

**Banco Bilbao Vizcaya Argentaria, S.A. (BBVA)**, in accordance with the provisions of the Securities Market legislation, hereby communicates the following:

### **INSIDE INFORMATION**

BBVA will implement the IAS29 accounting standards “Financial Reporting in Hyperinflationary Economies” to its Group entities in Turkey<sup>1</sup>, with effects from 1st January 2022. The impacts of such implementation will be reflected in the second quarter of 2022 BBVA Group financial statements.

In order to facilitate monitoring the quarterly information of the BBVA Group, attached is a presentation which includes the BBVA Group pro-forma simplified balance sheet and income statement for the first quarter of 2022 applying IAS29 accounting standards. Such presentation also describes the details of the adjustments to the BBVA Group's financial statements as a result of the implementation of the referred IAS29 standards.

The main impacts calculated on the BBVA Group's financial statements as of 31 March 2022 are as follows:

- A positive impact on the Common Equity Tier 1 (fully loaded) ratio of approximately 19 basis points.
- A negative impact<sup>2</sup> on the BBVA Group's net attributable profit of approximately -324 million euros.

In 2022, considering the expected annual inflation<sup>3</sup> in Turkey, it is envisaged that (i) the earnings contribution of the Group's entities in Turkey to the BBVA Group's results will be non-material and (ii) capital and tangible book value will be positively impacted in the coming quarters.

Madrid, June 28, 2022

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<sup>1</sup> IAS 29 does not apply to the operations outside Turkey of the Türkiye Garanti Bankası A.Ş. group of companies, and in particular to the financial statements of Garanti Bank S.A. in Romania and GarantiBank International N.V. in the Netherlands.

<sup>2</sup> For the calculation of this impact, the exchange rate of 16.28 Turkish Lira per Euro (applicable on 31 March 2022) and the cumulative inflation rate in Turkey in the first quarter of 2022 of 22.8% (published by the Turkish Statistical Institute) have been used.

<sup>3</sup> According to BBVA Research estimates, Turkey's annual inflation rate will be around 60% in 2022, which implies a moderation in the quarterly inflation rate in the coming quarters.

# Implementation of IAS 29 to BBVA Turkey Financial Statements

June 28<sup>th</sup>, 2022

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# Background Information on Hyperinflation Accounting

## CONTEXT

- In a hyperinflationary economy, the currency loses purchasing power.
- **Hyperinflationary accounting aims to show the Financial Statements in real terms**, allowing for a proper comparison with previous periods.

## WHEN TO APPLY IT?

- According to IAS 29, **the need to adopt hyperinflationary accounting is determined by the economic environment**. Among others, there is one criteria (necessary but not sufficient) that refers to a higher than 100% cumulative inflation in a 3 year period.

## SITUATION IN TURKEY:

- As of Feb 2022, cumulative inflation in Turkey during the last 3 years had already surpassed 100%. **Audit firms have publicly stated that hyperinflation accounting should be applied in Turkey as of June 30th, 2022**. IAS 29 prefers all affected entities to apply it at the same time (previous consensus among stakeholders).

**BBVA Group will apply hyperinflationary accounting in Turkey<sup>1</sup> in 2Q22 with effects from Jan 1<sup>st</sup>, 2022 according to IAS 29 accounting standard.**

<sup>1</sup> BBVA will apply IAS 29 to its Group entities in Turkey. IAS 29 will not apply to the operations outside Turkey, in particular to the financial statements of Garanti Bank in Romania and Garantibank International N.V in the Netherlands.

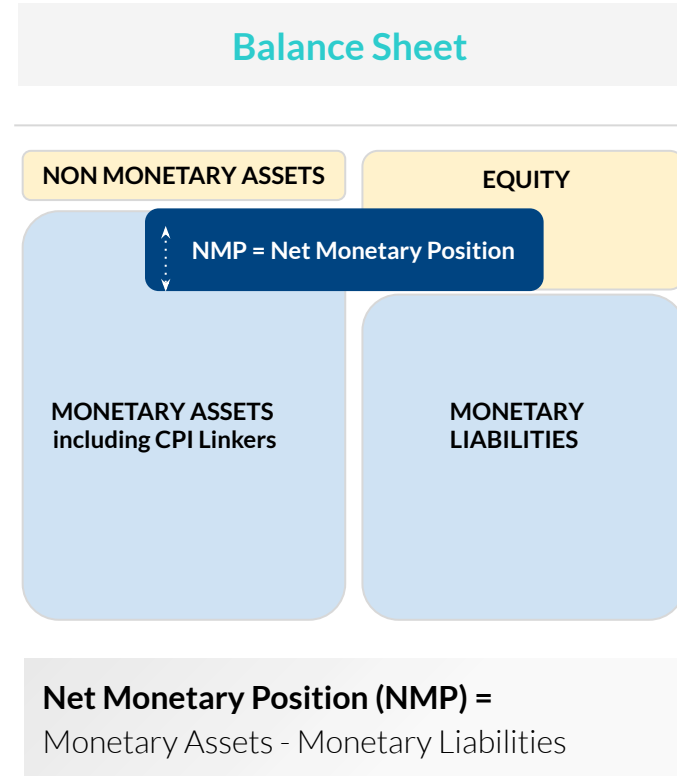
# Hyperinflation Accounting (HA) main implications

## 1 BALANCE SHEET REVALUATION

- **1st implementation (Jan 1st, 2022): Positive in Equity & Capital** (net of tax effect).
  - **Non-Monetary Assets (NMA)** revaluation from historical value based on accumulated inflation, with the limit of its fair value.
  - **The value of the inflation linked bonds (CPI linkers) in the Held To Collect portfolio is updated** according to the inflation rate by year end 2021 (vs as of Oct'21 previously).
- **On-going quarterly revaluation** of NMA based on inflation rate in the period, with the limit of its fair value. **Positive in Equity & Capital** (net of tax effect).

## 2 P&L RE-EXPRESSION

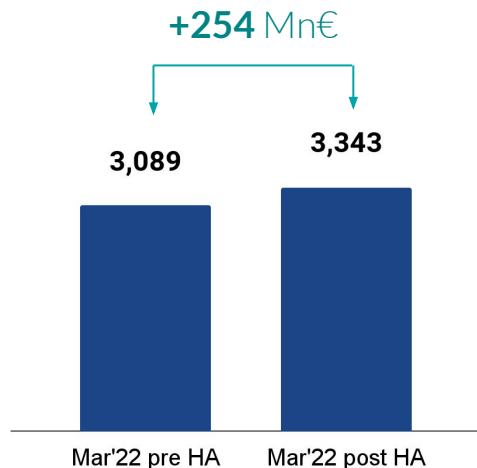
- **Net Monetary Position (NMP) value loss** due to the inflation in the period is registered **in the P&L** ("*Other operating income and expenses*" heading) with positive adjustment in "*Other Comprehensive Income*" (OCI). Negative on P&L. **Neutral on Equity and Capital.**
- **CPI linkers accrual** based on current period inflation is registered in "*Other Operating Income and Expenses*" heading (reclassified from NII) as they are considered a protective asset against inflation, **partially offsetting the value loss of the NMP.**
- **Re-expression of all P&L headings** according to end of period inflation.
- Re-expressed P&L is converted into € using the **closing exchange rate** (vs. average FX previously).



# BBVA Turkey hyperinflation accounting impacts as of Mar'22 (*pro-forma*): Positive on Book Value, Negative on P&L

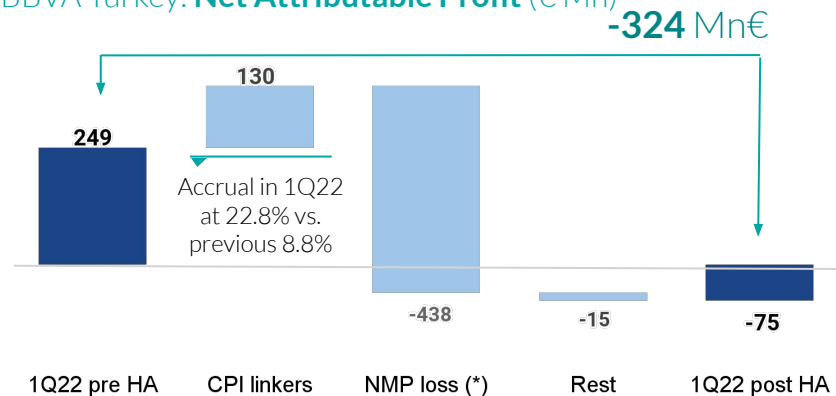
## Positive impact on Book Value

BBVA Turkey: **Book Value** (€ Mn)



## Negative impact on P&L from the Net Monetary Position loss (neutral on capital), partially offset by CPI linkers revenue

BBVA Turkey: **Net Attributable Profit** (€ Mn)




As of March 31st, 2022:

- **Net Monetary Position:** ~ 4.7 Bn€
- **CPI linkers portfolio:** ~ 3.6 Bn€

(\*) The NMP loss is not tax deductible.

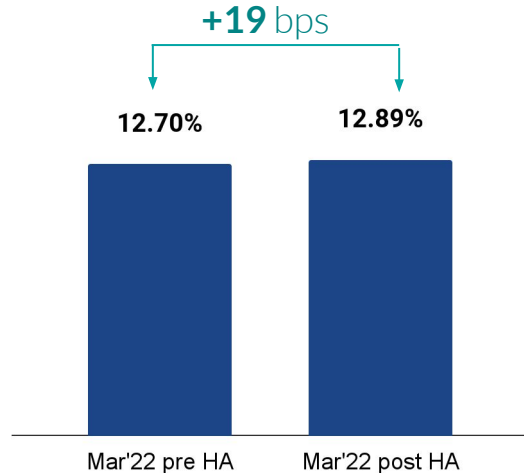
**In 2022, earnings contribution from BBVA Turkey is expected to be non material according to our year end inflation forecast (around 60%)**

# BBVA Group hyperinflation accounting impacts as of Mar'22 (pro-forma): Positive on Capital, Negative on P&L

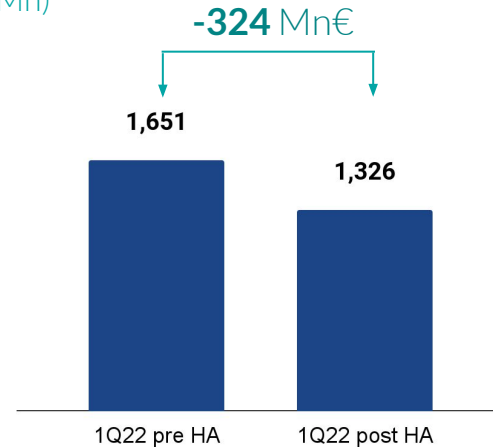
 **Positive impact on Capital** from Assets revaluation and other indirect impacts (such as a lower dividend accrual at a 50% pay-out <sup>1</sup>)

 **Negative impact on P&L**

BBVA Group: **CET1 FL**  
(%)



BBVA Group: **Net Attributable Profit**  
(€ Mn)



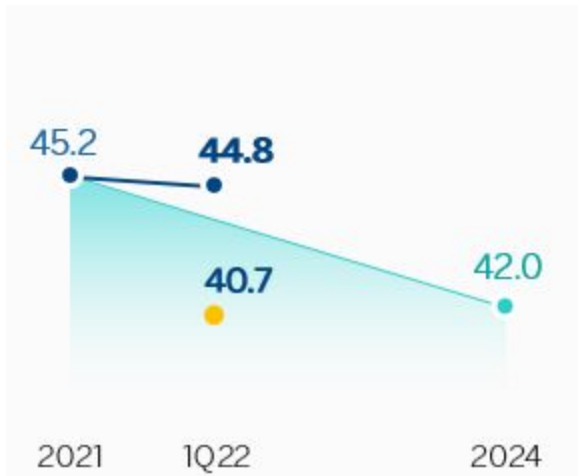
<sup>1</sup> We are currently accruing dividends at 50%, which represents the upper part of our internal dividend policy (according to the ECB mechanism).

**Non-Monetary Assets revaluation**, based on the inflation trend, and P&L generation will continue to be **positively reflected on Capital and TBV in the coming quarters** (NMP loss in capital neutral)

# BBVA Group's financial goals for 2024 remain unchanged

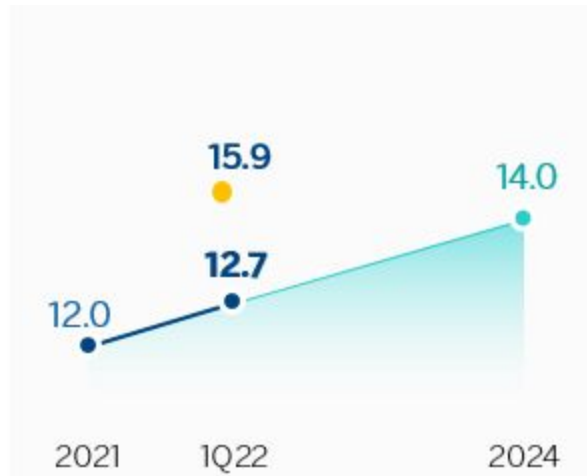
## COST-TO-INCOME

(%)



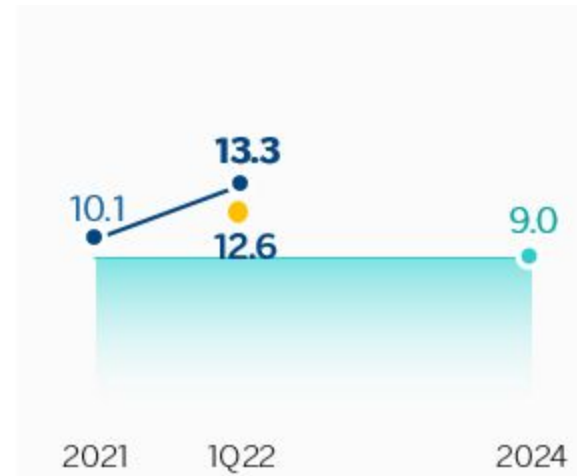
## ROTE

(%, annualized)



## TBV/ share + dividends


(YoY, %)



● Pre Hyperinflation Accounting in Turkey



# Key Takeaways

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- A photograph of the BBVA building facade, showing a curved structure with a grid of windows and the BBVA logo on the side.
- **BBVA Group will apply hyperinflationary accounting in Turkey** in 2Q22 with effects **from Jan 1<sup>st</sup>, 2022** according to IAS 29 accounting standard.
  - Hyperinflation accounting is a reexpression of the financial statements aiming to show them in real terms. Main impacts for BBVA Group pro-forma as of Mar'22 are:
    - Positive impact on **Group's Capital (CET1 FL ratio +19 bps to 12.89%)**, coming mainly from the revaluation of the Non- Monetary Assets & CPI Linkers.
    - Negative impact on **Net Attributable Profit (-324 Mn€ in 1Q22 to 1,326 Mn€)**, coming from the value loss of the Net Monetary Position (neutral on Equity).
  - In **2022**:
    - **Earnings contribution from Turkey is expected to be non material.**
    - **Capital and TBV** will continue to be **positively affected by the revaluation of non-monetary assets and P&L generation** (NMP loss is capital neutral).
  - Our financial **goals** for **2024** remain **unchanged**.

# Annex I - Detailed P&L impacts of IAS 29

# BBVA Group - Pro-forma P&L 1Q22

## P&L BBVA Group

€Mn

	1Q22 pre HA	HA impact	1Q22 post HA
Net interest income	4,158	-209	3,949
Net Fees and Commissions	1,241	1	1,242
Net Trading Income	580	0	580
Other Income & Expenses	-39	-316	-355
<b>Gross Income</b>	<b>5,939</b>	<b>-524</b>	<b>5,416</b>
Operating Expenses	-2,415	-9	-2,424
<b>Operating Income</b>	<b>3,525</b>	<b>-533</b>	<b>2,992</b>
Impairment on Financial Assets	-738	1	-737
Provisions and Other Gains and Losses	-21	-6	-27
<b>Income Before Tax</b>	<b>2,766</b>	<b>-538</b>	<b>2,227</b>
Income Tax	-788	-116	-904
Non-controlling Interest (*)	-328	330	3
<b>Net Attributable Profit</b>	<b>1,651</b>	<b>-324</b>	<b>1,326</b>

(\*) Considering BBVA's stake in the Turkish franchise as of March 31st, 2022 (49.85%).

## MAIN P&L IMPACTS:

- **CPI linkers income:** accrual according to the **current period inflation** (22.8% in 1Q22), registered in **“Other Income & Expenses”** heading (+563 Mn€). Part of this income was **previously accrued in NII** (-212 Mn€) based on our 1Q22 inflation estimate at the beginning of the year (8.8%).
- **Net Monetary Position: value loss** registered in the **“Other Income & Expenses”** heading (-880 Mn€, non tax deductible) due to inflation rate in 1Q22 (with a positive adjustment in OCIs, so neutral on Equity).
- **Minor P&L impacts** related to: i) re-expression of all P&L headings according to the inflation rate until Mar 31st 2022, ii) conversion of re-expressed P&L into € using the closing exchange rate (vs. average FX previously) and, iii) higher amortization expenses after the non monetary assets revaluation.

Note: 1Q22 inflation rate 22.8%. Exchange rate: 16.28 TRY/EUR as of March 31st, 2022.

# BBVA Turkey - Pro-forma P&L 1Q22

## P&L BBVA Turkey - Same HA impacts as in BBVA Group's P&L

€Mn

	1Q22 pre HA	HA impact	1Q22 post HA
Net interest income	706	-209	497
Net Fees and Commissions	132	1	133
Net Trading Income	175	0	175
Other Income & Expenses	15	-316	-301
<b>Gross Income</b>	<b>1,027</b>	<b>-524</b>	<b>503</b>
Operating Expenses	-230	-9	-239
<b>Operating Income</b>	<b>797</b>	<b>-533</b>	<b>264</b>
Impairment on Financial Assets	-97	1	-96
Provisions and Other Gains and Losses	-4	-6	-11
<b>Income Before Tax</b>	<b>696</b>	<b>-538</b>	<b>157</b>
Income Tax	-193	-116	-309
Non-controlling Interest (*)	-254	330	76
<b>Net Attributable Profit</b>	<b>249</b>	<b>-324</b>	<b>-75</b>

(\*) Considering BBVA's stake in the Turkish franchise as of March 31st, 2022 (49.85%).

Note: 1Q22 inflation rate 22.8%. Exchange rate: 16.28 TRY/EUR as of March 31st, 2022.

# Annex II - Quarterly Financial Statements: 1Q22

## IAS 29 pro-forma

## BBVA Group. Consolidated balance sheet

### Balance sheets

(Million euros)

	31-03-21	30-06-21	30-09-21	31-12-21	31-03-22	31-03-22 pro-forma HA
Cash, cash balances at central banks and other demand deposits	54,950	61,687	63,232	67,799	70,937	70,937
Financial assets held for trading	98,275	102,647	106,505	123,493	112,131	112,131
Non-trading financial assets mandatorily at fair value through profit or loss	5,488	5,742	5,874	6,086	6,625	6,625
Financial assets designated at fair value through profit or loss	1,110	1,107	1,137	1,092	1,036	1,036
Financial assets at fair value through accumulated other comprehensive income	72,771	73,186	69,963	60,421	65,103	65,103
Financial assets at amortized cost	363,754	368,026	370,217	372,676	388,031	388,413
. <i>Loans and advances to central banks and credit institutions</i>	16,963	16,947	18,237	18,957	16,750	16,750
. <i>Loans and advances to customers</i>	310,683	315,752	316,499	318,939	335,016	335,016
. <i>Debt securities</i>	36,108	35,327	35,481	34,781	36,265	36,647
Investments in subsidiaries, joint ventures and associates	1,416	1,400	880	900	911	911
Tangible assets	7,703	7,321	7,291	7,298	7,375	7,628
Intangible assets	2,297	2,303	2,271	2,197	2,224	2,056
Other assets	109,165	21,874	21,891	20,923	21,471	21,420
<b>Total assets / Liabilities and equity</b>	<b>716,929</b>	<b>645,292</b>	<b>649,261</b>	<b>662,885</b>	<b>675,842</b>	<b>676,259</b>
Financial liabilities held for trading and designated at fair value through profit or loss	78,477	79,986	80,786	91,135	85,960	85,960
Other financial liabilities designated at fair value through profit or loss	9,714	9,811	9,726	9,683	9,761	9,761
Financial liabilities at amortized cost	475,813	479,618	481,662	487,893	504,480	504,480
<i>Deposits from central banks and credit institutions</i>	74,123	71,645	71,507	67,185	73,161	73,161
<i>Deposits from customers</i>	331,064	338,795	340,828	349,761	360,716	360,716
<i>Debt certificates</i>	57,418	55,047	55,397	55,763	53,540	53,540
. <i>Other financial liabilities</i>	13,208	14,132	13,930	15,183	17,063	17,063
Liabilities under insurance and reinsurance contracts	10,325	10,535	10,564	10,865	11,094	11,094
Other liabilities	91,889	15,398	15,957	14,549	16,289	16,338
<b>Total liabilities</b>	<b>666,218</b>	<b>595,348</b>	<b>598,694</b>	<b>614,125</b>	<b>627,585</b>	<b>627,634</b>
<b>Total equity</b>	<b>50,711</b>	<b>49,944</b>	<b>50,567</b>	<b>48,760</b>	<b>48,258</b>	<b>48,625</b>
<b>Total equity and liabilities</b>	<b>716,929</b>	<b>645,292</b>	<b>649,261</b>	<b>662,885</b>	<b>675,842</b>	<b>676,259</b>

General note: figures considering companies in the United States included in the sale agreement signed with PNC and BBVA Paraguay as Non-current Assets and Liabilities Held for Sale

# BBVA Group. Consolidated Income statement

## Income statement

(Million euros)

	2021				2022	
	1Q	2Q	3Q	4Q	1Q	2022 1Q pro-forma HA
<b>Net interest income</b>	<b>3,451</b>	<b>3,504</b>	<b>3,753</b>	<b>3,978</b>	<b>4,158</b>	<b>3,949</b>
Net fees and commissions	1,133	1,182	1,203	1,247	1,241	1,242
Net trading income	581	503	387	438	580	580
Dividend income	6	119	4	46	4	4
Share of profit/loss of invest. in subsidiaries, joint ventures and associates	-6	0	4	3	5	5
Other products and expenses	-11	-205	-20	-235	-48	-363
<b>Gross income</b>	<b>5,155</b>	<b>5,104</b>	<b>5,330</b>	<b>5,477</b>	<b>5,939</b>	<b>5,416</b>
Operating expenses	-2,304	-2,294	-2,378	-2,554	-2,415	-2,424
Administration expenses	-1,996	-1,987	-2,064	-2,249	-2,109	-2,111
Personnel expenses	-1,184	-1,187	-1,276	-1,399	-1,240	-1,241
General and administrative expenses	-812	-800	-788	-850	-869	-870
Depreciation	-309	-307	-314	-305	-306	-313
<b>Operating income</b>	<b>2,850</b>	<b>2,810</b>	<b>2,953</b>	<b>2,923</b>	<b>3,525</b>	<b>2,992</b>
Impairment on financial assets not measured at fair value through profit or loss	-923	-656	-622	-832	-738	-737
Provisions or reversal of provisions	-151	-23	-50	-40	-48	-48
Other results	-17	-7	19	7	27	20
<b>Profit/(loss) before tax</b>	<b>1,759</b>	<b>2,124</b>	<b>2,299</b>	<b>2,058</b>	<b>2,766</b>	<b>2,227</b>
Income tax	-489	-591	-640	-487	-788	-904
<b>Profit/(loss) for the year</b>	<b>1,270</b>	<b>1,533</b>	<b>1,659</b>	<b>1,571</b>	<b>1,978</b>	<b>1,324</b>
Non-controlling interests	-237	-239	-259	-230	-328	3
<b>Net attributable profit excluding non recurring impacts</b>	<b>1,033</b>	<b>1,294</b>	<b>1,400</b>	<b>1,341</b>	<b>1,651</b>	<b>1,326</b>
<b>Corporate &amp; discontinued operations</b>	<b>177</b>	<b>-593</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Profit/(loss) after tax from discontinued operations (1)	177	103	0	0	0	0
Net cost related to the restructuring process.	0	-696	0	0	0	0
<b>Net attributable profit</b>	<b>1,210</b>	<b>701</b>	<b>1,400</b>	<b>1,341</b>	<b>1,651</b>	<b>1,326</b>

(1) Includes the profit generated by BBVA USA and the rest of the US companies sold to PNC on 1st of June of 2021.

# Turkey

## Income statement

(Million euros)

	2021				2022	
	1Q	2Q	3Q	4Q	1Q	2022 1Q pro-forma HA
<b>Net interest income</b>	<b>530</b>	<b>507</b>	<b>615</b>	<b>719</b>	<b>706</b>	<b>497</b>
Net fees and commissions	154	143	146	122	132	133
Net trading income	126	54	59	175	175	175
Other operating income and expenses	24	34	23	-7	15	-301
<b>Gross income</b>	<b>834</b>	<b>737</b>	<b>842</b>	<b>1,008</b>	<b>1,027</b>	<b>503</b>
Operating expenses	-265	-234	-236	-275	-230	-239
Administration expenses	-232	-204	-205	-251	-207	-210
Personnel expenses	-142	-140	-140	-172	-130	-132
General and administrative expenses	-90	-64	-65	-79	-77	-78
Depreciation	-34	-30	-31	-24	-23	-29
<b>Operating income</b>	<b>569</b>	<b>503</b>	<b>607</b>	<b>734</b>	<b>797</b>	<b>264</b>
Impairment on financial assets not measured at fair value through profit or loss	-123	-45	-67	-259	-97	-96
Provisions or reversal of provisions and other results	35	13	12	-26	-4	-11
<b>Profit/(loss) before tax</b>	<b>481</b>	<b>471</b>	<b>551</b>	<b>449</b>	<b>696</b>	<b>157</b>
Income tax	-94	-81	-148	-132	-193	-309
<b>Profit/(loss) for the year</b>	<b>387</b>	<b>391</b>	<b>403</b>	<b>316</b>	<b>503</b>	<b>-151</b>
Non-controlling interests	-196	-198	-204	-160	-254	76
<b>Net attributable profit</b>	<b>191</b>	<b>193</b>	<b>199</b>	<b>156</b>	<b>249</b>	<b>-75</b>



# Implementation of IAS 29 to BBVA Turkey Financial Statements

June 28<sup>th</sup>, 2022