17,147)**	**18,537**
1. Profit for the period	**845**	**(1,590)**
2. Adjustments to obtain the cash flow from operating activities:	**278**	**2,155**
Depreciation and amortization	322	332
Other adjustments	(44)	1,824
3. Net increase/decrease in operating assets	**(4,217)**	**(37,838)**
Financial assets held for trading	124	(15,196)
Non-trading financial assets mandatorily at fair value through profit or loss	17	419
Other financial assets designated at fair value through profit or loss	—	—
Financial assets at fair value through other comprehensive income	(2,735)	(9,537)
Financial assets at amortized cost	(1,395)	(13,231)
Other operating assets	(228)	(293)
4. Net increase/decrease in operating liabilities	**(14,172)**	**55,073**
Financial liabilities held for trading	(2,096)	19,091
Other financial liabilities designated at fair value through profit or loss	(769)	(290)
Financial liabilities at amortized cost	(13,156)	36,042
Other operating liabilities	1,848	230
5. Collection/Payments for income tax	**119**	**737**
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	**9,676**	**(67)**
1. Investment	**(238)**	**(193)**
Tangible assets	(12)	(48)
Intangible assets	(163)	(143)
Investments in subsidiaries, joint ventures and associates	(51)	(2)
Other business units	—	—
Non-current assets held for sale and associated liabilities	(12)	—
Other settlements related to investing activities	—	—
2. Divestments	**9,914**	**126**
Tangible assets	35	11
Intangible assets	—	—
Investments in subsidiaries, joint ventures and associates	58	24
Other business units	—	—
Non-current assets held for sale and associated liabilities	9,822	92
Other collections related to investing activities	—	—
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	**(1,708)**	**(1,775)**
1. Investment	**(2,033)**	**(3,240)**
Dividends (or remuneration to partners)	(393)	(1,067)
Subordinated liabilities	(1,400)	(1,751)
Common stock amortization	—	—
Treasury stock acquisition	(239)	(422)
Other items relating to financing activities	—	—
2. Divestments	**325**	**1,465**
Subordinated liabilities	—	1,000
Common stock increase	—	—
Treasury stock disposal	233	427
Other items relating to financing activities	92	38
D) EFFECT OF EXCHANGE RATE CHANGES	**(127)**	**(6)**
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A + B + C + D)	**(9,307)**	**16,688**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**44,107**	**18,419**
G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (E + F)	**34,800**	**35,107**

COMPONENTS OF CASH AND EQUIVALENTS AT END OF THE PERIOD (Millions of Euros)	June 2021	June 2020 (*)
Cash	749	826
Balance of cash equivalent in central banks	32,209	32,586
Other financial assets	1,842	1,695
Less: Bank overdraft refundable on demand	—	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**34,800**	**35,107**

(*) Presented for comparison purposes only.

This Appendix is an integral part of Note 1.7 of the Consolidated Financial Statements for the six months ended June 30, 2021.

APPENDIX II. Information on data derived from the special accounting registry and other information on bonds

The Bank has implemented policies and procedures for its activities in the mortgage market and in the financing of exportation of goods and services or the process of internationalization of companies, which allow ensuring compliance with the applicable regulations of the mortgage market and for the issuance of bonds.

a) Mortgage market policies and procedures

Information required pursuant to Circular 5/2011 of the Bank of Spain is indicated as follows.

The mortgage origination policy is based on principles focused on assessing the adequate ratio between the amount of the loan, and the payments, and the income of the applicant. Applicants must in all cases prove sufficient repayment ability (present and future) to meet their repayment obligations, for both the mortgage debt and for other debts detected in the financial system. Therefore, the applicant's repayment ability is a key aspect within the credit decision-making tools and retail risk acceptance manuals, and has a high weighting in the final decision.

During the mortgage risk transaction analysis process, documentation supporting the applicant's income (payroll, etc.) is required, and the applicant's position in the financial system is checked through automated database queries (internal and external). This information is used for calculation purposes in order to determine the level of indebtedness/compliance with the remainder of the system. This documentation is kept in the transaction's file.

In addition, the mortgage origination policy assesses the adequate ratio between the amount of the loan and the appraisal value of the mortgaged asset. The policy also establishes that the property to be mortgaged be appraised by an independent appraisal company as established by Circular 3/2010 and Circular 4/2016. BBVA selects those companies whose reputation, standing in the market and independence ensure that their appraisals adapt to the market reality in each region. Each appraisal is reviewed and checked before the loan is granted and, in those cases where the loan is finally granted, it is kept in the transaction's file.

As for issues related to the mortgage market, the Finance area annually defines the strategy for wholesale finance issues, and more specifically mortgage bond issues, such as mortgage covered bonds or mortgage securitization. The Assets and Liabilities Committee tracks the budget monthly. The volume and type of assets in these transactions is determined in accordance with the wholesale finance plan, the trend of the Bank's "Loans and receivables" outstanding balances and the conditions in the market.

The Board of Directors of the Bank authorizes each of the issues of Mortgage Transfer Certificates and/or Mortgage Participations issued by BBVA to securitize the credit rights derived from loans and mortgage loans. Likewise, the Board of Directors authorizes the establishment of a Base Prospectus for the issuance of fixed-income securities through which the mortgage-covered bonds are implemented.

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

The Bank has set up a series of controls for mortgage covered bonds, which regularly control the total volume of issued mortgage covered bonds issued and the remaining eligible collateral, to avoid exceeding the maximum limit set by Royal Decree 716/2009, and outlined in the preceding paragraph. In the case of securitizations, the preliminary portfolio of loans and mortgage loans to be securitized is checked according to an agreed procedures engagement, by the Bank's external auditor as required by the Spanish Securities and Exchange Commission. There is also a series of filters through which some mortgage loans and credits are excluded in accordance with legal, commercial and risk concentration criteria.

b) Quantitative information on activities in the mortgage market

The quantitative information on activities in the mortgage market required by Bank of Spain Circular 5/2011 as of June 30, 2021 and December 31, 2020 is shown below.

b.1) Ongoing transactions

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of Euros)

		June 2021	December 2020
Nominal value of outstanding loans and mortgage loans	(A)	87,335	88,753
Minus: Nominal value of all outstanding loans and mortgage loans that form part of the portfolio, but have been mobilized through mortgage bond holdings or mortgage transfer certificates.	*(B)*	*(28,625)*	*(27,549)*
Nominal value of outstanding loans and mortgage loans, excluding securitized loans	**(A)-(B)**	**58,710**	**61,204**
Of which: Loans and mortgage loans which would be eligible if the calculation limits set forth in Article 12 of Spanish Royal Decree 716/2009 were not applied.	*(C)*	*44,871*	*44,854*
Of which: Minus: Loans and mortgage loans which would be eligible but, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, cannot be used to collateralize any issuance of mortgage bonds.	*(D)*	*(1,145)*	*(1,169)*
Eligible loans and mortgage loans that, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, can be used as collateral for the issuance of mortgage bonds	**(C)-(D)**	**43,726**	**43,685**
Issuance limit: 80% of eligible loans and mortgage loans that can be used as collateral	(E)	34,981	34,948
Issued Mortgage-covered bonds	**(F)**	**31,922**	**32,069**
Outstanding Mortgage-covered bonds		**9,411**	**12,559**
Capacity to issue mortgage-covered bonds	(E)-(F)	3,059	2,879
Memorandum items:		*—*	*—*
Percentage of overcollateralization across the portfolio		*184 %*	*191 %*
Percentage of overcollateralization across the eligible used portfolio		*137 %*	*136 %*
Nominal value of available sums (committed and unused) from all loans and mortgage loans.		5,577	5,549
Of which: Potentially eligible		*4,909*	*4,885*
Of which: Ineligible		*668*	*664*
Nominal value of all loans and mortgage loans that are not eligible, as they do not meet the thresholds set in Article 5.1 of Spanish Royal Decree 716/2009, but do meet the rest of the eligibility requirements indicated in Article 4 of the Royal Decree.		7,745	9,006
Nominal value of the replacement assets subject to the issue of mortgage-covered bonds.		—	—

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of Euros)

		June 2021	December 2020
Total loans	**(1)**	**87,335**	**88,753**
Issued mortgage participations	**(2)**	**3,907**	**4,114**
Of which: recognized on the balance sheet		*2,775*	*2,928*
Issued mortgage transfer certificates	**(3)**	**24,718**	**23,435**
Of which: recognized on the balance sheet		*22,602*	*21,098*
Mortgage loans as collateral of mortgages bonds	**(4)**	**—**	**—**
Loans supporting the issuance of mortgage-covered bonds	**1-2-3-4**	**58,710**	**61,204**
Non eligible loans		13,839	16,350
Comply requirements to be eligible except the limit provided for under the article 5.1 of the Spanish Royal Decree 716/2009		7,745	9,006
Other		6,094	7,344
Eligible loans		44,871	44,854
That cannot be used as collateral for issuances		1,145	1,169
That can be used as collateral for issuances		43,726	43,685
Loans used to collateralize mortgage bonds		—	—
Loans used to collateralize mortgage-covered bonds		43,726	43,685

Mortgage loans. Classification of the nominal values according to different characteristics (Millions of Euros)

	June 2021			December 2020		
	Total mortgage loans	**Eligible Loans (*)**	**Eligibles that can be used as collateral for issuances (**)**	**Total mortgage loans**	**Eligible Loans (*)**	**Eligibles that can be used as collateral for issuances (**)**
Total	**58,710**	**44,871**	**43,726**	**61,204**	**44,854**	**43,685**
By source of the operations						
Originated by the bank	54,304	41,177	40,066	56,593	40,975	39,846
Subrogated by other institutions	730	573	569	763	589	584
Rest	3,676	3,121	3,091	3,848	3,290	3,255
By Currency						
In Euros	58,495	44,697	43,552	61,033	44,742	43,573
In foreign currency	215	174	174	171	112	112
By payment situation						
Normal payment	52,434	42,184	41,407	54,197	42,245	41,388
Other situations	6,276	2,687	2,319	7,007	2,609	2,297
By residual maturity						
Up to 10 years	13,419	10,872	10,601	13,031	10,037	9,759
10 to 20 years	24,738	21,502	20,733	25,898	22,116	21,359
20 to 30 years	17,678	11,762	11,674	18,713	11,718	11,613
Over 30 years	2,875	735	718	3,562	983	954
By Interest rate						
Fixed rate	14,104	10,765	10,702	13,412	9,318	9,260
Floating rate	44,606	34,106	33,024	47,792	35,536	34,425
Mixed rate	—	—	—	—	—	—
By target of operations						
For business activity	10,086	6,670	5,749	10,699	6,598	5,681
Of which: RE development	*2,197*	*1,622*	*799*	*2,215*	*1,555*	*757*
Household and NPISHs	48,624	38,201	37,977	50,505	38,256	38,004
By type of guarantee						
Secured by completed assets/buildings	**56,910**	**43,733**	**42,941**	**59,190**	**43,696**	**42,868**
Residential use	50,162	39,362	38,713	52,145	39,454	38,781
Of which: public housing	*3,528*	*2,956*	*2,825*	*3,791*	*3,078*	*2,942*
Commercial	6,726	4,361	4,218	7,015	4,233	4,078
Other	22	10	10	30	9	9
Secured by assets/buildings under construction	**1,262**	**953**	**644**	**1,303**	**942**	**660**
Residential use	1,009	785	478	1,004	734	453
Of which: public housing	*14*	*—*	*—*	*1*	*—*	*—*
Commercial	253	168	166	299	208	207
Other	—	—	—	—	—	—
Secured by land	**538**	**185**	**141**	**711**	**216**	**157**
Urban	202	79	37	275	88	34
Non-urban	336	106	104	436	128	123

(*) Not taking into account the thresholds established by article 12 of Spanish Royal Decree 716/2009.

(**) Taking into account the thresholds established by article 12 of Spanish Royal Decree 716/2009.

Nominal value of the total mortgage loans (Millions of Euros)

	Loan to Value (Last available appraisal risk)				
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80%	Total
June 2021					
Home mortgages	13,612	14,045	12,450	—	40,107
Other mortgages	2,347	2,417			4,764
Total	**15,959**	**16,462**	**12,450**	**—**	**44,871**
December 2020					
Home mortgages	13,665	14,339	12,211	—	40,215
Other mortgages	2,351	2,288			4,639
Total	**16,016**	**16,627**	**12,211**	**—**	**44,854**

Eligible and non-eligible mortgage loans. Changes of the nominal values in the period (Millions of Euros)

	June 2021		December 2020	
	Eligible (*)	Non eligible	Eligible (*)	Non eligible
Balance at the beginning	**44,854**	**16,350**	**44,759**	**17,825**
Retirements	**3,480**	**4,734**	**6,429**	**4,535**
Held-to-maturity cancellations	2,084	698	3,918	736
Anticipated cancellations	1,095	675	1,913	930
Subrogations to other institutions	31	11	48	19
Rest	269	3,350	550	2,850
Additions	**3,497**	**2,223**	**6,524**	**3,060**
Originated by the bank	2,483	1,896	3,740	2,396
Subrogations to other institutions	14	5	3	1
Rest	1,001	322	2,781	664
Balance at the end	**44,871**	**13,839**	**44,854**	**16,350**

(*) Not taking into account the thresholds established by article 12 of Spanish Royal Decree 716/2009.

Mortgage loans supporting the issuance of mortgage-covered bonds. Nominal value (Millions of Euros)

	June 2021	December 2020
Potentially eligible	4,909	4,885
Ineligible	668	664
Total	**5,577**	**5,549**

b.2) Liabilities operations

Issued Mortgage Bonds (Millions of Euros)

	June 2021		December 2020	
	Nominal value	Average residual maturity	Nominal value	Average residual maturity
Mortgage bonds	**—**		**—**	
Mortgage-covered bonds	**31,922**		**32,069**	
Of which: Non recognized as liabilities on balance	*22,511*		*19,510*	
Of Which: outstanding	*9,411*		*12,559*	
Debt securities issued through public offer	7,700		10,450	
Residual maturity up to 1 year	1,250		2,750	
Residual maturity over 1 year and less than 2 years	2,250		1,250	
Residual maturity over 2 years and less than 3 years	1,000		2,250	
Residual maturity over 3 years and less than 5 years	2,000		3,000	
Residual maturity over 5 years and less than 10 years	1,000		1,000	
Residual maturity over 10 years	200		200	
Debt securities issued without public offer	22,608		19,605	
Residual maturity up to 1 year	—		1,500	
Residual maturity over 1 year and less than 2 years	5,500		2,000	
Residual maturity over 2 years and less than 3 years	5,500		9,000	
Residual maturity over 3 years and less than 5 years	8,500		4,000	
Residual maturity over 5 years and less than 10 years	3,108		3,105	
Residual maturity over 10 years	—		—	
Deposits	1,614		2,014	
Residual maturity up to 1 year	225		425	
Residual maturity over 1 year and less than 2 years	168		368	
Residual maturity over 2 years and less than 3 years	100		100	
Residual maturity over 3 years and less than 5 years	371		371	
Residual maturity over 5 years and less than 10 years	750		100	
Residual maturity over 10 years	—		650	
Mortgage participations	**2,775**	**256**	**2,928**	**257**
Issued through public offer	2,775	256	2,928	257
Issued without public offer	—	—	—	—
Mortgage transfer certificates	**22,602**	**256**	**21,098**	**257**
Issued through public offer	22,602	256	21,098	257
Issued without public offer	—	—	—	—

Given the characteristics of the type of covered bonds issued by the Bank, there is no substituting collateral related to these issues.

The Bank does not hold any derivative financial instruments relating to mortgage bond issues, as defined in the aforementioned Royal Decree.

c) Quantitative information on internationalization covered bonds

Below is the quantitative information of BBVA, S.A. internationalization covered bonds required by Bank of Spain Circular 4/2017 as of June 30, 2021 and December 31, 2020.

c.1) Assets operations

Principal outstanding payment of loans (Millions of Euros)

	Nominal value June 2021	Nominal value December 2020
Eligible loans according to article 34.6 y 7 of the Law 14/2013	3,419	3,284
Minos: Loans that support the issuance of internationalization bonds	—	—
Minos: NPL to be deducted in the calculation of the issuance limit, according to Article 13 del Royal Decree 579/2014	9	8
Total Loans included in the base of all issuance limit	**3,410**	**3,276**

c.2) Liabilities operations

Internationalization covered bonds (Millions of Euros)

	Nominal value June 2021	Nominal value December 2020
(1) Debt securities issued through public offer (a)	**1,500**	**1,500**
Of which: Treasury shares	1,500	1,500
Residual maturity up to 1 year	—	—
Residual maturity over 1 year and less than 2 years	1,500	1,500
Residual maturity over 2 years and less than 3 years	—	—
Residual maturity over 3 years and less than 5 years	—	—
Residual maturity over 5 years and less than 10 years	—	—
Residual maturity over 10 years	—	—
(2) Debt securities issued without public offer (a)	**—**	**—**
Of which: Treasury shares	—	—
Residual maturity up to 1 year	—	—
Residual maturity over 1 year and less than 2 years	—	—
Residual maturity over 2 years and less than 3 years	—	—
Residual maturity over 3 years and less than 5 years	—	—
Residual maturity over 5 years and less than 10 years	—	—
Residual maturity over 10 years	—	—
(3) Deposits (b)	**—**	**—**
Residual maturity up to 1 year	—	—
Residual maturity over 1 year and less than 2 years	—	—
Residual maturity over 2 years and less than 3 years	—	—
Residual maturity over 3 years and less than 5 years	—	—
Residual maturity over 5 years and less than 10 years	—	—
Residual maturity over 10 years	—	—
TOTAL: (1) + (2) + (3)	**1,500**	**1,500**
	Percentage	**Percentage**
Coverage ratio of internationalization covered bonds on loans (c)	**44%**	**46%**

a) Balance that includes all internationalization covered bonds issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).

b) Nominative bonds.

c) Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as

Given the characteristics of the Bank's internationalization covered bonds, there are no substitute assets assigned to these issuances.

d) Territorial bonds

d.1) Territorial bonds

Loans that serves as collateral for the territorial bonds"

		Nominal Value(a)	
	Total	**Spanish Residents**	**Residents in other countries of the European Economic Area**
June 2021			
Central Governments	958	933	25
Regional Governments	8,370	8,342	28
Local Governments	3,641	3,641	—
Total loans	**12,969**	**12,916**	**53**
December 2020			
Central Governments	1,505	1,396	109
Regional Governments	7,633	7,605	28
Local Governments	3,665	3,665	—
Total loans	**12,803**	**12,666**	**137**

(a) Principal pending payment of loans,

d.2) Liabilities operations

TERRITORIAL BONDS

	Nominal value June 2021	**Nominal value December 2020**
Territorial bonds issued (a)	**6,540**	**6,540**
Issued through a public offering	6,540	6,540
Of which: Treasury stock	*6,040*	*6,040*
Residual maturity up to 1 year	2,840	2,000
Residual maturity over 1 year and less than 2 years	—	840
Residual maturity over 2 years and less than 3 years	200	200
Residual maturity over 3 years and less than 5 years	3,500	3,500
Residual maturity over 5 years and less than 10 years	—	—
Residual maturity over 10 years	—	—
Other issuances	—	—
Of which: Treasury stock	—	—
Residual maturity over 1 year and less than 2 years	—	—
Residual maturity over 2 years and less than 3 years	—	—
Residual maturity over 3 years and less than 5 years	—	—
Residual maturity over 5 years and less than 10 years	—	—
Residual maturity over 10 years	—	—
	Percentage	**Percentage**
Coverage ratio of the territorial bonds on loans (b)	**50 %**	**51 %**

(a) Includes the nominal value of all loans that serve as collateral for the territorial bonds, regardless of the item in which they are included in the balance sheet. Principal pending payment of loans. The territorial bonds include all the instruments issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).

(b) Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee.

This Appendix is an integral part of Note 13.2, 21.4 and 48.2 of the Condensed consolidated Financial Statements for the six months ended June 30, 2021.

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

a) Quantitative information on refinancing and restructuring operations

The breakdown of refinancing and restructuring operations as of June 30, 2021 and December 31, 2020, is as follows:

JUNE 2021 BALANCE OF FORBEARANCE (Millions of Euros)

	TOTAL						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	—	—	—	—	—	—	—
General Governments	58	73	59	54	46	—	(13)
Other financial corporations and individual entrepreneurs (financial business)	398	6	25	2	2	—	(4)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	90,863	6,503	11,098	3,583	2,206	25	(3,219)
Of which: financing the construction and property (including land)	*451*	*428*	*963*	*568*	*334*	*—*	*(364)*
Other households (*)	275,917	1,926	95,257	6,015	4,471	28	(1,703)
Total	**367,236**	**8,509**	**106,439**	**9,654**	**6,725**	**53**	**(4,938)**

	Of which: IMPAIRED						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	—	—	—	—	—	—	—
General Governments	30	33	26	16	13	—	(10)
Other financial corporations and individual entrepreneurs (financial business)	224	4	14	1	1	—	(3)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	59,652	3,784	6,681	2,017	913	9	(2,721)
Of which: financing the construction and property (including land)	*321*	*412*	*583*	*329*	*158*	*—*	*(330)*
Other households (*)	138,427	884	39,100	2,763	1,829	6	(1,352)
Total	**198,333**	**4,705**	**45,821**	**4,798**	**2,755**	**15**	**(4,086)**

(*) Number of operations does not include Garanti BBVA.

Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

DECEMBER 2020 BALANCE OF FORBEARANCE (Millions of Euros)

	TOTAL						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	—	—	—	—	—	—	—
General Governments	67	77	69	62	45	—	(15)
Other financial corporations and individual entrepreneurs (financial business)	519	10	22	2	2	—	(4)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	111,648	5,592	11,343	3,182	1,911	33	(3,128)
Of which: financing the construction and property (including land)	*624*	*500*	*1,081*	*622*	*370*	*8*	*(420)*
Other households (*)	261,097	1,782	86,643	5,992	4,379	27	(1,712)
Total	**373,331**	**7,460**	**98,077**	**9,239**	**6,337**	**60**	**(4,859)**

	Of which: IMPAIRED						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	—	—	—	—	—	—	—
General Governments	39	36	29	20	14	—	(12)
Other financial corporations and individual entrepreneurs (financial business)	283	5	11	1	1	—	(3)
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	67,588	3,470	6,880	1,939	916	21	(2,727)
Of which: financing the construction and property (including land)	*469*	*216*	*674*	*408*	*197*	*8*	*(311)*
Other households (*)	113,013	765	37,063	2,805	1,820	8	(1,358)
Total	**180,923**	**4,274**	**43,983**	**4,765**	**2,750**	**30**	**(4,100)**

(*) Number of operations does not include Garanti BBVA.

Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

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

The table below provides a breakdown by segments of the forbearance operations (net of provisions) as of June 30, 2021 and December 31, 2020:

Forbearance operations. Breakdown by segments (Millions of Euros)

	June 2021	December 2020
Credit institutions	—	—
Central governments	114	124
Other financial corporations and individual entrepreneurs (financial activity)	5	8
Non-financial corporations and individual entrepreneurs (non-financial activity)	6,868	5,645
Of which: Financing the construction and property development (including land)	*633*	*701*
Households	6,237	6,062
Total carrying amount	**13,224**	**11,840**

NPL ratio by type of renegotiated loan

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

As of June 30, 2021 and December 31, 2020, the non-performing ratio for each of the portfolios of renegotiated loans is as follows:

December 2021. NPL ratio renegotiated loan portfolio

	June 2021	**December 2020**
General governments	39 %	40 %
Commercial	58 %	62 %
Of which: Construction and developer	*74 %*	*56 %*
Other consumer	46 %	46 %

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

June 2021 (Millions of Euros)

				Loans to customers. Loan to value				
	Total (*)	**Mortgage loans**	**Secured loans**	**Less than or equal to 40%**	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80% but less than or equal to 100%**	**Over 100%**
General governments	19,993	354	1,523	437	532	139	753	15
Other financial institutions and individual entrepreneurs	14,478	234	7,417	169	310	2,527	4,359	286
Non-financial institutions and individual entrepreneurs	144,283	23,711	3,801	8,321	7,121	4,606	2,503	4,961
Construction and property development	4,225	3,193	49	1,071	1,058	605	237	270
Construction of civil works	6,695	622	262	264	191	91	44	295
Other purposes	133,363	19,897	3,490	6,986	5,872	3,910	2,222	4,396
Large companies	81,470	6,952	2,075	2,674	1,735	1,567	725	2,325
SMEs (**) and individual entrepreneurs	51,893	12,945	1,414	4,312	4,137	2,343	1,497	2,070
Rest of households and NPISHs (***)	140,807	93,186	1,808	19,951	24,222	28,219	15,367	7,235
Housing	94,953	91,776	128	19,342	23,828	27,940	13,922	6,872
Consumption	40,447	426	1,479	260	176	128	1,230	111
Other purposes	5,408	984	200	348	219	151	215	252
TOTAL	**319,561**	**117,486**	**14,549**	**28,878**	**32,186**	**35,491**	**22,982**	**12,498**
MEMORANDUM ITEM:								
Forbearance operations (****)	*13,224*	*7,612*	*156*	*1,478*	*1,755*	*1,663*	*1,139*	*1,732*

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

(**) Small and medium enterprises

(***) Non-profit institutions serving households.

(****) Net of provisions

.

December 2020 (Millions of Euros)

	Total (*)	Mortgage loans	Secured loans	Loans to customers. Loan to value: Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
General governments	19,718	372	1,451	390	546	135	714	39
Other financial institutions and individual entrepreneurs	17,662	200	9,596	166	1,585	2,610	5,146	289
Non-financial institutions and individual entrepreneurs	143,693	23,686	4,082	8,294	7,162	4,467	3,200	4,646
Construction and property development	4,379	3,244	82	1,048	1,015	678	263	321
Construction of civil works	6,810	641	279	274	194	97	48	306
Other purposes	132,504	19,801	3,721	6,972	5,953	3,691	2,888	4,019
Large companies	79,595	6,648	1,920	2,561	1,811	1,242	1,012	1,943
SMEs (**) and individual entrepreneurs	52,909	13,154	1,801	4,411	4,142	2,449	1,877	2,076
Rest of households and NPISHs (***)	137,870	92,555	1,836	19,606	24,126	27,130	15,463	8,066
Housing	94,098	90,756	131	18,743	23,719	26,817	13,960	7,648
Consumption	39,442	418	1,521	246	190	139	1,245	118
Other purposes	4,331	1,381	184	617	216	174	257	301
TOTAL	**318,943**	**116,813**	**16,966**	**28,456**	**33,419**	**34,343**	**24,522**	**13,039**
MEMORANDUM ITEM:								
Forbearance operations (****)	*11,840*	*7,271*	*74*	*1,350*	*1,408*	*1,587*	*1,165*	*1,834*

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

(**) Small and medium enterprises

(***) Non-profit institutions serving households.

(****) Net of provisions.

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

June 2021 (Millions of Euros)

	TOTAL (*)	Spain	European Union Other	America	Other
Credit institutions	137,841	38,347	35,292	36,987	27,215
General governments	134,630	62,931	16,450	41,094	14,156
Central Administration	111,561	47,175	16,129	34,333	13,924
Other	23,069	15,756	320	6,761	232
Other financial institutions	37,297	9,676	10,306	10,664	6,651
Non-financial institutions and individual entrepreneurs	203,997	74,426	24,123	58,858	46,590
Construction and property development	7,988	3,232	295	1,747	2,715
Construction of civil works	10,252	5,415	1,219	1,037	2,580
Other purposes	185,758	65,780	22,609	56,074	41,294
Large companies	128,539	40,696	21,918	36,575	29,350
SMEs and individual entrepreneurs	57,218	25,083	691	19,499	11,944
Other households and NPISHs	141,539	90,407	2,760	37,899	10,473
Housing	94,954	73,225	1,691	17,476	2,562
Consumer	40,448	12,703	740	19,476	7,528
Other purposes	6,137	4,479	328	947	383
TOTAL	**655,304**	**275,788**	**88,931**	**185,501**	**105,085**

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

December 2020 (Millions of Euros)	TOTAL(*)	Spain	European Union Other	America	Other
Credit institutions	142,475	44,287	31,005	39,897	27,286
General governments	125,311	61,944	12,660	37,756	12,951
Central Administration	103,104	46,614	12,324	31,477	12,689
Other	22,207	15,330	336	6,279	262
Other financial institutions	48,434	14,727	11,773	15,640	6,294
Non-financial institutions and individual entrepreneurs	202,708	74,560	23,783	60,245	44,120
Construction and property development	8,182	3,384	202	1,899	2,697
Construction of civil works	10,385	5,275	1,349	1,183	2,578
Other purposes	184,141	65,901	22,232	57,163	38,845
Large companies	125,847	39,272	21,610	37,904	27,061
SMEs and individual entrepreneurs	58,294	26,629	622	19,259	11,784
Other households and NPISHs	138,544	88,633	2,882	36,690	10,339
Housing	94,098	73,383	1,747	16,262	2,706
Consumer	39,442	12,117	719	19,264	7,342
Other purposes	5,004	3,133	416	1,164	291
TOTAL	**657,472**	**284,151**	**82,103**	**190,228**	**100,990**

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

This appendix is an integral part of the Note 6.2 of the consolidated Financial Statement for the six months ended June 30, 2021.

APPENDIX IV. Additional information on risk concentration

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

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

Lending for real estate development of the loans as of June 30, 2021, and December 31, 2020 is shown below:

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

	Gross amount		Drawn over the guarantee value		Accumulated impairment	
	June 2021	December 2020	June 2021	December 2020	June 2021	December 2020
Financing to construction and real estate development (including land) (Business in Spain)	**2,448**	**2,565**	**522**	**650**	**(216)**	**(281)**
Of which: Impaired assets	*368*	*473*	*155*	*213*	*(152)*	*(230)*
Memorandum item:						
Write-offs	*2,168*	*2,288*				
Memorandum item:						
Total loans and advances to customers, excluding the General Governments (Business in Spain) (book Value)	*140,689*	*162,600*				
Total consolidated assets (total business) (book value)	*648,169*	*736,176*				
Impairment and provisions for normal exposures	*(4,800)*	*(4,909)*				

The following is a description of the real estate credit risk based on the types of associated guarantees:

Financing allocated by credit institutions to construction and real estate development and lending for house purchase (Millions of Euros)

	June 2021	December 2020
Without secured loan	**291**	**372**
With secured loan	**2,157**	**2,193**
Terminated buildings	1,263	1,307
Homes	988	991
Other	275	316
Buildings under construction	687	614
Homes	669	430
Other	18	184
Land	207	272
Urbanized land	104	143
Rest of land	103	129
Total	**2,448**	**2,565**

The table below provides the breakdown of the financial guarantees given as of June 30, 2021 and December 31, 2020:

Financial guarantees given (Millions of Euros)

	June 2021	December 2020
Houses purchase loans	58	58
Without mortgage	5	5

The information on the retail mortgage portfolio risk (housing mortgage) as of June 30, 2021 and December 31, 2020 is as follows:

Financing allocated by credit institutions to construction and Real Estate development and lending for house purchase. (Millions of Euros)

	Gross amount		Of which: impaired loans	
	June 2021	**December 2020**	**June 2021**	**December 2020**
Houses purchase loans	74,402	74,689	2,811	2,841
Without mortgage	1,698	1,693	14	20
With mortgage	72,704	72,996	2,797	2,821

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

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

	Total risk over the amount of the last valuation available (Loan to value-LTV)					
	Less than or equal to 40%	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80% but less than or equal to 100%**	**Over 100%**	**Total**
Gross amount June 30,2021	15,310	18,701	21,560	10,220	6,913	72,704
Of which: Impaired loans	*180*	*309*	*454*	*491*	*1,363*	*2,797*
Gross amount December 31, 2020	15,197	18,891	20,716	10,624	7,568	72,996
Of which: Impaired loans	*170*	*294*	*426*	*470*	*1,461*	*2,821*

Outstanding home mortgage loans as of June 30, 2021 and December 31, 2020 had an average LTV of 46% in both periods.

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

Information about Assets Received in Payment of Debts (Business in Spain) (Millions of euros)

	Gross Value		Provisions		Of which: Valuation adjustments on impaired assets, from the time of foreclosure		Carrying amount	
	June 2021	**December 2020**	**June 2021**	**December 2020**	**June 2021**	**December 2020**	**June 2021**	**December 2020**
Real estate assets from loans to the construction and real estate development sectors in Spain	**787**	**913**	**(490)**	**(486)**	**(263)**	**(234)**	**297**	**427**
Terminated buildings	272	363	(136)	(144)	(65)	(60)	136	219
Homes	133	212	(62)	(75)	(29)	(33)	71	137
Other	139	151	(74)	(69)	(36)	(27)	65	82
Buildings under construction	37	30	(29)	(21)	(16)	(10)	8	9
Homes	36	29	(28)	(20)	(16)	(10)	8	9
Other	1	1	(1)	(1)	—	—	—	—
Land	478	520	(325)	(321)	(182)	(164)	153	199
Urbanized land	443	485	(307)	(303)	(167)	(150)	136	182
Rest of land	35	35	(18)	(18)	(15)	(14)	17	17
Real estate assets from mortgage financing for households for the purchase of a home	**1,057**	**1,128**	**(565)**	**(593)**	**(160)**	**(163)**	**492**	**535**
Rest of foreclosed real estate assets	**488**	**481**	**(257)**	**(259)**	**(49)**	**(48)**	**231**	**222**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**1,272**	**1,310**	**(474)**	**(450)**	**(435)**	**(412)**	**798**	**860**
Total	**3,604**	**3,832**	**(1,786)**	**(1,788)**	**(907)**	**(857)**	**1,818**	**2,044**

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

APPENDIX V. Consolidated income statements for the six months ended June 30, 2021 and 2020 and for the second quarter of 2021 and 2020

CONDENSED CONSOLIDATED INCOME STATEMENTS (Millions of Euros)

	June 2021	June 2020	2nd Quarter 2021	2nd Quarter 2020
Interest and other income	10,962	11,828	5,478	5,403
Interest expense	(4,007)	(4,267)	(1,974)	(1,865)
NET INTEREST INCOME	**6,955**	**7,561**	**3,504**	**3,537**
Dividend income	125	74	119	70
Share of profit or loss of entities accounted for using the equity method	(5)	(17)	—	(9)
Fee and commission income	3,311	2,987	1,702	1,320
Fee and commission expense	(996)	(929)	(521)	(386)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	121	202	(2)	138
Gains (losses) on financial assets and liabilities held for trading, net	463	270	349	309
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	280	129	160	113
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	96	203	(57)	(33)
Gains (losses) from hedge accounting, net	(81)	35	(56)	20
Exchange differences, net	206	176	107	(77)
Other operating income	340	221	199	88
Other operating expense	(997)	(814)	(609)	(463)
Income from insurance and reinsurance contracts	1,350	1,307	593	525
Expense from insurance and reinsurance contracts	(909)	(765)	(388)	(290)
GROSS INCOME	**10,259**	**10,639**	**5,104**	**4,862**
Administration costs	(3,983)	(3,999)	(1,987)	(1,866)
Personnel expense	(2,371)	(2,385)	(1,187)	(1,113)
Other administrative expense	(1,612)	(1,614)	(800)	(754)
Depreciation and amortization	(615)	(661)	(307)	(316)
Provisions or reversal of provisions	(928)	(518)	(777)	(219)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(1,580)	(3,572)	(656)	(1,408)
Financial assets measured at amortized cost	(1,587)	(3,502)	(661)	(1,381)
Financial assets at fair value through other comprehensive income	8	(70)	4	(27)
NET OPERATING INCOME	**3,153**	**1,889**	**1,377**	**1,053**
Impairment or reversal of impairment of investments in joint ventures and associates	—	(60)	—	(61)
Impairment or reversal of impairment on non-financial assets	(196)	(65)	(196)	(43)
Tangible assets	(158)	(62)	(161)	(36)
Intangible assets	(5)	(3)	(2)	(3)
Other assets	(33)	—	(33)	(4)
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	5	3	5	2
Negative goodwill recognized in profit or loss	—	—	—	—
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(73)	(10)	(56)	(1)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**2,889**	**1,757**	**1,130**	**950**
Tax expense or income related to profit or loss from continuing operations	(782)	(477)	(293)	(273)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**2,107**	**1,281**	**837**	**678**
Profit (loss) after tax from discontinued operations	280	(2,104)	103	120
PROFIT (LOSS)	**2,387**	**(823)**	**940**	**798**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	**476**	**333**	**239**	**162**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,911**	**(1,157)**	**701**	**636**

BBVA
Creating Opportunities

January - June 2021

2Q21

RESULTS 1H21

Positive **core revenue** evolution

NII + Fee Income

+5.0%

vs.1H20 (€ constant)

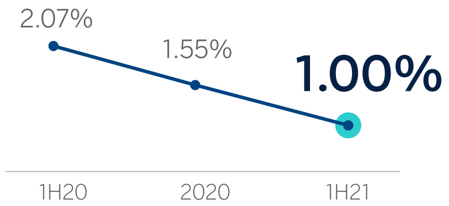
Leaders in **efficiency**

Efficiency Ratio

44.8%

Continuous improvement of the **Cost of Risk**

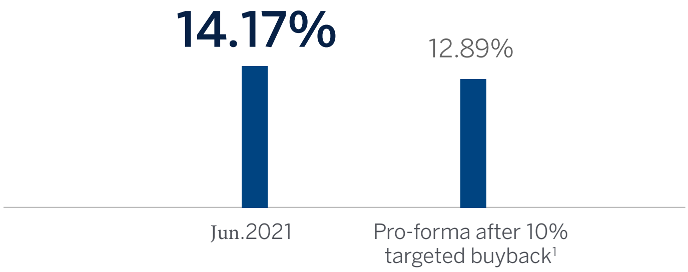
Cost of risk



NOTE: Excludes the US business sold to PNC.

Strong **capital position**

CET1 fully-loaded

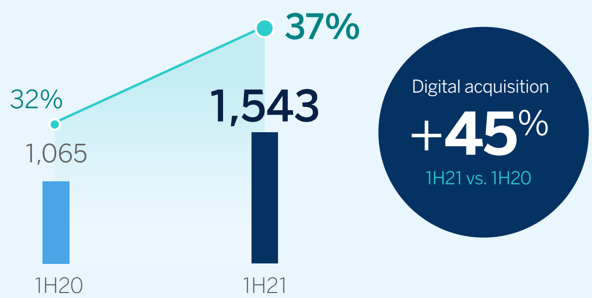


1. CET1 Pro-forma calculated considering a buyback of 10% of ordinary shares with a share price of €5.25 as of 22 July 2021. Any decision on a repurchase of ordinary shares would require supervisor and governing bodies authorization. The final percentage of shares subject to the buyback (up to a maximum of 10%) will be determined depending on different factors, including BBVA share price during the buyback period.

TRANSFORMATION

New Customers Digital Acquisition[1]

(Customers acquired through digital channels, thousands and % of total)



NOTE: Excludes the US business sold to PNC.

[1] Gross customer acquisition through own channels for retail segment.

% Of new customers converted to value customers[2]

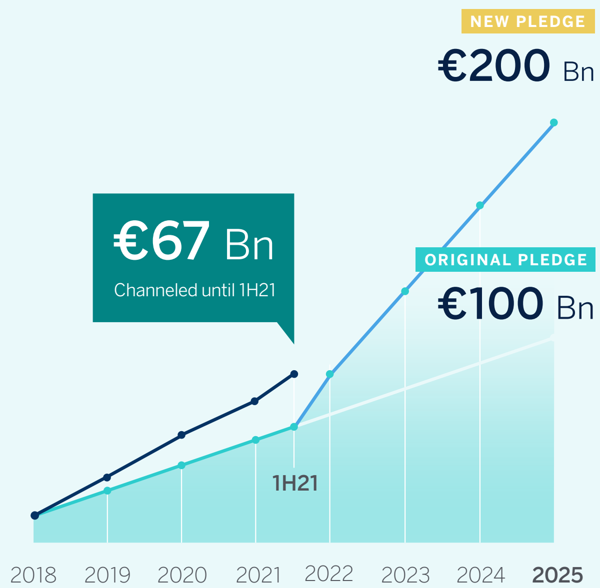
(In month 6, by acquisition channel)

Digital Channels	78%	Branches	65%

[2] Refers to those customers that the bank wants to grow and retain, as are considered valuable due to the assets, liabilities and/or transactionality with BBVA.

SUSTAINABILITY

Doubling our Pledge 2025



Our new pledge positions BBVA **among the top banks in sustainable finance** commitments

BBVA Group main data

BBVA GROUP MAIN DATA (CONSOLIDATED FIGURES)	30-06-21	Δ %	30-06-20	31-12-20
Balance sheet (millions of euros)				
Total assets	648,169	(13.9)	752,884	736,176
Loans and advances to customers (gross) (1)	327,372	(3.5)	339,342	323,252
Deposits from customers (1)	338,795	2.2	331,351	342,661
Total customer funds (1)	448,393	3.8	432,164	445,608
Total equity	49,944	0.8	49,555	50,020
Income statement (millions of euros)				
Net interest income	6,955	(8.0)	7,561	14,592
Gross income	10,259	(3.6)	10,639	20,166
Operating income	5,661	(5.3)	5,980	11,079
Net attributable profit/(loss)	1,911	n.s.	(1,157)	1,305
Net attributable profit or (loss) excluding non-recurring impacts (2)	2,327	145.6	947	2,729
The BBVA share and share performance ratios				
Number of shares (million)	6,668	—	6,668	6,668
Share price (euros)	5.23	70.6	3.06	4.04
Earning per share (euros) (3)	0.26	n.s.	(0.20)	0.14
Earning per share excluding non-recurring impacts (euros) (2)(3)	0.32	185.0	0.11	0.35
Book value per share (euros)	6.69	1.9	6.57	6.70
Tangible book value per share (euros)	6.34	8.0	5.87	6.05
Market capitalization (millions of euros)	34,860	70.6	20,430	26,905
Yield (dividend/price; %) (4)	1.1		8.5	4.0
Significant ratios (%)				
Adjusted ROE (net attributable profit or (loss)/average shareholders' funds +/- average accumulated other comprehensive income) (2)	10.4		4.1	6.1
Adjusted ROTE (net attributable profit or (loss)/average shareholders' funds excluding average intangible assets +/- average accumulated other comprehensive income) (2)	11.0		4.4	6.5
Adjusted ROA (Profit or (loss) for the year/average total assets) (2)	0.89		0.40	0.54
Adjusted RORWA (Profit or (loss) for the year/average risk-weighted assets - RWA) (2)	1.90		0.83	1.16
Efficiency ratio	44.8		43.8	45.1
Cost of risk (5)	1.00		2.07	1.55
NPL Ratio (5)	4.2		4.1	4.2
NPL coverage ratio (5)	77		83	82
Capital adequacy ratios (%)				
CET1 fully-loaded	14.17		11.22	11.73
CET1 phased-in (6)	14.37		11.63	12.15
Total ratio phased-in (6)	18.75		15.89	16.46
Other information				
Number of clients (million) (7)	78.9	2.8	76.8	78.4
Number of shareholders	849,605	(4.7)	891,944	879,226
Number of employees	111,322	(11.0)	125,041	123,174
Number of branches	6,617	(14.1)	7,699	7,432
Number of ATMs	29,248	(9.5)	32,310	31,000

General note: the results generated by BBVA USA and the rest of Group's companies in the United States sold to PNC on June 1, 2021, are presented in a single line as "Profit/(loss) after tax from discontinued operations".

(1) Excluding the assets and liabilities figures from BBVA USA and the rest of Group's companies in the United States sold to PNC on June 1, 2021, classified as non-current assets and liabilities held for sale (NCA&L) as of 31-12-20. The figures related to "Loans and advances to customers (gross)", "Deposits from customers" and "Total customer funds", including BBVA USA, would stand at €400,764m, €402,184m and €502,997m, respectively, as of 30-06-20.

(2) Non-recurring impacts include: (I) profit/(loss) after tax from discontinued operations as of 30-06-21, 31-12-20 and 30-06-20; (II) the net cost related to the restructuring process as of 30-06-21; and (III) the net capital gain from the bancassurance operation with Allianz as of 31-12-20.

(3) Adjusted by additional Tier 1 instrument remuneration.

(4) Calculated by dividing shareholder remuneration over the last twelve months by the closing price of the period.

(5) Excluding BBVA USA and the rest of Group's companies in the United States sold to PNC on June 1, 2021.

(6) 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.

(7) Excluding BBVA USA and the rest of Group's companies in the United States sold to PNC on June 1, 2021 and BBVA Paraguay.

Contents

Highlights

Results and business activity

The BBVA Group generated a net attributable profit, excluding non-recurring impacts, of €2,327m between January and June 2021, a year-on-year increase of +183.0% at constant exchange rates.

Including these non-recurring impacts —namely the €+280m profit generated by the Group's businesses in the United States until the closing of its sale to PNC on June 1, 2021 and the €-696m net cost related to the restructuring process (which will affect 2,935 employees and will result in the closure of 480 offices in Spain)— the Group's net attributable profit amounts to €+1,911m, which compares very positively with the €-1,157m in the same period of 2020, which was severely affected by the effects of the COVID-19 pandemic. For more information on these non-recurring impacts, see the "Other highlights" bullet at the end of this section.

In year-on-year terms and at constant exchange rates, it is worth highlighting the good performance of the gross income and especially the recurring income (i.e. net interest income and fees), which grew by 5.0%, and the positive evolution (+14.8%) of net trading income (hereinafter NTI) mainly due to the good performance of the Global Markets unit in Spain and the revaluations of the Group stake on industrial and financial portfolio.

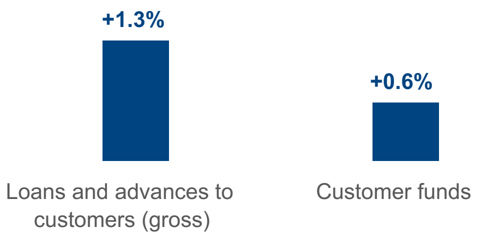
Also worth mentioning is the continuous focus on efficiency and operating expenses control, which resulted in a 5.1% year-on-year growth in operating expenses at constant exchange rates, which is lower than the average inflation rate in the countries where BBVA operates.

Lastly, with respect to the Group results, the lower provisions for impairment on financial assets (-52.3% in year-on-year terms and at constant exchange rates), were mainly due to the strong impact of provisions for COVID-19 in the first half of 2020.

Loans and advances to customers (gross) registered an increase of 1.3% compared to the end of December 2020. In terms of business areas, the dynamic lending activity in Turkey, Spain and Mexico should be highlighted. By segments, new loan production in the retail segment, above the pre-pandemic levels, and the gradual recovery of commercial activity are notable.

Customer funds registered a slight increase of 0.6% compared to the end of December 2020, due to the performance of customer deposits, which contracted by 1.1% in the first half, and the positive performance (up 6.5%) of other customer funds, which managed to offset the deposits' decline in the same period of time.

LOANS AND ADVANCES TO CUSTOMERS (GROSS) AND CUSTOMER FUNDS (YEAR-TO-DATE CHANGE)



Business areas

Regarding the business areas it is worth mentioning:

- **Spain:** BBVA in Spain generated a net attributable profit of €745m during the first half of 2021, well above the €108m achieved in the same period of the previous year, mainly due to the provisions for impairment on financial assets made between January and June 2020 due to the outbreak of COVID-19, the greater contribution of fees and commissions line and NTI, as well as lower operating expenses in 2021.

- **Mexico:** BBVA in Mexico achieved a net attributable profit of €1,127m in the first half of 2021, i.e. an increase of 75.0% compared to the same period of the previous year, at constant exchange rate. This evolution is supported by a 5.8% growth (at constant exchange rates) in recurring income (net interest income and, net fees and commissions), as well as lower provisions for impairment on financial assets compared to the first half of 2020, which was greatly affected by the COVID-19 pandemic.

- **Turkey:** The net attributable profit generated by Turkey in the first half of 2021 stood at €384m, 92.1% (at constant exchange rates) above the figure achieved in the same period of the previous year, which registered a strong increase in the impairment on financial assets derived from the outbreak of the COVID-19 pandemic in March 2020. Thus, the lower provisions for impairment on financial assets, together with the growth of net fees and commissions line and NTI, would explain the growth of the results of Turkey in the first half of 2021.

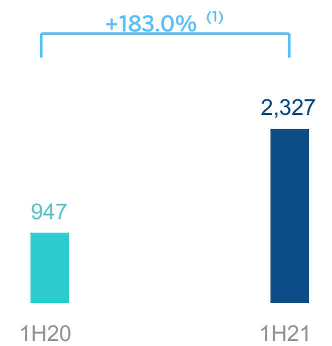
- **South America:** South America generated a cumulative net attributable profit of €218m between January and June 2021, which, at constant exchange rates and excluding BBVA Paraguay in 2020, represents a year-on-year variation of +110.1%, mainly due to the better evolution of recurring income and NTI between January and June 2021 (+17.8%) and lower provisions for impairment on financial assets than those registered in the first half of 2020, as a result of the outbreak of the pandemic in March 2020.

- **Other Businesses:** At the end of the first half of 2021, the net attributable profit for the area stood at €145m (+36.7% year-on-year, at constant exchange rates). It is worth mentioning that this area mainly incorporates the wholesale business developed in Europe (excluding Spain) and in the United States, as well as the banking business developed through the 5 BBVA branches in Asia.

Corporate Center: The net attributable loss of the Corporate Center, including the aforementioned non-recurring impacts, at the close of the first half 2021 was €708m, well below (-71.2%) the net attributable loss for the same period of the previous year, €2,454 m. This result includes several non-recurring impacts: 1) the net attributable profit amounting to €280m generated by the Group's businesses in the United States included in the sale agreement and 2) the net cost related to the restructuring process amounting to €696m. Excluding these non-recurring impacts, the net attributable loss stood at €292m (compared to €-350m in the first half of 2020).

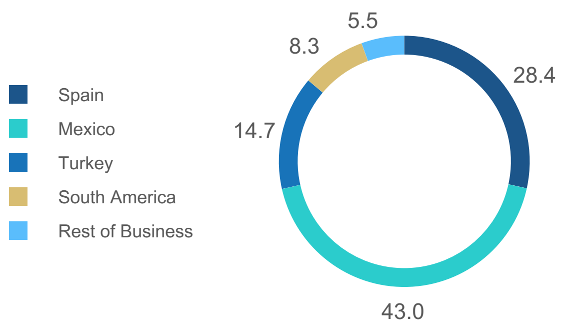
Lastly and to allow a broader understanding of the Group's activity and results, supplementary information is provided in the following for the wholesale business carried out by BBVA, **Corporate & Investment Banking (CIB)**, in the countries where it operates. The wholesale business area generated a net attributable profit of €638m in the first half of 2021, which represents a 55.5% increase in year-on-year terms, thanks to the growth in the recurring income and the NTI and lower provisions for impairment on financial assets, which increased significantly in the first half of 2020 due to the COVID-19 pandemic.

NET ATTRIBUTABLE PROFIT (MILLIONS OF EUROS)



General note: excludes (I) BBVA USA and the rest of the Group's companies in the United States sold to PNC on June 1, 2021, as of 1H21 and 1H20 and (II) the net cost related to the restructuring process as of 1H21.
(1) At constant exchange rates.

NET ATTRIBUTABLE PROFIT BREAKDOWN [(1)] (PERCENTAGE. 1H21)



(1) Excludes the Corporate Center.

Strategy developments

BBVA's strategy has been reinforced as a result of the acceleration of some of the trends caused by the COVID-19 pandemic, such as digitization or the commitment to more sustainable and inclusive development. The anticipation of these trends in the Group strategy has allowed BBVA to promote progress in the execution of its **six strategic priorities**.

In the first half of 2021, BBVA has continued to **help its clients improve their financial health** thanks to innovative solutions. The Group has made progress in developing an extensive catalog of experiences and digital tools that allow it to provide its clients with personalized, proactive and actionable advice for day-to-day control, debt management, savings or financial planning.

Advice that is appreciated by BBVA clients, which is reflected in a better Net Promoter Score among users of the financial health functionalities in Spain in the last quarter, which is 10 percentage points higher than that of other customers. Likewise, these financial advisory functionalities have been a key element for the contracting of products. Thus, in Spain, they have contributed 40% of all investment fund contracts, 28.6% of mortgage contracts or 12.7% of car loans in the first half of the year.

Likewise, the Group has reaffirmed its commitment to sustainability, to **help its clients in the transition towards a sustainable future**. Between 2018 and June 2021, BBVA has originated a total of €67,116m in sustainable financing. Among them, the issuance of the Central American Bank for Economic Integration (CABEI) stands out, for a total amount of 5,000 million Mexican pesos. It is the first COVID social bond and the largest social issue in the Mexican market, in which BBVA acted as a placement agent.

Sustainable financing by BBVA has grown 53% above forecast, well above the initial target. For this reason, in July 2021, BBVA announced that it doubles its objective of channeling sustainable financing to €200,000m.

But beyond financing, BBVA wants to provide a comprehensive support service to its retail and wholesale customers, including also advisory so that they can take advantage of investment opportunities in sustainability and the technologies of the future, and be more efficient and competitive. To this end, the Group has continued to promote the development of sustainable solutions. In April, BBVA achieved its goal of offering a sustainable alternative to its products in Spain, both for retail and wholesale.

Regarding the management of the impact of the activity and the integration of sustainability risk in the Bank's processes, during the first half of 2021 BBVA announced two very relevant milestones:

- It will reduce its exposure to coal-related activities to zero, ceasing to finance companies in these activities before 2030 in developed countries and before 2040 in the rest of the countries where BBVA Group operates.
- It has adopted the commitment to be neutral in net greenhouse gas emissions by 2050, taking into account the emissions of its clients in addition to direct emissions, and has joined the Net Zero Banking Alliance promoted by the United Nations as a founding member. This is a very relevant milestone that implies alignment with the most ambitious scenario of the Paris Agreement, that is, limiting the increase in temperatures to 1.5ºC compared to levels prior to the industrial revolution. With this, BBVA anticipates in 20 years the base scenario of the Paris Agreement of 2ºC.

Likewise, in its commitment to the community, BBVA works to contribute to a more sustainable and inclusive development. In the first half of 2021, BBVA allocated €38m, from which more than 17 million people benefited, to support the inclusive growth of the societies in which the Group is present, with a focus on reducing inequality and supporting entrepreneurship, providing opportunities through education and promoting local knowledge and culture. Among the initiatives of the first half of 2021, the following stands out:

- The "Educación conectada" project, promoted by BBVA and the Fundación de Ayuda contra la Drogadicción (FAD), whose priority is to alleviate the serious consequences of the COVID-19 crisis by reducing the digital divide.

- The celebration, in May 2021, of the 4th summit of the BBVA Center for Financial Education and Capacities (*Edufin* Summit), which had approximately 400 attendees from 40 countries.

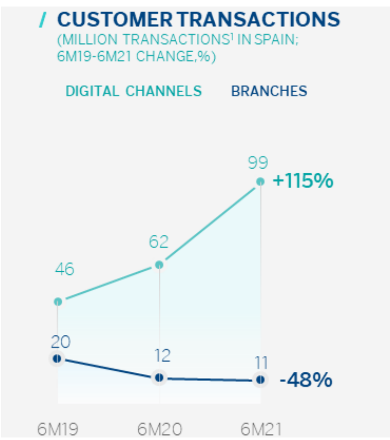
- The national call for the access to education program "Chavos que inspiran" in Mexico, aimed at students who require financial support to continue their high school studies.

For all this, BBVA is the most sustainable European bank, according to the Dow Jones Sustainability Index, and the second in the world. An acknowledgement shared by Euromoney, which has named BBVA the best bank in corporate social responsibility in Western Europe in 2021, recognizing BBVA's commitment to improve social, economic and environmental conditions in the region.

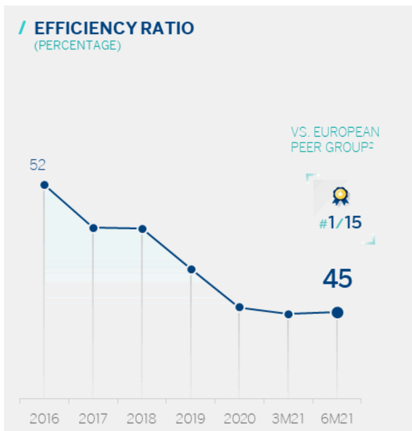
*Cumulative origination until June 2021.

On the other hand, the Group has **continued to grow in customers**, especially through digital channels. The acquisition of customers through digital channels has increased by 45% in the last twelve months (comparing the data at the end of June 2021 and the end of June 2020), reaching 37% of new customers in the period. Something that has also been reflected in digital sales which, in cumulative terms and at the end of June, already represented 54% of the Group's total sales in PRV[1].

BBVA's commitment to innovative and globally scalable solutions also allows the Group to advance in **operational excellence**, such as the BBVA App, which is a leader and means that 62% of the Bank's active customers already use mobile channels and that the Bank's digital transactions have increased by 115% in Spain over the last two years. As a result, BBVA's efficiency ratio stands at 45%, outperforming the average of its European competitors.



(1) Includes monetary and non-monetary transactions related to servicing, it excludes sales of financial products and information inquiries.



(2) European Peer Group: BARC, BNPP, CASA, CMZ, CS, DB, HSBC, ISP, LBG, NWG, SAN, SG, UBS, UCG. Peers data as of 3M21, BBVA data as of 6M21.

[1] Product Relative Value is a proxy used for the economic representation of the sale of units.

The Group puts **the best and most engaged team** at the center of its strategic priorities. For this reason, BBVA is one of the 30 companies worldwide awarded with the acknowledgement “Exceptional Workplace 2021” by the American consulting firm Gallup. This award distinguishes organizations committed to developing the human potential of their staff.

Likewise, the Group's commitment to inclusion and diversity and the initiatives developed in this regard has led BBVA to be included for the fourth consecutive year in the Bloomberg Gender-Equality Index, a ranking that includes the 100 global companies with the best practices in gender diversity. BBVA is also a signee of the Charter of Diversity at the European level and the Women's Empowerment Principles of the United Nations.

And for all this, the Group relies on **data and technology**, on distinctive digital capabilities, which it has been working on for more than a decade and which have allowed it to be leader in the transformation of the financial industry. An example is the progress in the development of an integrated big data platform, in which more than 1,600 data scientists, developers and specialists are involved or the increasing use of other technologies such as the cloud, blockchain or artificial intelligence .

Other highlights

- On June 1, BBVA made public that, once the mandatory authorizations were obtained, the **sale** of 100% of the capital stock of **BBVA USA** Bancshares, Inc, the company that in turn owns all of the capital stock of the bank BBVA USA, was completed in favor of PNC (The PNC Financial Services Group, Inc). The accounting of the results generated by BBVA USA since the announcement of the operation in November 2020, as well as the closing of the sale on June 1, 2021, has generated a result net of taxes of €582m, which is included in the line "Profit/(loss) after tax from discontinued operations" of the consolidated income statement and of the Corporate Center income statement.

- Regarding the **collective layoff process** in BBVA, S.A. in Spain, announced on April 13, 2021, on June 8 the Group made public that it has reached an agreement with the legal representation of the workers. The agreement takes into account the layoff of 2,935 employees, as well as the closure of 480 branches. The net cost related to this procedure has been recorded in the results of the second quarter of 2021 of the BBVA Group and have amounted to €-696m, of which, before taxes, €-754m correspond to the collective layoff and €-240m to the closing of offices.

  For management information purposes, considered to be a strategic decision, these impacts have been assigned to the Corporate Center. This process will generate **estimated savings** of approximately €250m per year from 2022 before taxes, of which approximately €220m correspond to personnel expenses. In 2021 the estimated savings will be approximately €65m before taxes.

- BBVA has voluntarily adhered to the **Code of Good Practices** approved by the Government of Spain on May 11 for clients who have benefited from financing with public endorsement since March 17, 2020. By joining this code, BBVA assumes, among other commitments, extend the expiration date of operations with public endorsement (normally from the Official Credit Institute, hereinafter ICO) that meet the established requirements, to continue supporting both companies and the self-employed.

- Regarding **shareholder remuneration**, on July 23, 2021, the European Central Bank (hereinafter ECB) made public that it had approved a new recommendation replacing recommendation ECB/2020/62 and to be in force as of September 30, 2021. The ECB indicates in its latter recommendation, that it will assess the capital, dividend distribution and share buyback plans of each entity in the context of its ordinary supervisory process, replacing all the restrictions regarding dividends and share buybacks contained in recommendation ECB/2021/31. Once recommendation ECB/2021/31 has been released, BBVA intends to reintroduce its dividend policy announced on February 1, 2017 by the release of relevant information, that consist in the distribution of an annual payout of between 35% and 40% of the profits obtained in each financial year fully in cash in two different payments (expected for October and April, subject to the applicable authorizations) as from September 30, 2021.

Macro and industry trends

The Global economy is recovering from the crisis caused by the COVID-19 pandemic, which resulted in a fall of around 3.2% of global GDP in 2020. Improved activity in the first half of 2021 was primarily due to the increasing rollout of coronavirus vaccines—which has allowed a relatively rapid reopening of the economy—as well as to strong monetary and fiscal stimuli. Similarly, recovery in global growth has been accompanied by higher pressure on prices than expected, mainly in the United States, where consumer inflation reached 5.4% in June 2021.

It is hoped that increased vaccination will enable greater control of the pandemic and that economic policy will remain focused on supporting economic activity. Economic recovery is therefore most likely to continue. According to BBVA Research, global GDP will increase by around 6.3% in 2021 and 4.7% in 2022, inflation will gradually moderate in the coming quarters as the supply of products and services reacts to the recent increase in demand, and monetary policy benchmark interest rates will remain at all-time lows in the United States, where growth will reach 6.7% in 2021 and 4.8% in 2022. Meanwhile, several factors, such as the United States Federal Reserve's withdrawal of monetary stimuli, more persistent inflation, or new coronavirus variants, are contributing to uncertainty remaining exceptionally high and pose a risk to the expected economic recovery scenario.

With regard to the banking system, in an environment in which much of the economic activity has been at a partial standstill for several quarters, the services it provides have played an essential role. There are two main reasons for this: first, the banks have ensured the proper functioning of collections and payments for households and companies, thereby contributing to the maintenance of economic activity; second, the granting of new credit or the renewal of existing credit has reduced the impact of the economic slowdown on household and business incomes. The support provided by the banks over the months of lockdown and public guarantees have been essential in softening the impact of the crisis on companies' liquidity and solvency, meaning that banking has become the main source of funding for most companies.

In terms of profitability, European banks (including Spanish banks) have deteriorated from the outset of the crisis, primarily because many entities made high allocations for provisions for financial asset impairment in the first half 2020 as a result of the worsening macroeconomic environment following the pandemic outbreak. However, the profitability of European banks recovered strongly in the first quarter of 2021. According to data published by the Risk Dashboard of the European Banking Authority (hereinafter "EBA"), the average ROE for the major EU banking groups (covering approximately 80% of the banking business in Europe) rose from 1.9% in 2020 to 7.6% in the first quarter of 2021, due to the widespread signs of economic recovery. Furthermore, the accumulation of capital by banks and the very low interest-rate environment we have found ourselves in for several years will continue to put pressure on bank profitability. Nevertheless, European entities are facing this situation from a healthy position and with solvency that has been constantly increasing since the 2008 crisis, with reinforced capital and liquidity buffers and, therefore, with a greater capacity to lend.

Europe

In the Eurozone, following a slight contraction of **GDP** in 1Q21, activity in the services sector and confidence are benefiting from eased restrictions and the increase in vaccination rates during 2Q21. Moreover, recovery in global demand should continue to support both manufacturing and exports. As a result, GDP is expected to see an upturn in 2Q21 and recovery is expected to increase in the coming quarters, supported by vaccine rollout, the European Recovery Fund (NGEU), and strong global growth. As a result, GDP could grow by 4.8% in 2021 and by 5% in 2022, after falling by 6.7% in 2020. Furthermore, national expansionary fiscal policies, the extension of support measures to the most affected sectors and support from the European Central Bank (hereinafter "ECB") should avoid more-persistent negative effects.

With regard to the banking system, according to the EBA, the levels of capital adequacy of the main EU banking groups improved in the first quarter of 2021, showing a slight improvement in the average fully-loaded CET1 to 15.6%. With regard to monetary conditions, the ECB's fundamental goal is to maintain favorable financial conditions. At its meeting in March, the monetary authority kept the interest rate for the main financing operations, and the interest rates for the marginal lending facility and the deposit facility unchanged at 0.00%, 0.25% and -0.50% respectively. It also announced a significant increase in asset purchases under the Pandemic Emergency Bond Purchase Program (hereinafter "PEPP") for the third quarter of the year. However, BBVA Research considers that the PEPP provision (€1.85 trillion) is large enough to comfortably increase purchases over the coming months without the ECB having to increase its provision.

Spain

In terms of **GDP** growth, the Spanish economy contracted in the first quarter of 2021, as expected. Data for the second quarter point to an economic uptick due to improved health indicators, along with eased restrictions, which have reduced uncertainty and allowed for progress in private spending. Recovery in household consumption is mainly in services and, of these services, in those with a social purpose. Investment in machinery and equipment also continues to perform well. Looking forward, conditions for recovery remain favorable given the speed of vaccination, immunization of the most vulnerable groups and the current demand policies, at the expense of restrictions that may be introduced due to an increasing number of infections associated with new COVID-19 variants. The return of a significant number of foreign visitors during the tourism season will be key. European NGEU funds are also expected to arrive. Both factors should have a positive impact, especially on service exports, durable goods consumption and investment in construction. Growth is therefore expected to stand at 6.5% at year-end and at 7% in 2022. The main risks surrounding this scenario are linked to the pandemic, the impact of the crisis on employment and production capacity, and slow implementation of projects relating to the NGEU program.

With regards the **banking system**, according to the latest Bank of Spain data available, the total volume of lending to the private sector remained virtually unchanged in April 2021 compared to the same month in the previous year, after growing 2.6% in 2020 due to the effect of new business lending transactions within the framework of the public guarantee programs implemented by the government to combat COVID-19. Asset quality indicators remain contained (the NPL ratio stood at 4.51% at year-end, and 4.53% in April 2021). Following losses in 2020, the system's profitability re-entered positive ground in the first quarter of 2021, with the system recording a record post-tax profit of €7,296m, of which €4,300m are attributable to negative goodwill from the merger between

Caixabank and Bankia. Spanish entities maintain comfortable capital adequacy and liquidity levels, which allow them to weather the current environment.

Mexico

Economic activity in the first quarter recovered beyond expectations and will allow Mexico's GDP to return to pre-pandemic levels in 2022. The services sector benefited during the first quarter of the year from the lifting of pandemic-related restrictions and increased mobility. Investment also grew higher than initial estimates, with the manufacturing industry having the greatest positive effect thanks to higher growth in the United States. BBVA Research estimates that the Mexican economy will grow 6.3% in 2021 and moderate to 3% in 2022. Inflation was a positive surprise, reflecting the impact of some services reopening, as well as new gains on some goods. These surprises led Banxico to preventively raise its interest rate from 4% to 4.25%, and BBVA Research estimates that the central bank will continue to increase its benchmark interest rate to close out the year at 5% and will continue to act in line with the Fed.

With regard to the **banking system**, based on data from the National Banking and Securities Commission (CNBV) as of May 2021, loans decreased by 7.1% year-on-year, and an increase was observed only in the mortgage portfolio (up 9.3% year-on-year), while total deposits increased by 0.8% year-on-year. The NPL ratio increased year-on-year, reaching an NPL ratio of 2.52%, and capital indicators remain comfortable.

Turkey

The Turkish **economy** grew significantly in the first quarter of the year. Strong momentum so far, upward revisions to global growth forecasts, moderate growth in lending and the reopening of the economy have led BBVA Research to revise the GDP growth forecast upward from 5% to 9% in 2021, but to revise the forecast for 2022 downward slightly to 4% (previously 4.5%), due to negative base effects and higher interest rates over a longer period of time.

With regard to the banking system, the central bank (CBRT) kept its base rate at 19% in 2Q21. BBVA Research estimates that CBRT will start gradually cutting rates in 4Q21 to close out the year at 17.5%. Meanwhile, inflation estimates have been adjusted to 16% by the close of 2021. Based on data as of May 2021, the total volume of lending in the **banking system** increased by 22.0% year-on-year (up +20.7% in Turkish lira and +24.3% in foreign currency), while deposits increased 27.9%. These growth rates include the effect of inflation. The NPL ratio stood at 3.69% at the end of May 2021.

Argentina

In Argentina, a new wave of COVID-19 infections accompanied by new shocks in supply hindered recovery in activity in the first part of the year, despite the good pace of vaccine rollout and high commodity prices. Private consumption grew lower than expected, and government spending, although somewhat higher than estimated, was unable to offset this. BBVA Research estimates that **growth** will stand at 6.5% in 2021 and that the economy will recover to pre-pandemic levels in 2022, at which point it will grow by around 3.5%. Argentina reached an agreement with the Paris Club that will allow it to avoid defaulting on its payments and continue negotiations with the IMF to refinance its foreign debt, whereby an agreement is expected to be reached by early 2022. Recent data confirm BBVA Research's forecast in terms of inflation, which we estimate will close the year at 50%, a level to be maintained in 2022.

In the **banking system**, the positive growth trend for both lending and deposits continued in May 2021, with growth of 29.8% and 46.0% respectively, both influenced by high inflation. The NPL ratio, however, fell slightly to 3.9% at the close of the first quarter in 2021.

Colombia

During the first months of 2021, economic activity in Colombia was higher than initially estimated, driven by global **growth** and higher oil prices. The third wave of the pandemic had limited effects on private consumption, despite protests in May relating to the Tax Reform. A new Tax Reform initiative with a fiscal consolidation rule will be presented in Congress in the new term and is expected to be approved without delay, which will have a positive impact on public finances. BBVA Research estimates that growth will reach 7.5% in 2021 and moderate to 4.4% in 2022. Worsening public finances, together with difficulty in ensuring long-term fiscal sustainability, caused Colombia to lose its investment grade. Inflation saw upward surprises related not only to the protests, but also to higher energy prices and economic recovery. This could lead the central bank to bring interest rate hikes forward; BBVA Research now expects the first interest rate hike by the third quarter of 2021, taking inflation to around 2.25% at year-end and 3.25% at the close of 2022.

Total lending in the **banking system** fell by 1.0% year-on-year in March 2021, mainly due to the moderate decrease in the commercial loan portfolio (-2.6%) despite government-approved letters of credit and guarantee programs during the pandemic. The system's NPL ratio as of March 2021 stood at 4.91%. Meanwhile, total deposits increased by 4.2% year-on-year at the close of March 2021.

Peru

Despite the recovery in **growth** observed in the first quarter of the year, a third wave of infections has led to a substantial slowdown in activity, whereby pre-pandemic activity levels are estimated to be reached in the second half of 2022. This is in a context of higher global growth and high commodity prices. BBVA Research believes that the Peruvian economy will grow 9% in 2021 and 4.3% in 2022, influenced by the slowdown in domestic demand, which will feel the effects of the new wave of infections and political uncertainty. Inflation has been a positive surprise in recent months, and BBVA Research believes it will maintain close to the upper limit of the central bank's target range (3%) in the second half of 2021 and 2022. This situation of higher inflation in an environment of economic recovery will probably lead the central bank to bring the beginning of the cycle of hardening its monetary policy forward to the third quarter of 2021.

The **banking system** showed high year-on-year growth rates for lending and deposits (up +11.1% and +17.1% respectively, at the end of April 2021), due to strong stimulus from the Plan *Reactiva Perú*; the system showed lower profitability levels due to the COVID-19 crisis (ROE: 3.07% as of April 2021) but with contained NPLs (NPL ratio: 3.24% as of April 2021) due to the payment deferrals applied.

INTEREST RATES (PERCENTAGE)

	30-06-21	31-03-21	31-12-20	30-09-20	30-06-20
Official ECB rate	0.00	0.00	0.00	0.00	0.00
Euribor 3 months (1)	(0.54)	(0.54)	(0.54)	(0.49)	(0.38)
Euribor 1 year (1)	(0.48)	(0.49)	(0.50)	(0.41)	(0.15)
USA Federal rates	0.25	0.25	0.25	0.25	0.25
TIIE (Mexico)	4.25	4.00	4.25	4.25	5.00
CBRT (Turkey)	19.00	19.00	17.00	10.25	8.25

(1) Calculated as the month average.

The recovery led by the United States has favored the U.S. dollar, which has appreciated by 3.3% against the euro, compared to December 2020. The Mexican peso registered an appreciation of 3.6% against the euro, showing a good behavior and being reinforced by the interest rates increase carried by Banxico. The Turkish lira closes the quarter with a 11.7% depreciation against the euro, having been impacted since March by instability caused by the shifts in the central bank management. As to other foreign exchanges, Colombian peso (-5.7%) and Peruvian sol (-3.6%) depreciated against the Euro, due to political uncertainty in both regions. Chilean peso behavior against the Euro has been more stable, while the Argentine peso depreciated by 9.2%, registering a lower rhythm than the one shown in previous years.

For information on the BBVA Group's exchange rate risk management policies, see the "Risk Management" chapter of this report.

EXCHANGE RATES (EXPRESSED IN CURRENCY/EURO)

	Year-end exchange rates			Average exchange rates	
	30-06-21	Δ % on 30-06-20	Δ % on 31-12-20	1H21	Δ % on 1H20
U.S. dollar	1.1884	(5.8)	3.3	1.2051	(8.6)
Mexican peso	23.5784	10.0	3.6	24.3235	(1.8)
Turkish lira	10.3210	(25.6)	(11.7)	9.5232	(24.9)
Peruvian sol	4.6146	(14.5)	(3.6)	4.4918	(16.2)
Argentine peso (1)	113.74	(30.7)	(9.2)	—	—
Chilean peso	873.81	4.6	(0.2)	867.87	3.2
Colombian peso	4,464.43	(5.7)	(5.7)	4,368.23	(6.9)

(1) According to IAS 29 "Financial information in hyperinflationary economies", the year-end exchange rate is used for the conversion of the Argentina income statement.

Group

Results

The BBVA Group generated a **net attributable profit, excluding non-recurring impacts,** of €2,327m between January and June 2021, with a year-on-year increase of 145.6%. Including these impacts —namely €+280m from the results of discontinued operations and €-696m for the net cost related to the restructuring process— the Group's net attributable profit amounts to €+1,911m, which compares very positively with the €-1,157m in the same period of the previous year, which was severely affected by the effects of the COVID-19 pandemic. With regards to the recording of these restructuring costs, it should be noted that, solely for management purposes and for the purpose of the comments provided in this report, these are included in the income statement line "Net cost related to the restructuring process". The financial information is presented to the Group's Senior Management using this approach. This report includes a reconciliation between the management approach and the Condensed Interim Consolidated Financial Statements.

Despite the complex environment and at constant exchange rates, good performance in recurring income (i.e. net interest income and fees), the evolution of net trading income (NTI) and lower provisions for impairment on financial assets were particularly notable.

CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (MILLIONS OF EUROS)

	2021		2020			
	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	**3,504**	**3,451**	**3,477**	**3,553**	**3,537**	**4,024**
Net fees and commissions	1,182	1,133	1,042	1,023	934	1,124
Net trading income	503	581	175	357	470	544
Other operating income and expenses	(85)	(11)	(147)	46	(80)	86
Gross income	**5,104**	**5,155**	**4,547**	**4,980**	**4,862**	**5,778**
Operating expenses	(2,294)	(2,304)	(2,264)	(2,163)	(2,182)	(2,477)
Personnel expenses	*(1,187)*	*(1,184)*	*(1,186)*	*(1,124)*	*(1,113)*	*(1,272)*
Other administrative expenses	*(800)*	*(812)*	*(766)*	*(725)*	*(754)*	*(860)*
Depreciation	*(307)*	*(309)*	*(312)*	*(315)*	*(316)*	*(345)*
Operating income	**2,810**	**2,850**	**2,282**	**2,817**	**2,679**	**3,300**
Impairment on financial assets not measured at fair value through profit or loss	(656)	(923)	(901)	(706)	(1,408)	(2,164)
Provisions or reversal of provisions	(23)	(151)	(139)	(88)	(219)	(300)
Other gains (losses)	(7)	(17)	(82)	(127)	(103)	(29)
Profit/(loss) before tax	**2,124**	**1,759**	**1,160**	**1,895**	**950**	**807**
Income tax	(591)	(489)	(337)	(515)	(273)	(204)
Profit/(loss) for the period	**1,533**	**1,270**	**823**	**1,380**	**678**	**603**
Non-controlling interests	(239)	(237)	(110)	(312)	(162)	(172)
Net attributable profit excluding non-recurring impacts	**1,294**	**1,033**	**713**	**1,068**	**516**	**431**
Profit/(loss) after tax from discontinued operations (1)	103	177	302	73	120	(2,224)
Corporate operations (2)	—	—	304	—	—	—
Net cost related to the restructuring process	(696)	—	—	—	—	—
Net attributable profit/(loss)	**701**	**1,210**	**1,320**	**1,141**	**636**	**(1,792)**
Earning per share excluding non-recurring impacts (3)	**0.18**	**0.14**	**0.09**	**0.15**	**0.06**	**0.05**
Earning per share (euros) (3)	**0.09**	**0.17**	**0.18**	**0.16**	**0.08**	**(0.29)**

General note: the results generated by BBVA USA and the rest of Group's companies in the United States sold to PNC on June 1, 2021, are presented in a single line as "Profit/(loss) after tax from discontinued operations".

(1) Profit/(loss) after tax from discontinued operations includes the goodwill impairment in the United States registered in the first quarter of 2020 for an amount of €2,084m.

(2) Net capital gain from the sale to Allianz of the half plus one share of the company created to jointly develop the non-life insurance business in Spain, excluding the health insurance line.

(3) Adjusted by additional Tier 1 instrument remuneration.

CONSOLIDATED INCOME STATEMENT (MILLIONS OF EUROS)

	1H21	∆ %	∆ % at constant exchange rates	1H20
Net interest income	**6,955**	**(8.0)**	**0.9**	**7,561**
Net fees and commissions	2,315	12.5	19.7	2,058
Net trading income	1,084	6.9	14.8	1,014
Other operating income and expenses	(95)	n.s.	n.s.	6
Gross income	**10,259**	**(3.6)**	**4.9**	**10,639**
Operating expenses	(4,598)	(1.3)	5.1	(4,660)
Personnel expenses	*(2,371)*	*(0.6)*	*6.2*	*(2,385)*
Other administrative expenses	*(1,612)*	*(0.1)*	*6.4*	*(1,614)*
Depreciation	*(615)*	*(7.0)*	*(1.9)*	*(661)*
Operating income	**5,661**	**(5.3)**	**4.7**	**5,980**
Impairment on financial assets not measured at fair value through profit or loss	(1,580)	(55.8)	(52.3)	(3,572)
Provisions or reversal of provisions	(174)	(66.4)	(65.1)	(518)
Other gains (losses)	(24)	(81.7)	(81.1)	(132)
Profit/(loss) before tax	**3,883**	**120.9**	**164.1**	**1,757**
Income tax	(1,080)	126.6	167.7	(477)
Profit/(loss) for the period	**2,803**	**118.8**	**162.8**	**1,281**
Non-controlling interests	(476)	42.7	94.8	(333)
Net attributable profit/(loss) excluding non-recurring impacts	**2,327**	**145.6**	**183.0**	**947**
Profit/(loss) after tax from discontinued operations [(1)]	280	n.s.	n.s.	(2,104)
Net cost related to the restructuring process	(696)	n.s.	n.s.	—
Net attributable profit/(loss)	**1,911**	**n.s.**	**n.s.**	**(1,157)**
Earning per share excluding non-recurring impacts [(2)]	**0.32**			**0.11**
Earning per share (euros) [(2)]	**0.26**			**(0.20)**

General note: the results generated by BBVA USA and the rest of Group's companies in the United States sold to PNC on June 1, 2021, are presented in a single line as "Profit/(loss) after tax from discontinued operations".

(1) Profit/(loss) after tax from discontinued operations includes the goodwill impairment in the United States registered in the first quarter of 2020 for an amount of €2,084m.

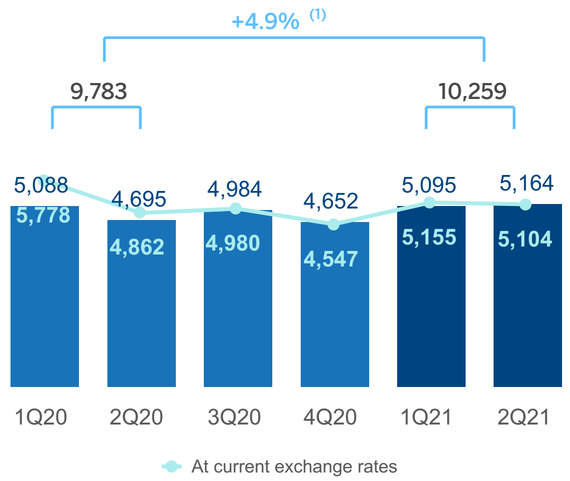
(2) Adjusted by additional Tier 1 instrument remuneration.

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 exchange rate variations against the euro for the currencies of the countries in which BBVA operates is sometimes excluded, assuming that the exchange rates remain constant. In doing so, with regard to income statement amounts, average exchange rates of the most recent period are used for each currency in the geographic areas where the Group operates for both periods. With regard to balance sheet and business activity amounts, the exchange rates at the close of the most recent period are used.

Gross income

Gross income experienced a year-on-year growth of 4.9%, underpinned by the favorable evolution of fees and NTI as well as the improved performance of net interest income between April and June 2021 (+3.9% in the quarter). In contrast, the other operating income and expenses line was down compared to the first half of 2020.

GROSS INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)

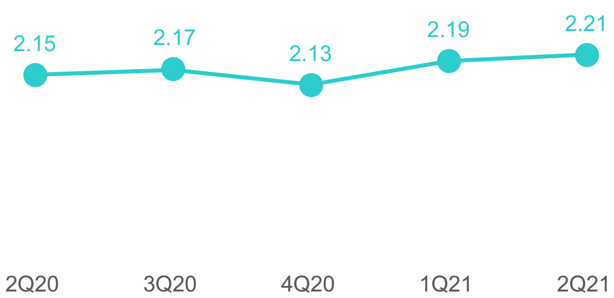


(1) At current exchange rates:-3.6%

Net interest income as of June 30, 2021 closed slightly higher than in the same period of the previous year (+0.9%), due to the good performance in South America and Mexico, which offset the poorer performance in other areas.

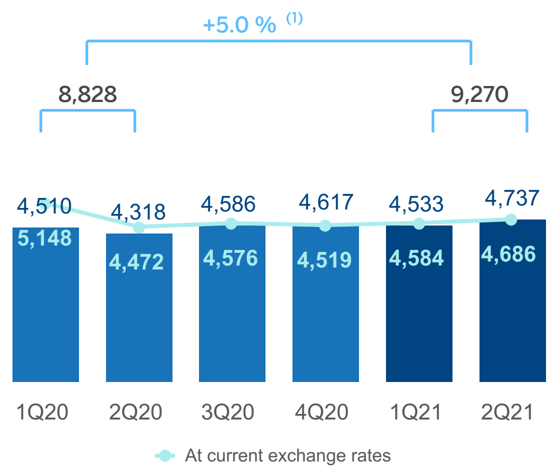
The main geographical areas, with the exception of Rest of Business, showed good performance in the **net fees and commissions** line compared to the first half of 2020 (up 19.7%), when it was affected by lower activity due to lockdown measures during the second quarter of 2020 in the different countries where the Group operates, as well as cancellation of the collection of certain fees as a measure to support customers during the worst moments of the pandemic.

NET INTEREST INCOME/ATAS[(1)] (PERCENTAGE)



(1) Excluding BBVA USA and the rest of the Group's companies in the United States sold to PNC on June 1, 2021.

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



(1) At current exchange rates: -3.6%

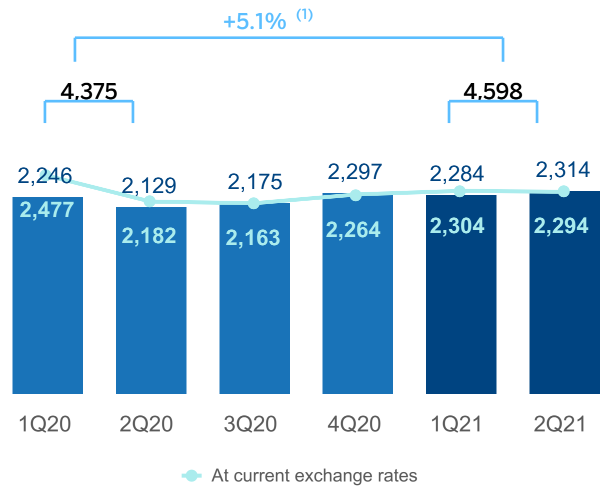
NTI showed a year-on-year increase of 14.8%, mainly due to the performance of the Global Markets unit in Spain and the revaluations of the Group stake on industrial and financial portfolio..

The **other operating income and expenses** line closed the first half of the year at €-95m compared to €+6m in the same period last year, due to BBVA's greater annual contribution in Spain to the Single Resolution Fund (hereinafter SRF), the higher adjustment for inflation in Argentina and the lower contribution of the insurance business in Spain, due to the bancassurance operation with Allianz, and in Mexico, due to increased claims as a result of the pandemic.

Operating income

Operating expenses grew by 5.1% year-on-year, with an increase in all geographical areas except Spain, where they decreased.

OPERATING EXPENSES (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)

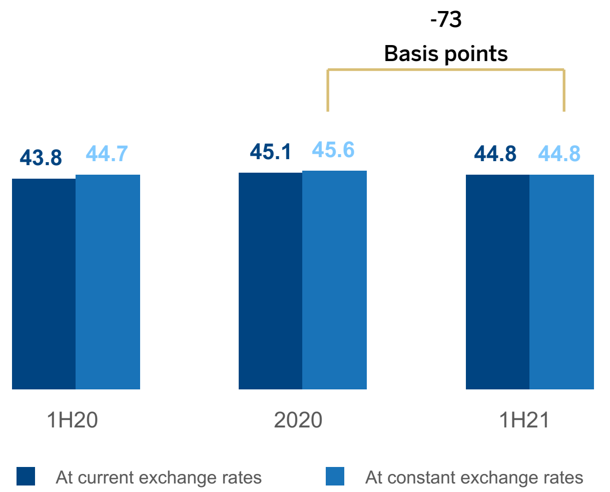


(1) At current exchange rates:-1.3%

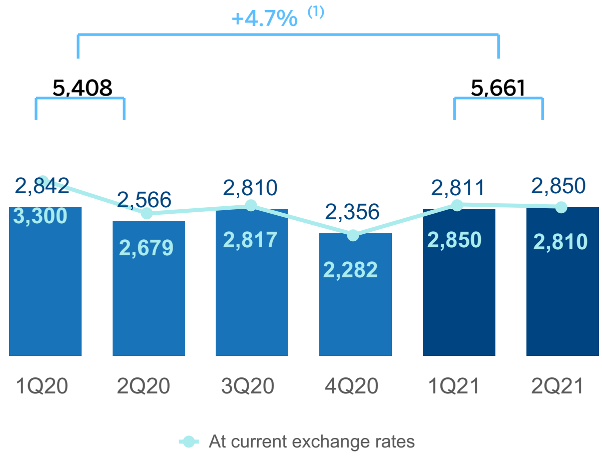
As a result, **operating income** totaled €5,661m, representing a year-on-year growth of 4.7%.

The **efficiency** ratio stood at 44.8% as of June 30, 2021, in line with the ratio achieved in the first half of the previous year (44.7%), with an improvement of 73 basis points over the ratio as of the end of December 2020.

EFFICIENCY RATIO (PERCENTAGE)



OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)

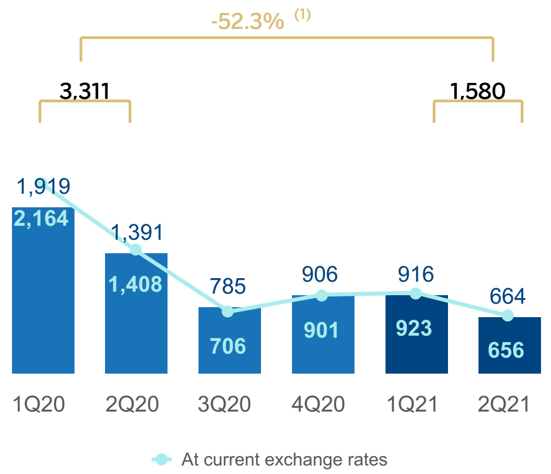


(1) At current exchange rates: -5.3%.

Provisions and other

Impairment on financial assets not measured at fair value through profit or loss (**impairment on financial assets**) closed the six-month period with a negative balance of €-1,580, significantly lower than the previous year (down 52.3%) mainly due to the negative impact of provisions for COVID-19 in the first half of 2020.

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



(1) At current exchange rates: -55.8%

The **provisions or reversal of provisions** line (hereinafter "provisions") closed the six-month period with a negative net balance of €-174m (down 65.1% compared to the net figure at the close of June last year), mainly due to provisions for potential claims in Spain and, to increased provisions for special funds and contingent risk and commitments in Turkey, in both cases registered in the first half of 2020.

The **other gains (losses)** line showed a negative balance of €24m at the end of June 2021, -81.1% below the figure reached the previous year (€-132m), mainly due to improved results achieved by Garanti BBVA's subsidiaries in Turkey.

Results

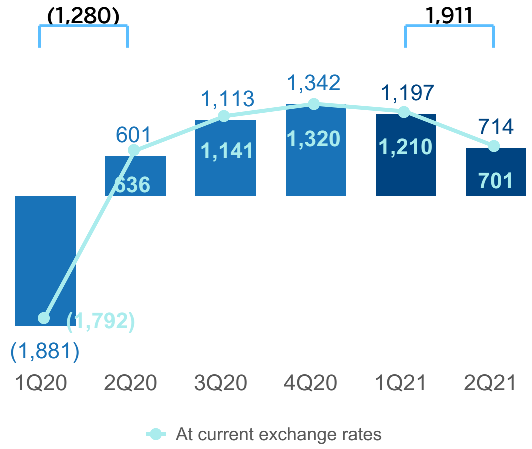
As a result, the BBVA Group generated a **net attributable profit, excluding non-recurring impacts,** of €2,327m between January and June 2021, representing a year-on-year increase of 183.0%. These non-recurring impacts include:

- The results generated by the Group's business in the United States (the sale of which to PNC materialized on June 1, 2021) and classified as **discontinued operations**, which generated €+280m in 2021 until the closing of the sale, contrasting very positively with the negative result of €2,104m in the first half of 2020, which included the impact of the goodwill impairment in the country. These results are recorded in the "Profit/(loss) after tax from discontinued operations" line of the Corporate Center's income statement.
- The net cost related to the restructuring process in Spain has amounted to €-696m, of which, before taxes, €-754m correspond to collective redundancies and €-240m to the closing of branches.

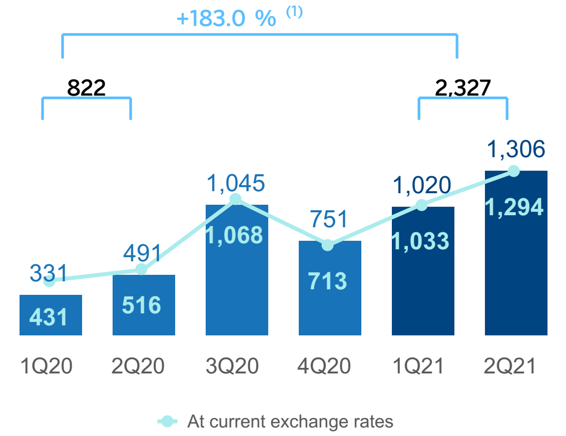
Taking into account both impacts, the Group's **net attributable profit** in the first half of 2021 totaled €1,911m, comparing very positively with the negative result of €-1,157m in the same period of the previous year, which was severely affected by the effects of the COVID-19 pandemic.

The cumulative net attributable profits, in millions of euros, at the close of June 2021 for the various **business areas** that make up the Group were as follows: 745 in Spain, 1,127 in Mexico, 384 in Turkey, 218 in South America and 145 in Rest of Business.

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



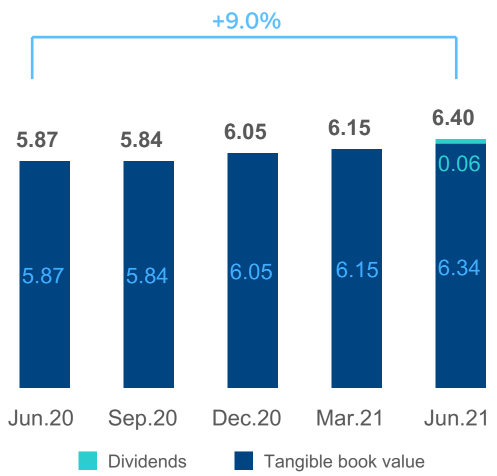
NET ATTRIBUTABLE PROFIT EXCLUDING NON-RECURRING IMPACTS (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



General note: non-recurring impacts include: (I) BBVA USA and the rest of the Group´s companies in the United States sold to PNC on June 1, 2021 in all periods; (II) the net cost related to the restructuring process as of 2Q21; and (III) the net capital gain from the bancassurance operation with Allianz as of 4Q20.

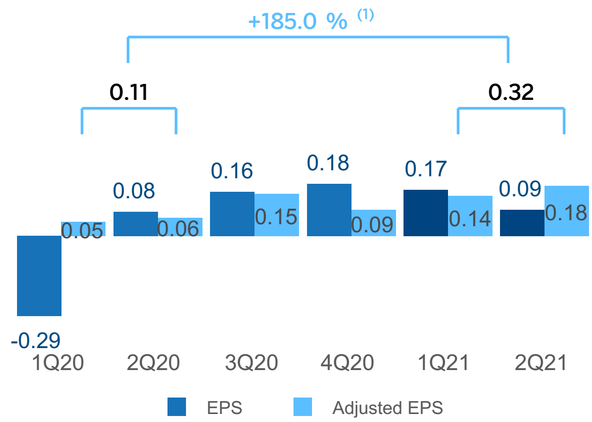
(1) At current exchange rates:+145.6%

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



(1) Replenishing dividends paid in the period.

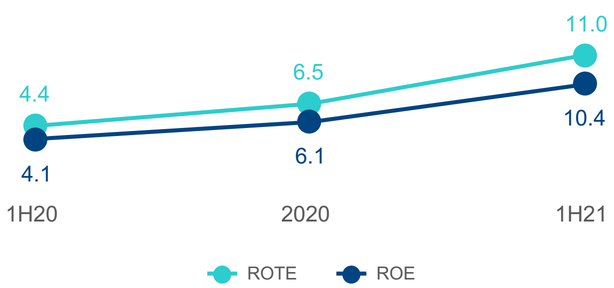
EARNING PER SHARE [(1)] AND ADJUSTED EARNING PER SHARE [(1)] (EUROS)



General note: adjusted earning per share Excludes: (I) BBVA USA and the rest of the Group's companies in the United States sold to PNC on June 1, 2021, in all periods; (II) the net cost related to the restructuring process as of 2Q21; and (III) the net capital gain from the sale to Allianz of the half plus one share of the company created to jointly promote non-life insurance business in Spain, excluding the health insurance line as of 4Q20.

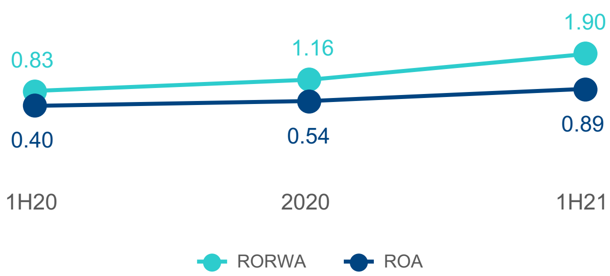
(1) Adjusted by additional Tier 1 instrument remuneration.

ROE AND ROTE [(1)] (PERCENTAGE)



(1) Excludes: (I) BBVA USA and the rest of the Group's companies in the United States sold to PNC on June 1, 2021, as of 1H21, 2020 and 1H20; (II) the net cost related to the restructuring process as of 1H21; and (III) the net capital gain from the sale to Allianz of the half plus one share of the company created to jointly promote non-life insurance business in Spain, excluding the health insurance line as of 2020.

ROA AND RORWA [(1)] (PERCENTAGE)



(1) Excludes: (I) BBVA USA and the rest of the Group's companies in the United States sold to PNC on June 1, 2021, as of 1H21, 2020 and 1H20; (II) the net cost related to the restructuring process as of 1H21; and (III) the net capital gain from the sale to Allianz of the half plus one share of the company created to jointly promote non-life insurance business in Spain, excluding the health insurance line as of 2020.

Balance sheet and business activity

The most relevant aspects related to the **evolution** of the Group's balance sheet and business activity as of June 30, 2021, are summarized below:

- **Loans and advances to customers** (gross) registered an increase of 1.3% compared to the end of December 2020. In terms of business areas, the dynamic lending activity in Turkey, Spain and Mexico should be highlighted.
- **Customer funds** registered a slight increase of 0.6% compared to the end of December 2020, due to the performance of customer deposits, which contracted by 1.1% in the first half, and the positive performance (up 6.5%) of other customer funds, i.e. mutual funds, pension funds and other off-balance sheet funds, which managed to offset the deposits´ decline in the same period of time.
- Regarding the **assets and liabilities of BBVA USA** and the rest of the companies which the Group owned in the United States, they have been transferred to PNC after the sale materialized on June 1, 2021, and are therefore not included in the consolidated BBVA Group balance sheet as of 30-06-2021. As the applicable accounting regulation indicates, they are classified, respectively, as non-current assets and liabilities held for sale, inside the other assets/other liabilities line of the consolidated BBVA Group Balance sheet as of 31-12-2020. For management purposes only in order to make the information comparable, the assets and liabilities of BBVA USA and the rest of the Group´s companies in the United States included in the sale agreement singed with PNC are classified, respectively, in the other assets/other liabilities line of BBVA Group consolidated Balance sheet as of 30-06-2020.

CONSOLIDATED BALANCE SHEET (MILLIONS OF EUROS)

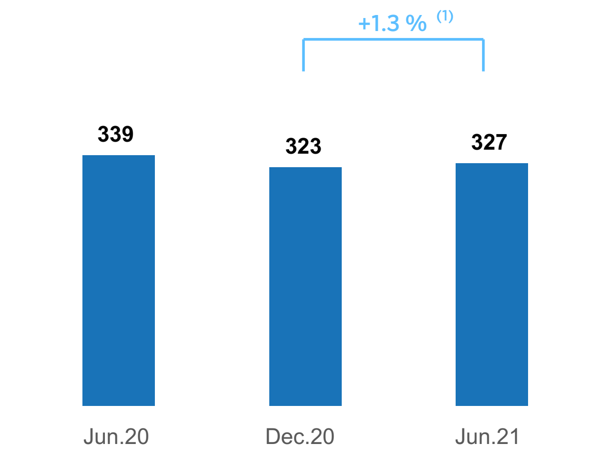
	30-06-21	Δ %	31-12-20	30-06-20
Cash, cash balances at central banks and other demand deposits	61,687	(5.9)	65,520	55,023
Financial assets held for trading	105,523	(2.5)	108,257	117,329
Non-trading financial assets mandatorily at fair value through profit or loss	5,742	10.5	5,198	4,980
Financial assets designated at fair value through profit or loss	1,107	(0.9)	1,117	1,098
Financial assets at fair value through accumulated other comprehensive income	73,186	5.4	69,440	64,575
Financial assets at amortized cost	368,026	0.1	367,668	381,967
Loans and advances to central banks and credit institutions	*16,947*	*(18.5)*	*20,784*	*19,584*
Loans and advances to customers	*315,752*	*1.5*	*311,147*	*326,818*
Debt securities	*35,327*	*(1.1)*	*35,737*	*35,565*
Investments in subsidiaries, joint ventures and associates	1,400	(2.5)	1,437	1,366
Tangible assets	7,321	(6.4)	7,823	8,163
Intangible assets	2,303	(1.8)	2,345	2,487
Other assets	21,874	(79.6)	107,373	115,897
Total assets	**648,169**	**(12.0)**	**736,176**	**752,884**
Financial liabilities held for trading	82,862	(4.2)	86,488	107,554
Other financial liabilities designated at fair value through profit or loss	9,811	(2.4)	10,050	9,203
Financial liabilities at amortized cost	479,618	(2.2)	490,606	479,905
Deposits from central banks and credit institutions	*71,645*	*(1.6)*	*72,806*	*73,709*
Deposits from customers	*338,795*	*(1.1)*	*342,661*	*331,351*
Debt certificates	*55,047*	*(10.9)*	*61,780*	*61,359*
Other financial liabilities	*14,132*	*5.8*	*13,358*	*13,485*
Liabilities under insurance and reinsurance contracts	10,535	5.9	9,951	9,462
Other liabilities	15,398	(82.7)	89,061	97,205
Total liabilities	**598,225**	**(12.8)**	**686,156**	**703,330**
Non-controlling interests	**5,428**	(0.8)	5,471	5,836
Accumulated other comprehensive income	(15,348)	6.9	(14,356)	(12,822)
Shareholders' funds	59,864	1.6	58,904	56,541
Total equity	**49,944**	**(0.2)**	**50,020**	**49,555**
Total liabilities and equity	**648,169**	**(12.0)**	**736,176**	**752,884**
Memorandum item:				
Guarantees given	42,976	(0.7)	43,294	44,733

LOANS AND ADVANCES TO CUSTOMERS (MILLIONS OF EUROS)

	30-06-21	∆ %	31-12-20	30-06-20
Public sector	**19,645**	**1.5**	**19,363**	**21,670**
Individuals	**147,287**	**2.1**	**144,304**	**145,323**
Mortgages	*91,623*	*0.2*	*91,428*	*92,279*
Consumer	*30,852*	*4.3*	*29,571*	*29,345*
Credit cards	*12,194*	*1.5*	*12,016*	*11,375*
Other loans	*12,617*	*11.8*	*11,289*	*12,325*
Business	**145,427**	**0.4**	**144,912**	**157,484**
Non-performing loans	**15,013**	**2.3**	**14,672**	**14,864**
Loans and advances to customers (gross)	**327,372**	**1.3**	**323,252**	**339,342**
Allowances [1]	(11,620)	(4.0)	(12,105)	(12,523)
Loans and advances to customers	**315,752**	**1.5**	**311,147**	**326,818**

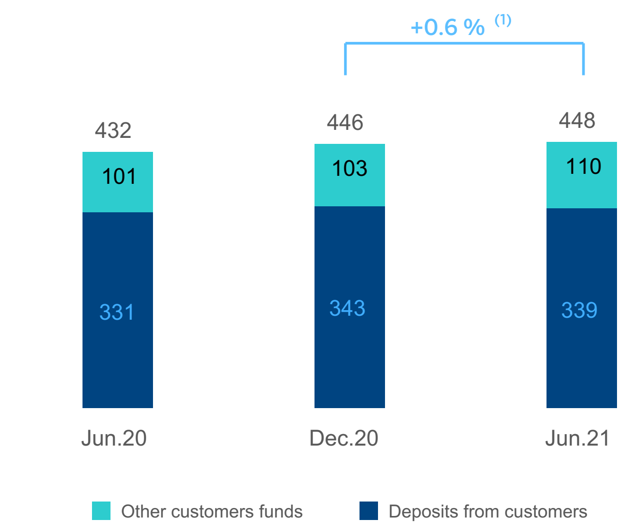
(1) Allowances include the valuation adjustments for credit risk during the expected residual life of those financial instruments which have been acquired (mainly originated from the acquisition of Catalunya Banc, S.A.). As of June 30, 2021, December 31, 2020 and June 30, 2020 the remaining amount was €301m, €363m and €399m, respectively.

LOANS AND ADVANCES TO CUSTOMERS (GROSS. BILLIONS OF EUROS)



(1) At constant exchange rates: +2.6%

CUSTOMER FUNDS (BILLIONS OF EUROS)



(1) At constant exchange rates: +1.5%

CUSTOMER FUNDS (MILLIONS OF EUROS)

	30-06-21	∆ %	31-12-20	30-06-20
Deposits from customers	**338,795**	**(1.1)**	**342,661**	**331,351**
Current accounts	*271,721*	*2.1*	*266,250*	*252,318*
Time deposits	*65,034*	*(14.0)*	*75,610*	*78,684*
Other deposits	*2,039*	*154.5*	*801*	*349*
Other customer funds	**109,598**	**6.5**	**102,947**	**100,813**
Mutual funds and investment companies	*69,814*	*7.6*	*64,869*	*63,237*
Pension funds	*37,709*	*4.1*	*36,215*	*35,664*
Other off-balance sheet funds	*2,074*	*11.3*	*1,863*	*1,912*
Total customer funds	**448,393**	**0.6**	**445,608**	**432,164**

Solvency

Capital base

BBVA Group's **fully-loaded CET1** ratio stood at 14.17% at June 30, 2021 and includes the one-off effects of the sale of BBVA USA with an impact of +260 basis points on the capital position at the end of June 2021, and the impacts of the restructuring process of -25 basis points.

During the second quarter of 2021, the evolution of the consolidated fully-loaded CET 1 ratio continued to be supported by a high generation of earnings, with an impact of +38 basis points (which excludes the impact on the results of the two effects mentioned above), which mostly covers the prudential accrual for shareholder remuneration and the remuneration of Contingent Convertible bonds (hereinafter CoCos), -11 basis points as a whole, as well as the growth of organic risk-weighted assets (RWAs in the following) in the quarter which have detracted -6 basis points.

Apart from these effects, there is also an impact of -14 basis points that corresponds to the implementation of regulatory impacts on RWAs, among which the most notably is the entry into force of the new counterparty risk calculation framework. Finally, in the rest of the items that affect the evolution of the consolidated CET1 fully-loaded ratio, a negative impact of -13 basis points is recorded, mainly explained by a lower computation of non-controlling interests.

Consolidated fully-loaded **RWAs** decreased in the quarter by approximately €49,000m, which is explained by the exclusion of BBVA USA after the closing of the sale agreement to PNC on June 1. Excluding this singular effect, RWAs registered a slight increase of approximately €1,920m.

The consolidated fully-loaded **additional Tier 1 capital** (AT1) stood at 1.87% as of June 30, 2021, which results in a significant growth compared to the previous quarter of +25 basis points and which is supported by the reduction of RWA for the aforementioned exclusion of BBVA USA.

It should be noted that on April 14, BBVA carried out the early amortization of an issue of preferred securities that can be converted into BBVA ordinary shares (CoCos) dating from 2016 for €1,000m with a 8.875% coupon and whose impact was already included in the Group's capital ratios as of March 31, 2021.

The consolidated **fully-loaded Tier 2** ratio as of June 30, 2021 stood at 2.44%, its growth in the quarter (+20 basis points) is mainly explained by the effect of the RWA reduction due to the exclusion of BBVA USA.

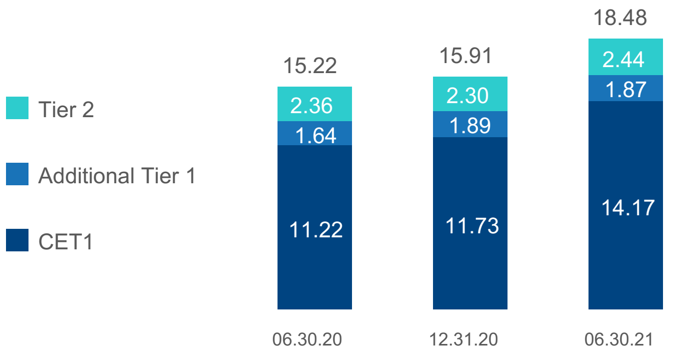
The **phased-in CET1** ratio, on consolidated terms, stood at 14.37% as of June 30, 2021, taking into account the transitory effect of the IFRS 9 standard. AT1 reached 1.86% and Tier 2 reached 2.52%, resulting in a total capital adequacy ratio of 18.75%.

Regarding **shareholder remuneration**, on April 29, 2021, a cash amount of €0.059 was distributed for each of the Bank's shares, charged to BBVA's share premium account, in accordance with what was approved in the General Shareholders' Meeting of April 20, 2021. A cash distribution was also approved against the distribute items of BBVA of up to €533.4m, subject to the corresponding regulatory authorizations. Likewise, in order to be able to effectively implement a **share buy-back program**, the reduction of BBVA's share capital was approved to a maximum corresponding to 10% of the current share capital through the amortization of treasury shares acquired through any mechanism with the objective of being amortized. The execution of the buyback program and the amortization of the shares acquired will be subject to the obtaining of the corresponding regulatory authorizations and being also subject, among other factors, to the price of the share. The European Central Bank (hereinafter ECB) published on July 23, 2021, a new recommendation ECB/2021/31 repealing recommendation ECB/2020/62 as of September 30, 2021. Recommendation ECB/2021/31 states that the ECB will assess banks' capital trajectories and dividends or share buyback plans on an individual basis with a careful forward-looking assessment of capital plans in the context of the normal supervisory cycle, and repeals any further restrictions on dividends and share buybacks contained in recommendation ECB/2020/62. Once recommendation ECB/2021/31 has been released, BBVA intends to reintroduce its dividend policy announced on February 1, 2017 by the release of relevant information, that consist in the distribution of an annual payout of between 35% and 40% of the profits obtained in each financial year fully in cash in two different payments (expected for October and April, subject to the applicable authorizations) as from September 30, 2021.

SHAREHOLDER STRUCTURE (30-06-2021)

	Shareholders		Shares	
Number of shares	**Number**	**%**	**Number**	**%**
Up to 500	349,964	41.2	65,616,409	1.0
501 to 5,000	393,255	46.3	689,014,893	10.3
5,001 to 10,000	57,020	6.7	401,131,352	6.0
10,001 to 50,000	44,434	5.2	849,915,229	12.7
50,001 to 100,000	3,208	0.4	218,437,393	3.3
100,001 to 500,000	1,437	0.2	259,744,818	3.9
More than 500,001	287	0.0	4,184,026,486	62.7
Total	**849,605**	**100.0**	**6,667,886,580**	**100.0**

FULLY-LOADED CAPITAL RATIOS (PERCENTAGE)



CAPITAL BASE (MILLIONS OF EUROS)

	CRD IV phased-in			CRD IV fully-loaded		
	30-06-21 (1) (2)	31-12-20	30-06-20	30-06-21 (1) (2)	31-12-20	30-06-20
Common Equity Tier 1 (CET 1)	43,903	42,931	42,119	43,306	41,345	40,647
Tier 1	49,599	49,597	48,186	49,007	48,012	46,602
Tier 2	7,688	8,547	9,344	7,466	8,101	8,552
Total Capital (Tier 1 + Tier 2)	**57,287**	**58,145**	**57,531**	**56,473**	**56,112**	**55,153**
Risk-weighted assets	**305,599**	**353,273**	**362,050**	**305,543**	**352,622**	**362,388**
CET1 (%)	14.37	12.15	11.63	14.17	11.73	11.22
Tier 1 (%)	16.23	14.04	13.31	16.04	13.62	12.86
Tier 2 (%)	2.52	2.42	2.58	2.44	2.30	2.36
Total capital ratio (%)	**18.75**	**16.46**	**15.89**	**18.48**	**15.91**	**15.22**

(1) As of June 30, 2021, the difference between the phased-in and fully-loaded ratios arises from the temporary treatment of certain capital items, mainly of the impact of IFRS 9, to which the BBVA Group has adhered voluntarily (in accordance with article 473bis of the CRR and the subsequent amendments introduced by the Regulation (EU) 2020/873).

(2) Preliminary data.

With regard to **MREL** (Minimum Requirement for own funds and Eligible Liabilities) requirements, on May 31, 2021, BBVA made public that it had received a new communication from the Bank of Spain on its minimum requirement for own funds and admissible liabilities (MREL) established by the Single Resolution Board (hereinafter SRB), calculated taking into account the financial and supervisory information as of December 31, 2019.

This communication on MREL replaces the one previously received and according to it, BBVA must reach, by January 1, 2022, an amount of own funds and eligible liabilities equal to 24.78%[2] of the total RWAs of its resolution group, at a sub-consolidated[3] level (hereinafter, the "MREL in RWAs"). Also, of this MREL in RWAs, 13.50% of the total RWAs must be met with subordinated instruments (the "subordination requirement in RWAs"). This MREL in RWAs is equivalent to 10.25% in terms of the total exposure considered for the purposes of calculating the leverage ratio (the “MREL in LR”), while the subordination requirement in RWAs is equivalent to 5.84% in terms of the total exposure considered for calculating the leverage ratio (the "subordination requirement in LR"). In the case of BBVA, the requirement that is currently the most restrictive is that expressed by the MREL in RWAs. Given the structure of own funds and admissible liabilities of the resolution group, as of June 30, 2021, the MREL ratio in RWAs stands at 29.55%[4,5], complying with the aforementioned MREL requirement.

With the aim of reinforcing compliance with these requirements, in March 2021, BBVA carried out an issue of senior preferred debt for an amount of €1,000m, mitigating the loss of eligibility of two senior preferred issues and one senior non-preferred issue issued during 2017 and reaching their maturity in 2021. It should be noted that after the closing of the sale of BBVA USA, BBVA's position for MREL purposes has been strengthened.

Lastly, the Group's **leverage** ratio as of June 30, 2021, stood at 7.4% fully-loaded (7.5% phased-in) with a significant increase in the quarter of +90 basis points, which is mainly explained by the lower exposure after the exclusion of BBVA USA. These figures include the effect of the temporary exclusion of certain positions with the central bank foreseen in the “CRR-Quick fix”.

[2] Pursuant to the new applicable regulation, the MREL in RWAs and the subordination requirement in RWAs do not include the combined requirement of capital buffers. For these purposes, the applicable combined capital buffer requirement would be 2.5%, without prejudice to any other buffer that may be applicable at any given time.

[3] In accordance with the resolution strategy MPE (“Multiple Point of Entry”) of the BBVA Group, established by the SRB, the resolution group is made up of Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries that belong to the same European resolution group. As of December 31, 2019, the total RWAs of the resolution group amounted to €204,218m and the total exposure considered for the purpose of calculating the leverage ratio amounted to €422,376m.

[4] Own resources and eligible liabilities to meet, both, MREL and the combined capital buffer requirement, which would be 2.5%, without prejudice to any other buffer that may be applicable at any given time.

[5] As of June 30, 2021, the MREL ratio in LR stands at 12.43% and the subordination ratios in terms of RWAs and in terms of exposure of the leverage ratio, stand at 26.84% and 11.29% , respectively.

Ratings

On June 24, 2021, in a joint review of several European banks, S&P changed BBVA's outlook to stable from negative (confirming its A- rating), acknowledging the benefits of the Group's geographic diversification, as well as its substantial capital reinforcement experienced after the BBVA USA sale. At the time this report is being released, the remaining agencies have maintained, both, BBVA's rating and outlook unchanged, proving its stability. Therefore, all the agencies evaluating BBVA confirm the Bank's A rating and a stable outlook, as the following table shows:

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-2	Stable

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

Risk management

Credit risk

The local authorities of the countries in which the Group operates initiated economic support measures in 2020, after the outbreak of the pandemic, including the granting of relief measures in terms of temporary payment deferrals for customers affected by the pandemic, as well as the granting of loans covered by public guarantees, especially to companies and SMEs.

These measures are supported by the rules issued by the authorities of the geographical areas where the Group operates as well by certain industry agreements and should help to ease the temporary liquidity needs of the customers. The classification of the customers' credit quality and the calculation of the expected credit loss, once the credit quality of those customers have been reviewed under the new circumstances, will depend on the effectiveness of these relief measures. In any case, the incorporation of public guarantees is considered to be a mitigating factor in the estimation of the expected credit losses. The possibility of benefiting from this type of temporary deferral measures has already expired, except in Colombia and Turkey, where authorities have extended the deadline of the before-mentioned measures until the third quarter of 2021.

Regarding the public guarantee programs, in Spain, following the release of the RDL 5/2021 and the Code of Good Practices, which BBVA has joined voluntarily, term extensions can be requested until October 15, 2021, whereas in Peru, due to the extension of the *Plan Reactiva*, it is allowed until September 2021.

For the purposes of classifying exposures based on their credit risk, the Group has maintained a rigorous application of IFRS 9 at the time of the granting of the moratoriums and has reinforced the procedures to monitor credit risk both during their validity and upon their maturity. In this respect, **additional indicators** have been introduced to identify the significant increase in risk that may have occurred in some operations or a set of them and, where appropriate, proceed to classify it in the corresponding risk stage.

Likewise, the indications provided by the European Banking Authority (EBA) have been taken into account, to not consider as refinancing the moratoriums that meet a series of requirements, without prejudice to keep the exposure classified in the corresponding risk stage or its consideration as refinancing if it was previously so classified.

In relation to the temporary payment deferrals for customers affected by the pandemic, since the beginning BBVA has worked on an **anticipation plan** with the goal of mitigating as much as possible the impact of these measures in the Group, due to the high concentration of its maturities over time. As of June 30, 2021, the payment deferrals granted by the Group following EBA criteria amounted to €2,778m.

Calculation of expected losses due to credit risk

To respond to the circumstances generated by the COVID-19 pandemic in the macroeconomic environment, characterized by a high level of uncertainty regarding its intensity, duration and speed of recovery, **forward-looking information has been updated** in the IFRS 9 models to incorporate the best information available at the date of the publication of this report. The estimation of the expected losses has been calculated for the different geographical areas in which the Group operates, with the best information available for each of them, considering both the macroeconomic perspectives and the effects on specific portfolios, sectors or specific debtors. The scenarios used consider the various economic measures that have been announced by governments as well as monetary, supervisory and macroprudential authorities around the world. However, the final magnitude of the impact of this pandemic on the Group's business, financial situation and results, which could be material, will depend on future and uncertain events, including the intensity and persistence over time of the consequences derived from the pandemic in the different geographical areas in which the Group operates.

The **expected losses** calculated according to the methodology provided by the Group, including macroeconomic projections, have been supplemented with quantitative management adjustments in order to include issues that might imply a potential impairment which due to its nature is not included in the model and which will be assigned to specific operations in case this impairment materializes (e.g, sectors and collectives more affected by the crisis).

As of June 30, 2021, in order to incorporate those aspects not included in the impairment models, there are **management adjustments** to the expected losses amounting to €348m for the entire Group, €315m in Spain and €32m in Peru. As of December 31, 2020 this concept amounted to €223m, allocated in Spain. The variation is due to a net additional allowance in Spain and Peru given the possibility that new extensions in the financing granted or agreements in order to ensure business viability materialize.

The evolution of the exposure of corporate banking clients to the sectors that have been considered most vulnerable in the COVID-19 pandemic environment is shown below:

EXPOSURE AT DEFAULT TO MOST VULNERABLE SECTORS (MILLIONS OF EUROS)

	30-06-21	31-03-21	31-12-20	30-09-20	30-06-20
Leisure [1]	8,941	9,221	9,279	9,237	9,383
Real estate sector [2]	6,839	7,021	7,004	7,400	7,633
Retailers [3]	3,328	3,146	3,162	3,371	3,680
Air transportation	898	938	965	1,111	1,061
Total	**20,006**	**20,326**	**20,410**	**21,119**	**21,757**

General note: data excluding BBVA USA and the rest of Group's companies in the United States sold to PNC on June 1, 2021, for all periods.

(1) Among others; includes hotels, restaurants, travel agencies and gaming.

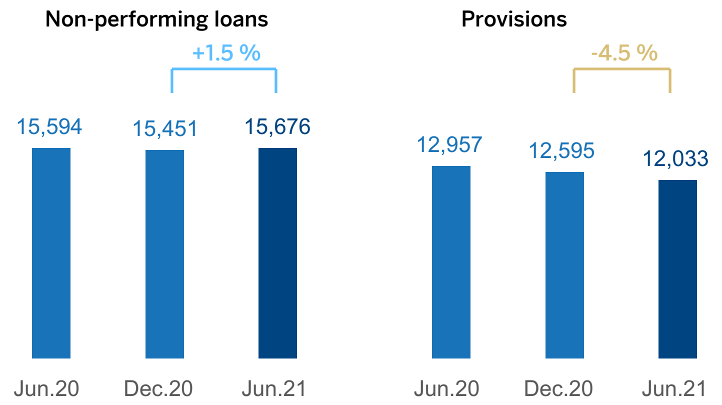
(2) Excludes real estate developers.

(3) Exposure to this sector in Spain and Rest of Businesses is excluded due to the improvement of the outlook. Retailers non-food.

BBVA Group's main risk indicators, excluding the balances from discontinued operations, (i.e. BBVA excluding BBVA USA and the rest of Group’s companies in the United States sold to PNC on June 1, 2021), have behaved as follows during the first half of 2021, as a result, among other reasons, of the situation generated by the pandemic:

- **Credit risk** has increased by 1.4% (up 2.0% at constant exchange rates) during the second quarter of 2021, registering growth in Mexico caused by retail activity, Spain (mainly due to corporate and institutions banking activity) and Rest of business, maintaining practically flat activity in Turkey and South America (the activity decline in Peru, Chile and Colombia is partially offset by growth in Argentina and Uruguay). Compared to December 2020, credit risk has increased by 0.9% (up 1.7% at constant exchange rates).
- **The balance of non-performing loans** increased slightly in the second quarter of the year by 0.4% (up 1.2% at constant exchange rates) mainly in Turkey due to the reclassification of a wholesale client in April, causing no impact in provisions. Compared to December 2020, an increase of 1.5% is registered (up 2.5% at constant exchange rates).

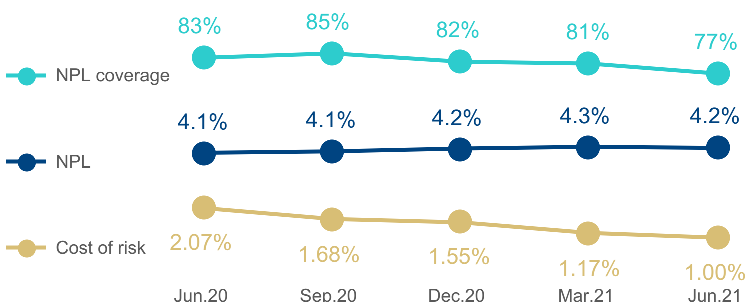
NON-PERFORMING LOANS[1] AND PROVISIONS[1] (MILLIONS OF EUROS)



(1) Excludes: BBVA USA and the rest of the Group's companies in the United States sold to PNC on June 1, 2021.

- The **NPL ratio** stood at 4.2% at the end of June 2021 (4.3% in March, 2021), 2 basis points above the end of December, 2020.
- **Loan-loss provisions** decreased by 4.5% compared to December 2020 (down 4.6% in the quarter).
- The **NPL coverage ratio** amounted to 77%, -476 basis points compared to the end of 2020.
- The cumulative **cost of risk** as of 30-06-2021 stood at 1.00%, reducing 55 basis points compared to the end of 2020, due to lower requirements in all geographic areas.

NPL[1] AND NPL COVERAGE[1] RATIOS AND COST OF RISK[1] (PERCENTAGE)



(1) Excluding BBVA USA and the rest of the Group's companies in the United States sold to PNC on June 1, 2021.

CREDIT RISK [1] (MILLIONS OF EUROS)

	30-06-21	31-03-21	31-12-20	30-09-20	30-06-20
Credit risk	**370,348**	**365,292**	**366,883**	**365,127**	**384,310**
Non-performing loans	15,676	15,613	15,451	15,006	15,594
Provisions	12,033	12,612	12,595	12,731	12,957
NPL ratio (%)	**4.2**	**4.3**	**4.2**	**4.1**	**4.1**
NPL coverage ratio (%) [2]	**77**	**81**	**82**	**85**	**83**

General note: figures excluding BBVA USA and the rest of Group's companies in the United States sold to PNC on June 1, 2021, for the periods of 2021 and 2020, and the classification of BBVA Paraguay as non-current assets and liabilities held for sale for the periods of 2020.

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

(2) The NPL coverage ratio includes the valuation adjustments for credit risk during the expected residual life of those financial instruments which have been acquired (mainly originated from the acquisition of Catalunya Banc, S.A.). Excluding these allowances, the NPL coverage ratio would stand at 75% as of June 30, 2021, 79% as of December 31, 2020 and 81% as of June 30, 2020.

NON-PERFORMING LOANS EVOLUTION (MILLIONS OF EUROS)

	2Q21 [1]	1Q21	4Q20	3Q20	2Q20
Beginning balance	**15,613**	**15,451**	**15,006**	**15,594**	**15,290**
Entries	2,320	1,915	2,579	1,540	1,892
Recoveries	(1,073)	(923)	(1,016)	(1,028)	(1,045)
Net variation	**1,247**	**992**	**1,563**	**512**	**847**
Write-offs	(1,124)	(794)	(1,149)	(510)	(709)
Exchange rate differences and other	(60)	(36)	31	(590)	165
Period-end balance	**15,676**	**15,613**	**15,451**	**15,006**	**15,594**
Memorandum item:					
Non-performing loans	15,013	14,933	14,709	14,269	14,909
Non performing guarantees given	663	681	743	737	684

General note: figures excluding BBVA USA and the rest of Group's companies in the United States sold to PNC on June 1, 2021, for the periods of 2021 and 2020, and the classification of BBVA Paraguay as non-current assets and liabilities held for sale for the periods of 2020.

(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. In this context, it is important to notice that, given the nature of BBVA's business, the funding of lending activity is fundamentally carried out through the use of stable customer funds.

Due to its subsidiary-based management model, BBVA is one of the few major European banks that follows the Multiple Point of Entry (MPE) resolution **strategy**: the parent company sets the liquidity policies, but the subsidiaries are self-sufficient and responsible for managing their own liquidity and funding (taking deposits or accessing the market with their own rating), without fund transfers or financing occurring between either the parent company and the subsidiaries or between the different subsidiaries. This strategy limits the spread of a liquidity crisis among the Group's different areas, and ensures that the cost of liquidity and financing is correctly reflected in the price formation process.

In view of the initial uncertainty caused by the outbreak of COVID-19 in March 2020, the various different central banks provided a joint response through specific measures and programs, the extent of which, in some cases, has been extended until 2021 to facilitate the financing of the real economy and the provision of liquidity in the financial markets, increasing liquidity buffers in almost all geographical areas.

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

- The BBVA Group's **liquidity coverage ratio** (LCR) remained comfortably above 100% throughout the first half of 2021, and stood at 179% as of June, 30. For the calculation of this ratio, it is assumed that there is no transfer of liquidity among subsidiaries; i.e. no type of excess liquidity levels in foreign subsidiaries are considered in the calculation of the consolidated ratio. When considering these excess liquidity levels, the BBVA Group's LCR would stand at 218%.
- The **net stable funding ratio** (NSFR), defined as the ratio between the amount of stable funding available and the amount of stable funding required, demands banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. This ratio should be at least 100% at all times. The BBVA Group's NSFR ratio, calculated

based on the criteria established in the Regulation (UE) 2019/876 of the European Parliament and the European Council, as of 20 May, 2019; whose starting date is June 2021, stood at 134% as of June 30, 2021.

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

LCR AND NSFR RATIOS (PERCENTAGE. 30-06-21)

	Eurozone [1]	Mexico	Turkey	South America
LCR	209	207	186	All countries >100
NSFR	127	139	160	All countries >100

(1) Perimeter: Spain + the rest of the Eurozone where BBVA has presence.

One of the key elements in BBVA's Group liquidity and funding management is the maintenance of large high quality liquidity buffers in all business areas where the group operates. In this respect, the Group has maintained for the last 12 months an average volume of high quality liquid assets (HQLA) accounting to €148 billion, among which, 95% correspond to maximum quality assets (LCR Tier 1).

The most relevant aspects related to the main geographical areas are the following:

- In the Eurozone, BBVA maintains a comfortable position with a large, high-quality liquidity buffer. During the first half of 2021, commercial activity has drawdown liquidity amounting to approximately €9 billion mainly explained by outflows during the first quarter of wholesale deposits that held very high balances at the end of December 2020. It should be noted that during the second quarter of 2021, the payment of the BBVA USA sale operation to PNC has taken place, closed on June 1, 2021. In March 2021, BBVA S.A. took part in the TLTRO III liquidity window program to take advantage of the improved conditions announced by the European Central Bank (ECB) in December 2020, with an amount drawn of €3.5 billion, which when added together with the €34.9 billion available at the end of December 2020 it totaled €38.4 billion. In this regard, the ECB continues to support liquidity in the system through the measures it has implemented since the start of the pandemic, and it should be noted that it announced the extension of the accelerated asset purchases under its PEPP program (Pandemic Emergency Purchase Programme) during the third quarter of 2021.
- In BBVA Mexico, commercial activity has provided liquidity during the first half of 2021 for, approximately, 15 billion Mexican pesos, derived from a higher growth in customer funds compared with the increase in lending activity. This negative credit gap is expected to decrease during the second half due to the recovery in lending activity, favored by the better growth trend in the country. This solid liquidity position is enabling an efficiency policy in the funding costs, which is resulting in savings in net interest income, compared with the second half of 2020. Looking at wholesale issuances, last April a senior issue amounting to 1,000 million Mexican pesos was absorbed without needing to be refinanced, as it also happened with the subordinated issue amounting to USD 750m which was absorbed in March, 2021.
- The Central Bank of the Republic of Turkey (CBRT) has continued its restrictive policies, increasing both reserve requirement rates and the base rate by 200 basis points. During March, the central bank governor was replaced, provoking some market volatility which although having been reduced during the second quarter of 2021, is maintained because of the monetary policy risks. In the first half, the Bank's lending gap has kept stable in local currency with a similar increase in loans and deposits. Regarding foreign currency, both loans and deposits have decreased by a similar amount. Garanti BBVA continues to maintain a strong liquidity buffer.
- In South America, the liquidity situation remains suitable throughout the region, helped by the support of various central banks and governments which, in order to mitigate the impact of the COVID-19 crisis, have acted by implementing measures to stimulate economic activity and provide greater liquidity in financial systems. In Argentina, liquidity in the system continues to increase due to higher growth in deposits than loans in local currency. A comfortable liquidity position has been maintained in Colombia following the adjustment for excess liquidity made in the second half of 2020 through reducing wholesale deposits. This situation has not been affected by social riots occurred in the country. The same can be said for BBVA Peru, in spite of the instability in these last months, caused by the country´s electoral process.

The main **transactions** carried out in wholesale financing markets by the companies that form part of the BBVA Group on the first half of 2021 were:

- In March 2021 BBVA, S.A. issued preferred senior debt totaling €1,000m at 0.125% (for more information on this transaction see the "Solvency" chapter in this report).
- In Turkey, there have been no issuances during the first half of 2021. On June 2, BBVA Garanti renewed 100% of a syndicated loan indexed to sustainability criteria. Formed by two separate sections, amounting to USD 279m and €294m with a 1-year expiration date and signed by 34 banks from 18 different countries.
- In South America, BBVA Uruguay issued the first sustainable bond on the Uruguayan financial market in February for USD 15m at an initial interest rate of 3.854%.

Foreign exchange

Foreign exchange risk management of BBVA's long-term investments, principally stemming from its overseas franchises, aims to preserve the Group's capital adequacy ratio and ensure the stability of its income statement.

BBVA has maintained its policy of actively hedging its main investments in emerging markets, covering on average between 30% and 50% of annual earnings and around 70% of the CET1 capital ratio surplus. The closing of the sale of BBVA USA in June 2021 has modified, at least temporarily as long as the Group´s ratio remains over the standards, the Group's CET1 ratio sensitivity to changes in the currencies. The most affected sensitivity by this change has been the US dollar, which stands at +18 basis points in the face of a 10% depreciation in the currency. The sensitivity of the Mexican peso is slightly reduced to -4 basis points and in the case of the Turkish lira the sensitivity becomes practically nil, also in the case of a depreciation of 10% in both currencies. For its part, the coverage of the expected results for 2021 stands at levels close to 75% in Mexico, 70% in the case of Turkey and close to 100% in Peru and Colombia.

Interest rate

Interest rate risk management seeks to limit the impact that BBVA can suffer, both in terms of net interest income (short-term) and economic value (long-term), through movements in the interest rate curves in the various different 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 determine the potential impact of a range of scenarios on the Group's various 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 behavior.

At the aggregate level, BBVA continues to maintain a moderate risk profile, in accordance with the established objective, showing positive sensitivity toward interest rate increases in the net interest income. The effective management of structural balance sheet risk has allowed it to mitigate the negative impact of the downward trend in interest rates and the volatility experienced as a result of the effects of COVID-19, and is reflected in the soundness and recurrence of net interest income.

At the market level in the second quarter of 2021, in Europe there have been moderate increases in yields in the long sections of the sovereign curves, which continue to be anchored by the ECB's purchasing program, while in the United States there has been a flattening of the curve, with rises in the short part due to the anticipation of interest rate hikes by the Fed. This flattening has also been transferred to the fixed income markets of other emerging countries, especially in Mexico, whereas in Peru and in Colombia there have been increases of the same for idiosyncratic reasons. All of the above has had a limited impact on the generation of net interest income for the different units.

By area, the main features are:

- Spain has a balance sheet characterized by a high proportion of variable-rate loans (basically mortgages and corporate lending) and liabilities composed mainly of customer deposits. The ALCO portfolio acts as a management lever and hedging for the bank's balance sheet, mitigating its sensitivity to interest rate fluctuations. The balance sheet´s profile has remained stable during the year, showing an interest net income sensitivity to 100 basis points increases by the interest rates around 20%.

  On the other hand, the ECB held the marginal deposit facility rate unchanged at -0.50% and maintained the extraordinary support programs created after the outbreak of the COVID-19 crisis. This has created stability in European benchmark interest rates (Euribor) throughout the first half of 2021. In this matter, customer spread keeps pressured by the low interest rates environment.
- Mexico continues to show a balance between fixed and variable interest rates balances. In terms of assets that are most sensitive to interest rate fluctuations, the commercial portfolio stands out, while consumer loans and mortgages are mostly at a fixed rate. The ALCO portfolio is used to neutralize the longer duration of customer deposits. Net interest income sensitivity continues to be limited, registering a positive impact against 100 basis points increases in the Mexican peso which is around 2%. The monetary policy rate stood stable compared to December 2020 (4,25%), after a 25 basis points reduction during the first quarter of 2021 and a 25 basis points increase in June. Regarding the consumer spread, a slight increase compared to first quarter is appreciated, a trend which should continue due to the high interest rates environment.
- In Turkey, the sensitivity of loans, which are mostly fixed-rate with relatively short maturities, and the ALCO portfolio are balanced by the sensitivity of deposits on the liability side. That is why the interest rate risk (broken down into Turkish lira and US dollars) is limited. With regard to base rates, the first quarter ended 200 basis points above the level seen in December 2020 while they kept stable during the second quarter of 2021. Consumer spread expressed in Turkish liras has been negatively affected by rates increases materialized since the second half of 2020.
- In South America, the risk profile for interest rates remains low as most countries in the area have a fixed/variable composition and maturities that are very similar for assets and liabilities, with a low 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. No changes were observed in the base rates of the central banks of Peru and Colombia during the first half of the year, and they remain at all-time lows. The consumer spread has been penalized by the low-rates environment. However, a recovery is expected as soon as the central banks increase these rates to their standards.

Business areas

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

BBVA Group's business areas structure reported by the BBVA Group as of June 30, 2021, differs from the one presented at the end of 2020, mainly as a consequence of the disappearance of the **United States** as a business area, derived from the **sale** agreement reached with PNC. BBVA will continue to have a presence in the United States, mainly through the wholesale business which the Group develops in the New York branch and its broker dealer BBVA Securities Inc.

The composition of BBVA Group business areas at the end of the first half of 2021 is summarized below:

- **Spain** mainly includes the banking and insurance businesses that the Group carries out in this country, including the results of the new company created from the bancassurance agreement reached with Allianz at the end of 2020.
- **Mexico** includes banking and insurance businesses in this country, as well as the activity that BBVA Mexico carries out through its branch in Houston.
- **Turkey** reports the activity of the group Garanti BBVA that is mainly carried out in this country and, to a lesser extent, in Romania and the Netherlands.
- **South America** mainly includes banking and insurance activity conducted in the region. The information for this business area includes BBVA Paraguay data for the results, activity, balances and relevant business indicators for 2020 and is not included in 2021 as the sale agreement was reached in January 2021.
- **Rest of Business** mainly incorporates the wholesale activity carried out in Europe (excluding Spain) and in the United States, as well as the banking business developed through BBVA’s 5 branches in Asia.

The **Corporate Center** contains the centralized functions of the Group, including: the costs of the head offices with a corporate function; structural exchange rate positions management, portfolios whose management is not linked to customer relations, such as financial and industrial holdings, including the stake the venture capital fund Propel Venture Partners; certain tax assets and liabilities; funds due to commitments to employees; goodwill and other intangible assets as well as such portfolios and assets´ funding. Additionally, the results obtained by the Group´s businesses in the United States until their sale to PNC on June 1, 2021, are presented in a single line of the income statements called “Profit (loss) after taxes from discontinued operations”. Finally, the costs related to the BBVA S.A. restructuring process in Spain, being considered such process an strategic decision, are included in this aggregated area and are registered in the line "Net cost related to the restructuring process".

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

The information by business area is based on units at the lowest level and/or companies that comprise the Group, which are assigned to the different areas according to the main region or company group in which they carry out their activity. The figures corresponding to 2020 have been elaborated following the same criteria and the same structure of the areas that have been already explained, in a way that year-on-year comparisons are homogeneous.

Regarding the **shareholders**' **funds** allocation, a capital allocation system based on the consumed regulatory capital is used.

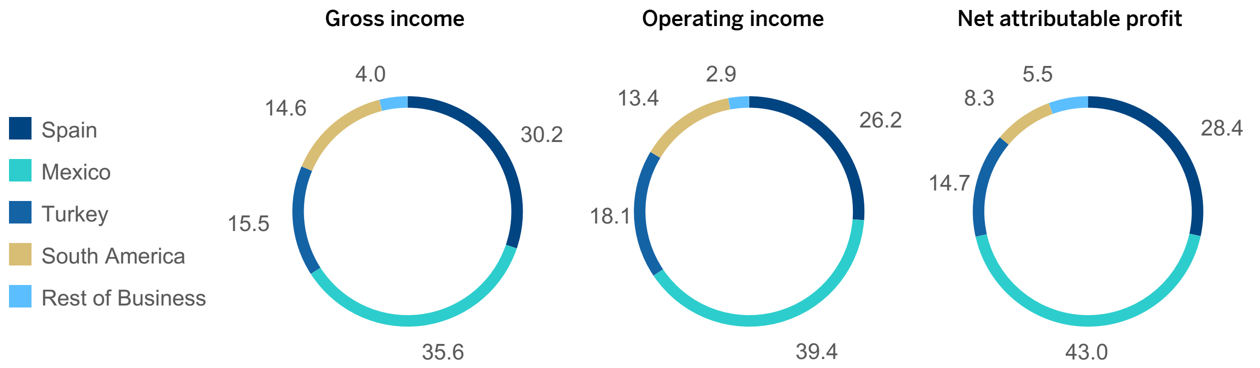
Finally it should be noted that, as usual, in the case of the different business areas in America, Turkey, Rest of Business and CIB, apart from including the year-on-year variations applying current **exchange rates**, the ones at constant exchange rates are also given.

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

	BBVA Group	Business areas						Corporate Center
		Spain	Mexico	Turkey	South America	Rest of Business	∑ Business areas	
1H21								
Net interest income	6,955	1,762	2,771	1,036	1,328	140	7,037	(82)
Gross income	10,259	3,057	3,604	1,571	1,480	400	10,112	147
Operating income	5,661	1,557	2,337	1,073	797	173	5,938	(277)
Profit/(loss) before tax	3,883	1,013	1,605	953	424	184	4,179	(296)
Net attributable profit or (loss) excluding non-recurring impacts (1)	2,327	745	1,127	384	218	145	2,619	(292)
1H20								
Net interest income	7,561	1,801	2,717	1,534	1,443	145	7,640	(79)
Gross income	10,639	2,909	3,553	1,957	1,664	451	10,534	106
Operating income	5,980	1,376	2,351	1,394	945	221	6,287	(307)
Profit/(loss) before tax	1,757	128	893	715	297	140	2,173	(416)
Net attributable profit or (loss) excluding non-recurring impacts (1)	947	108	656	266	159	109	1,298	(350)

(1) Non-recurring impacts include: (I) profit/(loss) after tax from discontinued operations during the first quarter of 2021 and 2020; and (II) the net cost related to the restructuring process in the first half of 2021.

GROSS INCOME [(1)], OPERATING INCOME[(1)] AND NET ATTRIBUTABLE PROFIT[(1)] BREAKDOWN (PERCENTAGE. 1H21)



(1) Excludes the Corporate Center.

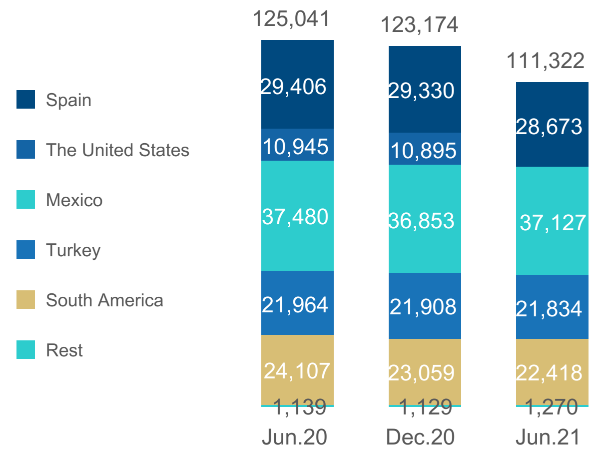
MAIN BALANCE-SHEET ITEMS AND RISK-WEIGHTED ASSETS BY BUSINESS AREA (MILLIONS OF EUROS)

	BBVA Group	Business areas						Corporate Center	Deletions	NCA&L (1)
		Spain	Mexico	Turkey	South America	Rest of businesses	∑ Business areas			
30-06-21										
Loans and advances to customers	315,752	169,948	52,874	36,911	32,635	24,241	316,608	575	(1,430)	—
Deposits from customers	338,795	200,197	58,728	39,858	35,236	6,873	340,893	173	(2,271)	—
Off-balance sheet funds	109,598	66,399	24,752	3,935	13,961	550	109,597	0	—	—
Total assets/liabilities and equity	648,169	399,180	114,501	59,243	53,343	34,364	660,631	31,142	(43,604)	—
RWAs	305,599	112,030	62,396	53,554	39,113	28,883	295,976	9,623	—	—
31-12-20										
Loans and advances to customers	311,147	167,998	50,002	37,295	33,615	24,015	312,926	505	(1,299)	(985)
Deposits from customers	342,661	206,428	54,052	39,353	36,874	9,333	346,040	363	(2,449)	(1,293)
Off-balance sheet funds	102,947	62,707	22,524	3,425	13,722	569	102,947	—	—	—
Total assets/liabilities and equity	736,176	410,409	110,236	59,585	55,436	35,172	670,839	105,416	(40,080)	—
RWAs	353,273	104,388	60,825	53,021	39,804	24,331	282,370	70,903	—	—

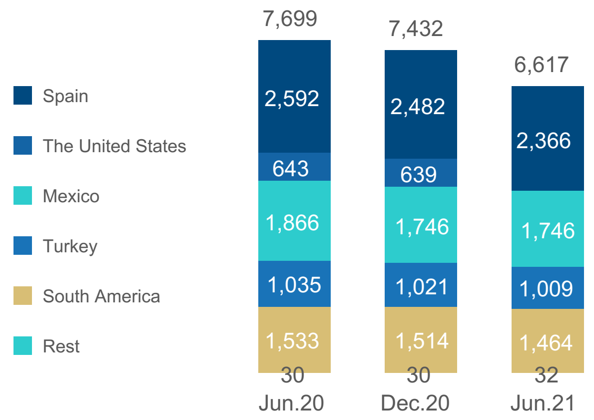
(1) Non-current assets and liabilities held for sale (NCA&L) from BBVA Paraguay as of 31-12-20.

BBVA Group, as of June 30, 2021, counted with 111,322 **employees**, 6,617 **branches** and 29,248 **ATMs**, registering a decrease of -9.6%, -11.0% and -5.7%, respectively, compared with December 2020. Said decrease was mainly caused by the withdrawal of BBVA USA and the rest of the Group's companies in the United States after whose sale to PNC took place on June 1, 2021.

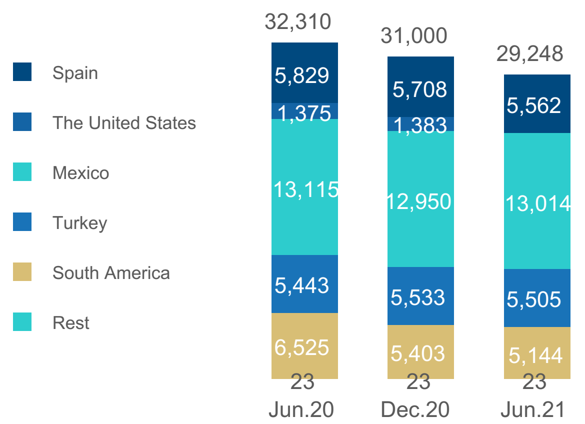
NUMBER OF EMPLOYEES



NUMBER OF BRANCHES



NUMBER OF ATMS

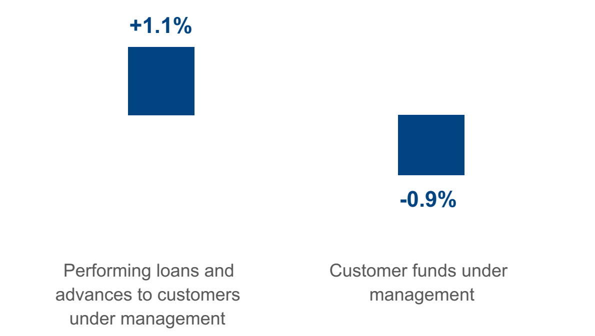


Spain

Highlights

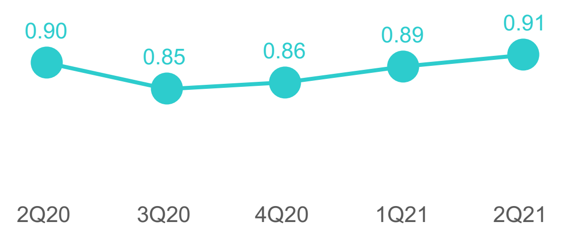
- **Growth in lending activity and slight decline in customer funds.**
- **Improvement in the efficiency ratio and cost of risk.**
- **Favorable year-on-year evolution of the main margins.**
- **Decrease in the impairment on financial assets, compared to the first half of 2020 which was strongly affected by the pandemic.**

BUSINESS ACTIVITY[1] (YEAR-TO-DATE CHANGE)

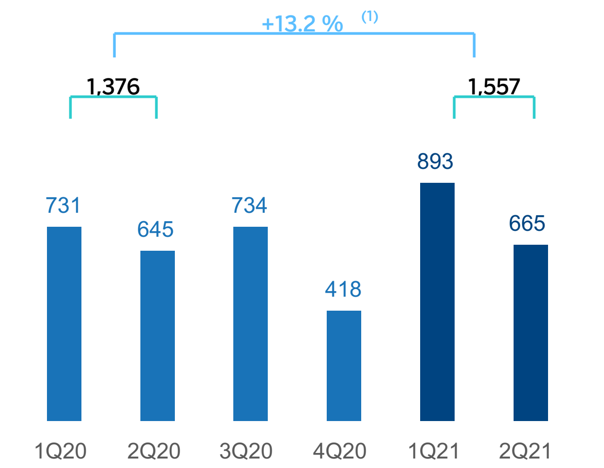


(1) Excluding repos.

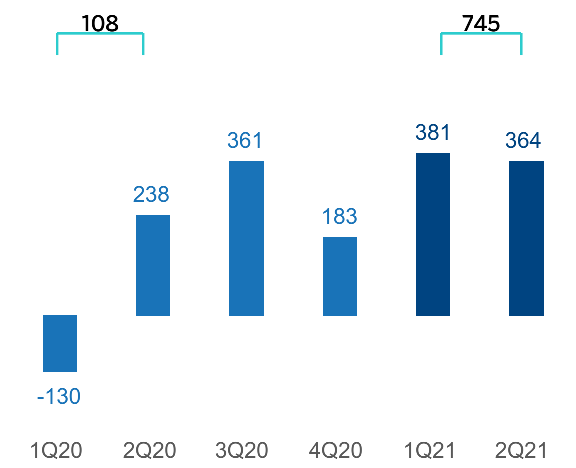
NET INTEREST INCOME/ATAS (PERCENTAGE)



OPERATING INCOME (MILLIONS OF EUROS)



NET ATTRIBUTABLE PROFIT (MILLIONS OF EUROS)



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

Income statement	1H21	Δ %	1H20
Net interest income	**1,762**	**(2.2)**	**1,801**
Net fees and commissions	1,058	16.5	908
Net trading income	283	71.3	165
Other operating income and expenses	(46)	n.s.	34
Of which: Insurance activities [(1)]	*180*	*(23.9)*	*237*
Gross income	**3,057**	**5.1**	**2,909**
Operating expenses	(1,499)	(2.2)	(1,533)
Personnel expenses	*(852)*	*(1.6)*	*(866)*
Other administrative expenses	*(428)*	*(2.1)*	*(437)*
Depreciation	*(220)*	*(4.7)*	*(230)*
Operating income	**1,557**	**13.2**	**1,376**
Impairment on financial assets not measured at fair value through profit or loss	(343)	(61.1)	(883)
Provisions or reversal of provisions and other results	(202)	(44.8)	(365)
Profit/(loss) before tax	**1,013**	**n.s.**	**128**
Income tax	(266)	n.s.	(18)
Profit/(loss) for the period	**746**	**n.s.**	**110**
Non-controlling interests	(1)	(28.2)	(2)
Net attributable profit/(loss)	**745**	**n.s.**	**108**

(1) Includes premiums received net of estimated technical insurance reserves.

Balance sheets	30-06-21	Δ %	31-12-20
Cash, cash balances at central banks and other demand deposits	22,583	(41.1)	38,356
Financial assets designated at fair value	140,122	1.6	137,969
Of which: Loans and advances	*36,526*	*19.1*	*30,680*
Financial assets at amortized cost	198,928	0.4	198,173
Of which: Loans and advances to customers	*169,948*	*1.2*	*167,998*
Inter-area positions	28,842	8.9	26,475
Tangible assets	2,499	(13.9)	2,902
Other assets	6,206	(5.0)	6,535
Total assets/liabilities and equity	**399,180**	**(2.7)**	**410,409**
Financial liabilities held for trading and designated at fair value through profit or loss	71,093	(3.8)	73,921
Deposits from central banks and credit institutions	58,398	(0.7)	58,783
Deposits from customers	200,197	(3.0)	206,428
Debt certificates	36,940	(9.9)	41,016
Inter-area positions	—	—	—
Other liabilities	19,375	14.3	16,955
Regulatory capital allocated	13,177	(1.0)	13,306

Relevant business indicators	30-06-21	Δ %	31-12-20
Performing loans and advances to customers under management [(1)]	167,265	1.1	165,511
Non-performing loans	8,243	(1.2)	8,340
Customer deposits under management [(1)]	199,581	(3.0)	205,809
Off-balance sheet funds [(2)]	66,399	5.9	62,707
Risk-weighted assets	112,030	7.3	104,388
Efficiency ratio (%)	49.0		54.6
NPL ratio (%)	4.2		4.3
NPL coverage ratio (%)	64		67
Cost of risk (%)	0.41		0.67

(1) Excluding repos.
(2) Includes mutual funds and pension funds.

Activity

The most relevant aspects related to the area's activity during the first half of 2021 were:

- **Lending activity** (performing loans under management) increased compared to the close of 2020 (+1.1%) mainly due to growth in consumer loans (including credit cards which increased by 4.6%), small and medium-sized enterprises (+4.4%) and loans to institutions (+14.3%). Mortgage loans, for its part, remained stable during the first half (-0.4%).
- With regard to **asset quality**, the NPL and NPL coverage ratios stood at 4.2% and 64%, respectively, at the close of March 2021.
- **Total customer funds** recorded a slight decrease of -0.9% compared to the close of 2020, thanks to the evolution of **off-balance sheet funds** (+5.9%), which offset the reduction in customer **deposits** under management (-3.0%).

Results

Spain generated a net attributable **profit** of €745m during the first half of 2021, considerably higher than the €108m generated in the same period of the previous year, mainly due to provisions for impairment on financial assets made between January and June 2020 due to the outbreak of COVID-19, the increased contribution of fee-based revenues and NTI in 2021, as well as lower operating expenses.

The main highlights of the area's income statement are:

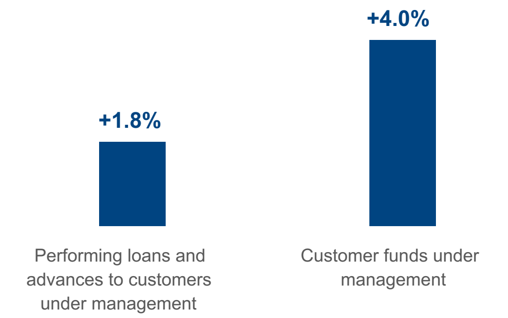
- **Net interest income** decreased compared to the first half of the previous year (-2.2%), affected by the falling interest rate environment and partially compensated by lower financing costs.
- **Net fees and commissions** performed well (+16.5% year-on-year), supported by a greater contribution from revenues associated with banking services, asset management and income from insurance activities.
- **NTI** amounted to €283m between January and June 2021, with year-on-year growth of 71.3%, mainly due to the results of Global Markets.
- The other **operating income and expenses** line compares negatively to the first half of the previous year, showing a cumulative loss of €-46m at the close of June 2021 compared to a positive cumulative result of €34m at the close of June 2020, mainly due to the higher contribution to the SRF and the lower contribution from the insurance business following the bancassurance operation with Allianz.
- **Operating expenses** were down (-2.2% year-on-year) as a result of lower personnel expenses, overheads and depreciation. Therefore, the efficiency ratio stood at 49.0% compared to 52,7% in the first half of 2020.
- **Impairment on financial assets** amounted to €-343m, a significant reduction from the amount recorded in the first half of 2020, mainly due to the negative impact of the worsening macroeconomic scenario caused by pandemic following the outbreak of COVID-19 in March 2020, as well as the improvement of this scenario in 2021. The cumulative cost of risk at the close of June 2021 stood at 0.41%, down from 0.45% at the close of March 2021.
- The **provisions and other results** line closed at €-202m compared to €-365m in the same period last year, which included provisions for potential claims.
- The costs related to the **restructuring process** are entirely recorded in the Corporate Center's income statement.

Mexico

Highlights

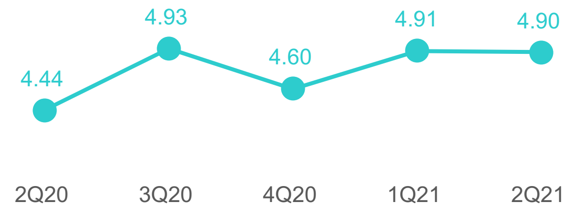
- **Growth in lending activity during the first half of the year, driven by the retail portfolio.**
- **Customer funds performed well, with growth in demand deposits and a shift from time deposits toward mutual funds.**
- **Increase in recurring income and strong operating income.**
- **Lower impairment losses on financial assets, due to the additional provisions for COVID-19 made in the first half of 2020.**

BUSINESS ACTIVITY[1] (YEAR-TO-DATE CHANGE, AT A CONSTANT EXCHANGE RATE)

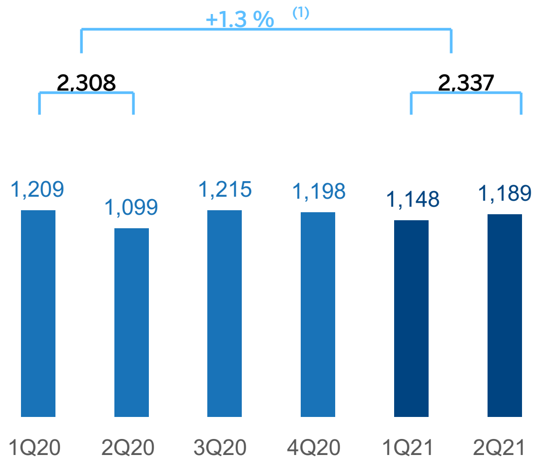


(1) Excluding repos.

NET INTEREST INCOME/ATAS (PERCENTAGE. CONSTANT EXCHANGE RATE)

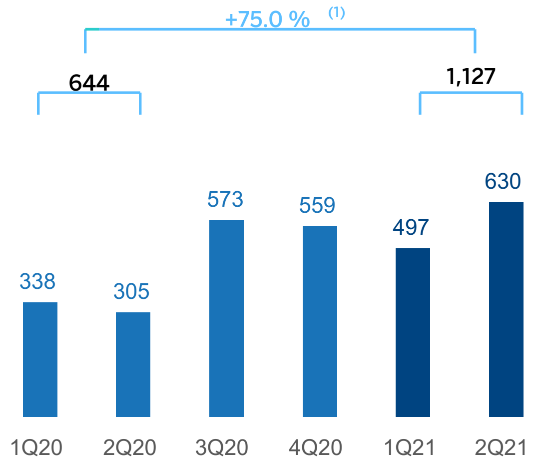


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rate:-0.6%

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



(1) At current exchange rate:+71.8%

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

Income statement	1H21	Δ %	Δ % (1)	1H20
Net interest income	**2,771**	**2.0**	**3.9**	**2,717**
Net fees and commissions	581	13.6	15.7	511
Net trading income	165	(28.8)	(27.4)	232
Other operating income and expenses	87	(6.0)	(4.2)	93
Gross income	**3,604**	**1.4**	**3.3**	**3,553**
Operating expenses	(1,267)	5.4	7.4	(1,202)
Personnel expenses	*(524)*	*6.1*	*8.1*	*(494)*
Other administrative expenses	*(585)*	*6.6*	*8.6*	*(549)*
Depreciation	*(158)*	*(0.6)*	*1.3*	*(159)*
Operating income	**2,337**	**(0.6)**	**1.3**	**2,351**
Impairment on financial assets not measured at fair value through profit or loss	(741)	(46.8)	(45.8)	(1,394)
Provisions or reversal of provisions and other results	9	n.s.	n.s.	(64)
Profit/(loss) before tax	**1,605**	**79.8**	**83.2**	**893**
Income tax	(478)	101.9	105.7	(237)
Profit/(loss) for the period	**1,127**	**71.8**	**75.0**	**656**
Non-controlling interests	(0)	68.9	72.0	(0)
Net attributable profit/(loss)	**1,127**	**71.8**	**75.0**	**656**

Balance sheets	30-06-21	Δ %	Δ % (1)	31-12-20
Cash, cash balances at central banks and other demand deposits	13,097	43.0	38.1	9,161
Financial assets designated at fair value	34,697	(4.6)	(7.8)	36,360
Of which: Loans and advances	*1,474*	*(43.1)*	*(45.0)*	*2,589*
Financial assets at amortized cost	61,847	3.4	(0.2)	59,819
Of which: Loans and advances to customers	*52,874*	*5.7*	*2.1*	*50,002*
Tangible assets	1,661	0.9	(2.6)	1,647
Other assets	3,197	(1.6)	(5.0)	3,249
Total assets/liabilities and equity	**114,501**	**3.9**	**0.3**	**110,236**
Financial liabilities held for trading and designated at fair value through profit or loss	22,388	(5.9)	(9.2)	23,801
Deposits from central banks and credit institutions	5,349	4.4	0.8	5,125
Deposits from customers	58,728	8.7	4.9	54,052
Debt certificates	7,897	3.4	(0.2)	7,640
Other liabilities	12,924	0.1	(3.3)	12,911
Regulatory capital allocated	7,215	7.6	3.9	6,707

Relevant business indicators	30-06-21	Δ %	Δ % (1)	31-12-20
Performing loans and advances to customers under management (2)	53,184	5.4	1.8	50,446
Non-performing loans	1,748	(3.9)	(7.2)	1,818
Customer deposits under management (2)	57,411	6.8	3.1	53,775
Off-balance sheet funds (3)	24,752	9.9	6.1	22,524
Risk-weighted assets	62,396	2.6	(0.9)	60,825
Efficiency ratio (%)	35.2			33.4
NPL ratio (%)	3.1			3.3
NPL coverage ratio (%)	118			122
Cost of risk (%)	2.83			4.02

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds 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 rate. These rates, together with changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators.

Activity

The most relevant aspects related to the area's activity during the first half of 2021 were:

- **Lending activity** (performing loans under management) grew by 1.8% compared to December 2020. This is mainly explained by the dynamism shown by the retail portfolio, which has benefited from the country's slight economic recovery. Specifically, the mortgage portfolio continues to show positive growth (+3.9%), consumer finance pushes its growth trend (+1.5%) compared to December 2020 and SME financing has increased by 8.7% compared to the end of December 2020. Credit cards also showed an upward growth trend in the six-month period (+1.9%). On the other hand, the wholesale portfolio recorded slight growth compared to the close of December 2020 (+0.9%) despite the slowdown experienced in the quarter, thanks to the good performance of loans to the government and companies (+3.7% and +0.3% respectively, compared to December 2020). As a result, BBVA Mexico's portfolio mix stands at 50% retail and 50% wholesale.
- With regard to **asset quality** indicators, the NPL ratio increased by 9 basis points in the second quarter of 2021 to 3.1%, even though it remained lower than at the close of December 2020 (3.3%). The NPL coverage ratio decreased to 118%.
- **Customer deposits** under management showed an increase of 3.1% in the six-month period. This evolution is explained by a growth of 5.3% in demand deposits, especially among retail customers, due to their preference of having liquid balances within an environment of uncertainty due to the pandemic. Meanwhile, there was a shift from time deposits, which showed a contraction between January and June 2021 (-6.0%), toward mutual funds (+6.0%). This has allowed BBVA Mexico to improve its deposits mix, with 82.5% of total deposits in lower-cost transactional funds.

Results

BBVA Mexico achieved a net attributable **profit** of €1,127m in the first half of 2021, representing a 75.0% increase compared to the same period of the previous year. It should be noted that the first half of 2020 was a historically atypical period with a sharp increase in impairment on financial assets as a result of the worsening macroeconomic scenario following the outbreak of the COVID-19 pandemic in March 2020.

The most relevant aspects related to the income statement are summarized below:

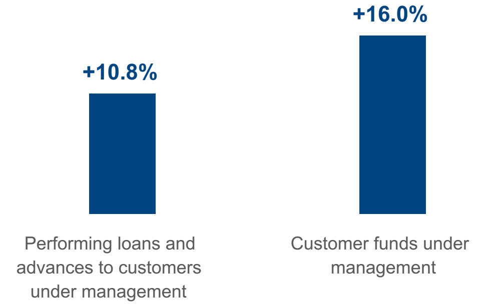
- **Net interest income** closed higher than the first half of 2020 (+3.9%), due to lower financing costs, the impact of customer support measures against the pandemic approved in the second quarter of 2020 and, to a lesser extent, the improvement in the portfolio mix so far this year. Also notable is the upward trend of the recovery in the new retail loan origination, which is beginning to be reflected in this income statement line.
- **Net fees and commissions** increased 15.7% thanks to higher billing, especially in credit cards, as well as to those fees related from asset management.
- **NTI** declined year-on-year by -27.4%, mainly due to volatility in the financial markets, which affected the results of the Global Markets unit (which performed very well in 2020) and lower ALCO portfolio results.
- The **other operating income and expenses** line recorded a year-on-year decrease of -4.2%, due to a lower contribution from the insurance business, explained by increased claims mainly in the life insurance activity as a result of the pandemic.
- **Operating expenses** (+7.4%) increased as a result of higher personnel expenses and overheads, explained by an increase in IT expenses and the effect of the Mexican peso depreciating against the US dollar.
- The **impairment on financial assets** line item decreased significantly compared to the same period of last year (-45.8%), mainly due to additional provisions for COVID-19 recorded in March 2020, which included the effects of a worsening macroeconomic scenario compared to the scenario initially predicted at the beginning of the previous year. With regard to the cumulative cost of risk as of June 2021, it continued on its downward trend and stood at 2.83%.
- The **provisions and other results** line showed a favorable comparison to the first half of 2020, which included provisions related to contingent risks arising from COVID-19.

Turkey

Highlights

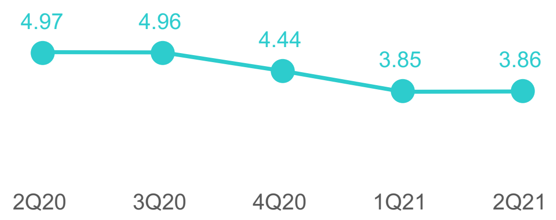
- **Activity growth driven by Turkish lira loans and deposits.**
- **Outstanding performance of NTI and net fees.**
- **Operating expenses growth in line with the average inflation.**
- **Net attributable profit growth driven by lower impairment losses on financial assets in a comparative heavily affected by the effects of the pandemic in 2020.**

BUSINESS ACTIVITY[1] (YEAR-TO-DATE CHANGE, AT A CONSTANT EXCHANGE RATE)

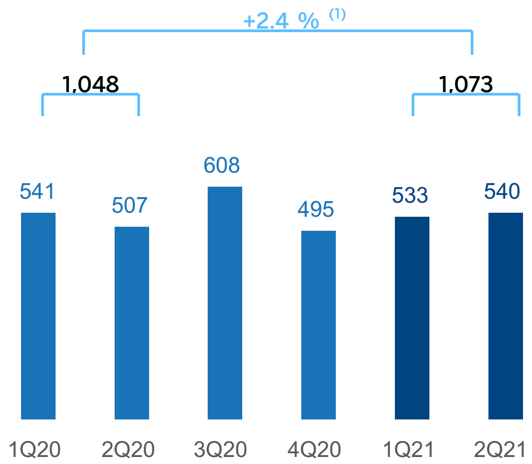


(1) Excluding repos.

NET INTEREST INCOME/ATAS (PERCENTAGE. CONSTANT EXCHANGE RATE)

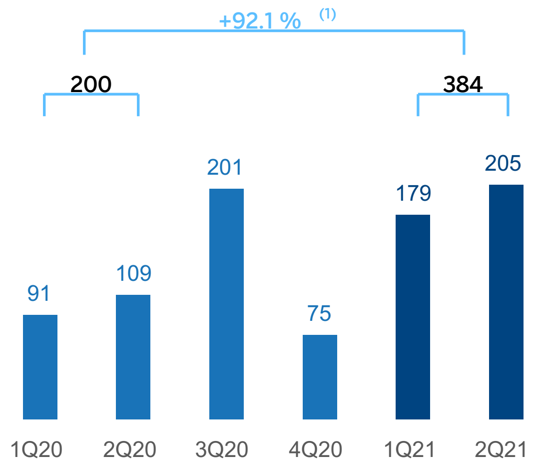


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rate:-23.1%

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



(1) At current exchange rate:+44.3%

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

Income statement	1H21	Δ %	Δ %(1)	1H20
Net interest income	**1,036**	**(32.5)**	**(10.1)**	**1,534**
Net fees and commissions	297	12.5	49.7	264
Net trading income	180	41.9	88.9	127
Other operating income and expenses	58	82.8	143.3	32
Gross income	**1,571**	**(19.7)**	**6.9**	**1,957**
Operating expenses	(499)	(11.4)	18.0	(562)
Personnel expenses	*(282)*	*(8.3)*	*22.0*	*(307)*
Other administrative expenses	*(153)*	*(10.8)*	*18.7*	*(172)*
Depreciation	*(64)*	*(23.6)*	*1.7*	*(83)*
Operating income	**1,073**	**(23.1)**	**2.4**	**1,394**
Impairment on financial assets not measured at fair value through profit or loss	(168)	(72.9)	(63.9)	(618)
Provisions or reversal of provisions and other results	48	n.s.	n.s.	(61)
Profit/(loss) before tax	**953**	**33.2**	**77.3**	**715**
Income tax	(175)	(0.4)	32.6	(175)
Profit/(loss) for the period	**778**	**44.0**	**91.7**	**540**
Non-controlling interests	(394)	43.7	91.3	(274)
Net attributable profit/(loss)	**384**	**44.3**	**92.1**	**266**

Balance sheets	30-06-21	Δ %	Δ %(1)	31-12-20
Cash, cash balances at central banks and other demand deposits	6,657	21.5	37.6	5,477
Financial assets designated at fair value	5,154	(3.3)	9.5	5,332
Of which: Loans and advances	*427*	*2.8*	*16.5*	*415*
Financial assets at amortized cost	45,508	(2.6)	10.4	46,705
Of which: Loans and advances to customers	*36,911*	*(1.0)*	*12.1*	*37,295*
Tangible assets	814	(9.6)	2.4	901
Other assets	1,111	(5.0)	7.5	1,170
Total assets/liabilities and equity	**59,243**	**(0.6)**	**12.6**	**59,585**
Financial liabilities held for trading and designated at fair value through profit or loss	1,970	(15.7)	(4.5)	2,336
Deposits from central banks and credit institutions	3,749	10.9	25.6	3,381
Deposits from customers	39,858	1.3	14.7	39,353
Debt certificates	3,870	(4.1)	8.6	4,037
Other liabilities	3,685	(14.5)	(3.1)	4,308
Regulatory capital allocated	6,111	(0.9)	12.2	6,170

Relevant business indicators	30-06-21	Δ %	Δ %(1)	31-12-20
Performing loans and advances to customers under management (2)	35,831	(2.2)	10.8	36,638
Non-performing loans	3,543	11.3	26.1	3,183
Customer deposits under management (2)	39,856	1.3	14.7	39,346
Off-balance sheet funds (3)	3,935	14.9	30.1	3,425
Risk-weighted assets	53,554	1.0	14.4	53,021
Efficiency ratio (%)	31.7			28.8
NPL ratio (%)	7.3			6.6
NPL coverage ratio (%)	69			80
Cost of risk (%)	0.97			2.13

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds and pension funds.

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

Activity

The most relevant aspects related to the area's activity during the first half of 2021 were:

- **Lending activity** (performing loans under management) increased by 10.8% year-to-date driven by a growth in Turkish lira loans (up 13.0%) which was supported by consumer loans, thanks to the strong origination in General Purpose Loans, but also by credit cards, mortgage and commercial loans. Foreign-currency loans (in U.S. dollars) contracted during the first quarter of 2021 (down 5.9%).
- In terms of **asset quality**, the NPL ratio increased 45 basis points to 7.3% compared to March 2021, mainly due to the reclassification of wholesale client in April, without impacting the impairment losses, which compensated the good evolution of the underlying. The NPL coverage ratio stood at 69% as of June 30, 2021, showing a decrease of 879 basis points during the quarter, mainly caused by the before-mentioned wholesale client, whose coverage was already increased in the first quarter of 2021.
- Customer **deposits** under management (67% of total liabilities in the area as of June 30, 2021) remained as the main source of funding for the balance sheet and increased by 14.7% year-to-date. It is worth mentioning the positive performance of Turkish lira demand deposits (up 22.8%) year-to-date and now represent 27% of total Turkish lira customer deposits, as well as the off-balance sheet funds which grew by 30.1% during the same period. In-line with the sector trend, foreign currency deposits contracted (down 3.4% year-to-date).

Results

Turkey generated a net attributable **profit** of €384m in the first half of 2021, 92.1% higher than in the same period of the previous year which was impacted by a strong increase of the impairment losses on financial assets due to the outbreak of the COVID-19 pandemic in March 2020. The most significant aspects of the year-on-year evolution in the area's income statement are the followings:

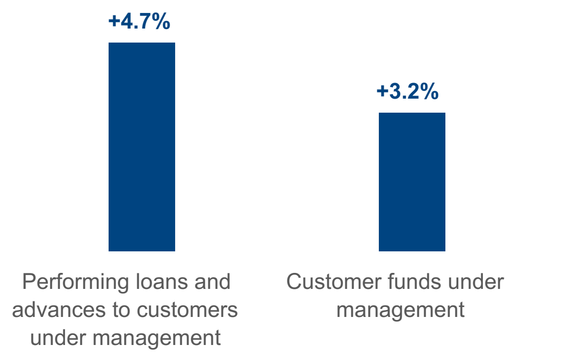
- **Net interest income** declined (down 10.1%) mainly due to contraction in customer spreads and increasing funding costs despite higher loan volume and higher contribution from inflation-linked bonds.
- **Net fees and commissions** grew significantly by 49.7% on a year-on-year basis mainly driven by the positive performance in brokerage and payment systems fees.
- **NTI** performed significantly well (up 88.9%), mainly due to the positive impact of the trading operations in foreign currencies, security trading gains and derivative transactions.
- **Other operating income and expenses** increased by 143.3% compared to the same period of 2020, mainly due to the positive contribution of the subsidiaries of Garanti BBVA, especially the renting activity.
- **Operating expenses** increased by 18.0%, affected by, both, the higher average annual inflation rate and the depreciation of the Turkish Lira. On the other hand, there was a reduction in some discretionary expenses due to COVID-19. Nevertheless, the efficiency ratio remained low (31.7%).
- **Impairment losses on financial assets** decreased by 63.9% compared to the first half of 2020 when high provisions for impairment on financial assets were included due to the outbreak of the pandemic. In the first six months of 2021, lower provision requirements for some big tickets and good recovery of wholesale clients as well as an improvement in the economic forecasts were registered. As a result of all the aforementioned, the cost of risk decreased to 0.97%.
- The **provisions and other results** line closed the first half of 2021 with a profit of €48m, compared to the loss of €61m in the same period of the previous year, mainly thanks to real estate sales gains and lower provisions for special funds and contingent liabilities and commitments.

South America

Highlights

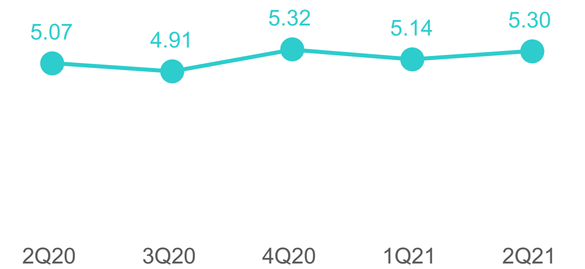
- **Growth in lending activity in the first half of the year, with greater dynamism between April and June.**
- **Reduction in higher-cost customer funds.**
- **Year-on-year increase in recurring income and NTI and higher adjustment for inflation in Argentina.**
- **Year-on-year comparison influenced by net attributable profit as a result of the increase in the impairment on financial assets line in 2020 due to the outbreak of the pandemic.**

BUSINESS ACTIVITY[1](YEAR-TO-DATE CHANGE, AT CONSTANT EXCHANGE RATES)



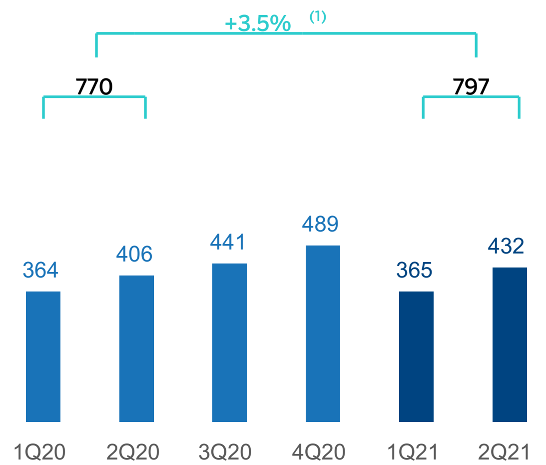
(1) Excluding repos.
It excludes the balances of BBVA Paraguay as of 31-12-20.

NET INTEREST INCOME/ATAS (PERCENTAGE. CONSTANT EXCHANGE RATES)



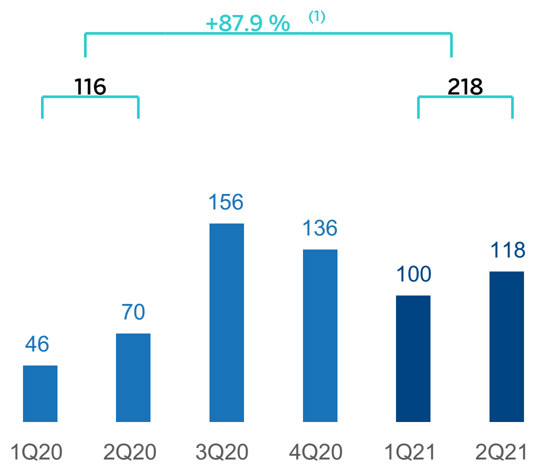
General note: Excluding BBVA Paraguay.

OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1)At current exchange rates: -15.6%
At constant exchange rates, excluding BBVA Paraguay in 1Q20 and 2Q20: +6.3%

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



(1)At current exchange rates:+37.0%
At constant exchange rate, excluding BBVA Paraguay in 1Q20 and 2Q20:+110.1%

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

Income statement	1H21	Δ %	Δ % (1)	Δ % (2)	1H20
Net interest income	**1,328**	**(8.0)**	**9.8**	**12.3**	**1,443**
Net fees and commissions	267	15.0	39.8	43.2	232
Net trading income	180	4.5	26.4	30.0	172
Other operating income and expenses	(295)	61.3	75.0	77.6	(183)
Gross income	**1,480**	**(11.1)**	**7.7**	**10.4**	**1,664**
Operating expenses	(683)	(5.1)	13.0	15.6	(719)
Personnel expenses	*(332)*	*(7.0)*	*12.0*	*14.8*	*(357)*
Other administrative expenses	*(281)*	*0.4*	*19.3*	*21.6*	*(279)*
Depreciation	*(70)*	*(15.5)*	*(3.4)*	*(1.2)*	*(83)*
Operating income	**797**	**(15.6)**	**3.5**	**6.3**	**945**
Impairment on financial assets not measured at fair value through profit or loss	(343)	(43.0)	(34.4)	(33.5)	(603)
Provisions or reversal of provisions and other results	(29)	(35.1)	(24.1)	(23.4)	(45)
Profit/(loss) before tax	**424**	**42.9**	**103.6**	**117.7**	**297**
Income tax	(131)	61.1	130.1	135.4	(81)
Profit/(loss) for the period	**293**	**36.0**	**93.6**	**110.6**	**216**
Non-controlling interests	(75)	33.2	112.1	112.1	(57)
Net attributable profit/(loss)	**218**	**37.0**	**87.9**	**110.1**	**159**

Balance sheets	30-06-21	Δ %	Δ % (1)	Δ % (2)	31-12-20
Cash, cash balances at central banks and other demand deposits	7,128	0.0	4.2	11.7	7,127
Financial assets designated at fair value	7,266	(0.9)	4.2	4.3	7,329
Of which: Loans and advances	*233*	*116.4*	*129.3*	*129.3*	*108*
Financial assets at amortized cost	36,356	(5.7)	(1.6)	1.5	38,549
Of which: Loans and advances to customers	*32,635*	*(2.9)*	*1.3*	*4.7*	*33,615*
Tangible assets	799	(1.1)	2.0	3.0	808
Other assets	1,794	10.5	15.4	17.6	1,624
Total assets/liabilities and equity	**53,343**	**(3.8)**	**0.5**	**3.6**	**55,436**
Financial liabilities held for trading and designated at fair value through profit or loss	1,177	(11.3)	(6.3)	(6.3)	1,326
Deposits from central banks and credit institutions	5,349	(0.6)	3.1	3.3	5,378
Deposits from customers	35,236	(4.4)	(0.1)	3.9	36,874
Debt certificates	3,133	(4.2)	(0.9)	(0.1)	3,269
Other liabilities	3,993	4.7	9.4	11.0	3,813
Regulatory capital allocated	4,456	(6.7)	(2.4)	1.0	4,776

Relevant business indicators	30-06-21	Δ %	Δ % (1)	Δ % (2)	31-12-20
Performing loans and advances to customers under management (3)	32,749	(2.9)	1.4	4.7	33,719
Non-performing loans	1,802	1.2	5.6	8.0	1,780
Customer deposits under management (4)	35,236	(4.5)	(0.1)	3.9	36,886
Off-balance sheet funds (5)	13,961	1.7	1.5	1.5	13,722
Risk-weighted assets	39,113	(1.7)	2.8	6.2	39,804
Efficiency ratio (%)	46.1				42.6
NPL ratio (%)	4.7				4.4
NPL coverage ratio (%)	108				110
Cost of risk (%)	1.93				2.36

(1) Figures at constant exchange rates.

(2) At constant exchange rates excluding BBVA Paraguay.

(3) Excluding repos.

(4) Excluding repos and including specific marketable debt securities.

(5) Includes mutual funds and pension funds.

SOUTH AMERICA. DATA PER COUNTRY (MILLIONS OF EUROS)

	Operating income				Net attributable profit/(loss)			
Country	**1H21**	**∆ %**	**∆ % (1)**	**1H20**	**1H21**	**∆ %**	**∆ % (1)**	**1H20**
Argentina	93	(51.0)	n.s.	190	15	(64.3)	n.s.	43
Colombia	289	(2.1)	5.2	295	106	120.3	136.7	48
Peru	343	(2.9)	15.9	353	55	69.7	102.6	32
Other countries (2)	72	(32.4)	(28.8)	107	42	16.7	30.0	36
Total	**797**	**(15.6)**	**3.5**	**945**	**218**	**37.0**	**87.9**	**159**

(1) Figures at constant exchange rates.
(2) Bolivia, Chile (Forum), Paraguay in 2020, Uruguay and Venezuela. Additionally, it includes eliminations and other charges.

SOUTH AMERICA. RELEVANT BUSINESS INDICATORS PER COUNTRY (MILLIONS OF EUROS)

	Argentina		Colombia		Peru	
	30-06-21	**31-12-20**	**30-06-21**	**31-12-20**	**30-06-21**	**31-12-20**
Performing loans and advances to customers under management (1)(2)	2,775	2,553	11,400	11,022	15,393	14,558
Non-performing loans and guarantees given (1)	78	48	680	639	951	871
Customer deposits under management (1)(3)	5,349	4,196	12,157	11,444	14,251	15,274
Off-balance sheet funds (1)(4)	1,346	880	982	1,478	1,906	2,068
Risk-weighted assets	5,548	5,685	12,951	13,096	16,469	15,845
Efficiency ratio (%)	70.4	53.6	35.3	35.2	37.0	37.7
NPL ratio (%)	2.7	1.8	5.3	5.2	4.9	4.5
NPL coverage ratio (%)	176	241	110	113	101	101
Cost of risk (%)	2.76	3.24	2.27	2.64	1.85	2.13

(1) Figures at constant exchange rates.
(2) Excluding repos.
(3) Excluding repos and including specific marketable debt securities.
(4) Includes mutual funds.

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rates. These rates, together with the changes at current exchange rates, can be found in the attached tables of the financial statements and relevant business indicators. The information for this business area includes BBVA Paraguay with regard to data on the results, activity, balance sheet and relevant business indicators for 2020, but does not include Paraguay for 2021, as the sale agreement materialized in January of that year. To facilitate an homogeneous comparison, the attached tables include a column at constant exchange rates that does not take BBVA Paraguay into account. All comments for this area also exclude BBVA Paraguay.

Activity and results

The most relevant aspects related to the area's activity during the first half of 2021 were:

- **Lending activity** (performing loans under management) showed a variation of +4.7% compared to December 2020, with greater dynamism between April and June (+3.8%) compared to the first quarter of 2021 (+0.9%), due to the seasonal nature of summer vacations in some countries of the area. By portfolio, the wholesale portfolio recorded an increase of +5.8% and the retail portfolio closed out with growth of +3.7% in the first half of 2021.
- With regard to asset quality, the NPL ratio stood at 4.7%, with an increase compared to the close of December 2020, and the NPL coverage ratio fell to 108% in the same period.
- Customer **funds** under management increased by (+3.2%) compared to December 2020 closing balances. Deposits from customers under management increased by 3.9%, despite efforts in some countries to reduce higher-cost current and savings accounts, in an environment whereby the Group's liquidity situation throughout the region is adequate. Off-balance sheet funds increased +1.5% in the area as a whole between January and June 2021.

South America generated a cumulative net attributable **profit** of €218m between January and June 2021, representing year-on-year variation of +110.1%, mainly due to the improved performance of recurring income and NTI between January and June 2021 (+17.8%), despite COVID-19 outbreaks and restrictions on mobility. All this in a comparison that is also influenced by the significant provision for impairment on financial assets in the first half of 2020, caused by the worsening macroeconomic scenario following the outbreak of the pandemic in March 2020. The cumulative impact of inflation in Argentina on the area's net attributable profit at the close of June 2021 stood at a loss of €-97m, compared to a cumulative loss of €-58m at the close of June 2020.

The key countries for the business area, **Argentina**, **Colombia** and **Peru**, performed as follows in the first half of 2021 in terms of activity and results:

Argentina

- **Lending activity** increased 8.7% compared to the close of December 2020, a figure that is below inflation, with growth in the retail segment (+12.5%), namely credit cards (+8.9%). The NPL ratio increased in the quarter to 2.7% and the NPL coverage ratio fell to 176% respectively, as of June 30, 2021.
- Balance sheet **funds** continued to grow (+27.5% in the first half 2021), with a particular focus on wholesale liabilities during the second quarter, while off-balance sheet funds increased 53.0% compared to December 2020.
- Net attributable **profit** stood at €15m, thanks to the good performance in recurring income, a higher contribution in NTI due to foreign exchange derivative transactions, as well as higher operating expenses and a higher rate of inflation compared to the first half of 2020.

Colombia

- **Lending activity** showed growth of 3.4% compared to 2020 year-end thanks to the performance of wholesale portfolios (+4.8%) and retail portfolios (+2.7%). In terms of asset quality, the NPL ratio and NPL coverage ratio remained stable at 5.3% and 110% respectively at the close of June 2021.
- **Deposits** from customers under management increased by 6.2%, compared to 2020 year-end, with a significant reduction in the cost of said deposits. Off-balance sheet funds closed 33.6% down in the six-month period due to the volatility of investments made by institutional customers.
- Net attributable **profit** stood at €106m, significantly above (+136.7% year-on-year) the €48m posted between January and June 2020, thanks to, both the strength of operating income, which increased by 5.2% due to higher recurring income, and lower provisions for impairment on financial assets compared to the same period last year, when they increased significantly due to the pandemic outbreak.

Peru

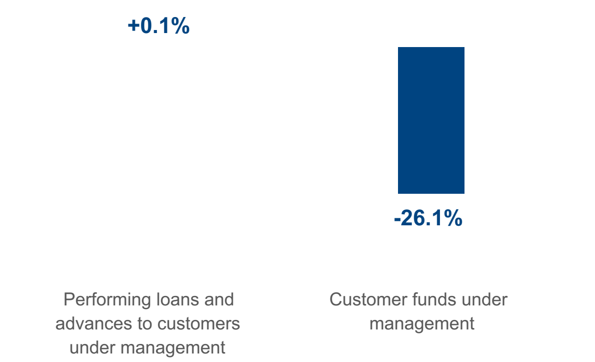
- **Lending activity** closed out the first half posting favorable growth of +5.7% compared to 2020 year-end, mainly due to the performance of mortgages, consumer finance and growth in corporate lending (+7.1% compared to 2020 year-end), which captured liquidity in order to weather political uncertainty caused by the electoral process. The NPL ratio increased slightly in the second quarter of 2021 due to the deterioration of certain retail portfolios and stood at 4.9%. The NPL coverage ratio remained stable at 101%.
- **Deposits** from customers under management fell -6.7% in the first six months of 2021, with a decrease in time deposits to reduce their costs. Off-balance sheet funds also declined compared to the close of December 2020 (-7.8%).
- Recurring income grew 8.4% compared to the first half of 2020, thanks to good performance in fees (+37.4% in the same period of time), particularly in fees for cards due to increased operations at retailers. Meanwhile, NTI increased by 46.9%, as a result of more foreign exchange transactions and good performance in derivative transactions. Provisions for impairment on financial assets saw a year-on-year decrease (-25.3%), as a result of significant provisions made in the first half of 2020 following the pandemic outbreak in March 2020. As a result, net attributable **profit** stood at €55m, 102.6% higher than the figure posted between January and June 2020.

Rest of Business

Highlights

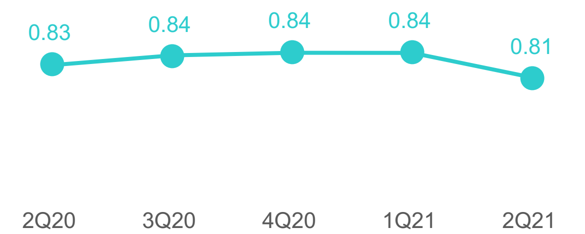
- **Slight increase in lending and decrease in customers funds in the quarter.**
- **NPL ratio contained.**
- **Good performance of the Net interest income from the branches in Asia.**
- **Year-on-year increase of the Net attributable profit, compared with the first half of 2020, which was strongly affected by the COVID-19 pandemic in relation to the impairment of financial assets.**

BUSINESS ACTIVITY[1] (YEAR-TO-DATE CHANGE, AT CONSTANT EXCHANGE RATES)

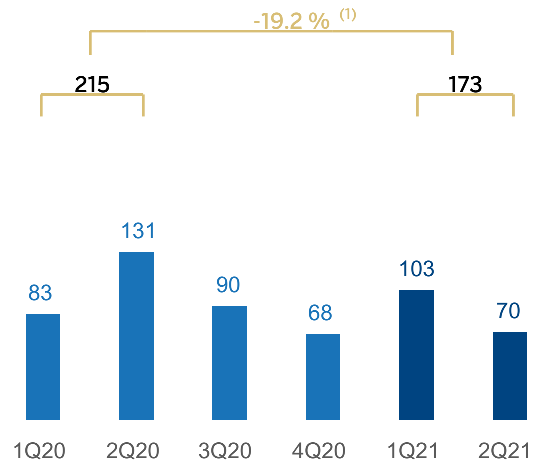


(1) Excluding repos.

NET INTEREST INCOME/ATAS (PERCENTAGE. CONSTANT EXCHANGE RATES)

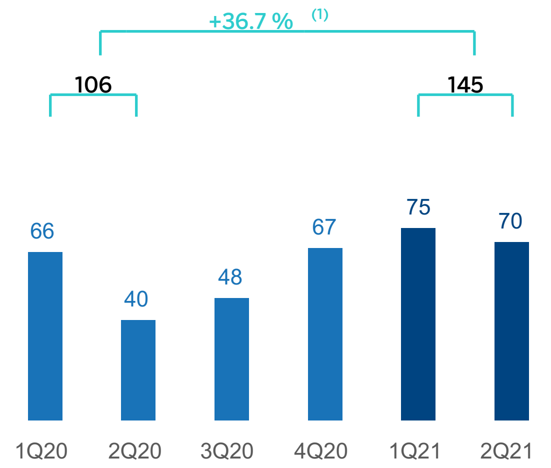


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates:-21.4%

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



(1) At current exchange rates:+32.9%

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

Income statement	1H21	∆ %	∆ % (1)	1H20
Net interest income	**140**	**(3.5)**	**(1.8)**	**145**
Net fees and commissions	135	(25.1)	(21.5)	180
Net trading income	109	5.4	7.0	104
Other operating income and expenses	16	(26.0)	(21.3)	22
Gross income	**400**	**(11.2)**	**(8.4)**	**451**
Operating expenses	(227)	(1.5)	1.9	(230)
Personnel expenses	*(114)*	*(11.9)*	*(8.0)*	*(129)*
Other administrative expenses	*(104)*	*14.0*	*16.7*	*(91)*
Depreciation	*(10)*	*(8.0)*	*(6.5)*	*(11)*
Operating income	**173**	**(21.4)**	**(19.2)**	**221**
Impairment on financial assets not measured at fair value through profit or loss	15	n.s.	n.s.	(74)
Provisions or reversal of provisions and other results	(4)	(25.1)	(26.2)	(6)
Profit/(loss) before tax	**184**	**31.3**	**35.0**	**140**
Income tax	(39)	25.8	29.2	(31)
Profit/(loss) for the period	**145**	**32.9**	**36.7**	**109**
Non-controlling interests	—	—	—	—
Net attributable profit/(loss)	**145**	**32.9**	**36.7**	**109**

Balance sheets	30-06-21	∆ %	∆ % (1)	31-12-20
Cash, cash balances at central banks and other demand deposits	4,013	(34.4)	(36.4)	6,121
Financial assets designated at fair value	2,428	65.2	61.7	1,470
Of which: Loans and advances	*1,442*	*n.s.*	*n.s.*	*153*
Financial assets at amortized cost	27,436	0.8	0.2	27,213
Of which: Loans and advances to customers	*24,241*	*0.9*	*0.3*	*24,015*
Inter-area positions	—	—	—	—
Tangible assets	68	(8.9)	(9.3)	75
Other assets	419	43.0	41.6	293
Total assets/liabilities and equity	**34,364**	**(2.3)**	**(3.4)**	**35,172**
Financial liabilities held for trading and designated at fair value through profit or loss	1,804	112.5	106.2	849
Deposits from central banks and credit institutions	1,478	(13.0)	(14.4)	1,700
Deposits from customers	6,873	(26.4)	(27.4)	9,333
Debt certificates	1,325	(12.3)	(12.8)	1,511
Inter-area positions	18,590	2.5	1.7	18,132
Other liabilities	845	38.9	37.6	608
Regulatory capital allocated	3,449	13.5	12.4	3,039

Relevant business indicators	30-06-21	∆ %	∆ % (1)	31-12-20
Performing loans and advances to customers under management (2)	24,216	0.7	0.1	24,038
Non-performing loans	334	2.9	2.6	324
Customer deposits under management (2)	6,873	(26.4)	(27.4)	9,333
Off-balance sheet funds (3)	550	(3.5)	(3.5)	569
Risk-weighted assets	28,883	18.7	17.8	24,331
Efficiency ratio (%)	56.7			55.6
NPL ratio (%)	1.0			1.0
NPL coverage ratio (%)	95			109
Cost of risk (%)	(0.13)			0.30

(1) Figures at constant exchange rates.
(2) Excluding repos.
(3) Includes pension funds.

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

Activity and results

The most relevant aspects of the activity and results of the Rest of Business of BBVA Group during the first half of 2021 were:

- **Lending activity** (performing loans under management) increased slightly during the first half of the year (up 0.1%).
- Regarding **credit risk** indicators, the NPL ratio stood at 1.0%, remaining stable with respect to December 2020, whereas the NPL coverage ratio decreased to 95%.
- Customer **deposits** under management decreased by -27.4%, mainly due to a decrease in deposits from wholesale customers in the New York branch.
- In terms of **results**, the **net interest income** registered a variation of -1.8% compared to the same period last year mainly due to the negative evolution of Europe -excluding Spain- and the New York branch, partially compensated by the good results of the branches located in Asia.
- Net **commissions** fell by 21.5% compared with the first half of 2020, caused by a lower contribution from BBVA Securities, the Group's broker-dealer in the United States.
- The **NTI** line increased (up 7.0% year-on-year) on the back of a better performance of the branches in Asia and BBVA Securities.
- Increase of **operating expenses** (up 1.9% year-on-year) where the active management has allowed a reduction of personnel costs year-on-year. However this effect has been offset by the increase in general expenses and depreciation.
- The **impairment on financial assets** line closed with a release of €15m, which compares positively against the €-74m recorded twelve months earlier, mainly explained by the positive evolution of impaired clients of the New York branch and the retail portfolio in Europe, excluding Spain.
- As a result, the area's cumulative **net attributable profit** at the end the first half of 2021 was €145m (up 36.7% year-on-year).

Corporate Center

FINANCIAL STATEMENTS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1H21	Δ %	1H20
Net interest income	**(82)**	**3.3**	**(79)**
Net fees and commissions	(23)	(39.5)	(38)
Net trading income	168	(22.1)	215
Other operating income and expenses	84	n.s.	8
Gross income	**147**	**38.3**	**106**
Operating expenses	(424)	2.5	(413)
Personnel expenses	*(268)*	*15.3*	*(232)*
Other administrative expenses	*(61)*	*(28.2)*	*(85)*
Depreciation	*(95)*	*(1.1)*	*(96)*
Operating income	**(277)**	**(9.8)**	**(307)**
Impairment on financial assets not measured at fair value through profit or loss	0	(48.4)	0
Provisions or reversal of provisions and other results	(19)	(82.5)	(109)
Profit/(loss) before tax	**(296)**	**(28.8)**	**(416)**
Income tax	9	(86.7)	66
Profit/(loss) for the period	**(287)**	**(17.9)**	**(350)**
Non-controlling interests	(5)	n.s.	(1)
Net attributable profit excluding non-recurring impacts	**(292)**	**(16.7)**	**(350)**
Profit/(loss) after tax from discontinued operations (1)	280	n.s.	(2,104)
Net cost related to the restructuring process	(696)	n.s.	—
Net attributable profit/(loss)	**(708)**	**(71.2)**	**(2,454)**

(1) Including the results generated by BBVA USA and the rest of the Group's companies in the United States sold to PNC on June 1, 2021.

Balance sheets	30-06-21	Δ %	31-12-20
Cash, cash balances at central banks and other demand deposits	10,201	n.s.	874
Financial assets designated at fair value	1,903	29.9	1,464
Of which: Loans and advances	*—*	*n.s.*	*—*
Financial assets at amortized cost	1,660	(3.4)	1,718
Of which: Loans and advances to customers	*575*	*13.9*	*505*
Inter-area positions	—	—	—
Tangible assets	2,020	(2.1)	2,063
Other assets	15,359	(84.5)	99,298
Total assets/liabilities and equity	**31,142**	**(70.5)**	**105,416**
Financial liabilities held for trading and designated at fair value through profit or loss	8	(89.5)	72
Deposits from central banks and credit institutions	830	(1.8)	845
Deposits from customers	173	(52.3)	363
Debt certificates	1,882	(56.7)	4,344
Inter-area positions	6,842	n.s.	64
Other liabilities	5,871	(93.0)	83,707
Regulatory capital allocated	(34,408)	1.2	(33,998)
Total equity	49,944	(0.2)	50,020

The Corporate Center recorded a cumulative **net attributable** loss of €292m in the first half of 2021, excluding **several non-recurring impacts**, among them:

- The profit/(loss) after tax from **discontinued operations** which includes the results generated by the Group businesses in the United States included in the sale agreement with PNC until their sale on June 1, 2021, which amounted to €280m. The result at the end of June 2020 stood at €-2,104m, including the goodwill impairment in the United States which amounted to €-2,084m.
- The net cost related to the restructuring process in Spain, amounting to €-696m, of which €-754m, before tax, correspond to the collective layoff and €-240m, before tax, correspond to branches closures.

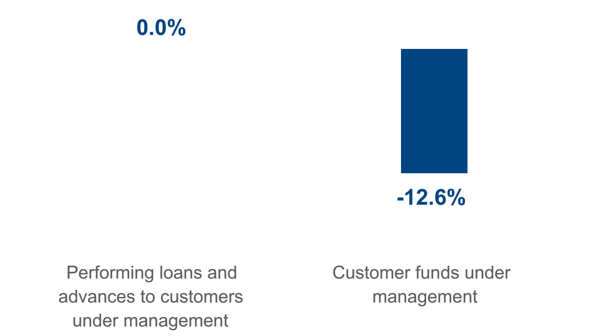
Including both non-recurring impacts, the Corporate center recorded a cumulative net attributable loss of €708m in the first half of 2021, considerably lower (-71.2%) than the net attributable loss in the same period of 2020 (€2,454m).

Other information: Corporate & Investment Banking

Highlights

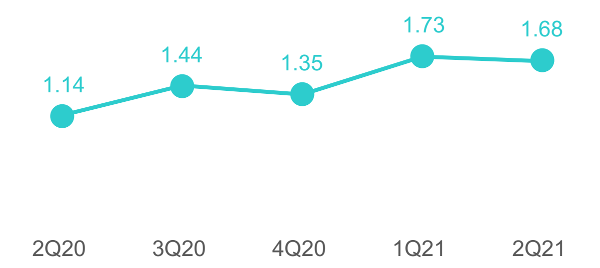
- **Lending activity balances at pre-pandemic levels and reduced customer funds.**
- **Growth in the recurring income items and excellent performance of NTI.**
- **Efficiency ratio remains at low level.**
- **Significant reduction in the impairment on financial assets line.**

BUSINESS ACTIVITY[1] (YEAR-TO-DATE CHANGE, AT CONSTANT EXCHANGE RATES)

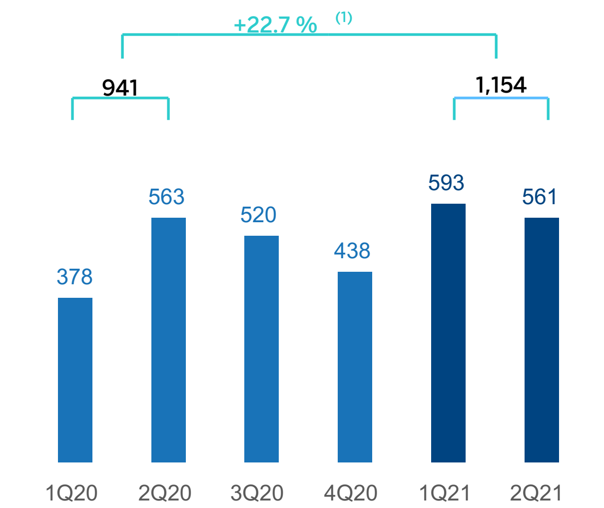


(1) Excluding repos.

GROSS INCOME/ATAS (PERCENTAGE. CONSTANT EXCHANGE RATE)

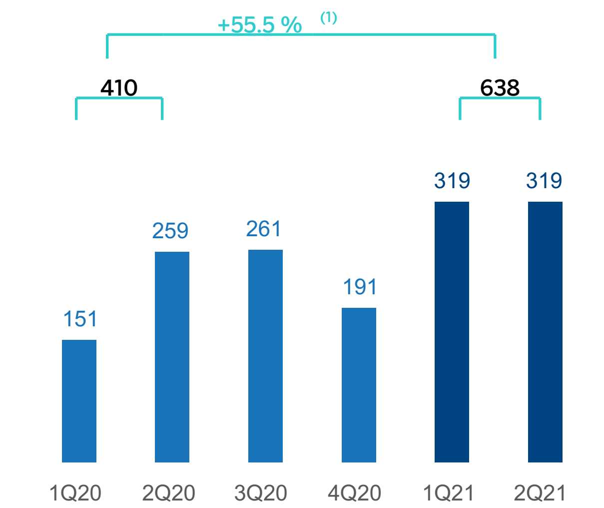


OPERATING INCOME (MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +9.2%

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



(1) At current exchange rates: +45.6%

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

Income statement	1H21	Δ %	Δ % (1)	1H20
Net interest income	**752**	**(0.1)**	**10.4**	**752**
Net fees and commissions	386	0.7	9.0	384
Net trading income	500	27.3	40.9	393
Other operating income and expenses	(18)	(13.7)	(9.3)	(21)
Gross income	**1,621**	**7.4**	**18.2**	**1,508**
Operating expenses	(466)	3.3	8.4	(451)
Personnel expenses	*(212)*	*9.1*	*13.4*	*(195)*
Other administrative expenses	*(200)*	*1.0*	*8.3*	*(198)*
Depreciation	*(54)*	*(8.0)*	*(7.1)*	*(59)*
Operating income	**1,154**	**9.2**	**22.7**	**1,057**
Impairment on financial assets not measured at fair value through profit or loss	(54)	(83.1)	(79.6)	(318)
Provisions or reversal of provisions and other results	(16)	3.3	4.2	(16)
Profit/(loss) before tax	**1,084**	**50.0**	**63.9**	**723**
Income tax	(303)	54.2	68.0	(196)
Profit/(loss) for the period	**781**	**48.4**	**62.3**	**526**
Non-controlling interests	(143)	62.3	101.5	(88)
Net attributable profit/(loss)	**638**	**45.6**	**55.5**	**439**

(1) Figures at constant exchange rates.

Balance sheets	30-06-21	Δ %	Δ % (1)	31-12-20
Cash, cash balances at central banks and other demand deposits	4,749	(36.6)	(37.7)	7,491
Financial assets designated at fair value	110,732	0.5	0.2	110,217
Of which: Loans and advances	*38,444*	*23.3*	*23.5*	*31,183*
Financial assets at amortized cost	68,486	(3.6)	(2.8)	71,031
Of which: Loans and advances to customers	*57,870*	*(2.3)*	*(1.2)*	*59,225*
Inter-area positions	—	—	—	—
Tangible assets	42	(15.0)	(14.7)	50
Other assets	2,355	179.3	208.7	843
Total assets/liabilities and equity	**186,365**	**(1.7)**	**(1.6)**	**189,632**
Financial liabilities held for trading and designated at fair value through profit or loss	85,085	(2.8)	(3.2)	87,508
Deposits from central banks and credit institutions	14,879	(6.8)	(6.9)	15,958
Deposits from customers	37,170	(13.5)	(13.0)	42,966
Debt certificates	2,713	29.5	31.3	2,096
Inter-area positions	33,856	12.0	13.5	30,218
Other liabilities	3,228	52.2	45.5	2,121
Regulatory capital allocated	9,435	7.6	9.5	8,766

(1) Figures at constant exchange rates.

Relevant business indicators	30-06-21	Δ %	Δ % (1)	31-12-20
Performing loans and advances to customers under management (2)	57,079	(1.1)	0.0	57,704
Non-performing loans	1,882	47.7	62.7	1,275
Customer deposits under management (2)	36,524	(13.7)	(13.2)	42,313
Off-balance sheet funds (3)	1,090	5.8	11.2	1,030
Efficiency ratio (%)	28.8			31.4

(1) Figures at constant exchange rates.
(2) Excluding repos.
(3) Includes mutual funds 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. These rates, together with changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators.

Activity

The most relevant aspects related to the area's activity during the first half of 2021 were:

- **Lending activity** (performing loans under management) remained stable compared to the end of December 2020 and stood at pre-pandemic levels. By geographical areas, Turkey, Asia and South America showed a positive evolution in the first half of the year.
- **Customer funds** registered a fall of -12.6% for CIB as a whole in the first six months of 2021, due to the lower balances registered in Spain and Rest of Business.

Results

CIB generated a **net attributable** profit of €638m in the first half of 2021, up 55.5% from the previous year, thanks to recurring income growth in all geographic areas, higher NTI and lower provisions for impairment on financial assets, which increased significantly in the first half of 2020, mainly due to the worsening macroeconomic scenario resulting from the COVID-19 pandemic outbreak.

The most relevant aspects of the year-on-year evolution in the income statement for Corporate & Investment Banking are summarized below:

- **Net interest income** sustained double-digit growth (up 10.4%) due to the performance of the lending activity, with higher volumes and an improvement in profitability per transaction due to the sales effort.
- Growth was also observed in **net fees and commissions** (up 9.0%), mainly due to the performance of transactional banking. By geographic areas, Turkey, Mexico and South America stood out.
- **NTI** showed an excellent performance on a year-on-year comparison that benefited from a good management of the market turbulence. By geographic areas, the performance of Spain, Turkey and Peru stood out.
- The **operating expenses** increased by 8.4% year-on-year, mainly affected by the supportive schemes implemented by the area in the second quarter of 2020.
- Provisions for **impairment on financial assets** decreased significantly compared with the same period last year, mainly due to the provisions related to COVID-19, which took place in the first half of 2020.

Alternative Performance Measures (APMs)

BBVA presents its results in accordance with the International Financial Reporting Standards (EU-IFRS). However, it also considers that some **Alternative Performance Measures** (hereinafter APMs) provide useful additional financial information that should be taken into account when evaluating performance. These APMs are also used when making financial, operational and planning decisions within the Entity. The Group firmly believes that they give a true and fair view of its financial information. These APMs are generally used in the financial sector as indicators for monitoring the assets, liabilities and economic and financial situation of entities.

BBVA Group's APMs are given below. They are presented in accordance with the European Securities and Markets Authority (**ESMA**) guidelines, published on October 5, 2015 (ESMA/2015/1415en) as well as the statement published by the ESMA on May 20, 2020 (ESMA 32-63-972), about implications of the COVID-19 outbreak on the half-yearly financial reports. The guidelines mentioned before are aimed at promoting the usefulness and transparency of APMs included in prospectuses or regulated information in order to protect investors in the European Union. In accordance with the indications given in the guidelines, BBVA Group's APMs:

- Include clear and readable definitions of the APMs.
- Disclose the reconciliations to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period, separately identifying and explaining the material reconciling items.
- Are standard measures generally used in the financial industry, so their use provides comparability in the analysis of performance between issuers.
- Do not have greater preponderance than measures directly stemming from financial statements.
- Are accompanied by comparatives for previous periods.
- Are consistent over time.

Constant exchange rates

When comparing two dates or periods in this management report, the impact of changes in the exchange rates against the euro of the currencies of the countries in which BBVA operates is sometimes excluded, assuming that exchange rates remain constant. This is done for the amounts in the income statement by using the average exchange rate against the euro in the most recent period for each currency of the geographical areas in which the Group operates, and applying it to both periods; for amounts in the balance sheet and activity, the closing exchange rates in the most recent period are used.

Reconciliation of the Financial Statements of the BBVA Group

Below is the reconciliation between the consolidated Income Statements of the Condensed Interim Consolidated Financial Statements (hereinafter, the Consolidated Financial Statements) and the consolidated management Income Statements, shown throughout this report, for the first half of 2021 and 2020.

The main difference between the two is the treatment of the cost related to the restructuring process in the first half of 2021 which, for management purposes, are included in a single line, net of taxes, of the income statement called "Net cost related to the restructuring process", compared to the treatment in the income statement of the Consolidated Financial Statements, which record the gross impacts and their tax effect in the corresponding headings that are applicable to them in accordance with accounting regulations.

Additionally, there is a difference in the positioning of the results generated by BBVA USA and the rest of the companies included in the sale agreement to PNC until its closing, once the mandatory authorizations have been obtained, on June 1, 2021. In the Consolidated financial statements, these results are included in the line "Profit (loss) after tax from discontinued operations" and are taken into account both for the calculation of the "Profit/(loss)" and for the profit/(loss) "Attributable to the owners of the parent" whereas, for management purposes, they are not included in the" Profit/(loss) for the period", as they are included in a line below it, as can be seen in the following table.

CONCILIATION OF THE BBVA GROUP'S INCOME STATEMENTS. JUNE 2021 (MILLIONS OF EUROS)

CONSOLIDATED INCOME STATEMENT	1H21	ADJUSTMENTS	1H21	MANAGEMENT INCOME STATEMENT
NET INTEREST INCOME	**6,955**	**—**	**6,955**	**Net interest income**
Dividend income	125			(*)
Share of profit or loss of entities accounted for using the equity method	(5)			(*)
Fee and commission income	3,311		3,311	Fees and commissions income
Fee and commission expense	(996)		(996)	Fees and commissions expenses
	2,315	—	2,315	Net fees and commissions
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	121			
Gains (losses) on financial assets and liabilities held for trading, net	463			
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	280			
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	96			
Gains (losses) from hedge accounting, net	(81)			
Exchange differences, net	206			
	1,084	—	1,084	Net trading income
Other operating income	340			
Other operating expense	(997)			
Income from insurance and reinsurance contracts	1,350			
Expense from insurance and reinsurance contracts	(909)			
	(95)	—	(95)	Other operating income and expenses
GROSS INCOME	**10,259**	**—**	**10,259**	**Gross income**
Administration costs	(3,983)		(4,598)	Operating expenses (**)
Personnel expense	(2,371)	—	(2,371)	Personnel expenses
Other administrative expense	(1,612)	—	(1,612)	Other administrative expenses
Depreciation and amortization	(615)	—	(615)	Depreciation
	5,661	**—**	**5,661**	**Operating income**
Provisions or reversal of provisions	(928)	754	(174)	Provisions or reversal of provisions
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(1,580)	—	(1,580)	Impairment on financial assets not measured at fair value through profit or loss
NET OPERATING INCOME	**3,153**	**754**	**3,907**	
Impairment or reversal of impairment of investments in joint ventures and associates	—			
Impairment or reversal of impairment on non-financial assets	(196)			
Gains (losses) on derecognition of non - financial assets and subsidiaries, net	5			
Negative goodwill recognized in profit or loss	—			
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(73)			
	(264)	240	(24)	Other gains (losses)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**2,889**	**994**	**3,883**	**Profit/(loss) before tax**
Tax expense or income related to profit or loss from continuing operations	(782)	(298)	(1,080)	Income tax
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**2,107**	**696**	**2,803**	**Profit/(loss) for the period**
Profit (loss) after tax from discontinued operations	280	(280)		
PROFIT/(LOSS)	**2,387**	**416**	**2,803**	**Profit/(loss) for the period**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	**(476)**	**—**	**(476)**	**Non-controlling interests**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,911**	**416**	**2,327**	**Net attributable profit excluding non-recurring impacts**
		280	280	Profit/(loss) after tax from discontinued operations
		(696)	(696)	Net cost related to the restructuring process
ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,911**	**—**	**1,911**	**Net attributable profit/(loss)**

(*) Included within the Other operating income and expenses of the Management Income Statements.

(**) Depreciations included.

Profit / (loss) for the period

Explanation of the formula: The profit/(loss) for the period is the profit/(loss) for the period from the Group's consolidated income statement, which comprises the profit/(loss) after tax from continued operations and the profit/(loss) after tax from discontinued operations of BBVA USA and the rest of Group's companies in the United States sold to PNC on June 1, 2021. If the described metric is presented on a date prior to the end of the year, it will be presented on an annualized basis.

Relevance of its use: This measure is commonly used, not only in the banking sectors, for homogeneous comparison purposes.

Profit/(loss) for the period

			Jan.-Jun.2021	Jan.-Dec.2020	Jan.-Jun.2020
(Millions of euros)	+	Annualized profit/(loss) after tax from continued operations (1)	4,956	3,789	2,576
(Millions of euros)	+	Annualized profit/(loss) after tax from discontinued operations (2)	280	(1,729)	(2,124)
	=	**Profit/(loss) for the period**	**5,236**	**2,060**	**452**

(1) The cost related to the restructuring process not annualized.

(2) January-June 2021 only includes the results generated by BBVA USA and the rest of Group's companies in the United States included in the agreement until its sale to PNC on June 1, 2021.

Adjusted profit/(loss) for the period

Explanation of the formula: The adjusted profit/(loss) for the period is the profit/(loss) from continued operations for the period from the Group's consolidated income statement, excluding those extraordinary items that, for management purposes, are defined at any given moment. If the described metric is presented on a date prior to the end of the year, it will be presented on an annualized basis.

Relevance of its use: This measure is commonly used, not only in the banking sector, for homogeneous comparison purposes.

Adjusted profit/(loss) for the period

			Jan.-Jun.2021	Jan.-Dec.2020	Jan.-Jun.2020
(Millions of euros)	+	Annualized profit/(loss) after tax from continued operations	4,956	3,789	2,576
(Millions of euros)	-	Net capital gains from the bancassurance transaction	—	304	—
(Millions of euros)	-	Net cost related to the restructuring process	(696)	—	—
	=	**Adjusted profit/(loss) for the period**	**5,652**	**3,485**	**2,576**

Net attributable profit/(loss)

Explanation of the formula: The net attributable profit/(loss) is the net attributable profit/(loss) of the Group's consolidated income statement from continued operations and the profit/(loss) after tax from discontinued operations of BBVA USA and the rest of Group's companies in the United States sold to PNC on June 1, 2021. If the described metric is presented on a date prior to the end of the year, it will be presented on an annualized basis.

Relevance of its use: This measure is commonly used, not only in the banking sector, for homogeneous comparison purposes.

Net attributable profit/(loss)

			Jan.-Jun.2021	Jan.-Dec.2020	Jan.-Jun.2020
(Millions of euros)	+	Annualized net attributable profit/(loss) from continued operations (1)	3,997	3,033	1,905
(Millions of euros)	+	Annualized net attributable profit/(loss) from discontinued operations (2)	280	(1,729)	(2,124)
	=	**Net attributable profit/(loss)**	**4,276**	**1,305**	**(219)**

(1) The cost related to the restructuring process not annualized.

(2) January-June 2021 only includes the results generated by BBVA USA and the rest of Group's companies in the United States included in the agreement until its sale to PNC on June 1, 2021.

Adjusted net attributable profit/(loss)

Explanation of the formula: The adjusted net attributable profit/(loss) is the net attributable profit/(loss) of the Group's consolidated income statement from continued operations excluding those extraordinary items that, for management purposes are defined at any given moment. If the described metric is presented on a date prior to the end of the year, it will be presented on an annualized basis.

Relevance of its use: This measure is commonly used, not only in the banking sector, for comparison purposes.

Adjusted net attributable profit/(loss)			Jan.-Jun.2021	Jan.-Dec.2020	Jan.-Jun.2020
(Millions of euros)	+	Annualized net attributable profit/(loss) from continued operations	3,997	3,033	1,905
(Millions of euros)	-	Net capital gains from the bancassurance transaction	—	304	—
(Millions of euros)	-	Net cost related to the restructuring process	(696)	—	—
	=	**Adjusted net attributable profit/(loss)**	**4,692**	**2,729**	**1,905**

ROE

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

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

Explanation of the formula: The numerator is the net attributable profit/(loss) previously defined in these alternative performance measures, If the metric is presented on a date before the close of the fiscal year, the numerator will be annualized.

Average shareholders' funds are the weighted moving average of the shareholders' funds at the end of each month of the period analyzed, adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results.

Average accumulated other comprehensive income is the moving weighted average of "Accumulated other comprehensive income", which is part of the equity on the Entity's balance sheet and is calculated in the same way as average shareholders' funds (above).

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

ROE			Jan.-Jun.2021	Jan.-Dec.2020	Jan.-Jun.2020
Numerator (Millions of euros)		Annualized net attributable profit/(loss)	4,276	1,305	(219)
Denominator (Millions of euros)	+	Average shareholder's funds	59,819	57,626	57,571
	+	Average accumulated other comprehensive income	(14,881)	(12,858)	(11,556)
	=	**ROE**	**9.5 %**	**2.9 %**	**(0.5)%**

Adjusted ROE

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

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

Explanation of the formula: The numerator is the adjusted net attributable profit/(loss) previously defined in these alternative performance measures. If the metric is presented on a date before the close of the fiscal year, the numerator will be annualized.

Average shareholders' funds are the weighted moving average of the shareholders' funds at the end of each month of the period analyzed, adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results.

Average accumulated other comprehensive income is the moving weighted average of "Accumulated other comprehensive income", which is part of the equity on the entity's balance sheet and is calculated in the same way as average shareholders' funds (above).

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

Adjusted ROE			Jan.-Jun.2021	Jan.-Dec.2020	Jan.-Jun.2020
Numerator (Millions of euros)		Adjusted annualized net attributable profit/(loss)	4,692	2,729	1,905
Denominator (Millions of euros)	+	Average shareholder's funds	59,819	57,626	57,571
	+	Average accumulated other comprehensive income	(14,881)	(12,858)	(11,556)
	=	**Adjusted ROE**	**10.4 %**	**6.1 %**	**4.1 %**

ROTE

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

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

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

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

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

ROTE			Jan.-Jun.2021	Jan.-Dec.2020	Jan.-Jun.2020
Numerator (Millions of euros)		Annualized net attributable profit/(loss)	4,276	1,305	(219)
Denominator (Millions of euros)	+	Average shareholder's funds	59,819	57,626	57,571
	+	Average accumulated other comprehensive income	(14,881)	(12,858)	(11,556)
	-	Average intangible assets	2,286	2,480	2,602
	-	Average intangible assets from BBVA USA and BBVA Paraguay (1)	1,809	2,528	3,032
	=	**ROTE**	**10.5 %**	**3.3 %**	**(0.5)%**

(1) BBVA Paraguay includes 4 millions of euros as of January-December 2020 and January-June 2020.

Adjusted ROTE

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

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

Explanation of the formula: The numerator is the adjusted net attributable profit/(loss) previously defined in these alternative performance measures. If the metric is presented on a date before the close of the fiscal year, the numerator will be annualized.

Average intangible assets are the intangible assets on the balance sheet, excluding the assets from BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC, whose sale took place on June 1, 2021. The average balance is calculated in the same way as explained for shareholders' funds in ROE.

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

Adjusted ROTE

			Jan.-Jun.2021	Jan.-Dec.2020	Jan.-Jun.2020
Numerator (Millions of euros)		Adjusted annualized net attributable profit/(loss)	4,692	2,729	1,905
Denominator (Millions of euros)	+	Average shareholder's funds	59,819	57,626	57,571
	+	Average accumulated other comprehensive income	(14,881)	(12,858)	(11,556)
	-	Average intangible assets	2,286	2,480	2,602
	-	Average intangible assets from BBVA Paraguay	—	4	4
	=	**Adjusted ROTE**	**11.0 %**	**6.5 %**	**4.4 %**

ROA

The ROA (return on assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Profit/(loss) for the period}}{\text{Average total assets}}$$

Explanation of the formula: The numerator is the 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 must be annualized.

Average total assets are taken from the Group's consolidated balance sheet. The average balance is calculated as explained for average shareholders' funds in the ROE.

Relevance of its use: This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

ROA

		Jan.-Jun.2021	Jan.-Dec.2020	Jan.-Jun.2020
Numerator (Millions of euros)	Annualized profit/(loss) for the period	5,236	2,060	452
Denominator (Millions of euros)	Average total assets	710,112	729,833	728,303
=	**ROA**	**0.74 %**	**0.28 %**	**0.06 %**

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 sheets, excluding the assets from BBVA and the rest of Group's companies in the United States included in the sale agreement signed with PNC, whose sale took place on June 1, 2021. The average balance is calculated in the same way as explained for average equity in ROE.

Relevance of its use: This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

Adjusted ROA

		Jan.-Jun.2021	Jan.-Dec.2020	Jan.-Jun.2020
Numerator (Millions of euros)	Adjusted annualized profit/(loss) for the period	5,652	3,485	2,576
Denominator (Millions of euros)	Average total assets	632,634	642,762	640,615
=	**Adjusted ROA**	**0.89 %**	**0.54 %**	**0.40 %**

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 is the 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 risk-weighted assets (RWA) are the moving weighted average of the risk-weighted assets at the end of each month of the period under analysis.

Relevance of its use: This ratio is generally used in the banking sector to measure the return obtained on RWA.

RORWA		Jan.-Jun.2021	Jan.-Dec.2020	Jan.-Jun.2020
Numerator (Millions of euros)	Annualized profit/(loss) for the period	5,236	2,060	452
Denominator (Millions of euros)	Average RWA	346,770	358,675	369,228
=	RORWA	1.51 %	0.57 %	0.12 %

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 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 risk-weighted assets (RWA) are the moving weighted average of the risk-weighted assets at the end of each month of the period under analysis, excluding the RWA from BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC, whose sale took place on June 1, 2021.

Relevance of its use: This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

Adjusted RORWA		Jan.-Jun.2021	Jan.-Dec.2020	Jan.-Jun.2020
Numerator (Millions of euros)	Adjusted annualized profit/(loss) for the period	5,652	3,485	2,576
Denominator (Millions of euros)	Average RWA	297,277	300,518	308,665
=	Adjusted RORWA	1.90 %	1.16 %	0.83 %

Earning per share

The earning per share is calculated in accordance to the criteria established in the IAS 33 "Earnings per share".

Earnings/(losses) per share

			Jan.-Jun.2021	Jan.-Dec.2020	Jan.-Jun.2020
(Millions of euros)	+	Net attributable profit/(loss)	1,911	1,305	(1,157)
(Millions of euros)	-	Remuneration related to the Additional Tier 1 securities (CoCos)	201	387	201
Numerator (millions of euros)	=	Net attributable profit/(loss) ex.CoCos remuneration	1,710	917	(1,357)
Denominator (millions)	+	Average number of shares	6,668	6,668	6,668
	-	Average treasury shares of the period	10	13	7
	=	**Earnings/(losses) per share (euros)**	**0.26**	**0.14**	**(0.20)**

Additionally, for management purposes, earnings per share are presented excluding: (I) the profit after tax from discontinued operations, that is, the results generated by BBVA USA and the rest of the Group companies in the United States until their sale to PNC on June 1, 2021, for the three broken down periods; (II) the capital gain net of taxes from the bancassurance operation with Allianz registered in the fourth quarter of fiscal year 2020; and (III) the net cost related to the restructuring process recorded in the second quarter of fiscal year 2021.

Earnings/(losses) per share excluding non-recurring impacts

			Jan.-Jun.2021	Jan.-Dec.2020	Jan.-Jun.2020
(Millions of euros)	+	Net attributable profit/(loss) ex. CoCos remuneration	1,710	917	(1,357)
(Millions of euros)	-	Discontinued operations	280	(1,729)	(2,104)
(Millions of euros)	-	Net capital gain from the bancassurance operation	—	304	—
(Millions of euros)	-	Net cost related to the restructuring process	(696)	—	—
Numerator (millions of euros)	=	Net Attributable profit ex.CoCos and non-recurring impacts	2,126	2,342	746
Denominator (millions)	+	Average number of shares	6,668	6,668	6,668
	-	Average treasury shares of the period	10	13	7
	=	**Earnings/(losses) per share excluding non-recurring impacts (euros)**	**0.32**	**0.35**	**0.11**

Efficiency ratio

This measures the percentage of gross income consumed by an entity's operating expenses. It is calculated as follows:

$$\frac{\text{Operating expenses}}{\text{Gross income}}$$

Explanation of the formula: Both "Operating expenses" and "Gross income" are taken from the Group's consolidated income statement. Operating expenses are the sum of the administration costs (personnel expenses plus other administrative expenses) plus depreciation. Gross income is the sum of net interest income, net fees and commissions, net trading income dividend income, share of profit or loss of entities accounted for using the equity method, and other operating income and expenses. For a more detailed calculation of this ratio, the graphs on "Results" section of this report should be consulted, one of them with calculations with figures at current exchange rates and another with the data at constant exchange rates.

Relevance of its use: This ratio is generally used in the banking sector. In addition, it is an indicator from one of the six Strategic Priorities of the Group.

Efficiency ratio

		Jan.-Jun.2021	Jan.-Dec.2020	Jan.-Jun.2020
Numerator (Millions of euros)	Operating expenses	4,598	9,088	4,660
Denominator (Millions of euros)	Gross income	10,259	20,166	10,639
=	**Efficiency ratio**	**44.8 %**	**45.1 %**	**43.8 %**

Dividend yield

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

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

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

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

Dividend yield				
		30-06-21	31-12-20	30-06-20
Numerator (Euros)	∑ Dividends	0.06	0.16	0.26
Denominator (Euros)	Closing price	5.23	4.04	3.06
=	**Dividend yield**	**1.1 %**	**4.0 %**	**8.5 %**

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). The denominator is also adjusted to include the capital increase resulting from the execution of the dividend options explained above. Both the numerator and the denominator take into account period-end balances.

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

Book value per share					
			30-06-21	31-12-20	30-06-20
Numerator (Millions of euros)	+	Shareholders' funds	59,864	58,904	56,541
	+	Dividend-option adjustment	—	—	—
	+	Accumulated other comprehensive income	(15,348)	(14,356)	(12,822)
Denominator (Millions of shares)	+	Number of shares outstanding	6,668	6,668	6,668
	+	Dividend-option	—	—	—
	-	Treasury shares	9	14	9
	=	**Book value per share (euros / share)**	**6.69**	**6.70**	**6.57**

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). The denominator is also adjusted to include the result of the capital increase resulting from the execution of the dividend options explained above. Both the numerator and the denominator take into account period-end balances.

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

Tangible book value per share

			30-06-21	31-12-20	30-06-20
Numerator (Millions of euros)	+	Shareholders' funds	59,864	58,904	56,541
	+	Dividend-option adjustment	—	—	—
	+	Accumulated other comprehensive income	(15,348)	(14,356)	(12,822)
	-	Intangible assets	2,303	2,345	2,487
	-	Intangible assets from BBVA USA and BBVA Paraguay [(1)]	—	1,952	2,140
Denominator (Millions of shares)	+	Number of shares outstanding	6,668	6,668	6,668
	+	Dividend-option	—	—	—
	-	Treasury shares	9	14	9
	=	**Tangible book value per share (euros / share)**	**6.34**	**6.05**	**5.87**

(1) BBVA Paraguay includes 4 millions of euros as of 31-12-20 and 30-06-20.

Non-performing loan (NPL) ratio

It is the ratio between the risks classified for accounting purposes as non-performing loans and the total credit risk balance, both excluding the balances from BBVA USA and the rest of the Group´s companies in the United States included in the sale agreement signed with PNC, which was completed on June 1, 2021. It is calculated as follows:

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

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

Non-performing loans are calculated as the sum of "loans and advances at amortized cost" and the "contingent risk" in stage 3[6] 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.

[6] 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				
		30-06-21	31-12-20	30-06-20
Numerator (Millions of euros)	NPLs	15,676	15,451	15,594
Denominator (Millions of euros)	Credit Risk	370,348	366,883	384,310
=	Non-Performing Loans (NPLs) ratio	4.2 %	4.2 %	4.1 %

NPL coverage ratio

This ratio reflects the degree to which the impairment of non-performing loans has been covered in the accounts via allowances, excluding assets from BBVA USA and the rest of the Group´s companies in the United States included in the sale agreement signed with PNC, which was completed on June 1, 2021. It is calculated as follows:

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

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

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

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

NPL coverage ratio				
		30-06-21	31-12-20	30-06-20
Numerator (Millions of euros)	Provisions	12,033	12,595	12,957
Denominator (Millions of euros)	NPLs	15,676	15,451	15,594
=	NPL coverage ratio	77 %	82 %	83 %

Cost of risk

This ratio indicates the current situation and changes in credit-risk quality through the annual cost in terms of impairment losses (accounting loan-loss provisions) of each unit of loans and advances to customers (gross). It excludes the risk attributable to BBVA USA and the rest of the Group´s companies in the United States included in the sale agreement signed with PNC, which was completed on June 1, 2021. It is calculated as follows:

$$\frac{\text{Annualized loan-loss provisions}}{\text{Average loans and advances to customers (gross)}}$$

Explanation of the formula: "Loans to customers (gross)" refers to the "Loans and advances at amortized cost" portfolios with the following counterparts:

- other financial entities
- public sector
- non-financial institutions
- households, excluding central banks and other credit institutions.

Average loans to customers (gross) is calculated by using the average of the period-end balances of each month of the period analyzed plus the previous month. "Annualized loan-loss provisions" are calculated by accumulating and annualizing the loan-loss provisions of each month of the period under analysis.

Loan-loss provisions refer to the aforementioned loans and advances at amortized cost portfolios.

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

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk through the cost over the year.

Cost of risk				
		Jan.-Jun.2021	Jan.-Dec.2020	Jan.-Jun.2020
Numerator (Millions of euros)	Annualized loan-loss provisions	3,229	5,160	6,984
Denominator (Millions of euros)	Average loans to customers (gross)	322,386	332,096	337,890
=	Cost of risk	1.00 %	1.55 %	2.07 %

Main risks and uncertainties

At the date of formulation of this management report, the main risks and uncertainties to which BBVA Group is exposed are described in Note 6.1 "Risk factors" of the attached Condensed Interim Consolidated Financial Statements corresponding to the first half of the financial year 2021.

Subsequent events

From July 1, 2021 to the date of formulation of the attached Condensed Interim Consolidated Financial Statements, there have been no other events, not mentioned above in the notes to these Condensed Interim Consolidated Financial Statements, that significantly affect the results consolidated financial statements of the Group or the consolidated financial situation of the same.