Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union (See Note 1 and 10). In the event of a discrepancy, the Spanish-language version prevails.

BBVA

Condensed interim consolidated financial statements, management report and limited review report corresponding to the nine months ended September 30, 2016

Deloitte.

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Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Banco Bilbao Vizcaya Argentaria, S.A.,
at the request of the Board of Directors,

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Banco Bilbao Vizcaya Argentaria, S.A. ("the Bank") and Subsidiaries composing, together with the Bank, the Banco Bilbao Vizcaya Argentaria, S.A. Group ("the Group"), which comprise the condensed interim consolidated balance sheet as at 30 September 2016, and the condensed interim consolidated income statement, condensed interim consolidated statement of recognised income and expense, condensed interim consolidated statement of changes in equity, condensed interim consolidated statement of cash flows and explanatory notes thereto for the nine-month period then ended. The Bank's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of the Review

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

Conclusion

As a result of our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing came to our attention that might cause us to believe that the accompanying interim financial statements for the nine-month period ended 30 September 2016 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, pursuant to Article 12 of Royal Decree 1362/2007, for the preparation of interim condensed financial statements.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Emphasis of Matter

We draw attention to explanatory Note 1 to the accompanying interim financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2015 and the Group's interim consolidated financial statements for the first semester 2016. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report (entitled "Management Report 3rd quarter 2016") for the nine-month period ended 30 September 2016 contains the explanations which the Bank's directors consider appropriate about the significant events which took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required under Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the nine-month period ended 30 September 2016. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Banco Bilbao Vizcaya Argentaria, S.A. and Subsidiaries.

Paragraph on Other Matters

This report was prepared at the request of the Bank's Board of Directors in relation to the publication of the quarterly financial report prepared voluntarily in the framework of Article 35 of Spanish Securities Market Law 24/1988, of 28 July, implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.

José Manuel Domínguez

November 4, 2016

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MANAGEMENT REPORT

BBVA Group

Condensed Interim Consolidated balance sheets as of September 30, 2016 and December 31, 2015.

	Millions of Euros	
ASSETS	**September 2016**	**December 2015 (*)**
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	31,174	29,282
FINANCIAL ASSETS HELD FOR TRADING	75,569	78,326
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	2,104	2,311
AVAILABLE-FOR-SALE FINANCIAL ASSETS	86,673	113,426
LOANS AND RECEIVABLES	457,338	471,828
HELD-TO-MATURITY INVESTMENTS	19,094	-
HEDGING DERIVATIVES	3,604	3,538
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	50	45
INVESTMENTS IN SUBSIDARIES, JOINT VENTURES AND ASSOCIATES	751	879
INSURANCE OR REINSURANCE ASSETS	474	511
TANGIBLE ASSETS	9,470	9,944
INTANGIBLE ASSETS	9,503	10,275
TAX ASSETS	17,318	17,779
OTHER ASSETS	8,379	8,566
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	3,126	3,369
TOTAL ASSETS	**724,627**	**750,078**

	Millions of Euros	
LIABILITIES AND EQUITY	**September 2016**	**December 2015 (*)**
FINANCIAL LIABILITIES HELD FOR TRADING	55,226	55,203
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	2,436	2,649
FINANCIAL LIABILITIES AT AMORTIZED COST	581,593	606,113
HEDGING DERIVATIVES	3,237	2,726
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	358
LIABILITIES UNDER INSURANCE CONTRACTS	9,274	9,407
PROVISIONS	8,627	8,852
TAX LIABILITIES	4,593	4,721
OTHER LIABILITIES	3,749	4,610
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	-	-
TOTAL LIABILITIES	**668,736**	**694,638**
STOCKHOLDERS' FUNDS	52,248	50,639
Capital	3,175	3,120
Share premium	23,992	23,992
Equity instruments issued other than capital	-	-
Other equity	34	35
Retained earnings	23,809	22,588
Revaluation reserves	21	22
Other reserves	(150)	(98)
Less: Treasury shares	(64)	(309)
Profit or loss attributable to owners of the parent	2,797	2,642
Less: Interim dividends	(1,367)	(1,352)
ACCUMULATED OTHER COMPREHENSIVE INCOME	(4,681)	(3,349)
MINORITY INTERESTS (NON-CONTROLLING INTEREST)	8,324	8,149
TOTAL EQUITY	**55,891**	**55,439**
TOTAL EQUITY AND TOTAL LIABILITIES	**724,627**	**750,078**

	Millions of Euros	
MEMORANDUM	**September 2016**	**December 2015 (*)**
Financial guarantees given	49,969	49,876
Contingent commitments	125,072	135,733

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

The accompanying Notes 1 to 10 are an integral part of the condensed interim consolidated balance sheet as of September 30, 2016.

BBVA Group

Condensed Interim Consolidated income statements for the nine months ended September 30, 2016 and 2015

	Millions of Euros	
	September 2016	**September 2015 (*)**
INTEREST INCOME	20,636	17,724
INTEREST EXPENSES	(7,961)	(6,124)
NET INTEREST INCOME	**12,674**	**11,600**
DIVIDEND INCOME	336	288
SHARE OF PROFIT OR LOSS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	18	192
FEE AND COMMISSION INCOME	5,046	4,572
FEE AND COMMISSION EXPENSES	(1,489)	(1,225)
GAINS OR (-) LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	992	818
GAINS OR (-) LOSSES ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING, NET	180	(434)
GAINS OR (-) LOSSES ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	50	190
GAINS OR (-) LOSSES FROM HEDGE ACCOUNTING, NET	(56)	155
EXCHANGE DIFFERENCES (NET)	587	850
OTHER OPERATING INCOME	972	887
OTHER OPERATING EXPENSES	(1,644)	(1,436)
INCOME ON INSURANCE AND REINSURANCE CONTRACTS	2,741	2,633
EXPENSES ON INSURANCE AND REINSURANCE CONTRACTS	(1,977)	(1,880)
GROSS INCOME	**18,431**	**17,211**
ADMINISTRATION COSTS	(8,488)	(7,880)
DEPRECIATION	(1,061)	(932)
PROVISIONS OR (-) REVERSAL OF PROVISIONS	(463)	(574)
IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT ON FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	(3,114)	(3,214)
NET OPERATING INCOME	**5,305**	**4,610**
IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT OF INVESTMENTS IN SUBSIDARIES, JOINT VENTURES AND ASSOCIATES	-	-
IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT ON NON-FINANCIAL ASSETS	(172)	(206)
GAINS (LOSSES) ON DERECOGNIZED OF NON FINANCIAL ASSETS AND SUBSIDIARIES, NET	54	(2,146)
NEGATIVE GOODWILL RECOGNISED IN PROFIT OR LOSS	-	22
PROFIT OR (-) LOSS FROM NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE NOT QUALIFYING AS DISCONTINUED OPERATIONS	(80)	775
OPERATING PROFIT BEFORE TAX	**5,107**	**3,055**
TAX EXPENSE OR (-) INCOME RELATED TO PROFIT OR LOSS FROM CONTINUING OPERATION	(1,385)	(941)
PROFIT FROM CONTINUING OPERATIONS	**3,722**	**2,113**
PROFIT FROM DISCONTINUED OPERATIONS (NET)	-	-
PROFIT	**3,722**	**2,113**
Attributable to minority interest [non-controlling interests]	925	411
Attributable to owners of the parent	2,797	1,702

	Euros	
	September 2016	**September 2015 (*)**
EARNINGS PER SHARE	**0.41**	**0.24**
Basic earnings per share from continued operations	0.41	0.24
Diluted earnings per share from continued operations	0.41	0.24
Basic earnings per share from discontinued operations	-	-
Diluted earnings per share from discontinued operations	-	-

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

The accompanying Notes 1 to 10 are an integral part of the consolidated income statement corresponding to the nine months ended September 30, 2016.

BBVA Group

Condensed Interim Consolidated statements of recognized income and expenses for the nine months ended September 30, 2016 and 2015

Millions of Euros

	September 2016	September 2015 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	**3,722**	**2,113**
OTHER RECOGNIZED INCOME (EXPENSES)	**(1,659)**	**(4,900)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(70)**	**33**
Actuarial gains and losses from defined benefit pension plans	(108)	35
Non-current assets available for sale	-	-
Entities under the equity method of accounting	-	8
Income tax related to items not subject to reclassification to income statement	38	(10)
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(1,589)**	**(4,933)**
Hedge of net investments in foreign operations [effective portion]	**117**	**172**
Valuation gains or (-) losses taken to equity	117	172
Transferred to profit or loss	-	-
Other reclassifications	-	-
Foreign currency translation	**(2,043)**	**(3,528)**
Valuation gains or (-) losses taken to equity	(2,043)	(3,797)
Transferred to profit or loss	-	269
Other reclassifications	-	-
Cash flow hedges [effective portion]	213	(24)
Valuation gains or (-) losses taken to equity	**243**	**(8)**
Transferred to profit or loss	(30)	(2)
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	(14)
Available-for-sale financial assets	**387**	**(3,230)**
Valuation gains or (-) losses taken to equity	1,157	(2,010)
Transferred to profit or loss	(770)	(1,320)
Other reclassifications	-	100
Non-current assets held for sale	**-**	**-**
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Entities accounted for using the equity method	**(82)**	**782**
Income tax	**(181)**	**895**
TOTAL RECOGNIZED INCOME/EXPENSES	**2,063**	**(2,787)**
Attributable to minority interest [non-controlling interests]	598	(1,278)
Attributable to the parent company	1,465	(1,509)

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

The accompanying Notes 1 to 10 are an integral part of the condensed interim consolidated statement of recognized income and expenses for the nine months ended September 30, 2016.

BBVA Group

Condensed Interim Consolidated statements of changes in equity for the nine months ended September 30, 2016

Millions of Euros

September 2016	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	Non-controlling interest		Total
												Valuation adjustments	Rest	
Balances as of January 1, 2016	**3,120**	**23,992**	**-**	**35**	**22,588**	**22**	**(98)**	**(309)**	**2,642**	**(1,352)**	**(3,349)**	**(1,346)**	**9,495**	**55,439**
Total income/expense recognized	-	-	-	-	-	-	-	-	**2,797**	-	**(1,332)**	**(326)**	**925**	**2,063**
Other changes in equity	**56**	**-**	**-**	**(1)**	**1,222**	**(2)**	**(51)**	**245**	**(2,642)**	**(15)**	**-**	**-**	**(423)**	**(1,612)**
Issuances of common shares	56	-	-	-	(56)	-	-	-	-	-	-	-	-	-
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	-	-	-	-	32	-	(32)	-	-	(1,220)	-	-	(234)	(1,455)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,393)	-	-	-	-	-	(1,393)
Sale or cancellation of treasury shares	-	-	-	-	(36)	-	-	1,638	-	-	-	-	-	1,602
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	-	-	1,309	(2)	(18)	-	(2,642)	1,352	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(25)	4	-	-	-	-	-	-	-	-	(22)
Other increases or (-) decreases in equity	-	-	-	25	(31)	-	(2)	-	-	(147)	-	-	(189)	(344)
Balances as of September 30, 2016	**3,175**	**23,992**	**-**	**34**	**23,809**	**21**	**(150)**	**(64)**	**2,797**	**(1,367)**	**(4,681)**	**(1,672)**	**9,996**	**55,891**

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

The accompanying Notes 1 to 10 are an integral part of the condensed interim consolidated statement of changes in equity for the nine months ended September 30, 2016.

Condensed Interim Consolidated statements of changes in equity for the nine months ended September 30, 2015

Millions of Euros

September 2015 (*)	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	Non-controlling interest		Total
												Otro resultado global acumulado	Otros elementos	
Balances as of January 1, 2015	**3,024**	**23,992**	**-**	**66**	**20,281**	**23**	**633**	**(350)**	**2,618**	**(841)**	**(348)**	**(53)**	**2,564**	**51,609**
Total income/expense recognized	-	-	-	-	-	-	-	-	**1,702**	-	**(3,210)**	**(1,689)**	**411**	**(2,786)**
Other changes in equity	**66**	-	-	**(36)**	**2,359**	**(1)**	**(744)**	**56**	**(2,618)**	**(400)**	-	-	**6,096**	**4,778**
Issuances of common shares	66	-	-	-	(66)	-	-	-	-	-	-	-	-	-
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	-	-	-	-	83	-	(83)	-	-	(1,163)	-	-	(149)	(1,312)
Purchase of treasury shares	-	-	-	-	-	-	-	(2,682)	-	-	-	-	-	(2,682)
Sale or cancellation of treasury shares	-	-	-	-	3	-	-	2,738	-	-	-	-	-	2,741
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	-	-	2,439	(1)	(661)	-	(2,618)	841	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(48)	12	-	-	-	-	-	-	-	-	(36)
Other increases or (-) decreases in equity	-	-	-	12	(112)	-	-	-	-	(78)	-	-	6,245	6,067
Balances as of September 30, 2015	**3,090**	**23,992**	**-**	**30**	**22,640**	**22**	**(111)**	**(294)**	**1,702**	**(1,241)**	**(3,558)**	**(1,742)**	**9,071**	**53,601**

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

BBVA Group

Condensed Interim Consolidated statements of cash flows for the nine months ended September 30, 2016 and 2015

	Millions of Euros	
	September 2016	**September 2015 (*)**
CASH FLOW FROM OPERATING ACTIVITIES (1)	**(1,198)**	**12,173**
Profit for the year	**3,722**	**2,113**
Adjustments to obtain the cash flow from operating activities:	**4,269**	**14,582**
Depreciation and amortization	1,061	932
Other adjustments	3,208	13,650
Net increase/decrease in operating assets	**(7,804)**	**(3,581)**
Financial assets held for trading	1,317	(130)
Other financial assets/liabilities designated at fair value through profit or loss	1	(110)
Available-for-sale financial assets	8,486	(2,452)
Loans and receivables / Financial liabilities at amortized cost	(19,642)	(79)
Other operating assets/liabilities	2,034	(810)
Collection/Payments for income tax	**(1,385)**	**(941)**
CASH FLOWS FROM INVESTING ACTIVITIES (2)	**(2,079)**	**(3,223)**
Tangible assets	(669)	(788)
Intangible assets	(389)	(404)
Investments	317	797
Subsidiaries and other business units	(77)	(3,159)
Non-current assets held for sale and associated liabilities	486	248
Held-to-maturity investments	(1,747)	-
Other settlements/collections related to investing activities	-	83
CASH FLOWS FROM FINANCING ACTIVITIES (3)	**(468)**	**997**
Dividends	(1,431)	(286)
Subordinated liabilities	1,000	1,364
Common stock amortization/increase	-	-
Treasury stock acquisition/disposal	193	57
Other items relating to financing activities	(230)	(138)
EFFECT OF EXCHANGE RATE CHANGES (4)	**(2,336)**	**(5,255)**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)	**(6,081)**	**4,692**
CASH OR CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**43,466**	**31,430**
CASH OR CASH EQUIVALENTS AT END OF THE PERIOD	**37,386**	**36,122**

	Millions of Euros	
COMPONENTS OF CASH AND EQUIVALENT AT END OF THE YEAR	**September 2016**	**September 2015 (*)**
Cash	5,904	5,781
Balance of cash equivalent in central banks	31,482	30,341
Other financial assets	-	-
Less: Bank overdraft refundable on demand	-	-
TOTAL CASH OR CASH EQUIVALENTS AT END OF THE PERIOD	**37,386**	**36,122**

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

The accompanying Notes 1 to 10 are an integral part of the condensed interim consolidated statement of cash flows for the nine months ended September 30, 2016.

BBVA Group

Notes to the condensed interim consolidated financial statements as of and for the period ended September 30, 2016

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

Introduction

Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter "the Bank" or "BBVA") 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 on its web site (www.bbva.com).

In addition to the transactions it carries out directly, the Bank heads a group of subsidiaries, joint venture and associated entities 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 therefore required to prepare the Group's consolidated financial statements.

The consolidated financial statements of the BBVA Group for the year ended December 31, 2015 were approved by the shareholders at the Annual General Meeting ("AGM") on March 11, 2016.

Basis for the presentation of the condensed interim consolidated financial statements

The BBVA Group's unaudited condensed interim consolidated financial statements (hereinafter, the "consolidated financial statements") are presented in accordance with the International Accounting Standard 34 ("IAS 34"), on interim financial information for the preparation of financial statements for an interim period and have been presented to the Board of Directors at its meeting held on October 26,2016. According to IAS 34, the interim financial information is prepared solely with the purpose of updating the last prepared consolidated financial statements and interim consolidated financial statements, focusing on new activities, events and circumstances that occurred during the period without duplicating the information previously published in the last consolidated financial statements and interim consolidated financial statements. Therefore, the accompanying consolidated financial statements do not include all information required by a complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, consequently for an appropriate understanding of the information included in them, they should be read together with the consolidated financial statements of the Group for the year ended December 31, 2015 and interim consolidated financial statements of the Group for the first semester 2016. The consolidated financial statements of the Group for the year ended December 31, 2015 and the interim consolidated financial statements of the Group for the first semester 2016, were presented in accordance with the International Financial Reporting Standards endorsed by the European Union (hereinafter, "EU-IFRS") applicable as of December 31 2015 and June 30, 2016 respectively, considering the Bank of Spain Circular 4/2004, of 22 December (and as amended thereafter), and with any other legislation governing financial reporting applicable to the Group.

The accompanying consolidated financial statements were prepared applying the same 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 for the year ended December 31, 2015 and in the interim consolidated financial statements for the six months ended June 30, 2016, taking into account the standards and interpretations issued during the third quarter of 2016, so that they presented fairly the Group's consolidated equity and financial position of the Group as of September 30, 2016, together with the consolidated results of its operations and the consolidated cash flows generated in the Group during the nine months ended September 30, 2016. These 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 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. Some items that appear without a total in these consolidated financial statements do so because of the size of the units used. 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.

When determining the information to disclose about various items of the financial statements, the Group, in accordance with IAS 34, has taken into account their materiality in relation to the interim consolidated financial statements.

Comparative information

As of September 2016, the consolidated financial statements of BBVA Group are prepared in accordance with the presentation models required by Circular 5/2015 of the Comisión Nacional del Mercado de Valores. The aim is to adapt the content of the public financial information from the credit institutions and formats of the financial statements established mandatory by the European Union regulation for the credit institution.

The information included in the accompanying interim consolidated financial statements and the explanatory notes referring to December 31, 2015 and September 30, 2015 is presented exclusively for the purpose of comparison with the information for September 30, 2016.

In the first nine months ended September 30, 2016, the BBVA Group operating segments have not been significant changes with regard to the existing structure in 2015. The information related to operating segments as of December 31, 2015 and September 30, 2015 has been restated for comparability purposes, as required by IFRS 8 "Operating segments".

Seasonal nature of income and expenses

The nature of the most significant operations carried out by the BBVA Group's entities is mainly related to traditional activities carried out by financial institutions, which are not significantly affected by seasonal factors.

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 have to be made at times when preparing these consolidated financial statements in order to calculate the recorded amount of some assets, liabilities, income, expenses and commitments. These estimates (see Notes 6, 7, 8 and 9) relate mainly to the following:

- Impairment on certain financial assets.
- The assumptions used to quantify certain provisions and for the actuarial calculation of post-employment benefit liabilities and commitments.
- The useful life and impairment losses of tangible and intangible assets.
- The valuation of goodwill and price allocation of business combinations.
- The fair value of certain unlisted financial assets and liabilities.
- The recoverability of deferred tax assets.
- The Exchange rate and the inflation rate of Venezuela.

Although these estimates were made on the basis of the best information available as of September 30, 2016 on the events analyzed, future events may make it necessary to modify them (either up or down) over the coming years. This would be done prospectively in accordance with applicable standards, recognizing the effects of changes in the estimates in the corresponding consolidated income statement.

During the nine months ended September 30, 2016 there have been no significant changes to the assumptions made as of December 31, 2015, other than those indicated in these consolidated financial statements.

Related-party transactions

The information related to these transactions is presented in Note 53 of consolidated financial statements of the Group for the six months ended June 30, 2016.

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 of little relevance and are carried out under normal market conditions.

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

The accounting policies and methods applied for the preparation of the accompanying consolidated financial statements are the same as those applied in the Interim Consolidated Financial Statements ended June 30, 2016.

Recent IFRS pronouncements

Changes introduced in 2016

The following modifications to the IFRS standards or their interpretations (hereinafter "IFRIC") came into force after January 1, 2016. They have not had a significant impact on the BBVA Group's consolidated financial statements corresponding to the period ended September 30, 2016.

Amended IFRS 11 - "Joint Arrangements"

The amendments made to IFRS 11 require the acquirer of an interest in a joint operation in which the activity constitutes a business to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs.

Amended IAS 16 - "Property, Plant and Equipment" and Amended IAS 38 – "Intangible Assets"

The amendments made to IAS 16 and IAS 38 exclude, as general rule, as depreciation method to be used, those methods based on revenue that is generated by an activity that includes the use of an asset, because the revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits of the asset.

Amended IAS 27 – "Separate financial statements"

Changes to IAS 27 allow entities to use the equity method to account for investment in subsidiaries, joint ventures and associates, in their separate financial statements.

Annual improvements cycle to IFRSs 2012-2014

The annual improvements cycle to IFRSs 2012-2014 includes minor changes and clarifications to IFRS 5 – Non current assets held for sale and discontinued operations, IFRS 7 – Financial instruments: Information to disclose, IAS 19 – Employee benefits and IAS 34 – interim financial information.

Amended IAS 1 – Presentation of Financial Statements

The amendments made to IAS 1 further encourage companies to apply professional judgment in determining what information to disclose in their financial statements, in determining when line items are disaggregated and additional headings and subtotals included in the statement of financial position and the statement of profit or loss and other comprehensive income, and in determining where and in what order information is presented in the financial disclosures.

Amended IFRS 10 - "Consolidated Financial Statements", Amended IFRS 12 – "Disclosure of interests in other entities" and Amended IAS 28 – "Investments in Associates and Joint Ventures"

The amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities in three aspects:

- The amendments confirm that a parent entity that is a subsidiary of an investment entity has the possibility to apply the exemption from preparing consolidated financial statements

- The amendments clarify that if an investment entity has a subsidiary whose main purpose is to support the investment entity's investment activities by providing investment-related services or activities, to the entity or other parties, and that is not itself an investment entity, it shall consolidate that subsidiary; but if that subsidiary is itself an investment entity, the investment entity parent shall measure the subsidiary at fair value through profit or loss.

- The amendments require a non-investment entity investor to retain, when applying the equity method, the fair value measurement applied by an investment entity associate or joint venture to its interests in subsidiaries.

Standards and interpretations issued but not yet effective as of September 30, 2016

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 obligatory as of September 30, 2016. Although in some cases the IASB permits early adoption before they come into force, the BBVA Group has not done so as of this date, as it is still analyzing the effects that will result from them.

IFRS 9 - "Financial instruments"

The IASB has established January 1, 2018, as the mandatory application date, with the possibility of early adoption.

Amended IFRS 7 - "Financial instruments: Disclosures"

The IASB modified IFRS 7 in December 2011 to include new disclosures on financial instruments that entities will have to provide as soon as they apply IFRS 9 for the first time.

Amended IFRS 4 - "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"

The amendments introduce two approaches to address concerns that the financial statements of issuers of insurance contracts may be difficult to understand if IFRS 9 is applied before the forthcoming insurance contracts Standard:

- Overlay approach: gives all companies that issue insurance contracts within the scope of IFRS 4, the option to reclassify, from profit or loss to other comprehensive income, an amount equal to the difference between the amount reported in profit or loss for qualifying financial assets applying IFRS 9 and the amount that would have been reported in profit or loss for those financial assets applying IAS 39. Qualifying financial assets are contracts within the scope of IFRS 4 that are measured at fair value through profit or loss applying IFRS 9 that would not have been measured at fair value through profit or loss applying IAS 39. Entities can choose to apply the overlay approach only when they first apply IFRS 9.

- Deferral approach: gives companies whose activities are predominantly connected with issuing contracts within the scope of IFRS 4 an optional temporary exemption from applying IFRS 9 until the earliest of the application of the forthcoming insurance contracts Standard, or 1 January 2021. Entities are required to assess whether their activities are predominantly connected with insurance at the end of their annual reporting period immediately before 1 April 2016 and will apply the temporary exemption for annual periods beginning on or after 1 January 2018.

IFRS 15 - "Revenue from contracts with customers" and "clarifications to IFRS 15"

This Standard will be applied to the accounting years starting on or after January 1, 2018, although early adoption is permitted.

Amended IFRS 10 – "Consolidated financial statements" and IAS 28 amended

These changes will be applicable to accounting periods beginning on the effective date, still to be determined, although early adoption is allowed.

IAS 12 – "Income Taxes. Recognition of Deferred Tax Assets for Unrealized Losses"

These modifications will be applied to the accounting periods beginning on or after January 1, 2017, although early application is permitted.

IFRS 16 – "Leases"

The standard will be applied to the accounting years starting on or after January 1, 2019, although early application is permitted if IFRS 15 is also applied.

IAS 7 – "Statement of Cash Flows. Disclosure Initiative"

These modifications will be applied to the accounting periods beginning on or after January 1, 2017, although early application is permitted.

IFRS 2 – "Classification and Measurement of Share-based Payment Transactions"

These modifications will be applied to the accounting periods beginning on or after January 1, 2018, although early application is permitted.

3. BBVA Group

The BBVA Group is an international diversified financial group with a significant presence in retail banking, wholesale banking, asset management and private banking. The Group also operates in other sectors such as insurance, real estate, operational leasing, etc.

Appendices I and II of the Interim Consolidated Financial Statements for the first semester 2016, show relevant information as of June 30, 2016 related to the main subsidiaries and structured entities and joint ventures and associates accounted for using the equity method. Appendix III of the Interim Consolidated Financial Statements for the first semester 2016, show the main changes and notification of investments and divestments in the BBVA Group for the year ended June 30, 2016. Appendix IV of the Interim Consolidated Financial Statements for the first semester 2016, show fully consolidated subsidiaries with more than 10% owned by non-Group shareholders as of June 30, 2016.

The BBVA Group's activities are mainly located in Spain, Mexico, South America, the United States and Turkey, with an active presence in other areas of Europe and Asia (see Note 5). There have been no significant variations in the Group during the third quarter of 2016.

Ongoing operations

Mergers

The BBVA Group, at its Board of Directors meeting held on March 31, 2016, adopted a resolution to begin a merger process of BBVA S.A. (absorbing company), Catalunya Banc, S.A., Banco Depositario BBVA, S.A. y Unoe Bank, S.A. This transaction is part of the corporate reorganization of its banking subsidiaries in Spain.

On September 9, 2016, after obtaining the authorization from the pertinent authorities, the deed of merger by absorption of Catalunya Banc, S.A. into BBVA was registered at the Bizkaia Commercial Registry.

These transactions have no impact in the consolidated financial statements both from the accounting and the solvency stand points.

4. Shareholder remuneration system

On March 31, 2016, the Board of Directors approved the execution of the first of the share capital increases charged to voluntary reserves, as agreed by the AGM held on March 11, 2016 to implement the Dividend Option. As a result of this increase, the Bank's share capital increased by €55,702,125.43 (113,677,807 shares at a €0.49 par value each). 82.13% of the right owners have opted to receive newly-issued BBVA ordinary shares. The other 17.87% of the right owners opted to sell the rights of free allocation assigned to them to BBVA, and as a result, BBVA acquired 1,137,500,965 rights for a total amount of €146,737,624.49. The price at which BBVA has acquired such rights of free allocation (in execution of said commitment) was €0.129 per right.

The Board of Directors, at its meeting held on June 22, 2016, approved the distribution in cash of €0.08 (€0.0648 withholding tax) per BBVA share, as gross interim dividend against 2016 results. The dividend is expected to be paid on July 11, 2016. The total amount paid to the shareholder's, after deducting the treasury shares held by the Group's entities, amounted to €517million euros.

On September 28, 2016, the Board of Directors approved the execution of the first of the share capital increases charged to voluntary reserves, as agreed by the AGM held on March 11, 2016 to implement the Dividend Option. As a result of this increase, the Bank's share capital increased by €42,266,085.33 (86,257,317 shares at a €0.49 par value each). 87.85% of the right owners have opted to receive newly-issued BBVA ordinary shares. The other 12.15% of the right owners opted to sell the rights of free allocation assigned to them to BBVA, and as a result, BBVA acquired 787,374,942 rights for a total amount of 62,989,995.36 €. The price at which BBVA has acquired such rights of free allocation (in execution of said commitment) was €0.08 per right.

5. Operating segment reporting

The information about operating segments is provided in accordance with IFRS 8. Operating segment reporting represents a basic tool in the oversight and management of the BBVA Group's various activities. The BBVA Group compiles reporting information on disaggregated business activities. These business activities are then aggregated in accordance with the organizational structure determined by the BBVA Group management into operating segments and, ultimately, the reportable segments themselves.

During 2016, there have not been significant changes in the reporting structure of the operating segments of the BBVA Group compared to the structure existing at the end of 2015. The structure of the operating segment is as follows:

- Banking activity in Spain

  Includes, as in previous years, the Retail Network in Spain, Corporate and Business Banking (CBB), Corporate & Investment Banking (CIB), BBVA Seguros and Asset Management units in Spain. It also includes the portfolios, finance and structural interest-rate positions of the euro balance sheet.

- Real estate activity in Spain

  Covers specialist management of real-estate assets in the country (excluding buildings for own use), including: foreclosed real-estate assets from residential mortgages and developers; as well as lending to developers.

- The United States

  Includes the Group´s business activity in the country through the BBVA Compass group and the BBVA New York branch.

- Turkey

  Includes the activity of the Garanti Group.

- Mexico

  Includes all the banking, real-estate and insurance businesses in the country.

- South America

  Basically includes BBVA´s banking and insurance businesses in the region.

- Rest of Eurasia

  Includes business activity in the rest of Europe and Asia, i.e. the Group´s retail and wholesale businesses in the area.

Lastly, the Corporate Center comprised of the rest of the items that have not been allocated to the operating segments. It includes: the costs of the head offices that have a corporate function; management of structural exchange-rate positions; specific issues of capital instruments to ensure adequate management of the Group's global solvency; portfolios and their corresponding results, whose management is not linked to customer relations, such as industrial holdings; certain tax assets and liabilities; funds due to commitments with employees; goodwill and other intangibles. It also comprises the result from certain corporate operations carried out by the Group in 2015.

The breakdown of the BBVA Group's total assets by operating segments as of September 30, 2016 and December 31. 2015, is as follows:

	Millions of Euros	
Total Assets by Operating Segments	**September 2016**	**December 2015 (*)**
Banking Activity in Spain	332,848	339,775
Real Estate Activity in Spain	14,496	17,122
United States	84,676	86,454
Turkey	88,553	89,003
Mexico	89,678	99,594
South America	72,112	70,661
Rest of Eurasia	20,062	23,469
Subtotal Assets by Operating Segments	**702,425**	**726,079**
Corporate Center and other adjustments	22,202	23,999
Total Assets BBVA Group	**724,627**	**750,078**

(*) The figures corresponding to December 31, 2015 have been restated under 2016 operating segment reporting structure for the purpose of comparison with the information for September 30, 2016 (see Note 1).

The profit and main earning figures in the consolidated income statements for the nine months ended September 30, 2016 and 2015 by operating segments are as follows:

		Millions of Euros								
		Operating Segments								
Main Margins and Profits by Operating Segments	**BBVA Group**	**Banking Activity in Spain**	**Real Estate Activity in Spain**	**United States**	**Turkey**	**Mexico**	**South America**	**Rest of Eurasia**	**Corporate Center**	**Adjusments (*)**
September 2016										
Net interest income	12,674	2,911	44	1,421	2,516	3,829	2,182	123	(352)	-
Gross income	18,431	4,970	(29)	2,005	3,255	4,952	3,016	369	(108)	-
Net operating income (1)	8,882	2,260	(120)	640	1,981	3,157	1,606	119	(760)	-
Operating profit /(loss) before tax	5,107	1,327	(443)	398	1,475	1,943	1,196	138	(927)	-
Profit	**2,797**	**936**	**(315)**	**298**	**464**	**1,441**	**576**	**101**	**(704)**	
September 2015 (2)										
Net interest income	11,600	3,000	30	1,342	1,320	4,029	2,483	130	(324)	(411)
Gross income	17,211	5,385	(38)	1,964	1,371	5,269	3,405	359	(181)	(323)
Net operating income (1)	8,399	2,844	(131)	630	685	3,311	1,888	107	(824)	(111)
Operating profit /(loss) before tax	3,055	1,398	(605)	541	460	2,013	1,375	101	(947)	(1,280)
Profit	**1,702**	**987**	**(417)**	**394**	**249**	**1,522**	**693**	**66**	**(1,793)**	

(1) Gross Income less Administrative Cost and Amortization

(2) Year 2015 Includes adjustments due to Garanti Group accounted for using the equity method instead of using management criteria (proportionally integrated), until consolidation date.

(*) The figures corresponding to September 30, 2015 have been restated under 2016 operating segment reporting structure for the purpose of comparison with the information for September 30, 2016 (see Note 1).

6. Risk management

The principles and risk management policies, as well as tools and procedures established and implemented in the Group as of September 30, 2016 do not differ significantly from those included in the interim consolidated financial statements for the six months ended June 30, 2016 (see Note 7).

In accordance with IFRS 7, "Financial Instruments: Disclosures" the BBVA Group's maximum credit risk exposure by headings in the balance sheets as of September 30, 2016 and December 31, 2015 is provided below. It does not consider the availability of collateral or other credit enhancements to guarantee compliance with payment obligations. The details are broken down by financial instruments and counterparties.

	Millions of euros	
Maximum Credit Risk Exposure	**September 2016**	**December 2015**
Financial assets held for trading	**33,164**	**37,424**
Debt securities	29,240	32,825
Equity instruments	3,832	4,534
Customer lending	91	65
Other financial assets designated at fair value through profit or loss	**2,104**	**2,311**
Loans and advances to credit institutions	-	62
Debt securities	168	173
Equity instruments	1,936	2,075
Available-for-sale financial assets	**87,030**	**113,710**
Debt securities	82,040	108,448
Government	59,742	81,579
Credit institutions	5,170	8,069
Other sectors	17,128	18,800
Equity instruments	4,990	5,262
Loans and receivables	**474,116**	**490,580**
Loans and advances to central banks	9,646	17,830
Loans and advances to credit institutions	30,664	29,368
Loans and advances to customers	422,843	432,856
Debt securities	10,962	10,526
Held-to-maturity investments	**19,107**	**-**
Derivatives (trading and hedging)	**55,620**	**49,350**
Total Financial Assets Risk	**671,141**	**693,375**
Total Loan commitments and financial guarantees	**175,040**	**185,609**
Total Maximum Credit Exposure	**846,181**	**878,984**

The table below shows the composition of the impaired financial assets and risks as of September 30, 2016 and December 31, 2015, broken down by heading in the accompanying consolidated balance sheet:

Millions of euros

Impaired secured loans Risks. Breakdown by Type of Asset and by Sector	September 2016	December 2015
Impaired financial Assets		
Available-for-sale financial assets	238	76
Debt securities	238	76
Loans and receivables	23,627	25,363
Loans and advances to credit institutions	22	25
Loans and advances to customers	23,589	25,333
Debt securities	17	5
Total Impaired financial Assets	**23,865**	**25,439**
Impaired financial guarantees given	**665**	**664**
Total impaired secured loans Risks	**24,530**	**26,103**

Below is presented the change in the impaired financial assets in the period ended September 30, 2016 and period ended December 31, 2015:

Millions of euros

Changes in Impaired Financial Assets and Contingent Risks	September 2016	September 2015
Balance at the beginning	**26,103**	**23,234**
Additions	8,195	6,284
Decreases (*)	(5,583)	(4,917)
Net additions	**2,612**	**1,367**
Amounts writtens off	(4,209)	(3,702)
Acquisition of subsidiaries in the year	-	5,814
Exchange diffetences and other	24	(206)
Balance at the end	**24,530**	**26,507**

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

Below is a breakdown of the impairment losses and provisions for contingent risks recognized on the accompanying consolidated balance sheets to cover estimated impairment losses as of September 30, 2016 and December 31, 2015, broken down by heading in the accompanying consolidated balance sheet:

	Millions of euros	
Impairment Losses and Provisions for Contingent Risks	**September 2016**	**December 2015**
Available-for-sale financial assets	**356**	**284**
Loans and receivables	**16,777**	**18,752**
Loans and advances to credit institutions	16,720	18,691
Loans and advances to customers	40	51
Debt securities	18	10
Held-to-maturity investments	**12**	**-**
Impairment losses on financial assets	**17,146**	**19,036**
Provisions for commitments and guarantees given	**940**	**714**
Total provisions for credit risks	**18,086**	**19,750**

Below are the changes in the period of three months ended September 30, 2016 and December 31, 2015, in the estimated impairment losses:

	Millions of euros	
Changes in Impaired Financial Assets	**September 2016**	**September 2015**
Balance at the beginning	**19,750**	**14,833**
Increase in impairment losses charged to income	5,992	4,632
Decrease in impairment losses charged to income	(2,496)	(1,068)
Acquisition of subsidiaries in the year	-	6,924
Transfer to written-off loans, exchange differences and other	(5,161)	(5,541)
Balance at the end	**18,086**	**19,780**

7. Fair Value

The criteria and valuation methods used to calculate the fair value of financial assets as of September 30, 2016, do not differ significantly from those included in the Note 8 from the interim consolidated financial statements for the six months ended June 30, 2016.

During the three months ended September 30, 2016, there is no material entry due to financial instruments transfers between the different levels of measurement and the changes are due to the variations in the fair value of the financial instruments.

8. Balance sheet

Cash and cash balances at central banks

Millions of Euros

Cash and cash balances at central banks	September 2016	December 2015
Cash on hand	5,904	7,192
Cash balances at central banks	21,856	18,445
Other demand deposits	3,414	3,646
Total Assets	**31,174**	**29,282**
Deposits from Central Banks (*) (**)	32,802	21,022
Repurchase agreements	5,639	19,065
Total Liabilities	**38,441**	**40,087**

(*) Includes Accrued Interest

(**) Variation mainly due to the participation in TLTRO program

Financial Assets and Liabilities Held-for-Trading

Millions of Euros

Financial Assets and Liabilities Held-for-Trading	September 2016	December 2015
Loans and advances	91	65
Debt securities	29,240	32,825
Equity instruments	3,832	4,534
Derivatives	42,405	40,902
Total Assets	**75,569**	**78,326**
Derivatives	42,599	42,149
Short positions	12,627	13,053
Total Liabilities	**55,226**	**55,203**

Millions of Euros

Financial Assets Held-for-Trading Debt securities by issuer	September 2016	December 2015
Issued by Central Banks	386	214
Spanish government bonds	4,672	7,419
Foreign government bonds	20,549	21,821
Issued by Spanish financial institutions	273	328
Issued by foreign financial institutions	1,612	1,438
Other debt securities	1,749	1,606
Total	**29,240**	**32,825**

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

	Millions of Euros	
Financial assets and liabilities designated at fair value through profit or loss	**September 2016**	**December 2015**
Loans and advances to credit institutions	-	62
Debt securities	168	173
Unit-linked products	147	163
Other securities	21	9
Equity instruments	1,936	2,075
Unit-linked products	1,792	1,960
Other securities	144	115
Total Assets	**2,104**	**2,311**
Other financial liabilities	2,436	2,649
Unit-linked products	2,436	2,649
Total Liabilities	**2,436**	**2,649**

Available-for-sale financial assets

	Millions of Euros	
Available-for-Sale Financial Assets	**September 2016**	**December 2015**
Debt securities	82,040	108,448
Impairment losses	(173)	(139)
Subtotal	**81,866**	**108,310**
Equity instruments	4,990	5,262
Impairment losses	(183)	(146)
Subtotal	**4,807**	**5,116**
Total	**86,673**	**113,426**

	Millions of Euros	
Available-for-Sale Financial Assets **Debt securities**	**September 2016**	**December 2015**
Debt securities		
Issue by Central Banks	2,030	2,273
Spanish government bonds	27,501	40,394
Foreign government bonds	30,211	38,913
Issue by credit institutions	5,170	8,069
Resident	1,154	2,789
Non-resident	4,016	5,279
Other debt securities	15,562	18,150
Resident	1,352	2,074
Non-resident	14,209	16,076
Total gross	**80,473**	**107,798**
Impairment losses	(173)	(139)
Accruals and adjustments for hedging derivatives	1,566	650
Total	**81,866**	**108,310**

During the nine months of 2016, the heading "Available for sale financial assets- Debt securities" decreased mainly due to the reclassification of certain debt securities to the heading "Held to maturity investments" in BBVA S.A. and in Garanti Group, mainly related to government debt securities.

Loans and receivables

Loans and receivables	Millions of euros September 2016	December 2015
Loans and advances to central banks	**9,646**	**17,830**
Loans and advances to credit institutions	**30,624**	**29,317**
Loans and advances to customers	**406,124**	**414,165**
Mortgage secured loans	142,124	144,203
Other loans secured with security interest	58,315	57,041
Unsecured loans	132,606	137,322
Credit lines	12,868	13,758
Commercial credit	12,056	13,434
Receivable on demand and other	8,799	9,226
Credit cards	14,767	15,360
Finance leases	8,920	9,032
Reverse repurchase agreements	5,191	5,036
Financial paper	1,052	1,063
Impaired assets	23,589	25,333
Total gross	**420,287**	**430,808**
Valuation adjustments	**(14,164)**	**(16,643)**
Impairment losses	(16,720)	(18,691)
Derivatives – Hedge accounting and others	1,405	1,199
Rest of valuation adjustments	1,151	849
Debt securities	**10,943**	**10,516**
Total	**457,338**	**471,828**

The heading "Loans and receivables – Loans and advances to customers" in the accompanying consolidated balance sheets also includes certain secured loans that pursuant to the Mortgage Market Act, are linked to long-term mortgage-covered bonds. This heading also includes some loans that have been securitized. The balances recognized in the accompanying consolidated balance sheets as of September 30, 2016 and December 31, 2015 amounted to €32,339 million and €32,621 million, respectively.

Held to maturity investments

Held-to-Maturity Investments (*)	Millions of Euros September 2016
Domestic Debt Securities	
Spanish Government and other government agency debt securities	9,189
Other Domestic Securities	680
Credit institutions	523
Other resident	156
Foreign Debt Securities	
Government and other government agency debt securities	8,200
Others securities	1,038
Credit institutions	974
Other non resident	64
Valuation adjustments	(12)
TOTAL	**19,094**

(*) As of December 31, 2015 the Group BBVA has not registered any balances in this heading.

In the first quarter of 2016, some debt securities were reclassified from "Available-for-sale financial assets" to "Held-to-maturity investments". This reclassification has been carried out once past the two-year penalty established in IAS-39 standard (penalization which meant not being able to keep maturity portfolio due to the significant sales that occurred in the year 2013) and since the intention the Group regarding how to manage such securities, is held to maturity.

The fair value carrying amount of these financials asset on the date of the reclassification amounted to €17,650 million and becomes its new amortized cost. The previous gain on that asset that has been recognized in "Accumulated other comprehensive income – Items that may be reclassified to profit or loss - Available for sale financial assets" is amortized to profit or loss over the remaining life of the held-to-maturity investment using the effective interest method. Any difference between the new amortized cost and maturity amount is also amortized over the remaining life of the financial asset using the effective interest method, similar to the amortization of a premium and a discount. This reclassification was triggered by a change in the Group´s strategy regarding the management of these securities.

Investments in joint ventures and associates

	Millions of Euros	
Associates Entities and joint ventures. Breakdown by entities	**September 2016**	**December 2015**
Associates Entities	543	636
Joint ventures	207	243
Total	**751**	**879**

As of September 30, 2016, the Group had classified part of the stake (317 million euros) held by the Group in Metrovacesa, SA to financial assets available for sale after the announcement of the spin off and merger of one of the split-off parts with Merlin Properties REIT, SA, which was finally formalized on October 20, 2016. This reclassification resulted in such participation converted to fair value with no significant loss recorded in the consolidated income statement.

Tangible assets

	Millions of euros	
Tangible Assets. Breakdown by Type of Asset Cost Value, Amortizations and impairments	**September 2016**	**December 2015**
Property plant and equipment		
For own use		
Land and Buildings	5,742	5,858
Work in Progress	328	545
Furniture, Fixtures and Vehicles	7,547	7,628
Accumulated depreciation	(5,787)	(5,654)
Impairment	(351)	(354)
Subtotal	7,479	8,021
Leased out under an operating lease		
Assets leased out under an operating lease	958	668
Accumulated depreciation	(223)	(202)
Impairment	(11)	(10)
Subtotal	725	456
Subtotal	**8,204**	**8,477**
Investment property		
Building rental	1,954	2,013
Other	48	378
Accumulated depreciation	(110)	(116)
Impairment	(627)	(808)
Subtotal	**1,265**	**1,467**
Total	**9,470**	**9,944**

Intangible assets

	Millions of Euros	
Intangible Assets.	**September 2016**	**December 2015**
Goodwill	6,692	6,811
Other intangible assets	2,811	3,464
Total	**9,503**	**10,275**

During the third quarter of 2016, the Group completed without significant changes the adjustments to the initial calculation of the acquisition of Garanti (July 2015), in accordance with the acquisition method as per IFRS-3. Among these adjustments, the Garanti brand has been reclassified to an intangible asset with a finite useful life, with the subsequent depreciation under "Depreciation - Other intangible assets" within the income statement (Note 9).

Tax assets and liabilities

	Millions of Euros	
Tax assets and liabilities	**September 2016**	**December 2015**
Tax assets-	**17,318**	**17,779**
Current tax assets	1,312	1,901
Deferred (*)	16,007	15,878
Tax Liabilities-	**4,593**	**4,721**
Current tax liabilities	964	1,238
Deferred tax liabilities	3,630	3,483

(*) Includes guarantee deferred assets totaling €9,365 and €9,536 million as of September 30, 2016 and December 31, 2015 respectively.

Pursuant to current legislation, the BBVA Consolidated Tax Group 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 other banks and subsidiaries file tax returns in accordance with the tax legislation in force in each country.

According to IAS 34, income tax expense is recognized in each interim period based on the Group's best estimate of the weighted average annual income tax rate expected for the full financial year.

The balance under the heading "Tax assets" in the accompanying consolidated balance sheets includes deferred tax assets. The balance under the "Tax liabilities" heading includes to the Group's various deferred tax liabilities.

Other assets and liabilities

Millions of Euros

Other assets and liabilities. Breakdown by nature	September 2016	December 2015
Inventories	3,768	4,303
Real estate companies	3,737	4,172
Others	31	131
Transactions in progress	234	148
Accruals	913	804
Unaccrued prepaid expenses	620	558
Other prepayments and accrued income	294	246
Insurance contracts linked to pensions	-	-
Other items	3,464	3,311
Total Assets	**8,379**	**8,566**
Transactions in progress	206	52
Accruals	2,780	2,609
Unpaid accrued expenses	2,120	2,009
Other accrued expenses and deferred income	660	600
Other items	764	1,949
Total Liabilities	**3,749**	**4,610**

Non-current assets and disposal groups classified as held for sale

Millions of Euros

Non-current assets and disposal groups classified as held for sale Breakdown by items	September 2016	December 2015
Foreclosures and recoveries	4,067	3,991
Other assets from:	392	706
Business sale - Assets	60	37
Accrued amortization (*)	(53)	(80)
Impairment losses	(1,340)	(1,285)
Total Non-current assets and disposal groups classified as held for sale	**3,126**	**3,369**

(*) Net of accumulated amortization until reclassified as non-current assets and disposal groups held for sale.

Financial liabilities at amortized cost

Millions of Euros

Financial liabilities measured at amortised cost	September 2016	December 2015
Deposits	491,905	511,992
Deposits from Central Banks	38,441	40,087
Deposits from Credit Institutions	68,116	68,543
Customer deposits	385,348	403,362
Debt securities issued	76,363	81,980
Other financial liabilities	13,325	12,141
Total	**581,593**	**606,113**

Deposits from credit institutions

	Millions of euros	
Deposits from credit institutions	**September 2016**	**December 2015**
Reciprocal accounts	144	160
Deposits with agreed maturity	31,881	37,859
Demand deposits	4,560	4,121
Other accounts	28	149
Repurchase agreements	31,329	26,069
Subtotal	**67,942**	**68,358**
Accrued interest until expiration	174	185
Total	**68,116**	**68,543**

Customer deposits

	Millions of euros	
Customer deposits	**September 2016**	**December 2015**
General Governments	20,860	25,343
Of which:		
Repurchase agreements	-	7,556
Current accounts	111,867	112,273
Savings accounts	83,306	82,975
Fixed-term deposits	157,459	165,125
Repurchase agreements	9,444	15,711
Subordinated deposits	234	285
Other accounts	1,227	812
Accumulated other comprehensive income	951	839
Total	**385,349**	**403,362**
Of which:		
In Euros	184,093	203,053
In foreign currency	201,255	200,309
Of which:		
Deposits from other creditors without valuation adjustment	384,637	402,689
Accrued interests	711	673

Debt securities issued

Millones de euros

Debt securities issued	September 2016	December 2015
In Euros	**45,592**	**51,449**
Promissory bills and notes	721	456
Non-convertible bonds and debentures	8,900	9,764
Mortgage Covered bonds	23,083	28,740
Hybrid financial instruments	418	384
Securitization bonds made by the Group	3,563	4,580
Accrued interest and others (*)	1,745	1,425
Subordinated liabilities	7,162	6,100
Convertible	4,000	3,000
Convertible perpetual securities	4,000	3,000
Convertible subordinated debt	-	-
Non-convertible	3,043	3,041
Preferred Stock	358	358
Other subordinated liabilities	2,685	2,683
Accrued interest and others (*)	119	59
Other subordinated liabilities	**30,771**	**30,531**
Promissory bills and notes	248	192
Non-convertible bonds and debentures	13,937	14,793
Mortgage Covered bonds	149	146
Hybrid financial instruments	2,151	2,392
Securitization bonds made by the Group	4,245	3,039
Accrued interest and others (*)	293	254
Subordinated liabilities	9,748	9,715
Convertible	1,406	1,439
Convertible perpetual securities	1,406	1,439
Convertible subordinated debt	-	-
Non-convertible	7,713	7,818
Preferred Stock	595	616
Other subordinated liabilities	7,118	7,202
Accrued interest and others (*)	630	458
Convertible subordinated debt	**76,363**	**81,981**

(*) Hedging transactions and issuance expenses

During the nine months ended September 30, 2016, BBVA, S.A. has amortized €7,263 million. BBVA SA issued €2,750 million of mortgage bonds, in the same period.

Other subordinated liabilities

Millions of euros

Other financial liabilities	September 2016	December 2015
Creditors for other financial liabilities	4,157	3,303
Collection accounts	2,725	2,369
Creditors for other payment obligations	6,443	5,960
Dividend payable but pending payment	-	509
Total	**13,325**	**12,141**

Liabilities under insurance and reinsurance contracts

	Millions of euros	
Liabilities under Insurance and Reinsurance Contracts Technical Reserve and Provisions	**September 2016**	**December 2015**
Mathematical reserves	7,951	8,101
Provision for unpaid claims reported	699	697
Provisions for unexpired risks and other provisions	624	609
Total	**9,274**	**9,407**

Provisions

	Millions of euros	
Provisions. Breakdown by concepts	**September 2016**	**December 2015**
Pensions and other post employment defined benefit obligations	5,967	6,299
Other long term employee benefits	-	-
Pending legal issues and tax litigation	451	616
Commitments and guarantees given	939	714
Other provisions (*):	1,270	1,223
Total	**8,627**	**8,852**

(*) Provisions or contingencies in different geographies, those, individually, are not significant.

Pension and other post-employment commitments

Employees are covered by defined contribution plans in practically all of the countries in which the Group operates, with the plans in Spain and Mexico being the most significant. Most defined benefit plans are closed to new employees and with liabilities relating largely to inactive employees, the most significant being those in Spain, Mexico, the United States and Turkey. In Mexico, the Group provides post-retirement medical benefits to a closed group of employees and their family members.

The amounts relating to post-employment benefits charged to the profit and loss account and other comprehensive income are as follows:

	Millions of Euros	
Consolidated Income Statement Impact	**September 2016**	**September 2015**
Interest and similar expenses (*)	77	100
Personnel expenses	118	133
Defined contribution plan expense	67	68
Defined benefit plan expense	51	65
Provisions (net)	277	444
Total impact on Income Statement: Debit (Credit)	**472**	**677**

(*) Interest and similar charges includes interest charges/credits.

Common stock

As of September 30, 2016, BBVA's share capital amounted to €3.175.375.383,25 divided into 6.480.357.925 shares. As a result of the increase carried out on October 19, 2016, due to the execution of the first of the capital increase described in Note 4, BBVA's share capital, at the date of preparation of these consolidated financial statements, amounted to €3,217,641,468.58 divided into 6,566,615,242 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 shares carry the same voting and dividend rights, and no single stockholder enjoys special voting rights. Each and every share is part of the Bank's common stock.

Retained earnings, revaluation reserves and other reserves

Millions of Euros

Retained earnings, revaluation reserves and other reserves	September 2016	December 2015
Retained earnings	23,809	22,588
Revaluation reserves	21	22
Other reserves	(150)	(98)
Reserves or accumulated losses of investments in subsidaries, joint ventures and associates	(150)	(98)
Other	-	-
Total	**23,680**	**22,512**

Accumulated other comprehensive income

Millions of euros

Accumulated other comprehensive income	September 2016	December 2015
Items that will not be reclassified to profit or loss	(929)	(859)
Actuarial gains or (-) losses on defined benefit pension plans	(929)	(859)
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognised income and expense of investments in subsidaries, joint ventures and associates	-	-
Other adjustments	-	-
Items that may be reclassified to profit or loss	(3,752)	(2,490)
Hedge of net investments in foreign operations [effective portion]	(167)	(274)
Foreign currency translation	(5,588)	(3,905)
Hedging derivatives. Cash flow hedges [effective portion]	122	(49)
Available-for-sale financial assets	1,898	1,674
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognised income and expense of investments in subsidaries, joint ventures and associates	(18)	64
Total	**(4,681)**	**(3,349)**

Minority interest (non-controlling interests)

Millions of euros

Minority interest Breakdown by Subsidiaries	September 2016	December 2015
BBVA Colombia Group	62	58
BBVA Chile Group	347	314
BBVA Banco Continental Group	931	913
BBVA Banco Provincial Group	101	100
BBVA Banco Francés Group	216	220
Garanti Group	6,600	6,460
Other companies	67	85
Total	**8,324**	**8,149**

Attributable to minority interest (non-controlling interests) Breakdown by Subsidiaries	September 2016	September 2015
	Millions of euros	
BBVA Colombia Group	6	8
BBVA Chile Group	26	33
BBVA Banco Continental Group	140	158
BBVA Banco Provincial Group	(11)	3
BBVA Banco Francés Group	49	58
Garanti Group	708	125
Other companies	6	26
Total	**925**	**411**

Commitments and guarantees given

Loan commitments and financial guarantees	September 2016	December 2015
	Millions of euros	
Financial guarantees given		
Collateral, bank guarantees and indemnities	39,557	39,971
Rediscounts, endorsements and acceptances	647	538
Letter of credit and others	9,764	9,367
Total financial guarantees given	**49,969**	**49,876**
Loan Commitments given		
Balances drawable by third parties:	109,661	123,620
Credit institutions	864	921
Government and other government agencies	2,920	2,570
Other resident sectors	27,399	27,334
Non-resident sector	78,477	92,795
Other contingent liabilities	15,412	12,113
Total loan commitments given	**125,072**	**135,733**
Total Loan commitments and financial guarantees	**175,041**	**185,609**

Off-balance sheet customer funds

Off-Balance Sheet Customer Funds by Type	September 2016	December 2015
	Millions of euros	
Mutual funds	54,555	54,419
Pension funds	32,628	31,542
Customer portfolios	40,494	42,074
Other resources	3,156	3,786
Total	**130,833**	**131,822**

9. Income statement

During 2015, the following events took place: acquisition of Catalunya Banc (second quarter), the consolidation of Garanti from the date of effective control (third quarter). These effects impact all the income statement lines of the Group.

Net Interest income

Interest income

Millions of Euros

Interest Income Breakdown by Origin	September 2016	September 2015
Central Banks	156	107
Loans and advances to credit institutions	159	176
Loans and advances to customers	16,095	13,751
General governments	317	429
Resident sector	2,251	2,541
Non resident sector	13,528	10,782
Debt securities	3,173	2,709
Held for trading	745	758
Available-for-sale financial assets	2,429	1,951
Adjustments of income as a result of hedging transactions	(296)	(255)
Insurance activity	869	807
Other income	478	428
Total	**20,636**	**17,724**

Interest expenses

Millions of Euros

Interest Expenses Breakdown by Origin	September 2016	September 2015
Central banks	162	91
Deposits from credit institutions	1,016	803
Customers deposits	4,346	3,011
Debt securities issued	1,753	1,886
Adjustments of expenses as a result of hedging transactions	(420)	(666)
Cost attributable to pension funds	77	100
Insurance activity	593	581
Other expenses	435	317
Total	**7,961**	**6,124**

Dividend interest

Millions of Euros

Dividend Income	September 2016	September 2015
Dividends from:		
Financial assets held for trading	131	120
Available-for-sale financial assets	204	168
Total	**336**	**288**

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

"Investments in Entities Accounted for Using the Equity Method" amounted to €18 million for the nine months ended September 30, 2016 compared with the €192 million recorded for the three nine ended September 30, 2015 mainly as a result of the decrease in the contribution from Garanti Group due to the change in consolidation method that took place in the third quarter of 2015.

Fee and Commissions Income and expenses

	Millions of Euros	
Fee and Commission Income	**September 2016**	**September 2015**
Bills receivables	40	62
Demand accounts	351	327
Credit and debit cards	1,998	1,379
Checks	152	179
Transfers and others payment orders	422	377
Insurance product commissions	132	141
Commitment fees	178	128
Contingent risks	301	303
Asset Management	627	644
Securities fees	257	228
Custody securities	92	102
Other fees and commissions	496	702
Total	**5,046**	**4,572**

	Millions of Euros	
Fee and Commission Expenses	**September 2016**	**September 2015**
Commissions for selling insurance	45	61
Credit and debit cards	946	708
Transfers and others payment orders	75	74
Other fees and commissions	422	382
Total	**1,489**	**1,225**

Gains or losses on financial assets and liabilities

	Millions of Euros	
Gains or losses on financial assets and liabilities Breakdown by Heading of the Balance Sheet	**September 2016**	**September 2015**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	992	818
Available-for-sale financial assets	770	751
Loans and receivables	81	67
Other	142	-
Gains or losses on financial assets and liabilities held for trading, net	180	(434)
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	50	190
Gains or losses from hedge accounting, net	(56)	155
Total	**1,166**	**730**

Gains or losses on financial assets and liabilities Breakdown by nature of the Financial Instrument	September 2016	September 2015
	Millions of Euros	
Debt instruments	681	305
Equity instruments	133	(540)
Loans and advances to customers	51	74
Derivatives	254	712
Costumer deposits	22	158
Other	25	20
Total	**1,166**	**730**

Exchange differences (net)

The balance of the heading "Exchange differences (net)" stood at €587 million in the third quarter of 2016, compared with €850 million in the third quarter of 2015.

Other operating income and expenses and income and expenses on insurance and reinsurance contracts

Other operating income and income on insurance and reinsurance contracts	September 2016	September 2015
	Millions of Euros	
Other operating income	**972**	**887**
Financial income from non-financial services	623	591
Of which: Real estate companies	408	428
Rest of other operating income	350	297
Of which: from rented buildings	57	65
Income on insurance and reinsurance contracts	**2,741**	**2,633**

Other operating expenses and expenses on insurance and reinsurance contracts	September 2016	September 2015
	Millions of Euros	
Other operating expenses	**1,644**	**1,436**
Change in inventories	446	440
Of Which: Real estate companies	368	386
Rest of other operating expenses	1,198	996
Expenses on insurance and reinsurance contracts	**1,977**	**1,880**

Administration costs

Personnel expenses

Personnel Expenses	September 2016	September 2015
	Millions of Euros	
Wages and salaries	3,908	3,443
Social security costs	601	597
Defined contribution plan expense	67	68
Defined benefit plan expense	51	65
Other personnel expenses	397	413
Total	**5,025**	**4,586**

Other administrative expenses

	Millions of Euros	
General and Administrative Expenses	**September 2016**	**September 2015**
Technology and systems	509	494
Communications	230	229
Advertising	299	286
Property, fixtures and materials	819	837
Of which: Rent expenses (*)	470	483
Taxes other than income tax	325	325
Other expenses	1,281	1,123
Total	**3,463**	**3,294**

(*) The consolidated companies do not expect to terminate the lease contracts early.

Depreciation

	Millions of Euros	
Depreciation	**September 2016**	**September 2015**
Tangible assets	509	434
For own use	493	415
Investment properties	16	19
Assets leased out under financial lease	-	-
Other Intangible assets	552	498
Total	**1,061**	**932**

Provisions or reversal of provisions

	Millions of Euros	
Provisions or reversal of provisions	**September 2016**	**September 2015**
Pensions and other post employment defined benefit obligations	277	444
Other long term employee benefits	-	-
Commitments and guarantees given	17	12
Pending legal issues and tax litigation	40	36
Other Provisions	128	82
Total	**463**	**574**

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss

	Millions of Euros	
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	**September 2016**	**September 2015**
Available-for-sale financial assets	**152**	**3**
Debt securities	116	1
Other equity instruments	36	2
Loans and receivables	**2,962**	**3,211**
Of which: Recovery of written-off assets	366	338
Total	**3,114**	**3,214**

Impairment or reversal of impairment on non-financial assets

Millions of Euros

Impairment or reversal of impairment on non-financial assets	September 2016	September 2015
Intangible assets	-	-
Other intangible assets	3	4
Tangibles assets for own use	38	24
Investment properties	28	30
Inventories	103	148
Total	**172**	**206**

Gains or losses on derecognition of non-financial assets and investments in subsidiaries, joint ventures and associates, net

Millions of Euros

Gains or losses on derecognition of non-financial assets and investments in subsidiaries, joint ventures and associates, net	September 2016	September 2015
Gains		
Disposal of investments in subsidiaries	41	13
Disposal of tangible assets and other	46	63
Losses:		
Disposal of investments in subsidiaries	-	(2,218)
Disposal of tangible assets and other	(33)	(4)
Total	**54**	**(2,146)**

During 2015, the heading "Losses – Disposal of investments in subsidiaries" included, mainly, the fair value measurement of its previously acquired stake in Garanti because of the change in the consolidation method.

Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	September 2016	September 2015
Gains on sale of real estate	33	23
Impairment of non-current assets held for sale	(129)	(170)
Gains on sale of investments classified as non current assets held for sale	16	44
Gains on sale of equity instruments classified as non current assets held for sale (*)	-	878
Total	**(80)**	**775**

(*) The balance of this heading includes the gains from the sale of CNCB during 2015

10. Subsequent events

From October 1, 2016 to the date of preparation of these consolidated financial statements, no other subsequent events not mentioned above in these interim financial statements, except the one mentioned in note 4 concerning to the dividend option, have taken place that significantly affect the Group's earnings or its equity position.

BBVA

Management Report January-September 2016

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BBVA Group highlights

BBVA Group highlights

(Consolidated figures)

	30-09-16	Δ%	30-09-15	31-12-15
Balance sheet (million euros)				
Total assets	724,627	(2.9)	746,477	750,078
Loans and advances to customers (gross)	422,844	(0.8)	426,295	432,855
Deposits from customers	385,348	(1.0)	389,154	403,362
Other customer funds	130,833	0.8	129,752	131,822
Total customer funds	516,181	(0.5)	518,906	535,184
Total equity	55,891	4.3	53,601	55,439
Income statement (million euros)				
Net interest income	12,674	5.5	12,011	16,426
Gross income	18,431	5.1	17,534	23,680
Operating income	8,882	4.4	8,510	11,363
Income before tax	5,107	17.8	4,335	5,879
Net attributable profit	2,797	64.3	1,702	2,642
The BBVA share and share performance ratios				
Number of shares (millions)	6,480	2.8	6,305	6,367
Share price (euros)	5.38	(29.0)	7.58	6.74
Earning per share (euros)	0.41	70.3	0.24	0.38
Book value per share (euros)	7.33	(0.7)	7.38	7.47
Tangible book value per share (euros)	5.88	0.7	5.83	5.85
Market capitalization (million euros)	34,877	(27.0)	47,794	42,905
Yield (dividend/price; %)	6.9		4.9	5.5
Significant ratios (%)				
ROE (net attributable profit/average shareholders' funds)	7.2		5.2	5.2
ROTE (net attributable profit/average shareholders' funds excluding intangible assets)	9.0		6.4	6.4
ROA (net income/average total assets)	0.67		0.46	0.46
RORWA (net income/average risk-weighted assets)	1.26		0.86	0.87
Efficiency ratio	51.8		51.5	52.0
Cost of risk	0.92		1.10	1.06
NPL ratio	5.1		5.6	5.4
NPL coverage ratio	72		74	74
Capital adequacy ratios (%) (1)				
CET1	12.3		11.7	12.1
Tier 1	13.0		11.7	12.1
Total capital ratio	15.9		14.6	15.0
Other information				
Number of shareholders	947,244	1.7	931,757	934,244
Number of employees	136,244	(1.2)	137,904	137,968
Number of branches	8,761	(5.3)	9,250	9,145
Number of ATMs	30,890	4.1	29,665	30,616

General note: Since the third quarter of 2015, the total stake in Garanti is consolidated by the full integration method. For previous periods, the financial information provided in this document is presented integrated in the proportion corresponding to the percentage of the Group's stake then (25.01%).

(1) The capital ratios are calculated under CRD IV from Basel III regulation, applying a 60% phase-in for 2016 and a 40% for 2015.

Group information

Relevant events

Results (pages 4-9)

- Year-on-year figures are affected by changes in the Group's scope of consolidation in the second and third quarter of 2015 (**Catalunya Banc** –CX– and **Garanti**, respectively).
- Although the negative effect of **exchange rates** has eased, the cumulative impact through September continues to be significant.
- Taking into account the stake in Garanti in comparable terms, i.e. including it as if it had been incorporated by the full integration method since January 1, 2015, if the impact of corporate operations from January through September 2015 is excluded, and if the exchange-rate effect is isolated, the most relevant aspects in terms of cumulative earnings are as follows:
  - Very favorable performance of the **most recurring revenue**, thanks to growth in activity, mainly in emerging economies, and maintenance of customer spreads.
  - Positive contribution from **NTI**, due basically to sales in ALCO portfolios, the capital gains registered by the VISA Europe transaction in the second quarter and the sale of 0.75% of the BBVA Group's stake in China Citic Bank (CNCB) in the third quarter.
  - Significant reduction in the year-on-year rate of growth of **operating expenses**, despite the fact that they are still strongly influenced by the incorporation of CX, high inflation in some countries and the exchange-rate effect.
  - Further decline of **impairment losses on financial assets** and **real-estate** provisions.

Balance sheet and business activity (pages 10-11)

- The **loan book** has performed strongly YTD in emerging economies. There has been a decline in Spain, since the favorable performance of new production has not offset the existing level of repayments. In the United States, the area's strategy of selective growth in the most profitable segments explains its performance, which has been virtually flat since the end of 2015.
- **Non-performing loans** have continued to decline, particularly in the domestic sector.
- Customer **deposits** under management have performed well in the most liquid headings in the domestic sector and in time deposits in the non-domestic sector
- The performance of **off-balance-sheet customer funds** has improved compared with the previous quarter.

Solvency (page 12)

- **Capital** position above regulatory requirements. At the close of September 2016, the fully-loaded CET1 ratio stood at 11.0%, thanks to strong generation of capital during the quarter. This will enable the 11% target to be reached ahead of schedule.
- The fully-loaded **leverage** ratio closed at 6.6%, which compares very favorably with the rest of the peer group.

Risk management (pages 13-14)

- The improvement in the main **asset quality** indicators continues: At the close of September 2016, the NPL ratio had declined, the cost of risk remained stable and the coverage ratio had fallen slightly compared with the figures reported as of 30-Jun-2016. There is a clear improvement on the data reported as of December 2015.

The BBVA share (pages 15-16)

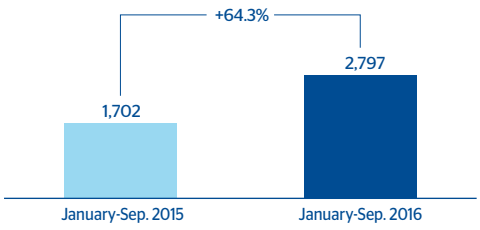
- There was a new bonus share issue in October to implement the **"dividend-option"**. On this occasion, the holders of 87.85% of the free allocation rights chose to receive new shares, which once more demonstrates the success of this remuneration system.

Other matters of interest

- The number of **digital and mobile customers** continues to increase (up 12% and 23% since December 2015, and up 20% and 41% in year-on-year terms, respectively, according to latest data available).

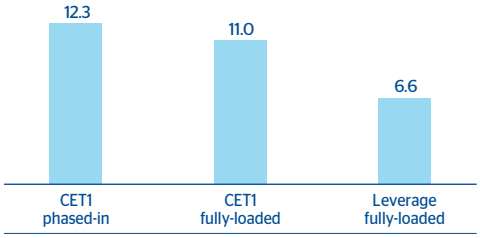
Net attributable profit

(Million euros)



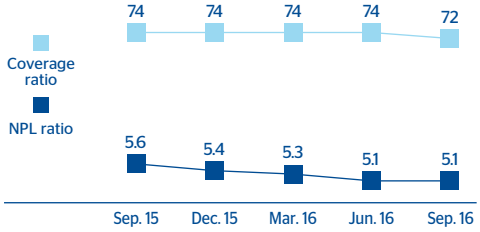
Capital and leverage ratios

(Percentage as of 30-09-2016)



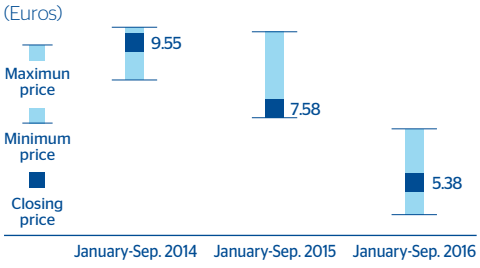
NPL and coverage ratios

(Percentage)



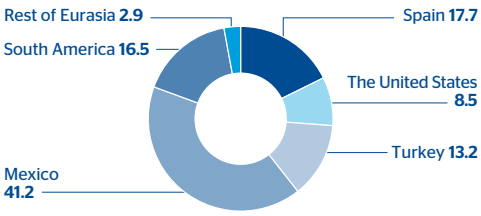
BBVA share

(Euros)



Net attributable profit breakdown (1)

(Percentage. January-September 2016)



(1) Excludes the Corporate Center.

Results

BBVA Group's earnings for the **first nine months of 2016** continue to be affected by the changes in the scope of consolidation in the second and third quarter of 2015 (CX and Garanti, respectively), the negative impact with respect to the same period last year of exchange rates against the euro of the main currencies that affect the Entity's financial statements, and the lack of corporate operations. Unless expressly indicated otherwise, to better understand the changes in the Group's main earnings figures, the year-on-year percentage changes given below refer to constant exchange rates.

In addition, in order to make the year-on-year comparison easier, the end of this section includes an income statement with rates of change that take into account **Turkey in comparable terms**, i.e. including BBVA's stake in Garanti as if it had been incorporated by the full integration method since January 1, 2015.

BBVA Group posted a **net attributable profit** of €2,797m in the first nine months of 2016, a significant increase on the figure for the same period last year (up 111.9%). Not including 2015 corporate operations, earnings have grown by 15.0% (up 10.8% with Turkey in comparable

Consolidated income statement: quarterly evolution [1]

(Million euros)

	2016			2015			
	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	**4,310**	**4,213**	**4,152**	**4,415**	**4,490**	**3,858**	**3,663**
Net fees and commissions	1,207	1,189	1,161	1,263	1,225	1,140	1,077
Net trading income	577	819	357	451	133	650	775
Dividend income	35	257	45	127	52	194	42
Share of profit or loss of entities accounted for using the equity method	17	(6)	7	(16)	3	18	3
Other operating income and expenses	52	(26)	66	(94)	76	62	73
Gross income	**6,198**	**6,445**	**5,788**	**6,146**	**5,980**	**5,922**	**5,632**
Operating expenses	(3,216)	(3,159)	(3,174)	(3,292)	(3,307)	(2,942)	(2,776)
Personnel expenses	(1,700)	(1,655)	(1,669)	(1,685)	(1,695)	(1,538)	(1,460)
Other administrative expenses	(1,144)	(1,158)	(1,161)	(1,268)	(1,252)	(1,106)	(1,024)
Depreciation	(372)	(345)	(344)	(340)	(360)	(299)	(291)
Operating income	**2,982**	**3,287**	**2,614**	**2,853**	**2,673**	**2,980**	**2,857**
Impairment on financial assets (net)	(1,004)	(1,077)	(1,033)	(1,057)	(1,074)	(1,089)	(1,119)
Provisions (net)	(201)	(81)	(181)	(157)	(182)	(164)	(230)
Other gains (losses)	(61)	(75)	(62)	(97)	(127)	(123)	(66)
Income before tax	**1,716**	**2,053**	**1,338**	**1,544**	**1,289**	**1,604**	**1,442**
Income tax	(465)	(557)	(362)	(332)	(294)	(429)	(386)
Net income from ongoing operations	**1,251**	**1,496**	**976**	**1,212**	**995**	**1,175**	**1,056**
Results from corporate operations [2]	-	-	-	4	(1,840)	144	583
Net income	**1,251**	**1,496**	**976**	**1,215**	**(845)**	**1,319**	**1,639**
Non-controlling interests	(286)	(373)	(266)	(275)	(212)	(97)	(103)
Net attributable profit	**965**	**1,123**	**709**	**940**	**(1,057)**	**1,223**	**1,536**
Attributable profit without corporate transactions	**965**	**1,123**	**709**	**936**	**784**	**1,078**	**953**
Earning per share (euros)	**0.14**	**0.16**	**0.10**	**0.13**	**(0.17)**	**0.18**	**0.23**
Earning per share (excluding corporate operations; euros)	**0.14**	**0.16**	**0.10**	**0.13**	**0.11**	**0.15**	**0.14**

(1) From the third quarter of 2015, BBVA's total stake in Garanti is consolidated by the full integration method. For previous periods, Garanti's revenues and costs are integrated in the proportion corresponding to the percentage of the Group's stake then (25.01%).
(2) 2015 includes the capital gains from the various sale operations equivalent to 6.34% of BBVA Group's stake in CNCB, the badwill from the CX operation, the effect of the valuation at fair value of the 25.01% initial stake held by BBVA in Garanti and the impact of the sale of BBVA's 29.68% stake in CIFH.

Consolidated income statement [1]

(Million euros)

	January-Sep. 16	Δ%	Δ% at constant exchange rates	January-Sep. 15
Net interest income	**12,674**	**5.5**	**18.1**	**12,011**
Net fees and commissions	3,557	3.3	12.5	3,442
Net trading income	1,753	12.5	24.3	1,558
Dividend income	336	16.5	18.3	288
Share of profit or loss of entities accounted for using the equity method	18	(24.8)	14.2	24
Other operating income and expenses	92	(56.3)	(64.5)	211
Gross income	**18,431**	**5.1**	**16.2**	**17,534**
Operating expenses	(9,549)	5.8	14.8	(9,024)
Personnel expenses	(5,024)	7.1	15.2	(4,693)
Other administrative expenses	(3,464)	2.4	13.2	(3,382)
Depreciation	(1,061)	11.7	18.4	(950)
Operating income	**8,882**	**4.4**	**17.7**	**8,510**
Impairment on financial assets (net)	(3,114)	(5.1)	3.7	(3,283)
Provisions (net)	(463)	(19.6)	(12.4)	(576)
Other gains (losses)	(198)	(37.2)	(37.5)	(316)
Income before tax	**5,107**	**17.8**	**38.2**	**4,335**
Income tax	(1,385)	24.9	53.4	(1,109)
Net income from ongoing operations	**3,722**	**15.4**	**33.2**	**3,226**
Results from corporate operations [2]	-	-	-	(1,113)
Net income	**3,722**	**76.1**	**121.5**	**2,113**
Non-controlling interests	(925)	124.9	156.6	(411)
Net attributable profit	**2,797**	**64.3**	**111.9**	**1,702**
Attributable profit without corporate transactions	**2,797**	**(0.6)**	**15.0**	**2,815**
Earning per share (euros)	**0.41**			**0.24**
Earning per share (excluding corporate operations; euros)	**0.41**			**0.41**

(1) From the third quarter of 2015, BBVA's total stake in Garanti is consolidated by the full integration method. For previous periods, Garanti's revenues and costs are integrated in the proportion corresponding to the percentage of the Group's stake then (25.01%).
(2) 2015 includes the capital gains from the various sale operations equivalent to 6.34% of BBVA Group's stake in CNCB, the badwill from the CX operation, the effect of the valuation at fair value of the 25.01% initial stake held by BBVA in Garanti and the impact of the sale of BBVA's 29.68% stake in CIFH.

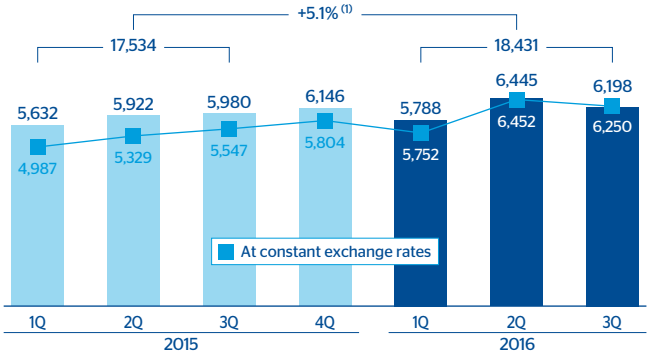
terms). In general, this positive trend continues to reflect the good performance of revenues, the restriction on the rate of growth of operating expenses, reduction in impairment losses on financial assets, and the decline in provisions (net) and other gains (losses).

Gross income

The Group's cumulative **gross income** was €18,431m, a rise of 16.2% on the same period in 2015 (up 7.1% with Turkey in comparable terms). All the items making up gross income performed well, except for other operating income and expenses.

Gross income

(Million euros)



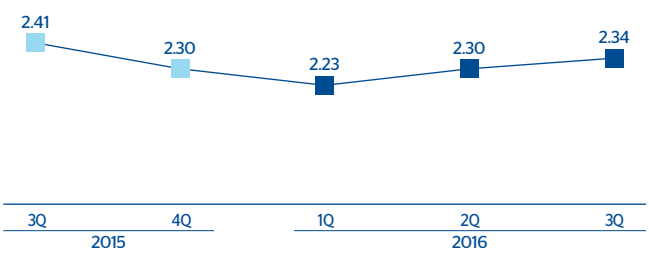
(1) At constant exchange rates: +16.2%.

Net interest income rose by 3.0% over the quarter, and thus cumulative growth for the first nine months is 18.1% compared with the same period in 2015 (up 7.0% with Turkey in comparable terms), thanks to increased activity, mainly in emerging geographical areas, and the defense of customer spreads.

By business areas there has been a positive performance in Turkey, Mexico, South America and the United States. In Spain and the Rest of Eurasia, the figure has declined as a result of the lower business volume and the current environment of very low interest rates, which has led to a narrowing of spreads.

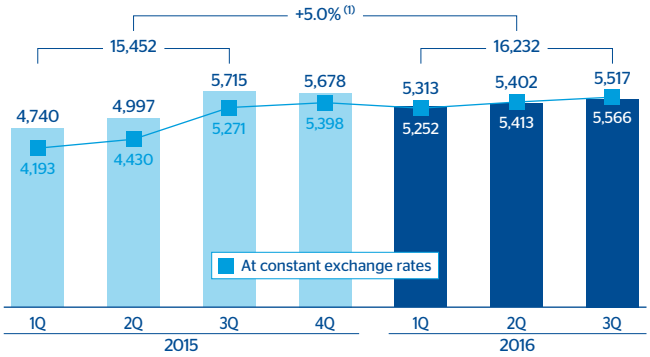
Net interest income/ATA

(Percentage)



Net interest income plus fees and commissions

(Million euros)



(1) At constant exchange rates: +16.8%.

Positive performance of **income from fees and commissions**, which over the first nine months of 2016 increased by 12.5% year-on-year (up 4.0% with Turkey in comparable terms), strongly supported by the good performance of the United States, Turkey, Mexico and South America. This is despite the smaller number of transactions from wholesale businesses.

As a result, **more recurring revenues** (net interest income plus fees and commissions) has increased year-on-year by 16.8%, or 6.3% with Turkey in comparable terms.

NTI increased year-on-year by 24.3% in the first nine months of the year (up 29.5% with Turkey in comparable terms), mainly due to: sales in ALCO portfolios, the capital gains from the VISA Europe transaction in the second quarter and the sale of 0.75% of BBVA Group's stake in CNCB in the third quarter.

The **dividends** heading mainly includes those from the Group's stakes in Telefónica and CNCB. In the first nine months of 2016 the figure has risen by 18.3% on the same period in 2015, strongly influenced by the payment in the second quarter of the CNCB dividend (which was not booked last year).

Lastly, **other operating income and expenses** is lower due to the booking in the second quarter of the contribution of €122m to the new Single Resolution Fund (SRF). In 2015, the contribution was made to the FROB in the fourth quarter. It should be highlighted that the net contribution of the insurance business increased by 14.6% in a year-on-year comparison.

Operating income

There has been a significant decline in the year-on-year increase in **operating expenses**, which in the cumulative figure through September 2016 rose by 14.8% (up 7.4% with Turkey in comparable terms), despite the inclusion of CX expenses

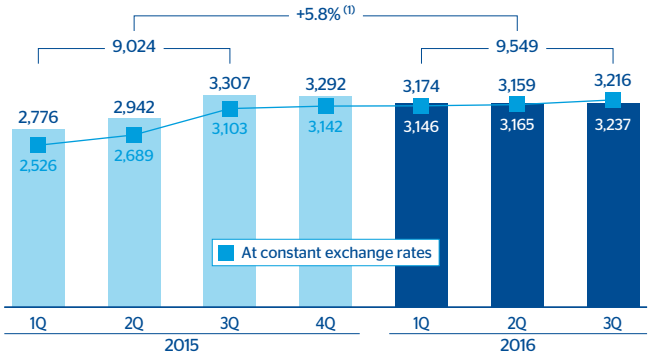
Breakdown of operating expenses and efficiency calculation

(Million euros)

	January-Sep. 16	Δ%	January-Sep. 15
Personnel expenses	**5,024**	**7.1**	**4,693**
Wages and salaries	3,908	7.9	3,623
Employee welfare expenses	719	5.2	684
Training expenses and other	397	2.8	386
Other administrative expenses	**3,464**	**2.4**	**3,382**
Premises	819	(4.9)	861
IT	720	4.1	692
Communications	230	(2.9)	237
Advertising and publicity	299	2.2	292
Corporate expenses	74	(8.9)	81
Other expenses	997	12.8	884
Levies and taxes	325	(2.8)	335
Administration expenses	**8,488**	**5.1**	**8,074**
Depreciation	**1,061**	**11.7**	**950**
Operating expenses	**9,549**	**5.8**	**9,024**
Gross income	**18,431**	**5.1**	**17,534**
Efficiency ratio (operating expenses/gross income; %)	**51.8**		**51.5**

Operating expenses

(Million euros)

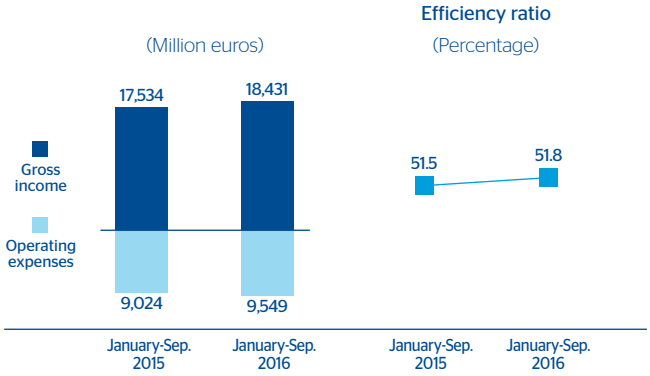


(1) At constant exchange rates: +14.8%.

all through the year (from April 24th in 2015), the high level of inflation in some geographical areas where BBVA operates, and the negative effect that currency depreciation has had on cost items denominated in dollars and euros.

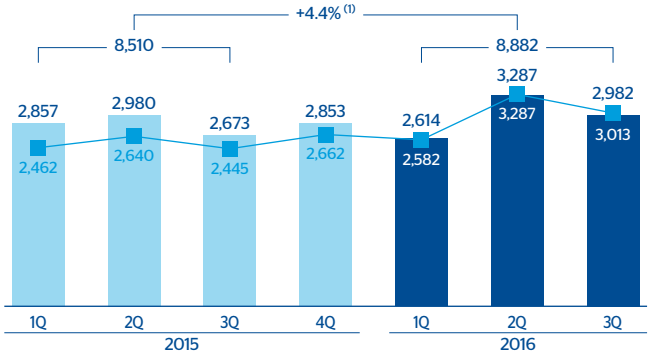
As a result, the cumulative **efficiency** ratio through September remains at the 51.8% of the first half of 2016 (51.5% in September 2015) and **operating income** has risen by 17.7% (up 6.9% with Turkey in comparable terms).

Efficiency



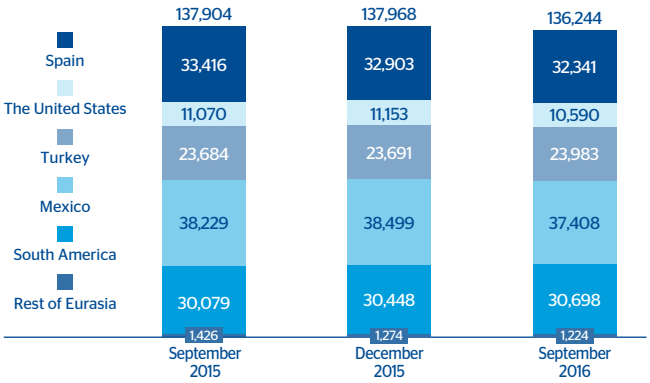
Operating income

(Million euros)

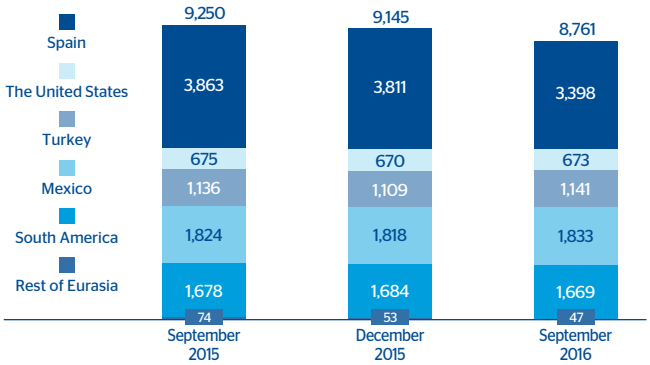


(1) At constant exchange rates: +17.7%.

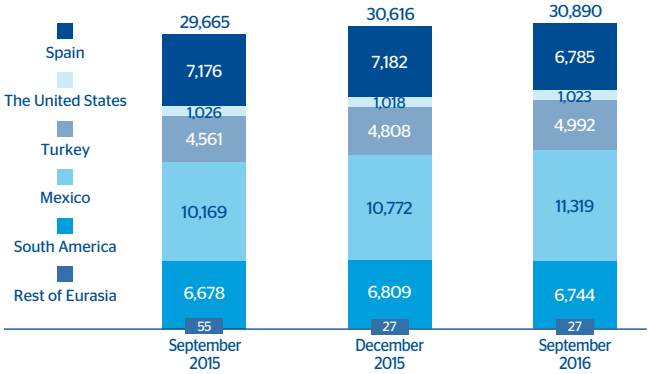
Number of employees



Number of branches



Number of ATMs



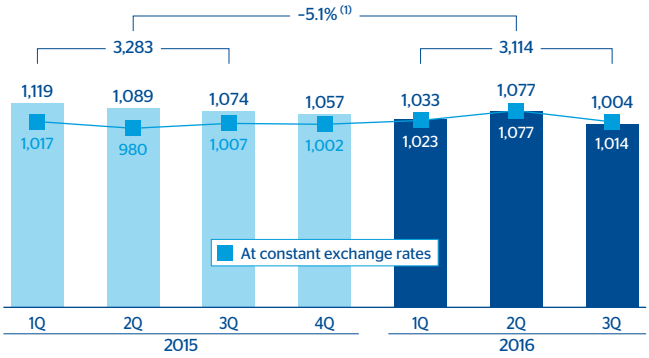
Provisions and others

Impairment loses on financial assets for the third quarter were very similar to those of the previous quarter. As a result, the cumulative figure through September continues the decline observed in previous periods, with a year-on-year fall of 2.4% with Turkey in comparable terms (up 3.7% not taking into account the changes in the scope of consolidation). By business area, the decline in the euro area continues, while in

Mexico and South America the moderate increases have not negatively affected the year-on-year changes in the cost of risk. There was growth in Turkey, strongly influenced by the negative impact of the depreciation of the Turkish lira and the increase in provisions in Romania. Lastly, in the United States, the rise in provisions following the downgrade in the rating of some companies that operate in the energy (exploration & production) and metals & mining (basic materials) sectors in the first quarter of 2016 has had a negative effect on the cumulative figure of this heading.

Impairment losses on financial assets

(Million euros)



(1) At constant exchange rates: +3.7%.

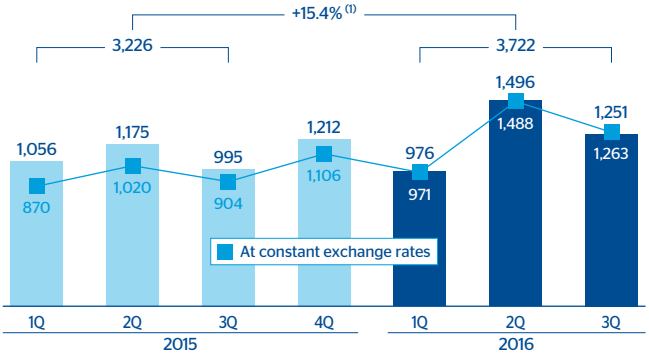
Lastly, there was a decline in both **provisions** (down 12.4% year-on-year or down 13.1% with Turkey in comparable terms), despite including a provision of €94m in the third quarter for restructuring costs, and **other gains (losses)** (down 37.5% year-on-year, or down 36.4% with Turkey in comparable terms), due largely to lower impairments of real-estate activity in Spain.

Profit

Net income from ongoing operations grew by 33.2% in year-on-year terms (up 14.4% with Turkey in comparable terms).

Net income from ongoing operations

(Million euros)

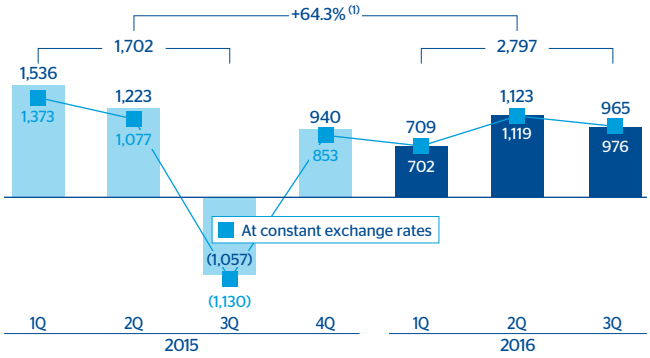


(1) At constant exchange rates: +33.2%.

The **results from corporate operations** heading does not include any transaction in this period. The cumulative figure for the first nine months of 2015 (which totaled a loss of €1,113m) included capital gains from the various sale transactions equivalent to 6.34% of BBVA Group's stake in CNCB, the badwill generated from the CX operation, the impact of the valuation at fair value of the initial 25.01% stake in Garanti and the impact of the sale of 29.68% stake in CIFH.

Net attributable profit

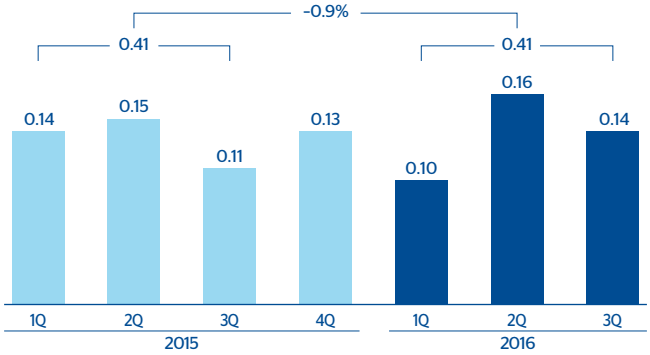
(Million euros)



(1) At constant exchange rates: +111.9%.

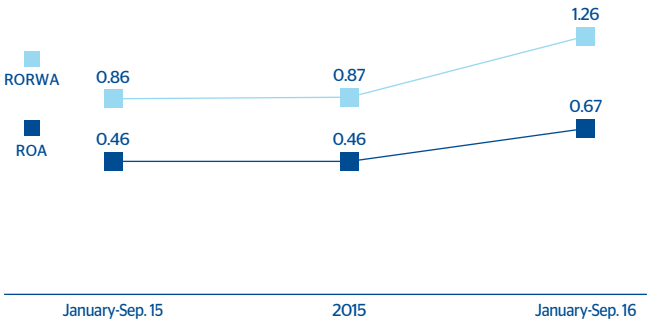
Earnings per share

(Excluding corporate operations. Euros)



ROA and RORWA

(Percentage)



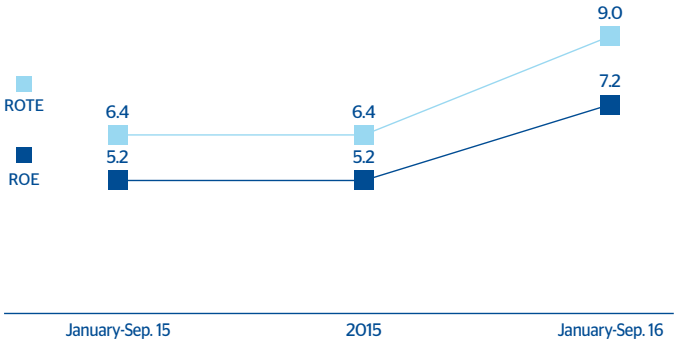
By **business area**, banking activity in Spain has generated €936m, real-estate activity in Spain generated a loss of €315m, the United States contributed €298m, Turkey €464m, Mexico €1,441m, South America €576m and the Rest of Eurasia €101m.

The Group's income statement with Turkey in comparable terms

To ensure comparable figures, the Group's income statement with year-on-year rates of change and Turkey in comparable terms is presented below (to isolate the effects of the purchase of an additional 14.89% stake in Garanti, as explained above).

ROE and ROTE

(Percentage)



Evolution of the consolidated income statement with Turkey in comparable terms [1]

(Millon euros)

	January-Sep. 16	Δ%	Δ% at constant exchange rates
Net interest income	**12,674**	**(4.6)**	**7.0**
Net fees and commissions	3,557	(4.8)	4.0
Net trading income	1,753	17.4	29.5
Other income/expenses	446	(18.9)	(23.5)
Gross income	**18,431**	**(3.3)**	**7.1**
Operating expenses	(9,549)	(1.4)	7.4
Operating income	**8,882**	**(5.3)**	**6.9**
Impairment on financial assets (net)	(3,114)	(10.9)	(2.4)
Provisions (net) and other gains (losses)	(661)	(25.7)	(21.7)
Income before tax	**5,107**	**2.2**	**19.5**
Income tax	(1,385)	11.4	35.8
Net income from ongoing operations	**3,722**	**(0.9)**	**14.4**
Results from corporate operations [2]	-	-	-
Net income	**3,722**	**40.9**	**73.8**
Non-controlling interests	(925)	11.0	26.8
Net attributable profit	**2,797**	**54.7**	**98.1**
Attributable profit without corporate transactions	**2,797**	**(4.2)**	**10.8**

(1) Variations taking into account the financial statements of Garanti Group calculated by the full integration method since January 1, 2015, without involving a change of the data already published.
(2) 2015 includes the capital gains from the various sale operations equivalent to 6.34% of BBVA Group's stake in CNCB, the badwill from the CX operation, the effect of the valuation at fair value of the 25.01% initial stake held by BBVA in Garanti and the impact of the sale of BBVA's 29.68% stake in CIFH.

Balance sheet and business activity

The rates of change of BBVA Group's balance-sheet and business activity balances from the end of December 2015 to the close of September 30, 2016 continue to be negatively affected by the depreciation of **exchange rates** against the euro. The most notable aspects in this period are summarized below:

- Decline in **gross lending to customers**. In the domestic sector, the decline despite the good performance of new production can be explained by the trend in activity in the wholesale business and with institutions and because repayments in the mortgage segment continue to be higher than new production. In the non-domestic sector, the decline can be explained by the negative impact of exchange rates, as excluding this effect lending continues to be strong, above all in emerging geographical areas (Turkey, Mexico and South America).

- **Non-performing loans** have continued the decline of previous quarters, particularly in the domestic sector (banking and real-estate activity in Spain) and in Mexico.

Consolidated balance sheet [1]

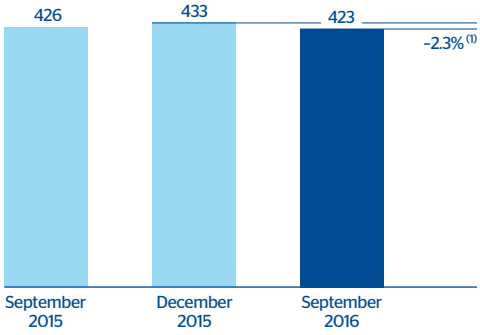
(Million euros)

	30-09-16	Δ%	31-12-15	30-09-15
Cash, cash balances at central banks and other demand deposits	31,174	6.5	29,282	22,724
Financial assets held for trading	75,569	(3.5)	78,326	83,662
Other financial assets designated at fair value through profit or loss	2,104	(8.9)	2,311	4,968
Available-for-sale financial assets	86,673	(23.6)	113,426	117,567
Loans and receivables	457,338	(3.1)	471,828	465,062
Loans and advances to central banks and credit institutions	40,271	(14.6)	47,146	46,446
Loans and advances to customers	406,124	(1.9)	414,165	407,454
Debt securities	10,943	4.1	10,516	11,162
Held-to-maturity investments	19,094	-	-	-
Investments in subsidiaries, joint ventures and associates	751	(14.6)	879	779
Tangible assets	9,470	(4.8)	9,944	9,349
Intangible assets	9,503	(7.5)	10,275	9,797
Other assets	32,951	(2.5)	33,807	32,569
Total assets	**724,627**	**(3.4)**	**750,078**	**746,477**
Financial liabilities held for trading	55,226	0.0	55,203	58,352
Other financial liabilities designated at fair value through profit or loss	2,436	(8.0)	2,649	4,767
Financial liabilities at amortized cost	581,593	(4.0)	606,113	598,206
Deposits from central banks and credit institutions	106,557	(1.9)	108,630	115,154
Deposits from customers	385,348	(4.5)	403,362	389,154
Debt certificates	76,363	(6.9)	81,980	81,702
Other financial liabilities	13,325	9.8	12,141	12,196
Memorandum item: subordinated liabilities	17,156	6.5	16,109	16,140
Liabilities under insurance contracts	9,274	(1.4)	9,407	10,192
Other liabilities	20,207	(5.0)	21,267	21,360
Total liabilities	**668,736**	**(3.7)**	**694,638**	**692,876**
Non-controlling interests	8,324	2.1	8,149	7,329
Accumulated other comprehensive income	(4,681)	39.8	(3,349)	(3,560)
Shareholders' funds	52,248	3.2	50,639	49,832
Total equity	**55,891**	**0.8**	**55,439**	**53,601**
Total equity and liabilities	**724,627**	**(3.4)**	**750,078**	**746,477**
Memorandum item:				
Contingent liabilities	49,969	0.2	49,876	48,545

(1) Since the third quarter of 2015, BBVA's total stake in Garanti is consolidated by the full integration method. For previous periods, Garanti's assets and liabilities are integrated in the proportion corresponding to the percentage of the Group's stake then (25.01%).

Loans and advances to customers (gross)

(Billion euros)



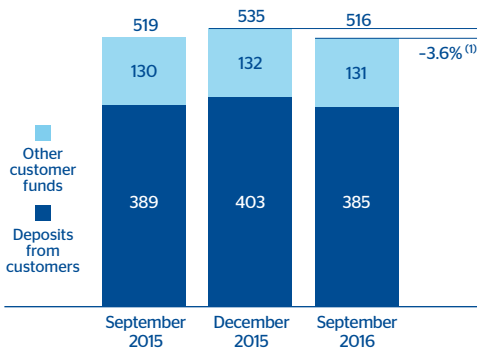
(1) At constant exchange rates: +0.3%.

- The Group's **deposits from customers** have fallen YTD, strongly influenced by the significant reduction within the domestic sector in the balances from the public sector (down 60%), and to a lesser extent, by the adverse foreign-currency effect mentioned above. Of particular note is the positive performance of lower-cost funds (current and savings accounts) in the domestic sector and time deposits in the non-domestic sector.

- **Off-balance-sheet funds** have improved on the figure for the first half of the year, closely linked to the positive performance of mutual and pension funds in Spain and the rest of the world.

Customer funds

(Billion euros)



(1) At constant exchange rates: -0.6%.

Loans and advances to customers

(Million euros)

	30-09-16	Δ%	31-12-15	30-09-15
Domestic sector	**171,775**	**(2.5)**	**176,090**	**177,928**
Public sector	20,621	(4.0)	21,471	22,596
Other domestic sectors	151,153	(2.2)	154,620	155,332
Secured loans	94,210	(3.7)	97,852	99,240
Other loans	56,944	0.3	56,768	56,093
Non-domestic sector	**227,481**	**(1.7)**	**231,432**	**222,620**
Secured loans	105,822	2.7	103,007	100,305
Other loans	121,659	(5.3)	128,425	122,316
Non-performing loans	**23,589**	**(6.9)**	**25,333**	**25,747**
Domestic sector	16,874	(13.5)	19,499	20,181
Non-domestic sector	6,715	15.1	5,834	5,566
Loans and advances to customers (gross)	**422,844**	**(2.3)**	**432,855**	**426,295**
Loan-loss provisions	(16,720)	(10.5)	(18,691)	(18,841)
Loans and advances to customers	**406,124**	**(1.9)**	**414,165**	**407,454**

Customer funds

(Million euros)

	30-09-16	Δ%	31-12-15	30-09-15
Deposits from customers	**385,348**	**(4.5)**	**403,362**	**389,154**
Domestic sector	**159,580**	**(8.9)**	**175,142**	**172,110**
Public sector	6,152	(60.0)	15,368	12,843
Other domestic sectors	153,429	(4.0)	159,774	159,267
Current and savings accounts	88,126	12.3	78,502	74,044
Time deposits	60,474	(12.8)	69,326	68,999
Assets sold under repurchase agreement and other	4,828	(59.6)	11,947	16,224
Non-domestic sector	**225,522**	**(1.1)**	**227,927**	**216,746**
Current and savings accounts	119,119	(3.8)	123,854	117,056
Time deposits	99,611	1.0	98,596	94,531
Assets sold under repurchase agreement and other	6,791	24.0	5,477	5,159
Subordinated liabilities	**246**	**(15.9)**	**293**	**298**
Other customer funds	**130,833**	**(0.8)**	**131,822**	**129,752**
Spain	**78,159**	**(1.3)**	**79,181**	**76,667**
Mutual funds	31,566	0.2	31,490	31,250
Pension funds	23,103	0.9	22,897	22,397
Other off-balance sheet funds	50	(59.8)	123	119
Customer portfolios	23,440	(5.0)	24,671	22,901
Rest of the world	**52,674**	**0.1**	**52,641**	**53,085**
Mutual funds and investment companies	22,989	0.3	22,930	24,271
Pension funds	9,525	10.2	8,645	7,959
Other off-balance sheet funds	3,106	(15.2)	3,663	3,683
Customer portfolios	17,054	(2.0)	17,404	17,173
Total customer funds	**516,181**	**(3.6)**	**535,184**	**518,906**

Solvency

Capital base

BBVA Group closed September 2016 with a **fully-loaded CET1** ratio of 11.0%. This enables the 11% fully-loaded CET1 target to be met ahead of schedule (in 2017).

Over the quarter, 29 basis points of fully-loaded CET1 were generated. The increase in the ratio is a result of the recurring generation of earnings in the Group, as well as the reduction in risk-weighted assets (RWA) (down 1.3% over the quarter under fully-loaded criteria) due to the Group's focus on optimizing capital consumption. These results were produced despite Moody's downgrade of Turkey's sovereign debt rating, leading to an increase in RWA and thus a negative impact on the Group's fully-loaded CET1 ratio of 15 basis points.

Another relevant aspect linked to the changes in the capital base is related to **shareholder remuneration.** In April a "dividend-option" program was completed, in which the holders of 82.13% of free allocation rights chose to receive bonus BBVA shares; in July a cash amount of €0.08 per share was paid, amounting to a disbursement of €518m; and in October a further "dividend-option" program was implemented, which has once more had a great uptake, as holders representing 87.85% of the free allocation rights have chosen to receive new BBVA shares. The remaining 12.15% have sold their free allocation rights, either to BBVA at a fixed price of €0.08 gross per right, or on the market. Specifically, a total of 86,257,317 ordinary new shares were issued under this last "dividend-option" program, increasing the capital by €42,266,085.33.

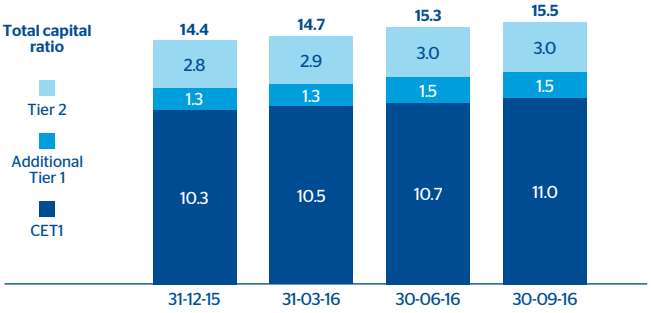
It is worth of note that from a **fully-loaded** perspective, **Tier 1** and **Tier 2** are also above minimum requirements. Thus, BBVA has covered all required buckets.

In **phased-in** terms, the **CET1** ratio was 12.3%, the **Tier 1** ratio closed at 13.0% and the **Tier 2** ratio at 3.0%, giving a total capital ratio of 15.9%. The CET1 ratio is above the regulator's requirements and the systemic buffers applicable to BBVA Group in 2016 (9.75%).

Lastly, the Group maintains a high **leverage ratio**: 6.6% under fully-loaded criteria (6.8% phased-in), which compares very favorably with the rest of its peer group.

Evolution of fully-loaded capital ratios

(Percentage)



Ratings

Since the previous presentation of quarterly results in July 2016, none of the credit rating agencies have modified BBVA's rating. It therefore remains at the levels shown in the accompanying table.

Ratings

Rating agency	Long term	Short term	Outlook
DBRS	A	R-1 (low)	Stable
Fitch	A-	F-2	Stable
Moody's [1]	Baa1	P-2	Stable
Scope Ratings	A	S-1	Stable
Standard & Poor's	BBB+	A-2	Stable

(1) Additionally, Moody's assigns an A3 rating to BBVA's long term deposits.

Capital base [1]

(Million euros)

	CRD IV phased-in				
	30-09-16 [2]	30-06-16	31-03-16	31-12-15	30-09-15
Common Equity Tier 1 (CET1)	47,809	47,559	46,471	48,554	46,460
Tier 1	50,553	50,364	48,272	48,554	46,460
Tier 2	11,546	11,742	11,566	11,646	11,820
Total Capital (Tier 1+Tier 2)	**62,099**	**62,106**	**59,838**	**60,200**	**58,280**
Risk-weighted assets	**389,898**	**395,085**	**399,270**	**401,277**	**398,784**
CET1 (%)	12.3	12.0	11.6	12.1	11.7
Tier 1 (%)	13.0	12.7	12.1	12.1	11.7
Tier 2 (%)	3.0	3.0	2.9	2.9	3.0
Total capital ratio (%)	**15.9**	**15.7**	**15.0**	**15.0**	**14.6**

(1) The capital ratios are calculated under CRD IV from Basel III regulation, applying a 60% phase-in for 2016 and a 40% for 2015.
(2) Temporary data.

Risk management

Credit risk

At the close of the **third quarter** of 2016, BBVA Group maintained the positive trend in the variables related to credit risk management. Thus:

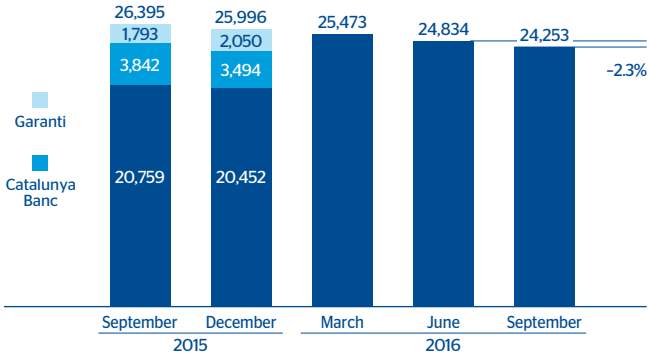
- **Credit risk** has fallen by 2.2% over the quarter and 2.1% since the close of 2015 (down 0.7% and up 0.5%, respectively, at constant exchange rates). Credit activity has been strong in Mexico, Turkey and South America, down in Spain and practically flat in the United States since the close of 2015.

- **Non-performing loans**, which account for 5.1% of the Group's total credit risk, have once more performed well since the start of the year. Over the last three months the balance has fallen by 2.3%: Banking Activity in Spain (down 4.1%), Real-Estate Activity in Spain (down 3.4%) and Mexico (down 3.8%) were the areas mainly responsible for the decline, as was the case in the previous quarter. South America registered an increase of 1.2%, the United States of 4.9% and Turkey of 3.3%.

- The Group's **NPL ratio** continues to improve (down 1 basis point over the last three months and down 25 basis points since the start of the year) to 5.1% as of 30-Sep-2016.

Non-performing loans

(Million euros)



- **Loan-loss provisions** have fallen by 4.7% on the figure for June (down 3.5% excluding the exchange-rate effect), due to declines in all the geographical areas except for South America (up 0.8%), the United States (up 0.6%), Turkey (up 0.3%) and Rest of Eurasia (up 1.9%).

Credit risks [1]

(Million euros)

	30-09-16	30-06-16	31-03-16	31-12-15	30-09-15
Non-performing loans and contingent liabilities	24,253	24,834	25,473	25,996	26,395
Credit risks	472,521	483,169	478,429	482,518	474,693
Provisions	17,397	18,264	18,740	19,405	19,473
NPL ratio (%)	5.1	5.1	5.3	5.4	5.6
NPL coverage ratio (%)	72	74	74	74	74

(1) Include gross customer lending plus contingent exposures.

Non-performing loans evolution

(Million euros)

	3Q16 [1]	2Q16	1Q16	4Q15	3Q15
Beginning balance	**24,834**	**25,473**	**25,996**	**26,395**	**26,369**
Entries	2,656	2,947	2,421	2,944	1,999
Recoveries	(1,875)	(2,189)	(1,519)	(2,016)	(1,657)
Net variation	**781**	**758**	**902**	**928**	**342**
Write-offs	(1,240)	(1,537)	(1,432)	(1,263)	(1,508)
Exchange rate differences and other	(122)	140	6	(63)	1,191
Period-end balance	**24,253**	**24,834**	**25,473**	**25,996**	**26,395**
Memorandum item:					
Non-performing loans	23,589	24,212	24,826	25,333	25,747
Non-performing contingent liabilities	665	622	647	664	647

(1) Temporary data.

- The **coverage ratio** stands at 72%.

- Lastly, the cumulative **cost of risk** as of September remains stable at the levels of the close of the first half of 2016 (0.92%), well below the figure for the same period in 2015 (1.10%).

Structural risks

Liquidity and funding

Management of **liquidity and funding** 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 finance, always in compliance with current regulatory requirements.

A core principle in BBVA's management of the Group's liquidity and funding is the financial independence of its banking subsidiaries abroad. This principle prevents the propagation of a liquidity crisis among the Group's different areas and ensures that the cost of liquidity is correctly reflected in the price formation process.

In the first nine months of 2016 liquidity and funding conditions have remained comfortable across BBVA Group's global footprint.

- The financial soundness of the Group's banks is based on the funding of lending activity, basically through the use of customer funds.
- On the euro balance sheet, total deposits have shown a stable trend, despite the current environment of low interest rates. This is also the case in the United States.
- In Mexico, deposits show a positive evolution.
- In Turkey, the domestic environment also remains stable, with no tensions affecting the sources of funding, and supported by the measures adopted by the Central Bank of Turkey (CBRT).
- In the rest of the emerging economies, the liquidity and funding situation in both local currencies and dollars remains, likewise, stable.
- BBVA S.A. completed an issue of internationalization bonds for €1,500m with a 3-year maturity, with the aim to increase its available collateral. It is the first issue of this kind carried out in Spain.
- The long-term wholesale funding markets have remained stable in the other geographical areas where the Group operates. There have been no international securities issues.
- Short-term funding has also continued to perform positively, in a context marked by a high level of liquidity.
- With respect to the new LCR regulatory liquidity ratio, BBVA Group keeps levels over 100%, clearly higher than demanded by regulations (over 70% in 2016), both at Group level and in all its banking subsidiaries.

Foreign exchange

Foreign-exchange risk management of BBVA's long-term investments, basically stemming from its franchises abroad, aims to preserve the Group's capital adequacy ratios and ensure the stability of its income statement.

The third quarter of 2016 has been marked by the maintenance of the quantitative easing (QE) measures applied by the European Central Bank and the Bank of Japan, the delay in interest rate hikes by the Federal Reserve (Fed) until economic figures strengthen, and some volatility in Turkey. Against this background, BBVA has maintained a policy of actively hedging its investments in Mexico, the United States, Chile, Colombia, Peru and Turkey. In addition to this corporate-level hedging, dollar positions are held at local level by some of the subsidiary banks. The foreign-exchange risk of the earnings expected from the international subsidiary banks for 2016 and 2017 has also been managed.

Interest rates

The aim of managing **interest-rate risk** is to maintain sustained growth of net interest income in the short and medium term, irrespective of interest-rate fluctuations.

So far in 2016, the results of this management have been satisfactory, with limited risk strategies in all the Group's banks aimed at improving profitability. The amount of NTI generated in Europe and the United States is the result of prudent portfolio management strategies, particularly of sovereign debt, in a context marked by low interest rates. Portfolios are also held in Mexico, Turkey and South America, mainly of sovereign debt, to optimize the balance-sheet structure.

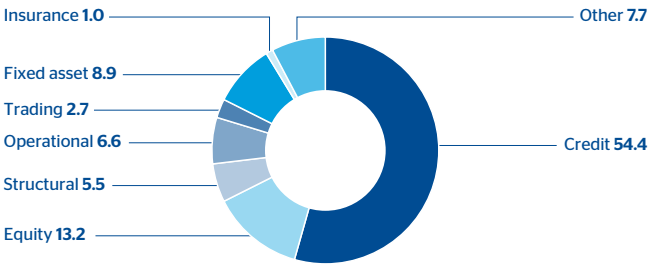
The debt markets have only had a very limited reaction to the UK's Brexit referendum to leave the European Union. In Turkey, despite geopolitical tensions and the downgrade of Moody's credit rating, the markets have shown resilience, helped by the global stability registered in the third quarter.

Economic capital

Attributable economic risk capital (ERC) consumption at the close of August, in consolidated terms, stood at €38,328m, practically flat over the quarter (up 0.5%). The increase of ERC in structural interest-rate risk and equity risk is offset by the reductions in market risk and fixed-asset risk.

Attributable economic risk capital breakdown

(Percentage as of August 2016)



The BBVA share

According to the latest information available, **global growth** is slightly below 3% in year-on-year terms. The improvement in the developing economies is not yet sufficient to offset the slowdown in emerging markets. The impact of "Brexit" on the financial markets has been temporary and is not likely to have significant effects on GDP in 2016 and 2017 in the rest of Europe, although uncertainty associated with the negotiations and the type of agreements between the United Kingdom and the EU are risk factors. At the same time, the U.S. economy is recovering, but remains subject to the uncertainty surrounding the presidential elections. The pace of normalization of the Fed's monetary policy is another factor of uncertainty, with potentially global repercussions. Geopolitical tension in some geographical areas completes this outlook of global uncertainty for 2016 and 2017. In the longer term, the performance of the Chinese economy, which is growing in line with expectations but is still vulnerable due to the country's high level of debt, will continue to determine the forecasts for global growth and, in particular, for emerging economies.

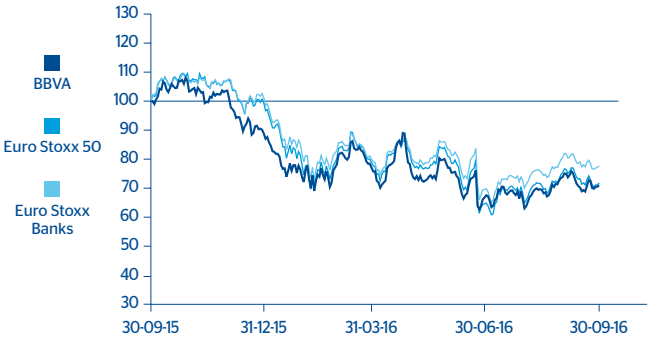
Against this backdrop, the main **stock-market indices** have posted gains with respect to the close of the previous quarter. In Europe, the Stoxx 50 was up by 1.1%, while in the Eurozone, the Euro Stoxx 50 gained 4.8%. In Spain, the Ibex 35 has also gained 7.5%. The S&P 500, which tracks the share prices of U.S. companies, closed the quarter with a 3.3% increase.

This has also been the trend in the share prices of the **banking sector**. The European bank index Stoxx Banks, which includes British banks, gained 11.7% over the quarter, while the Eurozone bank index, the Euro Stoxx Banks, was up 11.2%. In the United States, the S&P Regional Banks sector index gained 9.8% on its level at the close of the second quarter.

The price of the **BBVA share** also increased over the quarter, reaching 5.38 euros as of 30-Sep-2016, 6.3% above the price at the end of June.

BBVA share evolution compared with European indices

(Base indice 100=30-09-2015)



The BBVA share and share performance ratios

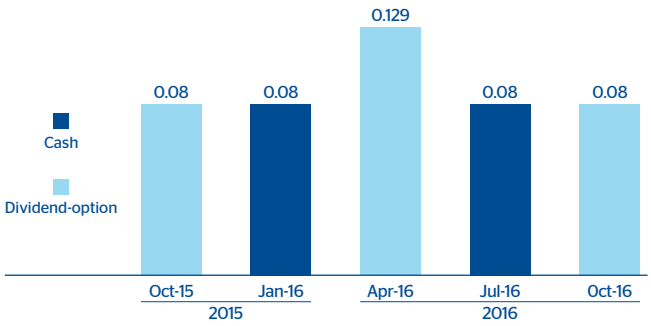
	30-09-16	31-12-15
Number of shareholders	947,244	934,244
Number of shares issued	6,480,357,925	6,366,680,118
Daily average number of shares traded	50,836,536	46,641,017
Daily average trading (million euros)	290	393
Maximum price (euros)	6.88	9.77
Minimum price (euros)	4.50	6.70
Closing price (euros)	5.38	6.74
Book value per share (euros)	7.33	7.47
Tangible book value per share (euros)	5.88	5.85
Market capitalization (million euros)	34,877	42,905
Yield (dividend/price; %) [1]	6.9	5.5

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

As regards **shareholder remuneration**, the Board of Directors of BBVA approved at its meeting on September 28, 2016 a capital increase against voluntary reserves, in accordance with the terms agreed at the Annual General Meeting of March 11, 2016, to develop the "dividend-option" shareholder remuneration system. This system offers BBVA shareholders the chance to choose between receiving all or part of their remuneration in either new BBVA shares or in cash. The number of free allocation rights needed to receive a new share is 66. Holders of 87.85% of these rights opted to receive new shares, an acceptance percentage that continues to be high and once again confirms its popularity among BBVA shareholders.

Shareholder remuneration

(Euros -gross-/share)



The number of BBVA shares as of 30-Sep-2016 remains at 6,480,357,925. However, the **number of shareholders** has increased by 0.8% over the quarter to 947,244. Residents in Spain hold 47.8% of the share capital, while the percentage owned by non-resident shareholders stands at 52.2%.

Shareholder structure

(30-09-2016)

	Shareholders		Shares	
Number of shares	Number	%	Number	%
Up to 150	199,446	21.1	14,568,833	0.2
151 to 450	194,655	20.5	53,112,027	0.8
451 to 1,800	297,384	31.4	285,724,863	4.4
1,801 to 4,500	134,488	14.2	382,982,194	5.9
4,501 to 9,000	62,140	6.6	391,373,879	6.0
9,001 to 45,000	52,322	5.5	912,218,345	14.1
More than 45,001	6,809	0.7	4,440,377,784	68.5
Total	**947,244**	**100.0**	**6,480,357,925**	**100.0**

BBVA **shares** are traded on the Continuous Market of the Spanish Stock Exchanges and also on the stock exchanges in London and Mexico. BBVA American Depositary Shares (ADS) are traded on the New York Stock Exchange and also on the Lima Stock Exchange (Peru) under an exchange agreement between these two markets. Among the main stock-market indices, BBVA shares are included on the Ibex 35 and the Euro Stoxx 50, with a weighting of 7.7% in the former and 1.7% in the latter. They are also listed on several sector indices, such as the Stoxx Banks, with a weighting of 4.5%, and the Euro Stoxx Banks, with a weighting of 9.9%.

Lastly, BBVA maintains a significant presence on the main international **sustainability indices** , or ESG (Environmental, Social and Governance) indices, which evaluate the performance of companies in this area, as summarized in the table below.

Sustainability indices on which BBVA is listed as of 30-Sep-2016

MSCI 2016 Constituent MSCI Global Sustainability Indexes (1)	Listed on the MSCI Global Sustainability indices AAA Rating
FTSE4Good	Listed on the FTSE4Good Global, FTSE4Good Europe and FTSE4Good IBEX indices
SUSTAINALYTICS	Industry leader according to the latest ESG 2015 rating
EURONEXT vigeo	Listed on the Euronext Vigeo Eurozone 120
ETHIBEL EXCELLENCE	Included on the Ethibel Excellence Investment Register
CDP DRIVING SUSTAINABLE ECONOMIES	In 2015, BBVA received a score of 94 points for disclosure and a Band C rating for performance

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Responsible banking

The current environment still demands a change in behavior and a new focus from financial institutions. At BBVA we respond to this social demand through a **differential model** of banking, which we call responsible banking, based on the search for return adjusted to principles, strict compliance with legality, best practices and the creation of long-term value for all our stakeholders. Of note in this regard is the signing in July of an agreement between BBVA Group and the Regional Government of Catalonia for the implementation of a social housing project. BBVA will transfer 1,800 homes to the Regional Government for families in a situation of social vulnerability. The Regional Government will implement a social insertion plan as part of this agreement.

Financial Literacy

With the aim of raising awareness of the importance of financial literacy in the lives of people, and helping to train consumers to be more aware and better informed about banking products, **BBVA Chile** has just implemented its new web site educacionfinancierabbva.cl. Over 10,300 young people in Chile, of whom 60% live in remote regions far from the capital, have taken part this year in **Liga de Educación Financiera BBVA** (BBVA Financial Literacy League), a program designed to teach good financial habits to students aged 14 to 17.

For the second year in a row, the **BBVA Provincial Foundation** has held the ceremony for the presentation of its **"Adelante con la educación"** (Forward with Education) **awards**. Their aim is to recognize students and teachers who participate in its educational programs.

Products with a high social impact

Financial inclusion

BBVA has received recognition at the ECOFIN awards, as the best "International Brand-Image of Spain" in 2016. The award recognizes the work of the BBVA Microfinance Foundation (FMBBVA) and the advice BBVA provides to companies expanding abroad.

Support for SMEs

BBVA and the European Investment Bank (EIB) have joined forces for the third time to boost funding for small and medium-sized enterprises, provide liquidity and help them with their investments.

Science and Culture

For the second year running, the BBVA Foundation and the Spanish Royal Mathematical Society (RSME) have presented the **Vicent Caselles Mathematical Research Awards** to two young Spanish mathematicians, who will receive 2,000 euros for their innovative work.

The **BBVA Foundation Awards for Biodiversity Conservation** recognize individuals and organizations that work to protect nature and achieve relevant and measurable results with a lasting impact. At this 11th edition, the awards went to Grupo para la Rehabilitación de la Fauna Autóctona y su Hábitat (Group for the Rehabilitation of Indigenous Fauna and its Habitat) (GREFA), the Conservation Land Trust (CLT) and the communicator Carlos de Hita.

Innovation

The two entrepreneurship projects that won **BBVA Open Talent Europa 2016** have been announced: the Israeli company Paykey and the Dutch company Musoni, which will receive 30,000 euros in prize money and will participate in a two-week immersion program with BBVA executives in Madrid and Mexico City.

The Environment

Ciudad BBVA has been awarded the **LEED Gold certification**, one of the world's most demanding sustainable construction standards. It has recognized a construction that ensures 40% savings in drinking water, the reuse of gray water and rainwater for irrigation, and a reduction of over 30% in energy usage, among other benefits. BBVA Group currently has 16 buildings certified under the LEED seal in Spain, Chile, Paraguay and the United States.

The **urban mobility plan** of Ciudad BBVA has been chosen as the best practice conducted by a large Spanish company at the awards presented each year by the Renault Foundation, for the promotion of public transportation and a more rational use of private vehicles.

The team

BBVA and the Integra Foundation have signed a partnership agreement to support the employability and integration into the labor market of people living in a situation of social exclusion through a corporate volunteer project by which BBVA professionals will become voluntary trainers at the Empowerment School of the Integra Foundation.

Business areas

This section presents and analyzes the most relevant aspects of the Group's different business areas. Specifically, it shows a summary of the income statement and balance sheet, the business activity figures and the most significant ratios in each of them.

In 2016 the **reporting structure** of BBVA Group's business areas remains basically the same as in 2015:

- **Banking activity in Spain** includes, as in previous years, the Retail Network in Spain, Corporate and Business Banking (CBB), Corporate & Investment Banking (CIB), BBVA Seguros and Asset Management units in Spain. It also includes the portfolios, finance and structural interest-rate positions of the euro balance sheet.

- **Real-estate activity in Spain** covers specialist management of real-estate assets in the country (excluding buildings for own use), including: foreclosed real-estate assets from residential mortgages and developers; as well as lending to developers.

- **The United States** includes the Group's business activity in the country through the BBVA Compass group and the BBVA New York branch.

- **Turkey** includes the activity of the Garanti Group. BBVA's stake in Garanti (39.9% since the third quarter of 2015) has been incorporated into the Group's financial statements since then by the full integration method. The above has had an impact on the year-on-year rates of change in the earnings of this area due to the change in the scope of consolidation. In order to make the comparison against 2015 easier, rates of change are shown by taking into account the stake in Garanti on an equivalent basis, i.e. including the stake in Garanti as if it had been incorporated by the full integration method since January 1, 2015 (Turkey in comparable terms).

- **Mexico** includes all the banking, real-estate and insurance businesses carried out by the Group in the country.

- **South America** basically includes BBVA's banking and insurance businesses in the region.

- **The Rest of Eurasia** includes business activity in the rest of Europe and Asia, i.e. the Group's retail and wholesale businesses in the area.

In addition to the above, all the areas include a remainder made up basically of other businesses and a supplement that includes deletions and allocations not assigned to the units making up the above areas.

Lastly, the **Corporate Center** is an aggregate that contains the rest of the items that have not been allocated to the business areas, as it basically corresponds to the Group's holding function. It includes: the costs of the head offices that have a corporate function; management of structural exchange-rate positions; specific issues of equity instruments to ensure adequate management of the Group's global solvency; portfolios and their corresponding results, whose management is not linked to customer relations, such as industrial holdings; certain tax assets and liabilities; funds due to commitments with employees; goodwill and other intangibles. It also comprises the result from certain corporate operations carried out by the Group in 2015.

In addition to this geographical breakdown, **supplementary information** is provided for all the wholesale businesses carried out by BBVA, i.e. Corporate & Investment Banking (CIB), in all the geographical areas where it operates. This aggregate business is considered relevant to better understand the Group because of the characteristics of the customers served, the type of products offered and the risks assumed.

Lastly, as usual, in the case of the Americas, Turkey and CIB areas, the results of applying constant **exchange rates** are given in addition to the year-on-year variations at current exchange rates.

The **information by areas** is based on units at the lowest level and/or companies making up the Group, which are assigned to the different areas according to the geographical area in which they carry out their activity.

Major income statement items by business area

(Million euros)

	BBVA Group [1]	Business areas								Corporate Center
		Banking activity in Spain	Real-estate activity in Spain	The United States	Turkey [1]	Mexico	South America	Rest of Eurasia	∑ Business areas	
January-Sep. 2016										
Net interest income	12,674	2,911	44	1,421	2,516	3,829	2,182	123	13,026	(352)
Gross income	18,431	4,970	(29)	2,005	3,255	4,952	3,016	369	18,539	(108)
Operating income	8,882	2,260	(120)	640	1,981	3,157	1,606	119	9,642	(760)
Income before tax	5,107	1,327	(443)	398	1,475	1,943	1,196	138	6,034	(927)
Net attributable profit	**2,797**	**936**	**(315)**	**298**	**464**	**1,441**	**576**	**101**	**3,501**	**(704)**
January-Sep. 2015										
Net interest income	12,011	3,000	30	1,342	1,320	4,029	2,483	130	12,335	(324)
Gross income	17,534	5,385	(38)	1,964	1,371	5,269	3,405	359	17,715	(181)
Operating income	8,510	2,844	(131)	630	685	3,311	1,888	107	9,334	(824)
Income before tax	4,335	1,398	(605)	541	460	2,013	1,375	101	5,282	(947)
Net attributable profit	**1,702**	**987**	**(417)**	**394**	**249**	**1,522**	**693**	**66**	**3,495**	**(1,793)**

(1) From the third quarter of 2015, BBVA's total stake in Garanti is consolidated by the full integration method. For previous periods, Garanti's revenues and costs are integrated in the proportion corresponding to the percentage of the Group's stake then (25.01%).

Breakdown of gross income, operating income and net attributable profit by geography [1]

(January-September 2016. Percentage)

	Banking activity in Spain	Spain [2]	The United States	Turkey	Mexico	South America	Rest of Eurasia
Gross income	26.8	26.7	10.8	17.6	26.7	16.3	2.0
Operating income	23.4	22.2	6.6	20.5	32.7	16.7	1.2
Net attributable profit	**26.7**	**17.7**	**8.5**	**13.2**	**41.2**	**16.5**	**2.9**

(1) Excludes the Corporate Center.
(2) Including real-estate activity in Spain.

Major balance sheet items and risk-weighted assets by business area

(Million euros)

	BBVA Group [1]	Business areas								Corporate Center
		Banking activity in Spain	Real-estate activity in Spain	The United States	Turkey [1]	Mexico	South America	Rest of Eurasia	∑ Business areas	
30-09-16										
Loans and advances to customers	406,124	180,871	6,338	58,211	56,495	44,682	45,146	14,250	405,994	130
Deposits from customers	385,348	169,726	47	61,304	49,103	47,453	43,520	14,193	385,348	-
Off-balance sheet funds	90,339	54,710	8	-	3,960	20,008	11,266	386	90,339	-
Risk-weighted assets	**389,898**	**110,476**	**11,795**	**60,294**	**80,834**	**47,815**	**53,211**	**15,178**	**379,602**	**10,296**
31-12-15										
Loans and advances to customers	414,165	184,115	8,228	59,796	55,182	47,534	43,596	15,579	414,029	136
Deposits from customers	403,362	185,484	131	63,715	47,199	49,553	42,227	15,053	403,362	-
Off-balance sheet funds	89,748	54,504	6	-	3,620	21,557	9,729	331	89,748	-
Risk-weighted assets	**401,277**	**121,889**	**14,606**	**60,092**	**73,207**	**50,330**	**56,564**	**15,355**	**392,044**	**9,233**

Once the composition of each business area has been defined, certain **management criteria** are applied, of which the following are particularly important:

- **Risk adjusted return**. Calculation of risk adjusted return per transaction, customer, product, segment, unit and/or business area is sustained on ERC, which is based on the concept of unexpected loss at a specific confidence level, depending on the Group's capital adequacy targets. The calculation of the ERC combines credit risk, market risk, structural balance-sheet risk, equity positions, operational risk, fixed-asset risk and technical risks in the case of insurance companies. These calculations are carried out using internal models that have been defined following the guidelines and requirements established under the Basel III capital accord, with economic criteria taking precedence over regulatory ones.

- **Internal transfer prices**. BBVA Group has a transfer prices system whose general principles apply in the Bank's different entities, business areas and units. Within each geographical area, internal transfer rates are established to calculate the net interest income of its businesses, under both the asset and liability headings. These rates consist of a reference rate (an index whose use is generally accepted on the market) that is applied based on the transaction's revision period or maturity, and a liquidity premium, i.e. a spread that is established based on the conditions and outlook of the financial markets. Additionally, there are agreements for the allocation of earnings between the product-generating units and the distribution units.

- **Allocation of operating expenses**. Both direct and indirect costs are allocated to the business areas, except where there is no clearly defined relationship with the businesses, i.e. when they are of a clearly corporate or institutional nature for the Group as a whole.

- **Cross-selling**. In some cases, adjustments are required to eliminate shadow accounting entries that are registered in the earnings of two or more units as a result of cross-selling incentives.

Interest rates

(Quarterly averages. Percentage)

	2016			2015			
	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Official ECB rate	0.00	0.00	0.04	0.05	0.05	0.05	0.05
Euribor 3 months	(0.30)	(0.26)	(0.19)	(0.09)	(0.03)	(0.01)	0.05
Euribor 1 year	(0.05)	(0.02)	0.01	0.09	0.16	0.17	0.25
USA Federal rates	0.50	0.50	0.50	0.33	0.25	0.25	0.25
TIIE (Mexico)	4.60	4.08	3.80	3.35	3.32	3.30	3.30
CBRT (Turkey)	7.99	8.50	8.98	8.78	8.66	8.26	7.99

Exchange rates

(Expressed in currency/euro)

	Year-end exchange rates			Average exchange rates	
	30-09-16	Δ% on 30-09-15	Δ% on 31-12-15	January-Sep. 16	Δ% on January-Sep. 15
Mexican peso	21.7391	(12.7)	(13.0)	20.4261	(15.0)
U.S. dollar	1.1161	0.4	(2.5)	1.1162	(0.2)
Argentinean peso	17.1904	(38.6)	(17.8)	16.2245	(38.4)
Chilean peso	735.84	7.3	4.6	758.73	(6.1)
Colombian peso	3,215.43	8.7	6.5	3,412.97	(13.8)
Peruvian sol	3.8014	(5.2)	(2.4)	3.7572	(6.9)
Venezuelan bolivar fuerte	1,356.85	(83.5)	(65.4)	1,356.85	(83.5)
Turkish lira	3.3576	1.0	(5.4)	3.2762	(9.3)

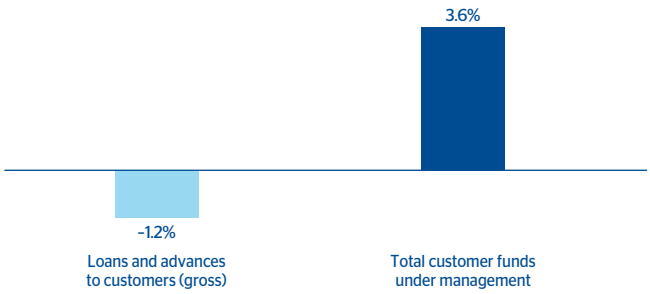
Banking activity in Spain

Highlights

- Decline in lending, strongly affected by the wholesale business and institutions.
- Good performance of the more liquid and lower-cost deposits and off-balance-sheet funds.
- Revenues impacted by the current interest-rate environment and lower activity in the markets.
- Expenses influenced by CX.
- Risk indicators continue to improve.

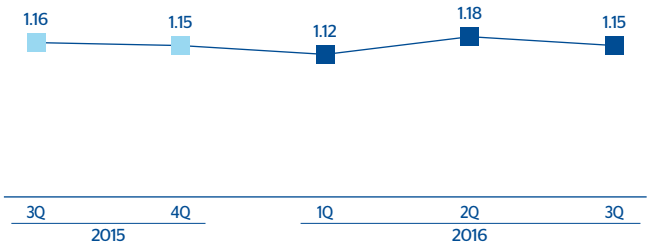
Business activity

(Year-on-year change. Data as of 30-09-2016)



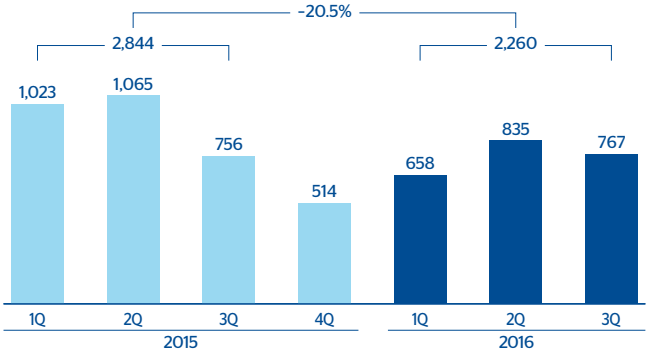
Net interest income/ATA

(Percentage)



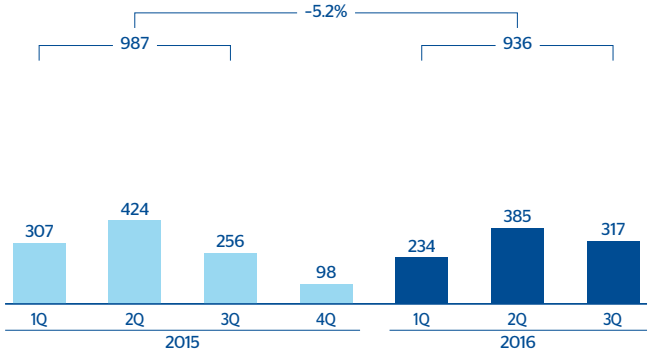
Operating income

(Million euros)



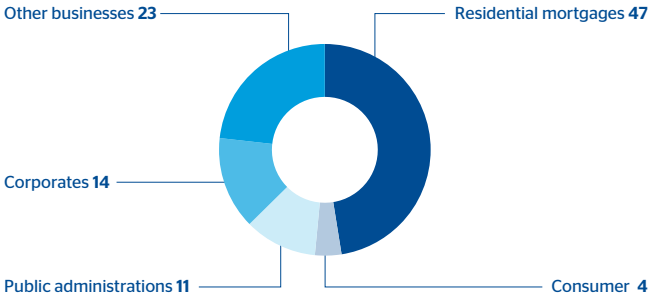
Net attributable profit

(Million euros)



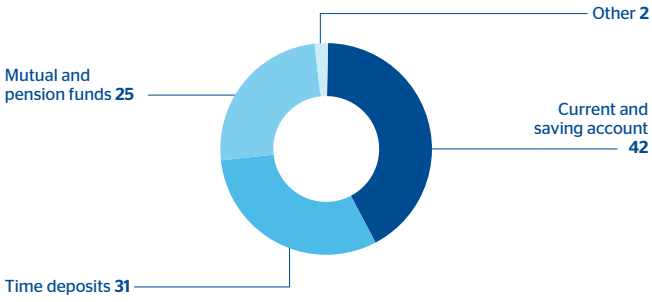
Breakdown of loans and advances to customers (gross)

(Percentage as of 30-09-2016)



Breakdown of customer funds under management

(Percentage as of 30-09-2016)



Financial statements and relevant business indicators

(Million euros and percentage)

Income statement	Jan.-Sep. 16	Δ%	Jan.-Sep. 15
Net interest income	**2,911**	**(2.9)**	**3,000**
Net fees and commissions	1,141	(6.4)	1,219
Net trading income	613	(24.6)	813
Other income/expenses	304	(13.7)	353
Gross income	**4,970**	**(7.7)**	**5,385**
Operating expenses	(2,710)	6.6	(2,541)
Personnel expenses	(1,521)	8.0	(1,408)
Other administrative expenses	(949)	9.1	(871)
Depreciation	(240)	(8.7)	(263)
Operating income	**2,260**	**(20.5)**	**2,844**
Impairment on financial assets (net)	(721)	(33.2)	(1,078)
Provisions (net) and other gains (losses)	(212)	(42.3)	(367)
Income before tax	**1,327**	**(5.1)**	**1,398**
Income tax	(390)	(4.6)	(408)
Net income	**938**	**(5.3)**	**990**
Non-controlling interests	(2)	(31.0)	(3)
Net attributable profit	**936**	**(5.2)**	**987**

Major balance sheet items	30-09-16	Δ%	31-12-15
Cash and balances with central banks, credit institutions and others	37,521	9.4	34,298
Financial assets	110,825	(5.8)	117,631
Loans and advances to customers	180,871	(1.8)	184,115
Inter-area positions	524	(24.2)	692
Tangible assets	822	17.2	702
Other assets	2,285	(2.3)	2,338
Total assets/liabilities and equity	**332,848**	**(2.0)**	**339,775**
Deposits from central banks and credit institutions	71,091	19.6	59,456
Deposits from customers	169,726	(8.5)	185,484
Debt certificates	35,913	(13.3)	41,422
Subordinated liabilities	2,527	7.7	2,347
Inter-area positions	-	-	-
Financial liabilities held for trading	40,529	1.4	39,955
Other liabilities	3,290	77.5	1,854
Economic capital allocated	9,772	5.5	9,259

Relevant business indicators	30-09-16	Δ%	31-12-15
Loans and advances to customers (gross) [1]	182,903	(2.6)	187,719
Customer deposits under management [1]	165,236	(1.1)	167,026
Off-balance sheet funds [2]	54,710	0.4	54,504
Risk-weighted assets	110,476	(9.4)	121,889
Efficiency ratio (%)	54.5		50.6
NPL ratio (%)	5.9		6.6
NPL coverage ratio (%)	58		59
Cost of risk (%)	0.42		0.71

(1) Excluding repos.
(2) Includes mutual funds, pension funds and other off-balance sheet funds.

Macro and industry trends

The Spanish **economy** grew between 0.7% and 0.8% at quarterly rate in the second quarter of 2016, which represents a stabilization in growth at a year-on-year rate of 3.2%. Domestic demand continues to be solid. The outlook for 2017 is for a slowdown in growth, due to the lack of any improvement in foreign demand and the increase in oil prices.

The main risk indicators of the Spanish **financial system** maintain the favorable trend of recent months, according to the latest available information as of July 2016. Thus there has been a further reduction in non-performing loans (down 17.7% year-on-year) and the NPL ratio (9.4% as of 31-Jul-2016). In addition, the deleveraging process of families and companies continues. Also according to data as of July 2016, there was a 4.3% year-on-year decline in the volume of loans to the private sector, although the cumulative flow of new retail loans (to families and SMEs) between January and August 2016 has risen by 6.8% year-on-year, despite a reduction in operations with large companies. Lastly, Spanish banks have maintained a relatively stable use of the Eurosystem liquidity: €136 billion as of August 2016, 1.6% down on the figure for a year earlier. The second round of auctions for the new targeted longer-term refinancing operations (TLTRO II) were held on September 22. The total amount requested was €45.3 billion, and €11 billion has been repaid from TLTRO I. This represents an additional demand for liquidity of €34.3 billion.

Activity

Against this backdrop, gross customer **lending** reports a decline of 2.6% YTD and –3.0% in the quarter, mainly due to the wholesale businesses and institutions. The figures for new production are still positive: new mortgages between January and September grew by 11% in year-on-year terms (although repayments in this portfolio are still higher than new entries), consumer finance has grown by 43.7% and commercial loans at rates of 0.3%.

As regards **asset quality**, NPL flows have continued to decline, thanks to the good rate of recoveries and gross additions being kept in check. As a result, the NPL ratio improved over the quarter to 5.9%. The coverage ratio ends the period at 58%.

In customer **deposits** under management, time deposits continue to decline (–11.9%

against the balance at 31-Dec-2015), and the more liquid balances of current and savings accounts continue to grow (+13.2%). As a result, the total volume has reduced by 1.1% since the close of 2015.

Lastly, with regards to **off-balance-sheet customer funds** net mutual and pension funds inflows remain positive. Their balance show an increase of 0.4% since the close of 2015 (+2.5% in the last three months).

Earnings

Banking activity in Spain has generated a cumulative **net attributable profit** through September 2016 of €936m, a year-on-year decline of 5.2%. The highlights of the income statement for the first nine months of 2016 in this area are once more as follows:

- **Net interest income** still reflects the fall in the cost of customer funds and wholesale funding, although this fall does not offset the decline in the yield on loans linked to the cut in the ECB's interest rates in March 2016. In this context, there has been a year-on-year fall in cumulative net interest income through September 2016 of 2.9%.

- Sluggish market activity has led to a decline (down 6.4% year-on-year) of **income from fees and commissions**, linked mainly to funds and securities, as well as investment banking operations.

- The contribution from **NTI** in the first nine months of this year has been lower than in the same period last year (down 24.6% in the last twelve months), due mainly to lower ALCO portfolio sales and a difficult year in the markets. However, over the last twelve months the figures have been boosted by the VISA Europe deal, which generated gross capital gains of €138m in the second quarter of 2016.

- The **other income/expenses** heading is negative on a year-on-year comparison (down 13.7%) due to the booking of the annual contribution to the Single Resolution Fund (SRF) in the second quarter, which had a negative effect in the area of €117m gross. It should be taken into account that in 2015 the contribution was made in the fourth quarter.

- Moderate increase in cumulative **operating expenses** of 6.6% year-on-year greatly linked to the inclusion of CX and related integration costs.

- The continued improvement in asset quality is reflected in lower **impairment losses on financial assets** compared with the same period in 2015 (down 33.2% year-on-year). As a result, the cumulative cost of risk through September 2016 stands at 0.42%, a figure slightly down on that in June (0.43%) and far below the figure for the year 2015 (0.71%).

- **Provisions (net) and other gains/losses** have declined year-on-year by 42.3%, basically as a result of lower costs associated with the transformation process, despite the €53m allocated in the third quarter for restructuring costs.

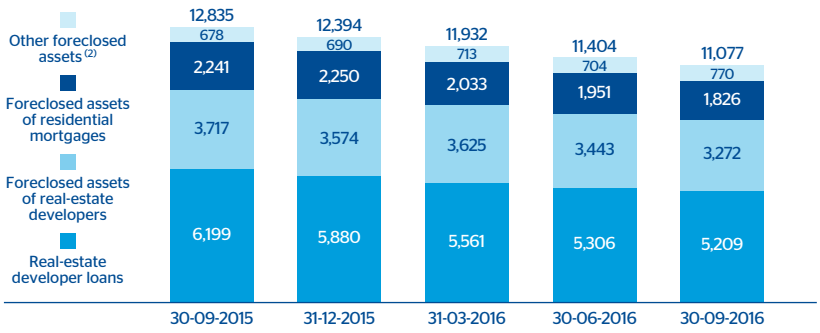
Real-estate activity in Spain

Highlights

- The growing trend in demand, prices and activity in the mortgage market continues.
- Further progress in selective sales and in prioritizing profitability.
- The negative contribution from the area to earnings continues to decline.
- Further reduction in net exposure and NPLs.

Net exposure to real estate [1]

(Million euros)



(1) Transparency scope according to Bank of Spain Circular 5/2011 dated November 30.
(2) Other foreclosed assets include foreclosed assets that do not stem from financing family home buying.

Coverage of real-estate exposure in Spain [1]

(Million of euros as of 30-09-16)

	Risk amount	Provision	% Coverage over risk
NPL + Substandard	5,882	3,083	52
NPL	5,424	2,998	55
Substandard	458	85	19
Foreclosed real-estate and other assets	14,472	8,604	59
From real-estate developers	8,373	5,101	61
From dwellings	4,334	2,508	58
Other	1,765	995	56
Subtotal	**20,354**	**11,687**	**57**
Performing	2,410		
With collateral	2,179		
Finished properties	1,697		
Construction in progress	279		
Land	203		
Without collateral and other	231		
Real-estate exposure	**22,764**	**11,687**	**51**

(1) Transparency scope according to Bank of Spain Circular 5/2011 dated November 30.

Industry trends

According to the latest available information from the General Council of Spanish Notaries, 39,841 **homes** were sold in July 2016, with the cumulative figure for 2016 registering year-on-year growth of 11.8%.

Although the year-on-year growth in the average **price** of the properties sold was maintained in the second quarter of 2016 (3.9%), it slowed on the figure in the first three months of 2016 (up 6.3%), according to the latest figures published by the National Institute of Statistics (INE).

The **mortgage market** is still strong, thanks to increased sales in a context of low cost of finance, as interest rates remain at record low levels. Bank of Spain figures on new residential mortgage loans show a year-on-year decline in July and August. However, this is due to the base effect, as the period of refinancing between July to September 2015 resulting from some banks ending their floor clauses led to this credit heading growing by an average year-on-year rate of 85%. Excluding this impact, residential mortgages grew by a year-on-year rate of 24.4% between January and August 2016.

The figures related to **construction activity** show the number of construction permits approved in the first seven months of the year is 36.9% up on the same period in 2015.

Activity

BBVA continues with its strategy of reducing its **net exposure** to the real-estate sector in Spain, both in the developer segment (lending to real-estate developers plus foreclosed assets derived from those loans) and in foreclosed

real-estate assets from retail mortgage loans. As of 30-Sep-2016, the figure stood at €11,077m (in accordance with the scope of transparency stipulated by Bank of Spain Circular 5/2011 dated November 30), a fall of 10.6% since December 2015. It has declined by 2.9% with respect to the figure for June 2016.

Total real-estate exposure, including outstanding loans to developers, foreclosures and other assets, reflects a **coverage** ratio of 51% at the close of the third quarter of 2016, which represents an improvement of 1.1 percentage points with respect to the figure for 31-Dec-2015, and is practically the same as the figure for 30-Jun-2016.

Non-performing loans have fallen again over the quarter, with new additions to NPL declining over the period and a coverage ratio at 52% (NPL plus substandard).

Sales of real-estate assets in the quarter amounted to 3,189 units, and a total sale price of €230m, or 4,572 units and €381m including the sales of assets on the developer balance sheet. The above reflects an increase of 46% in number of units and 21% in sale price over the same period of 2015 (+12% in number of units and +2% in sale price including assets on the developer balance sheet). Total sales in the quarter were 26% down (40% down in the developer balance sheet alone). This quarterly decline is explained by the seasonal nature of the sales. Data includes the sales coming from CX (18 units for a sale price of €1 million). Progress continues in selective sales and in prioritizing profitability.

Earnings

This business area posted a cumulative **loss** of €315m in the first nine months of 2016, compared with a loss of €417m in the same period of 2015. The reduction is mainly a result of lower needs for loan-loss and real-estate provisions, a better scenario of the cost of funding in the asset portfolios and lower financed volumes as a result of reduced exposure.

Financial statements

(Million euros)

Income statement	Jan.-Sep. 16	Δ%	Jan.-Sep. 15
Net interest income	**44**	**45.2**	**30**
Net fees and commissions	5	108.8	2
Net trading income	(1)	n.m.	3
Other income/expenses	(76)	4.8	(73)
Gross income	**(29)**	**(22.7)**	**(38)**
Operating expenses	(91)	(2.8)	(94)
Personnel expenses	(49)	1.8	(48)
Other administrative expenses	(23)	(16.1)	(27)
Depreciation	(20)	4.2	(19)
Operating income	**(120)**	**(8.5)**	**(131)**
Impairment on financial assets (net)	(125)	(29.9)	(179)
Provisions (net) and other gains (losses)	(198)	(32.9)	(294)
Income before tax	**(443)**	**(26.7)**	**(605)**
Income tax	128	(32.0)	189
Net income	**(315)**	**(24.3)**	**(416)**
Non-controlling interests	(0)	(89.6)	(1)
Net attributable profit	**(315)**	**(24.4)**	**(417)**

Major balance sheet items	30-09-16	Δ%	31-12-15
Cash and balances with central banks, credit institutions and others	7	27.2	5
Financial assets	550	29.4	425
Loans and advances to customers	6,338	(23.0)	8,228
Inter-area positions	-	-	-
Tangible assets	1,059	(18.6)	1,302
Other assets	6,541	(8.7)	7,162
Total assets/liabilities and equity	**14,496**	**(15.3)**	**17,122**
Deposits from central banks and credit institutions	-	-	-
Deposits from customers	47	(63.7)	131
Debt certificates	-	-	-
Subordinated liabilities	838	(2.2)	857
Inter-area positions	10,260	(19.3)	12,708
Financial liabilities held for trading	-	-	-
Other liabilities	-	-	-
Economic capital allocated	3,350	(2.2)	3,427
Memorandum item:			
Risk-weighted assets	11,795	(19.2)	14,606

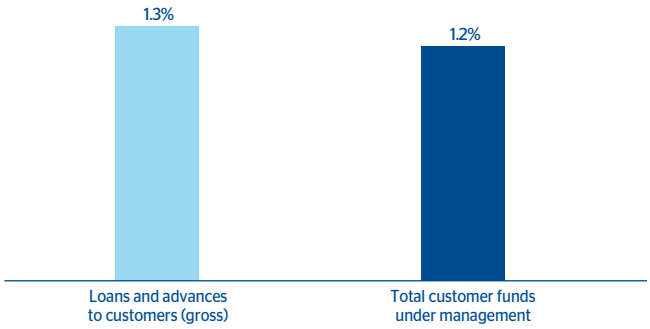
The United States

Highlights

- Activity flat YTD with a focus on profitable growth.
- Positive performance of net interest income and a recovery in income from fees and commissions.
- More moderate increase in expenses.
- Further reduction in the cumulative cost of risk.

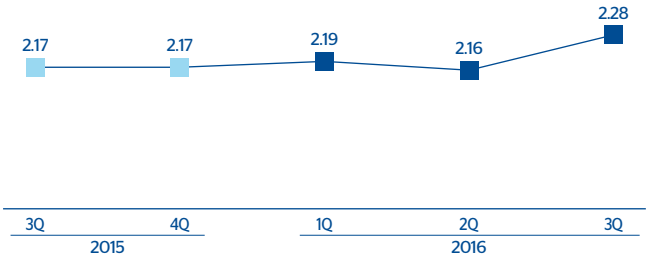
Business activity

(Year-on-year change at constant exchange rate. Data as of 30-09-2016)



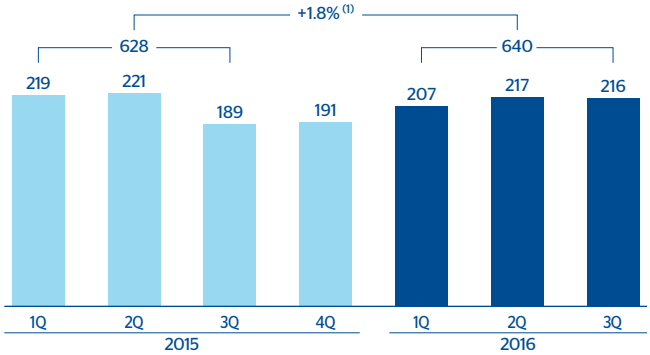
Net interest income/ATA

(Percentage. Constant exchange rate)



Operating income

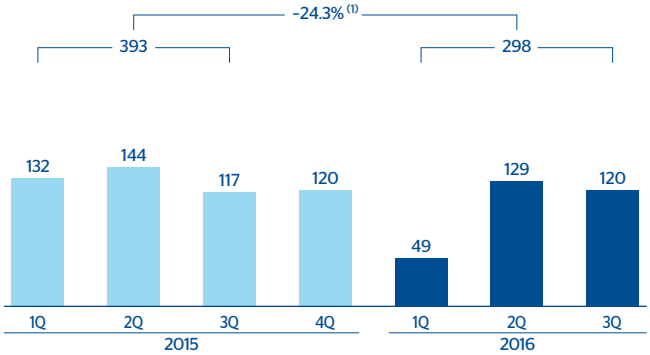
(Million euros at constant exchange rate)



(1) At current exchange rate: +1.7%.

Net attributable profit

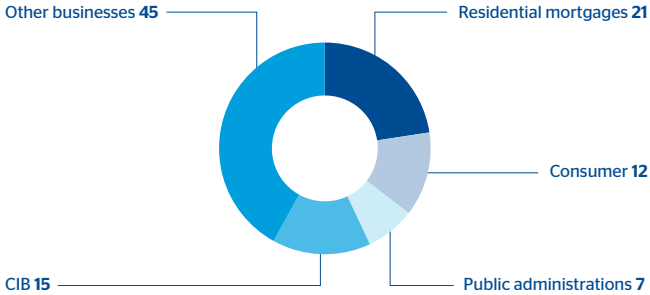
(Million euros at constant exchange rate)



(1) At current exchange rate: -24.4%.

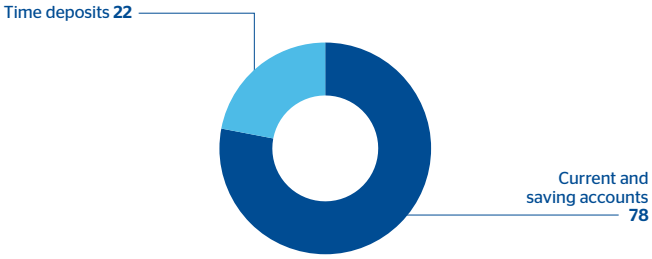
Breakdown of loans and advances to customers (gross)

(Percentage as of 30-09-2016)



Breakdown of customer funds under management

(Percentage as of 30-09-2016)



Macro and industry trends

According to the latest official estimates, U.S. **GDP** growth has been weak and below expectations, with the strength of consumption not offsetting the weakness of investment and net exports. According to the latest available data, these figures will improve in the third quarter of the year due to an improved labor market and moderate inflation expectations. Against this background, with growth probably remaining under 2%, caution will guide the Fed's normalization of interest rates.

In the **currencies** market, the dollar has remained fairly stable over recent months against the euro.

In the **financial system**, the overall NPL ratio for the sector continues to decline. At the close of the second quarter of 2016 it stood at 2.1%. In terms of activity, growth in lending continues to be positive, but more moderate than in previous quarters (up 4.0% in year-on-year terms with data for August 2016), supported by the rise in mortgage loans and consumer finance. Despite greater volatility in recent months, deposits continue to post positive rates of growth (up 8.8% year-on-year, also with August figures). Overall, the financial sector is in good shape, despite the low interest-rate environment and an increase in loan-loss provisions.

Activity

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

Growth rates in gross **lending** to customers in the United States continue the moderation which began in the second half of 2015. This trend is supported by the area's selective growth in the most profitable portfolios and segments that represent more efficient capital consumption. It is also worth mentioning portfolio sales in the first half of 2016, which have been concentrated in the residential mortgage segment. New production remains high, although run-offs in the quarter are also higher. The area's lending has grown by 1.3% year-on-year, basically flat (-0.1%) YTD and declined 1.3% over the last three months. The portfolios reporting growth are: first, consumer

Financial statements and relevant business indicators

(Million euros and percentage)

Income statement	Jan.-Sep. 16	Δ%	Δ% (1)	Jan.-Sep. 15
Net interest income	**1,421**	**5.9**	**6.1**	**1,342**
Net fees and commissions	477	1.6	1.8	470
Net trading income	117	(18.3)	(18.1)	143
Other income/expenses	(9)	n.m.	n.m.	9
Gross income	**2,005**	**2.1**	**2.3**	**1,964**
Operating expenses	(1,365)	2.4	2.5	(1,334)
Personnel expenses	(802)	5.0	5.2	(764)
Other administrative expenses	(422)	1.2	1.3	(417)
Depreciation	(141)	(7.8)	(7.6)	(153)
Operating income	**640**	**1.7**	**1.8**	**630**
Impairment on financial assets (net)	(201)	129.7	130.2	(87)
Provisions (net) and other gains (losses)	(41)	n.m.	n.m.	(2)
Income before tax	**398**	**(26.3)**	**(26.2)**	**541**
Income tax	(101)	(31.4)	(31.3)	(147)
Net income	**298**	**(24.4)**	**(24.3)**	**394**
Non-controlling interests	(0)	(50.0)	(49.9)	(0)
Net attributable profit	**298**	**(24.4)**	**(24.3)**	**394**

Major balance sheet items	30-09-16	Δ%	Δ% (1)	31-12-15
Cash and balances with central banks, credit institutions and others	8,582	(4.1)	(1.7)	8,953
Financial assets	14,555	0.6	3.1	14,468
Loans and advances to customers	58,211	(2.6)	(0.2)	59,796
Inter-area positions	-	-	-	-
Tangible assets	748	(4.1)	(1.7)	780
Other assets	2,580	5.0	7.7	2,457
Total assets/liabilities and equity	**84,676**	**(2.1)**	**0.4**	**86,454**
Deposits from central banks and credit institutions	3,813	(37.5)	(35.9)	6,100
Deposits from customers	61,304	(3.8)	(1.4)	63,715
Debt certificates	894	(3.0)	(0.5)	921
Subordinated liabilities	1,479	1.4	3.9	1,459
Inter-area positions	4,516	195.3	202.8	1,529
Financial liabilities held for trading	3,630	(5.6)	(3.2)	3,844
Other liabilities	5,720	0.0	2.5	5,718
Economic capital allocated	3,319	4.8	7.4	3,167

Relevant business indicators	30-09-16	Δ%	Δ% (1)	31-12-15
Loans and advances to customers (gross) (2)	59,049	(2.6)	(0.1)	60,599
Customer deposits under management (2)	58,647	(2.5)	(0.1)	60,173
Off-balance sheet funds (3)	-	-	-	-
Risk-weighted assets	60,294	0.3	2.9	60,092
Efficiency ratio (%)	68.1			68.6
NPL ratio (%)	1.7			0.9
NPL coverage ratio (%)	87			151
Cost of risk (%)	0.44			0.25

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

finance (up 8.4% year-on-year but down 1.8% since December 2015 and down 2.5% since June 2016); and second, commercial lending (up 1.1% year-on-year, flat YTD and down 1.5% since 30-June-2016).

With regard to **asset quality**, there has been a slight increase in the volume of non-performing loans against the second quarter of 2016. As a result, the NPL ratio rose to 1.7% as of 30-Sep-2016. The coverage ratio has declined on the figure recorded at the close of June to 87%. BBVA in the United States maintains a conservative and prudent policy of extending credit and collateral requirement to companies in the energy sector. Moreover, the exploration & production portfolio represents 2.9% of BBVA Compass' total portfolio and the area's exposure to the total oil & gas portfolio declined by 11% since the close of June 2016.

Finally, customer **deposits** under management reported a flat evolution (-0.1%) YTD. This means a 1.1% decline in the quarter, greatly affected by the reduction of time deposits. Current and savings accounts are up 2.8% since December 2015 and up 0.6% in the quarter while time deposits were down 9.2% and 6.8% respectively.

Earnings

The United States has generated a cumulative net attributable **profit** through September 2016 of €298m, down 24.3% on the same period last year. The most relevant aspects of the P&L of this division are summarized below:

- **Net interest income** remains positive with a cumulative rise of 6.1% over the last twelve months through September due to the firm defense of customer spreads (the cost of deposits has remained flat, while the yield on new loan production is growing). The increased activity volumes compared with the previous year have offset the increased wholesale funding costs.

- **Income from fees and commissions** has improved steadily over the first nine months of the year. In the third quarter there was another increase of 6.6% on the previous quarter, basically due to the improvement in asset management fees, credit cards and money transfers. The cumulative change year-on-year is already positive, up 1.8%.

- **NTI** fell 18.1% year-on-year as a result of the difficult situation in the markets and lower sales of ALCO portfolios compared with those recorded in the same period in 2015.

- **Operating expenses** rose by 2.5% over the last twelve months, slightly below the year-on-year increase recorded in the first half of 2016. Personnel and other administrative expenses increased and amortization of intangible assets fell.

- Lastly, cumulative **impairment losses on financial assets** are still higher than in the same period last year, due mainly to the rise in provisions following the rating downgrades in the first quarter of 2016 of some companies that operate in the energy (exploration & production) and metals & mining (basic materials) sectors. In the second quarter, impairment losses on financial assets fell by 41.3% on the figure registered from January to March 2016. In the third quarter they fell again by 5.3% on the figure for the second quarter. As a result of the above, the cumulative cost of risk in the area has fallen again to 0.44%, from 0.49% in the first half of the year.

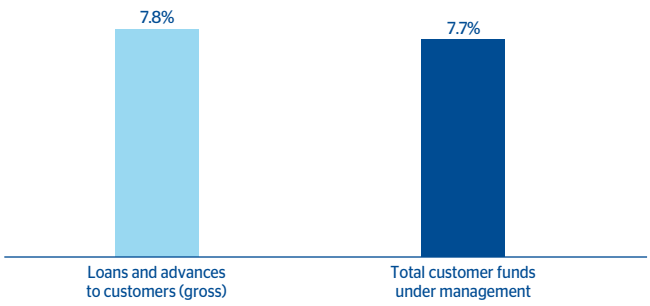
Turkey

Highlights

- Strong lending activity, heavily concentrated in loans in Turkish lira.
- Growth in deposits above the growth in lending.
- Solid revenue growth.
- Moderation in the rate of growth of expenses.
- Slight rise in the NPL ratio, though it is still below average for the sector.

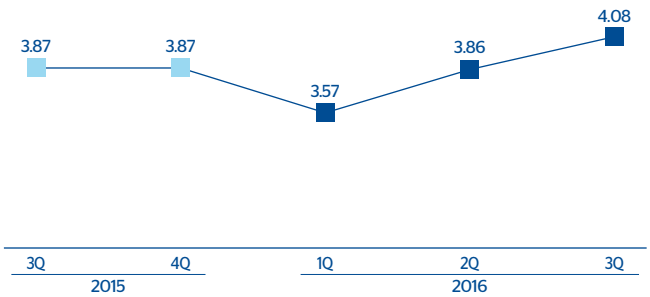
Business activity

(Year-on-year change at constant exchange rate with Turkey in comparable terms. Data as of 30-09-2016)



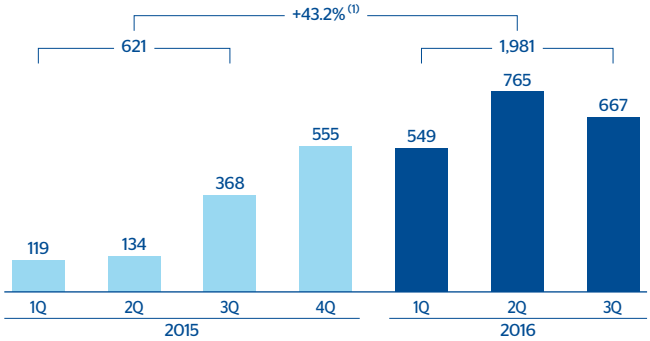
Net interest income/ATA

(Percentage. Constant exchange rate)



Operating income

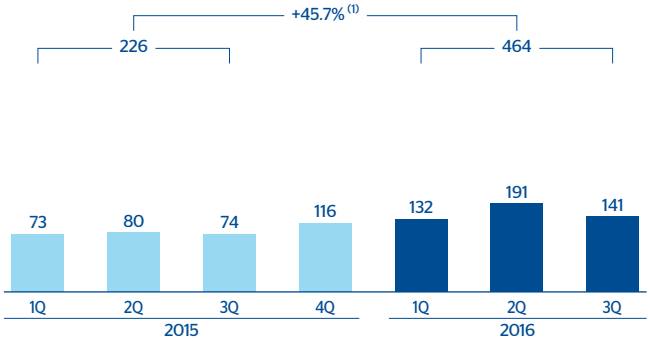
(Million euros at constant exchange rate and year-on-year change with Turkey in comparable terms)



(1) At current exchange rate: +27.1%.

Net attributable profit

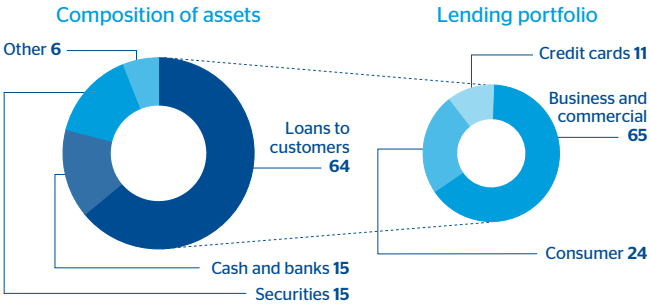
(Million euros at constant exchange rate and year-on-year change with Turkey in comparable terms)



(1) At current exchange rate: +30.6%.

Garanti. Composition of assets and lending portfolio (1)

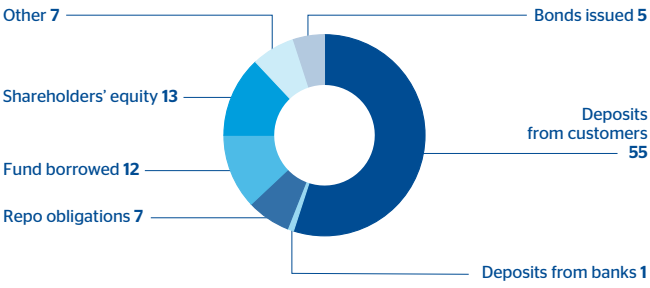
(Percentage as of 30-09-2016)



(1) Garanti Bank only.

Garanti. Composition of liabilities (1)

(Percentage as of 30-09-2016)



(1) Garanti Bank only.

Financial statements and relevant business indicators

(Million euros and percentage)

Income statement	Jan.-Sep. 16	Δ% [1]	Δ% [1, 2]	Jan.-Sep. 15
Net interest income	**2,516**	**(3.1)**	**8.9**	**1,320**
Net fees and commissions	578	2.8	15.6	267
Net trading income	124	n.m.	n.m.	(239)
Other income/expenses	38	(23.6)	(14.0)	22
Gross income	**3,255**	**12.2**	**26.2**	**1,371**
Operating expenses	(1,274)	(5.2)	6.5	(686)
Personnel expenses	(666)	(1.6)	10.5	(348)
Other administrative expenses	(443)	(16.5)	(6.2)	(257)
Depreciation	(165)	20.9	35.4	(81)
Operating income	**1,981**	**27.1**	**43.2**	**685**
Impairment on financial assets (net)	(468)	7.1	20.3	(224)
Provisions (net) and other gains (losses)	(38)	n.m.	n.m.	(1)
Income before tax	**1,475**	**31.5**	**48.2**	**460**
Income tax	(304)	38.2	56.0	(85)
Net income	**1,172**	**29.8**	**46.3**	**375**
Non-controlling interests	(708)	29.3	46.8	(125)
Net attributable profit	**464**	**30.6**	**45.7**	**249**

Major balance sheet items	30-09-16	Δ%	Δ% [2]	31-12-15
Cash and balances with central banks, credit institutions and others	14,662	0.4	6.1	14,608
Financial assets	13,697	(8.7)	(3.5)	15,006
Loans and advances to customers	56,495	2.4	8.2	55,182
Tangible assets	1,475	4.9	10.9	1,406
Other assets	2,225	(20.6)	(16.0)	2,801
Total assets/liabilities and equity	**88,553**	**(0.5)**	**5.2**	**89,003**
Deposits from central banks and credit institutions	15,025	(10.7)	(5.6)	16,823
Deposits from customers	49,103	4.0	10.0	47,199
Debt certificates	8,830	11.0	17.3	7,954
Subordinated liabilities	-	-	-	-
Financial liabilities held for trading	548	(35.0)	(31.3)	843
Other liabilities	12,505	(13.9)	(9.0)	14,521
Economic capital allocated	2,542	52.9	61.6	1,663

Relevant business indicators	30-09-16	Δ%	Δ% [2]	31-12-15
Loans and advances to customers (gross) [3]	59,117	2.3	8.2	57,768
Customer deposits under management [3]	44,975	3.6	9.6	43,393
Off-balance sheet funds [4]	3,960	9.4	15.6	3,620
Risk-weighted assets	80,834	10.4	16.7	73,207
Efficiency ratio (%)	39.1			47.7
NPL ratio (%)	2.9			2.8
NPL coverage ratio (%)	125			129
Cost of risk (%)	1.05			1.11

(1) Variations taking into account the financial statements of Garanti Group calculated by the full integration method since January 1, 2015, without involving a change of the data already published.
(2) Figures at constant exchange rate.
(3) Excluding repos.
(4) Includes mutual funds, pension funds and other off-balance sheet funds.

Macro and industry trends

In Turkey, **economic growth** continues to slow. In the second quarter of 2016 growth was 3.1% in year-on-year terms, as a result of the negative impact of private consumption and net exports, which have not been offset by growing public consumption. Further slowdown is expected over the rest of the year due to the uncertainty about the situation after the failed coup attempt, which could affect economic confidence.

Inflation also fell between August and September to 7.3% in year-on-year terms as a result of waning domestic demand and of the tourism sector. In this scenario, the CBRT has continued to ease its monetary policy, reducing the upper end of the reference **interest-rate** corridor to 8.25% and implementing adequate macro-prudential measures. It is expected to maintain a prudent management of monetary policy with the aim to support the growth of domestic demand.

The Turkish **financial sector** continues to report credit growth close to double digit. With data as of September 30, 2016, the year-on-year rise in lending, adjusted for the effect of the depreciation of the Turkish lira, was 9.6% (9.0% at the close of the first half of 2016). Deposit gathering has slowed its rate growth (to around 7% year-on-year, according to the latest data against the 12.6% at 30-Jun-2016) due to a reduction of foreign currency deposits, as those denominated in Turkish lira continue to perform favorably. The NPL ratio still compares favorably with respect to the average of the banking systems in Europe, at 3.3% according to the latest available information as of September 30. As regards solvency, the sector enjoys high levels of capitalization, with a capital adequacy ratio (CAR) of 15.3% through September. Moody's recent decision to downgrade Turkey's sovereign rating is expected to bring the depreciation of the Turkish lira and an increase in wholesale funding costs.

Activity

BBVA's stake in Garanti has been 39.9% since the third quarter of 2015 and was incorporated into the Group's financial statements at that time by the full integration method. The above has had an impact on the year-on-year rates of change in the earnings, balance-sheet and activity of this area due to the change in the scope of consolidation. In order to make comparison against 2015 easier, rates of

change are shown by taking into account the stake in Garanti on an equivalent basis, i.e. including it as if it had been incorporated by the full integration method since January 1, 2015 (hereinafter "Turkey in comparable terms").

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

The area's gross **lending** to customers has increased so far this year by 8.2 % and quarterly growth of 2.2%. Garanti is continuing with its strategy focused on selective growth in the more profitable products. Loans in Turkish lira continue to be the main driver of activity, and Garanti Bank has registered a rise in the third quarter that is above that of the sector as a whole in Turkey (up 2.3% compared with 2.0% in the sector). This progress has been strongly supported, first, by the business banking loans, which is accelerating its rate of growth in the period under review. Furthermore, the positive trend in the individual customer segment continues, mainly driven by residential mortgage portfolio. However, general purpose loans (basically consumer loans) slowed their percentage increase in the third quarter (up 1.0%). Finally, loans in foreign currency in Garanti Bank continue to shrink in the last three months (down 2.0%).

With regard to **asset quality** indicators in the quarter, of note is a slight increase in the balance of NPL between June and September (up 3.3% at current exchange rate) as a result of the one-off additions to NPL from several commercial files. As a result, the area's NPL ratio stood at 2.9%, which is still under the average for the sector. The coverage ratio fell in the quarter and closed at 125% as of 30-Sep-2016.

Customer **deposits** under management have increased by 9.6% since the start of the year. The figure has remained flat (0.7%) over the quarter as a result of the use by Garanti of other alternative sources of funding, such as repos and extraordinary liquidity facilities from the CBRT. Considerable growth in demand deposits (current and savings accounts) compared with term deposits. Thus, 22% of customer deposits under management correspond to the most liquid and lower-cost items.

Lastly, of particular note is the good **capital** management carried out by Garanti, thanks to which the bank maintains strong solvency levels, among the highest in its peer group (14.7% as of 30-Sep-2016).

Earnings

Turkey generated a net attributable **profit** of €464m in the first nine months of 2016, up 45.7% on the figure registered in the same period in 2015, mainly with strong support of the positive performance of revenues:

- Continued good performance of **net interest income**, which is up 8.9 % in year-on-year terms. This heading has improved its behavior in the third quarter due to the cheaper cost of finance as a result of the relaxation of monetary policy by the CBRT in order to support liquidity. Thus the improved customer spreads are mainly a result of the reduced cost of deposits (the yield on loans also rises, but to a lesser extent).

- Rising trend in **income from fees and commissions** maintained (up 15.6 % year-on-year), thanks to a good diversification, some improvements implemented in 2016, and downward reassessment of the provision created for the miles paid to Turkish Airlines stemming from the lower oil price. This more than offsets any adverse effects on this heading, such as from the temporary suspension of account maintenance and administration fees imposed by the Turkish Council of State in January 2016. Positive contribution of **NTI**, due to the good performance of the Global Markets unit, the capital gains derived from the sales of the ALCO portfolio, and the booking of the VISA operation in the second quarter.

- Cost discipline implemented explains a new decline in the year-on-year rate of growth in **operating expenses** accumulated through September 2016 (+6.5%). Despite this, the heading continues to be affected by the impact of the depreciation of the Turkish lira on the cost headings denominated in foreign currency, the investments being made in the upgrading, modernization and digitalization of traditional channels and the 30% increase in the minimum wage since January 2016. As a result, the **efficiency ratio** as of 30-Sep-2016 continues to improve: at 39.1%; it is down 8.5 percentage points on that of the same period in 2015.

- Lastly, at 20.3% the year-on-year growth in **impairment losses on financial assets** continues to be influenced by the negative impact of the depreciation of the Turkish lira, increased provisions affecting the subsidiary in Romania, and one-off NPL additions from several commercial files. The above puts the cumulative cost of risk through September 2016 at 1.05%.

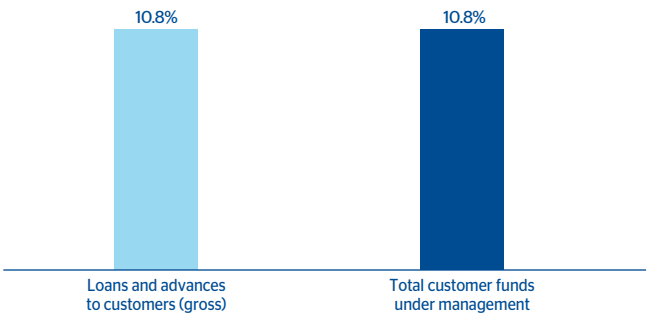
Mexico

Highlights

- Negative impact of exchange rate.
- Activity continues strong.
- Operating expenses are still growing below gross income.
- Double-digit year-on-year growth in net attributable profit.
- Further improvement in risk indicators.

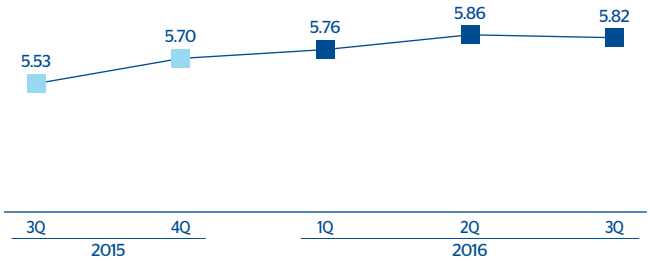
Business activity

(Year-on-year change at constant exchange rate. Data as of 30-09-2016)



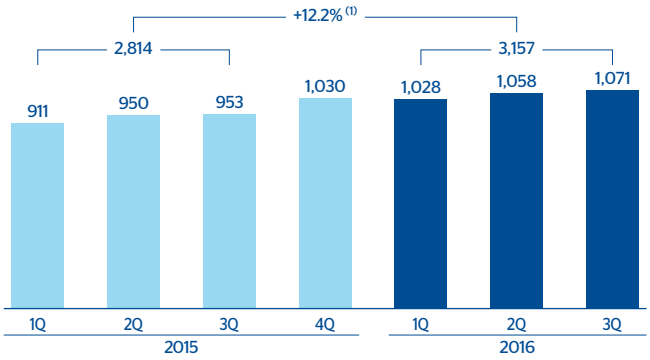
Net interest income/ATA

(Percentage. Constant exchange rate)



Operating income

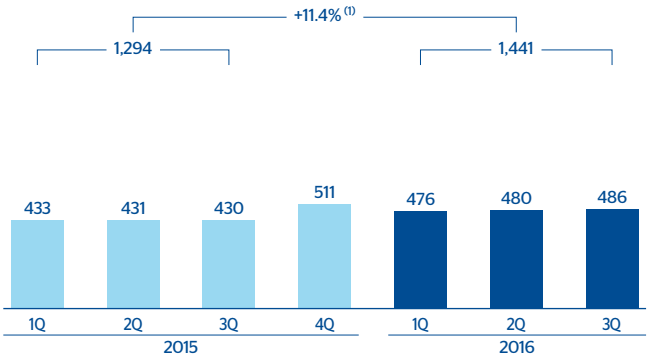
(Million euros at constant exchange rate)



(1) At current exchange rate: -4.7%.

Net attributable profit

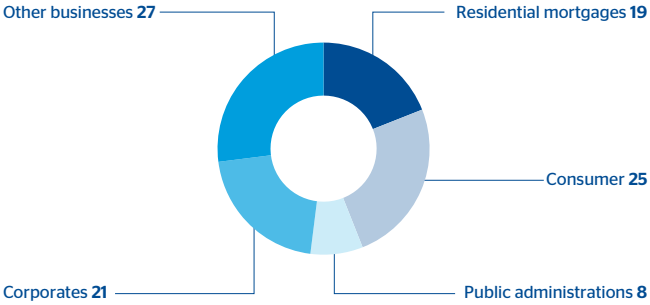
(Million euros at constant exchange rate)



(1) At current exchange rate: -5.3%.

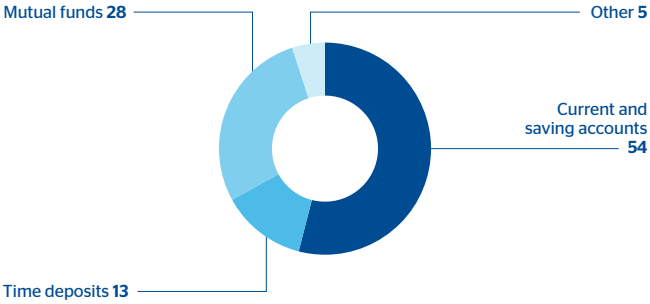
Breakdown of loans and advances to customers (gross)

(Percentage as of 30-09-2016)



Breakdown of customer funds under management

(Percentage as of 30-09-2016)



Macro and industry trends

Mexico's **GDP** declined in the second quarter of 2016 in quarterly terms (down 0.2%) due to the weakness of the service sector, combined with industrial stagnation over recent quarters. This figure suggests an average year-on-year rise of under 2% for 2016.

The Mexican Central Bank (Banxico) once more hiked reference **interest rates** by 50 basis points to 4.75% at its meeting in September, reacting to the depreciation of the **Mexican peso**. The peso is being affected by factors that include the current-account deficit, risks around oil prices and the uncertainty associated with the U.S. presidential elections. The currency's exchange rate against the euro closed in September 12.7% down on the figure twelve months earlier and 5.1% down on 30-Jun-2016.

Mexico's **financial system** maintains high solvency levels (a capital adequacy ratio of 14.8% according to local data from July 2016). The NPL ratio stands at 2.4%, according to the public information available from the National Securities Banking Commission (CNBV) at the close of August. In terms of activity, trends are similar to previous quarters: the balance of the loans granted by commercial banks registered a nominal year-on-year growth of 14.2%, thanks to a good performance across all the segments, particularly corporate lending and consumer finance. Mortgage lending has increased by 11.3% over the last year, boosted by the middle-income and residential segments. Customer fund gathering has also performed positively, in both demand and time deposits.

Activity

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

According to data at the close of the third quarter of 2016, BBVA in Mexico performed well in **lending**, which increased by 8.7% since December 2015 and 1.7% over the quarter. There are signs that the rises in the wholesale and retail portfolios are converging, meaning an improvement in the growth rate of the retail portfolio compared with previous periods. As a result of this trend, BBVA Bancomer

Financial statements and relevant business indicators

(Million euros and percentage)

Income statement	Jan.-Sep. 16	Δ%	Δ% (1)	Jan.-Sep. 15
Net interest income	**3,829**	**(5.0)**	**11.8**	**4,029**
Net fees and commissions	849	(5.3)	11.4	897
Net trading income	141	(16.1)	(1.3)	168
Other income/expenses	132	(24.7)	(11.4)	175
Gross income	**4,952**	**(6.0)**	**10.6**	**5,269**
Operating expenses	(1,795)	(8.3)	7.9	(1,958)
Personnel expenses	(773)	(9.5)	6.5	(854)
General and administrative expenses	(838)	(11.1)	4.6	(943)
Depreciation	(183)	14.1	34.2	(161)
Operating income	**3,157**	**(4.7)**	**12.2**	**3,311**
Impairment on financial assets (net)	(1,198)	(4.9)	11.8	(1,260)
Provisions (net) and other gains (losses)	(16)	(57.4)	(49.8)	(39)
Income before tax	**1,943**	**(3.5)**	**13.5**	**2,013**
Income tax	(501)	2.1	20.1	(491)
Net income	**1,442**	**(5.3)**	**11.4**	**1,523**
Non-controlling interests	(1)	26.1	48.4	(0)
Net attributable profit	**1,441**	**(5.3)**	**11.4**	**1,522**

Major balance sheet items	30-09-16	Δ%	Δ% (1)	31-12-15
Cash and balances with central banks, credit institutions and others	6,565	(45.8)	(37.7)	12,115
Financial assets	30,280	(8.5)	5.2	33,097
Loans and advances to customers	44,682	(6.0)	8.0	47,534
Tangible assets	1,934	(9.2)	4.4	2,130
Other assets	6,217	31.7	51.4	4,719
Total assets/liabilities and equity	**89,678**	**(10.0)**	**3.5**	**99,594**
Deposits from central banks and credit institutions	6,690	(47.8)	(40.0)	12,817
Deposits from customers	47,453	(4.2)	10.1	49,553
Debt certificates	4,114	(21.0)	(9.1)	5,204
Subordinated liabilities	4,456	0.5	15.5	4,436
Financial liabilities held for trading	7,603	6.6	22.5	7,134
Other liabilities	14,954	(0.6)	14.2	15,045
Economic capital allocated	4,407	(18.5)	(6.3)	5,404

Relevant business indicators	30-09-16	Δ%	Δ% (1)	31-12-15
Loans and advances to customers (gross) (2)	46,122	(5.5)	8.7	48,784
Customer deposits under management (2)	40,922	(5.6)	8.5	43,332
Off-balance sheet funds (3)	20,008	(7.2)	6.7	21,557
Risk-weighted assets	47,815	(5.0)	9.2	50,330
Efficiency ratio (%)	36.2			37.0
NPL ratio (%)	2.5			2.6
NPL coverage ratio (%)	122			120
Cost of risk (%)	3.35			3.28

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

has maintained its position as market leader, with gains of 28 basis points so far this year in market share (according to local information from the CNBV for the close of August 2016).

The **wholesale portfolio** has increased by 8.8% since December 2015 and 0.9% since June 2016. Worth highlighting are business loans, including loans to corporate clients and mid-sized companies, which are up 11.5% YTD (+1.3% over the quarter). Lending to housing developers has been positive for the fifth quarter in a row, with a rise of 20.2% on the figure for the close of 2015 (up 8.4% over the quarter).

The **retail portfolio** grew by 8.7% since the close of 2015 and 3.0% over the quarter. It continues to be buoyed by consumer finance and loans to SMEs, which increased by 15.6% and 17.8% respectively YTD. In consumer finance payroll loans and pre-approved loans are still rising. The trend in credit cards has been positive, as the negative impact of the cancellation of the card management agreement with Wal-Mart is wearing off. As a result, credit cards have grown at a rate of 2.2% in the first nine months of 2016. Of note are the good data in credit card new production, which using cumulative figures through Sep-30-2016 is up by 17.5%. Finally, residential mortgage new production has also performed well (up 12.5% year-on-year), although due to the maturity of this portfolio it registered more limited growth than other retail segments, at 4.3% since the close of 2015.

This positive trend in lending has been accompanied by sound **asset quality**. The NPL and coverage ratios have continued to improve over the year and closed September at 2.5% (down 2 basis points over 30-Jun-2016) and 122% respectively.

Total customer **funds** (customer deposits under management, mutual funds, pension funds and other off-balance-sheet funds) grew 7.9% YTD (up 1.4% over the quarter). All products have continued to perform positively: current and savings accounts are up 5.9% since 31-Dec-2015 and time deposits are up 20.6%. Thanks to this trend, BBVA in Mexico can maintain a profitable funding mix in which the lower-cost items account for 80% of total customer deposits under management. Off-balance-sheet customer funds are up 6.7% (up 1.6% over the quarter).

Earnings

BBVA in Mexico posted a cumulative **net attributable profit** through September 2016 of €1,441m, with a year-on-year rate of growth of 11.4%. The highlights of the income statement for the first nine months of 2016 in this area are given below:

- Rise of 11.8% in **net interest income**, boosted mainly by higher volumes of activity.
- Good performance of **income from fees and commissions**, with growth of 11.4%, largely due to a greater volume of transactions with credit card customers and fees from online banking.
- Fall in **NTI** (down 1.3%), which has been affected by the difficult situation of the markets impacting the revenue of the Global Markets unit.
- The **other income/expenses** heading was also down by 11.4% due to an increased contribution to the deposit guarantee fund (proportional to the volume of liabilities in the area), which has not been offset by revenue generated by the insurance business.
- Increase in **operating expenses** (up 7.9%) below the growth rate of gross income (up 10.6%). As a result, the **efficiency ratio** has improved as a cumulative figure through September to 36.2%. It should also be noted that this ratio continues to compare favorably with the average for the sector (56.4% according to local information from the CNBV at the close of August 2016).
- Lastly, a year-on-year rise of 11.8% in **impairment losses on financial assets**. As a result, the cumulative cost of risk at the close of September 2016 stands at 3.35%.

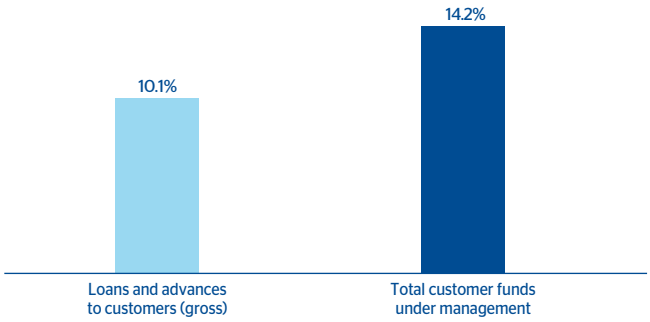
South America

Highlights

- Activity continues strong in the region.
- High capacity to generate recurring revenues and favorable trend in NTI.
- Costs influenced by high inflation in some countries and the adverse effect of exchange rates.
- Slight worsening of risk indicators, strongly affected by the moderation in the environment.

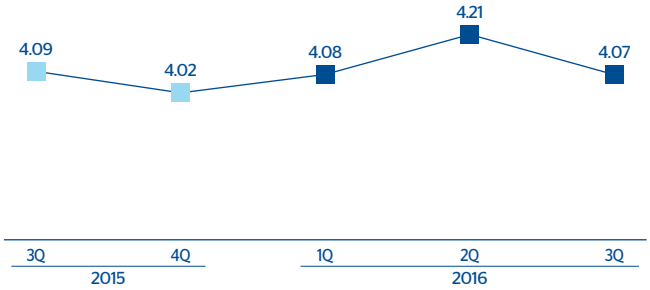
Business activity

(Year-on-year change at constant exchange rates. Data as of 30-09-2016)



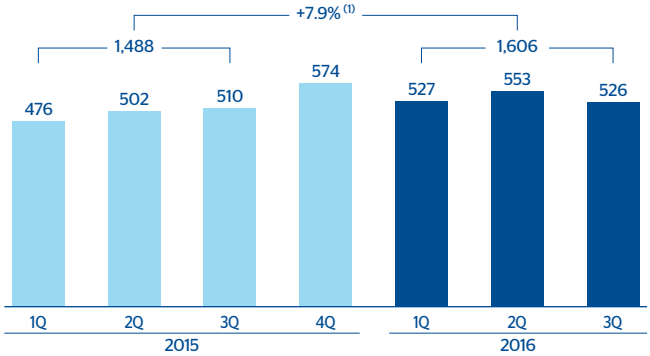
Net interest income/ATA

(Percentage. Constant exchange rates)



Operating income

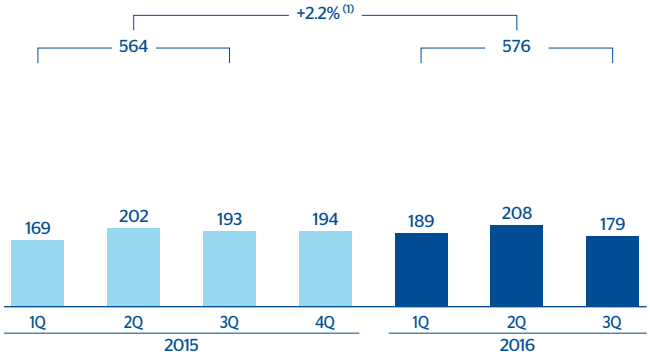
(Million euros at constant exchange rates)



(1) At current exchange rates: -15.0%.

Net attributable profit

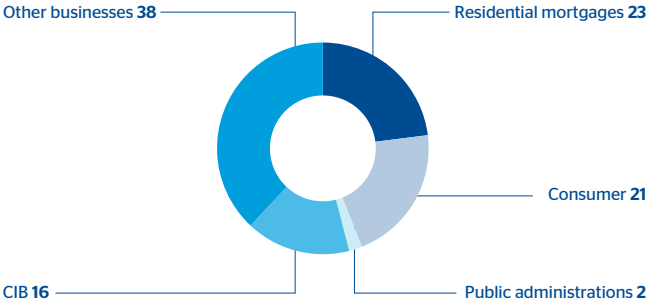
(Million euros at constant exchange rates)



(1) At current exchange rates: -16.9%.

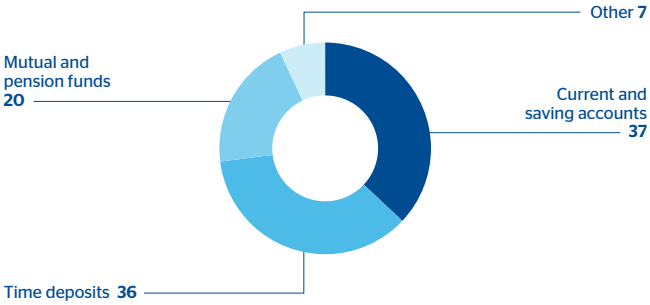
Breakdown of loans and advances to customers (gross)

(Percentage as of 30-09-2016)



Breakdown of customer funds under management

(Percentage as of 30-09-2016)



Financial statements and relevant business indicators

(Million euros and percentage)

Income statement	Jan.-Sep. 16	Δ%	Δ% [1]	Jan.-Sep. 15
Net interest income	**2,182**	**(12.1)**	**12.8**	**2,483**
Net fees and commissions	471	(13.6)	10.5	544
Net trading income	444	2.7	54.8	433
Other income/expenses	(81)	44.6	n.m.	(56)
Gross income	**3,016**	**(11.4)**	**12.7**	**3,405**
Operating expenses	(1,410)	(7.0)	18.7	(1,516)
Personnel expenses	(732)	(6.3)	18.7	(781)
Other administrative expenses	(604)	(8.1)	17.9	(657)
Depreciation	(74)	(4.7)	24.9	(78)
Operating income	**1,606**	**(15.0)**	**7.9**	**1,888**
Impairment on financial assets (net)	(383)	(14.8)	0.6	(450)
Provisions (net) and other gains (losses)	(27)	(58.4)	9.6	(64)
Income before tax	**1,196**	**(13.0)**	**10.5**	**1,375**
Income tax	(408)	(3.5)	36.5	(423)
Net income	**788**	**(17.2)**	**0.6**	**951**
Non-controlling interests	(212)	(18.2)	(3.7)	(259)
Net attributable profit	**576**	**(16.9)**	**2.2**	**693**

Major balance sheet items	30-09-16	Δ%	Δ% [1]	31-12-15
Cash and balances with central banks, credit institutions and others	13,475	(11.0)	(6.0)	15,135
Financial assets	11,043	15.5	16.3	9,561
Loans and advances to customers	45,146	3.6	4.1	43,596
Tangible assets	724	0.8	10.4	718
Other assets	1,724	4.4	7.6	1,652
Total assets/liabilities and equity	**72,112**	**2.1**	**3.8**	**70,661**
Deposits from central banks and credit institutions	6,257	(22.5)	(22.9)	8,070
Deposits from customers	43,520	3.1	5.7	42,227
Debt certificates	5,075	5.6	3.9	4,806
Subordinated liabilities	1,803	2.2	(1.1)	1,765
Financial liabilities held for trading	2,826	(15.4)	(18.5)	3,342
Other liabilities	9,963	27.3	33.0	7,825
Economic capital allocated	2,667	1.6	6.4	2,626

Relevant business indicators	30-09-16	Δ%	Δ% [1]	31-12-15
Loans and advances to customers (gross) [2]	46,664	3.8	4.3	44,970
Customer deposits under management [3]	43,926	4.5	7.0	42,032
Off-balance sheet funds [4]	11,266	15.8	18.1	9,729
Risk-weighted assets	53,211	(5.9)	(2.8)	56,564
Efficiency ratio (%)	46.8			44.2
NPL ratio (%)	2.8			2.3
NPL coverage ratio (%)	110			123
Cost of risk (%)	1.13			1.26

(1) Figures at constant exchange rates.
(2) Excluding repos.
(3) Excluding repos and including specific marketable debt securities.
(4) Includes mutual funds, pension funds and other off-balance sheet funds.

Macro and industry trends

The slowdown in **economic activity** in South America at the start of 2016 is beginning to show signs of ending in the last quarter of the year. GDP growth during the first half of the year fell 1.5% year-on-year in the five main countries in which BBVA is present. However, it is expected to come back to positive rates in 2017 boosted by a recovery in the external sector (following the depreciation of exchange rates in 2015 and leveraged on a steady recovery in commodity prices). In addition, in countries such as Argentina, Peru and Colombia, public and private investment will contribute to this progress. There are still significant differences between countries, with growth above region average of Andean ones.

Inflation rates have begun to converge toward the central bank targets, after being pushed up in 2015 by the depreciation in exchange rates. Thus the central banks of economies with inflation targets will probably maintain **interest rates** unchanged in the future or with some downside bias in certain cases. **Currency** rates in the region will continue to depreciate, particularly when the process of monetary normalization resumes in the United States.

The **financial sector** remains sound, with acceptable levels of capitalization, good profitability and NPL ratios in check. In terms of activity, there has been a robust increase in lending, while deposits continue to perform strongly.

Activity

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

Gross **lending** to customers continues to perform well, at a growth rate so far this year of 4.3%. Of note is the positive trend in Argentina (up 24.7%), Colombia (up 5.6%) and Chile (up 2.3%). Segments performing particularly well are credit cards (up 10.0%), followed by residential mortgages (up 6.4%) and consumer finance (up 6.1%).

In terms of **asset quality**, slight worsening in the NPL and coverage ratios, closing

September at 2.8% and 110%, respectively, strongly influenced by the moderation of the envioronment.

On-balance-sheet and off-balance-sheet customer **funds** continue to grow at a good rate (up 9.1% since December 2015), with a positive contribution from all products and geographical areas. By product, the best performance was in time deposits (up 16.4%). By country, there was significant growth in Argentina (up 29.5%), Colombia (up 12.8%) and Chile (up 3.2%).

Earnings

South America generated a net attributable **profit** of €576m in the first nine months of the year, a year-on-year increase of 2.2%. The most relevant aspects of the income statement in this area are:

- Growth in **gross income** of 12.7%, thanks to the high capacity to generate revenues in the area, boosted by increased activity. Net interest income is up 12.8% and fees and commissions have grown by 10.5%. NTI also had excellent performance in year-on-year terms (up 54.8%), influenced by the lifting of the "exchange clamp" in Argentina and the sale of holdings in Colombia.
- **Operating expenses** have increased year-on-year by 18.7%, largely due to inflation in some countries in the region and the changes in the exchange rates against the dollar, which have had a negative impact on items denominated in the U.S. currency.
- **Impairment losses on financial assets** barely increased by 0.6% in the last twelve months, which puts the cumulative cost of risk as of 30-Sep-2016 at 1.13%.

By country, **Argentina** has performed well in all its margins thanks to strong activity, thus offsetting the increase in expenses linked to inflation. **Chile** has been affected by higher loan-loss provisions. In **Colombia**, the positive performance of gross income has been boosted by good income from fees and commissions and NTI, and good figures from impairment losses on financial assets. In **Peru**, gross income has been affected by lower NTI, which has not been offset by the growth in net interest income and income from fees and commissions, both of them growing in line with activity.

South America. Relevant business indicators per country

(Million euros)

	Argentina		Chile		Colombia		Peru		Venezuela	
	30-09-16	31-12-15	30-09-16	31-12-15	30-09-16	31-12-15	30-09-16	31-12-15	30-09-16	31-12-15
Loans and advances to customers (gross) (1, 2)	4,161	3,338	13,703	13,390	12,209	11,564	13,115	13,008	596	287
Customer deposits under management (1, 3)	5,248	4,387	9,274	9,200	12,411	11,041	11,856	11,854	991	481
Off-balance sheet funds (1, 4)	1,095	510	1,654	1,391	686	566	1,398	1,279	0	0
Risk-weighted assets	7,361	9,115	13,614	13,915	11,880	11,020	15,930	17,484	1,173	1,788
Efficiency ratio (%)	51.4	51.3	50.4	47.0	40.3	38.9	37.4	34.9	64.9	33.3
NPL ratio (%)	0.8	0.6	2.3	2.3	3.2	2.3	3.3	2.8	0.5	0.6
NPL coverage ratio (%)	388	517	73	72	109	137	114	124	544	457
Cost of risk (%)	1.45	1.52	0.73	1.05	1.25	1.55	1.34	1.40	2.24	0.43

(1) Figures at constant exchange rates.
(2) Excluding repos.
(3) Excluding repos and including specific marketable debt securities.
(4) Includes mutual funds, pension funds and other off-balance sheet funds.

South America. Data per country

(Million euros)

	Operating income				Net attributable profit			
Country	Jan.-Sep. 16	Δ%	Δ% at constant exchange rates	Jan.-Sep. 15	Jan.-Sep. 16	Δ%	Δ% at constant exchange rates	Jan.-Sep. 15
Argentina	400	(13.4)	40.7	461	179	(9.0)	47.8	197
Chile	249	(11.2)	(5.5)	280	100	(9.4)	(3.6)	111
Colombia	377	(10.0)	4.4	419	164	(20.0)	(7.2)	205
Peru	500	(6.2)	0.7	534	120	(9.3)	(2.5)	133
Venezuela	26	(78.4)	30.9	122	(13)	n.m.	n.m.	4
Other countries (1)	54	(25.2)	(14.5)	73	26	(40.0)	(31.1)	43
Total	**1,606**	**(15.0)**	**7.9**	**1,888**	**576**	**(16.9)**	**2.2**	**693**

(1) Paraguay, Uruguay and Bolivia. Additionally, it includes eliminations and other charges.

Rest of Eurasia

Highlights

- The downward path in the area's loan book continues.
- Further growth in deposits in the quarter in both Asia and Europe.
- Another year-on-year increase in the area's net attributable profit thanks to the positive trend in revenues and moderation in expenses.
- Slight upward trend of asset quality indicators.

Financial statements and relevant business indicators

(Million euros and percentage)

Income statement	Jan.-Sep. 16	Δ%	Jan.-Sep. 15
Net interest income	**123**	**(5.5)**	**130**
Net fees and commissions	134	8.9	123
Net trading income	70	(33.6)	105
Other income/expenses	42	n.m.	0
Gross income	**369**	**2.7**	**359**
Operating expenses	(250)	(0.7)	(252)
Personnel expenses	(131)	(7.1)	(141)
Other administrative expenses	(110)	9.1	(101)
Depreciation	(9)	(10.3)	(10)
Operating income	**119**	**10.7**	**107**
Impairment on financial assets (net)	7	n.m.	(6)
Provisions (net) and other gains (losses)	12	n.m.	(0)
Income before tax	**138**	**36.7**	**101**
Income tax	(37)	5.9	(35)
Net income	**101**	**53.0**	**66**
Non-controlling interests	-	-	-
Net attributable profit	**101**	**53.0**	**66**

Major balance sheet items	30-09-16	Δ%	31-12-15
Cash and balances with central banks, credit institutions and others	1,574	(14.0)	1,829
Financial assets	1,701	(9.0)	1,868
Loans and advances to customers	14,250	(8.5)	15,579
Inter-area positions	2,139	(43.6)	3,790
Tangible assets	38	(8.5)	42
Other assets	359	(0.3)	360
Total assets/liabilities and equity	**20,062**	**(14.5)**	**23,469**
Deposits from central banks and credit institutions	3,680	(31.4)	5,364
Deposits from customers	14,193	(5.7)	15,053
Debt certificates	0	(100.0)	0
Subordinated liabilities	315	(0.7)	317
Inter-area positions	-	-	-
Financial liabilities held for trading	90	5.0	85
Other liabilities	526	(61.9)	1,381
Economic capital allocated	1,259	(0.8)	1,269

Macro and industry trends

The **Eurozone** slowed its rate of growth in the second quarter of 2016 to a quarterly 0.3%. Growth for the year as a whole will finally depend on the level of recovery in the second half of 2016 in what is an uncertain environment, given the result of the Brexit referendum in favor of Britain leaving the EU and global geopolitical risks. Against this backdrop, the role of the ECB's stimulus programs continues to be key for guaranteeing lax monetary conditions that contribute to achieve the price stability target and ensure economic recovery.

Activity and earnings

The downward path in the area's **loan book** continues. As of September 2016 it registered a decline of 8.0% against December 2015 and a decrease of 1.1% against June 2016, mainly influenced by the reduction shown by the global lending business in Europe and Asia.

The area's main **credit risk indicators** show a slight upward trend in the quarter: the NPL ratio closed at 2.8% at the end of September and the coverage ratio at 94%.

Customer **deposits** under management grew 5.7% in the last three months, slowing the rate of decline since the close of 2015 compared with the first half of 2016 to 5.6%. By geographic areas, there was significant growth in Asia, above all in the global transactional business, with a very positive trend in its growth (up 45.0% in the quarter); and a reduction in European branches (down 16.1% since December 2015, but growth of 1.3% in the quarter).

As regards **earnings**, gross income in the quarter fell 48.0% with respect to the figure for the previous quarter, mainly due to two

Financial statements and relevant business indicators

(Million euros and percentage)

Relevant business indicators	30-09-16	Δ%	31-12-15
Loans and advances to customers (gross) [1]	14,857	(8.0)	16,143
Customer deposits under management [1]	14,114	(5.6)	14,959
Off-balance sheet funds [2]	386	16.5	331
Risk-weighted assets	15,178	(1.2)	15,355
Efficiency ratio (%)	67.8		74.4
NPL ratio (%)	2.8		2.5
NPL coverage ratio (%)	94		96
Cost of risk (%)	(0.09)		0.02

(1) Excluding repos.
(2) Includes mutual funds, pension funds and other off-balance sheet funds.

factors: worse results from the Global Markets unit when compared with a previous very positive quarter that included the receipt of the CNCB dividend; and the adverse impact of the current macroeconomic situation, with a combination of very low interest rates leading to a narrowing of spreads, and fewer transactions by the wholesale businesses. In cumulative terms, the area has posted year-on-year growth in gross income of 2.7%, largely due to the receipt of the CNCB dividend, which was not booked the previous year. Operating expenses continue to moderate, with a cumulative figure through September down year-on-year to 0.7%. Impairment losses on financial assets also moderated. Considering all the above, the area generated a net attributable profit between January and September of €101m, 53.0% more than in the same period in 2015.

Corporate Center

Financial statements

(Million euros)

Income statement	Jan.-Sep. 16	Δ%	Jan.-Sep. 15
Net interest income	**(352)**	**8.5**	**(324)**
Net fees and commissions	(98)	20.0	(81)
Net trading income	245	84.4	133
Other income/expenses	96	5.2	92
Gross income	**(108)**	**(40.3)**	**(181)**
Operating expenses	(652)	1.3	(643)
Personnel expenses	(349)	0.3	(348)
General and administrative expenses	(74)	(32.0)	(109)
Depreciation	(229)	22.8	(186)
Operating income	**(760)**	**(7.8)**	**(824)**
Impairment on financial assets (net)	(26)	n.m.	1
Provisions (net) and other gains (losses)	(142)	14.0	(124)
Income before tax	**(927)**	**(2.1)**	**(947)**
Income tax	226	(22.3)	291
Net income from ongoing operations	**(701)**	**6.8**	**(656)**
Results from corporate operations [1]	-	-	(1,113)
Net income	**(701)**	**(60.4)**	**(1,770)**
Non-controlling interests	(3)	(88.3)	(23)
Net attributable profit	**(704)**	**(60.7)**	**(1,793)**
Net attributable profit excluding corporate operations	**(704)**	**3.6**	**(680)**

(1) 2015 includes the capital gains from the various sale operations equivalent to 6.34% of BBVA Group's stake in CNCB, the badwill from the CX operation, the effect of the valuation at fair value of the 25.01% initial stake held by BBVA in Garanti and the impact of the sale of BBVA's 29.68% stake in CIFH.

Major balance sheet items	30-09-16	Δ%	31-12-15
Cash and balances with central banks, credit institutions and others	2	11.6	2
Financial assets	1,541	(46.6)	2,885
Loans and advances to customers	130	(4.7)	136
Inter-area positions	-	-	-
Tangible assets	2,669	(6.8)	2,865
Other assets	20,523	(9.2)	22,592
Total assets/liabilities and equity	**24,866**	**(12.7)**	**28,481**
Deposits from central banks and credit institutions	-	-	-
Deposits from customers	-	-	-
Debt certificates	4,626	(21.0)	5,857
Subordinated liabilities	5,493	18.5	4,636
Inter-area positions	(12,113)	24.2	(9,755)
Financial liabilities held for trading	-	-	-
Other liabilities	3,393	(35.3)	5,242
Shareholder's funds	50,784	3.0	49,315
Economic capital allocated	(27,317)	1.9	(26,814)

The Corporate Center's cumulative income statement through September 2016 is influenced mainly by:

- Greater contribution from **NTI** compared with the same period in 2015, mainly as a result of the capital gains registered in the third quarter from the sale of 0.75% of BBVA Group's stake in CNCB.
- Moderation of the year-on-year increase in **operating expenses** to 1.3% (up 1.4% year-on-year in the first half of the year).
- 14.0% increase in provisions (net) and other gains (losses), basically due to the €41m provision made in the third quarter for restructuring costs.
- Lack of **corporate operations**. Results from corporate operations for the first nine months of 2015, a loss of €1,113m, basically included €705m in capital gains after tax from the various sale operations equivalent to 6.34% of BBVA Group's stake in CNCB (€583m in the first quarter from the sale of 5.6% and €122m in the second quarter from the sale of 0.8%), €22m from the badwill generated by the CX deal (second quarter), -€1,840m from the valuation at fair value of the initial 25.01% stake held by BBVA in Garanti (third quarter) and the impact from the sale of 29.68% stake in CIFH (third quarter).

The Corporate Center posted a negative cumulative **result** of €704m, which compares with a loss of €1,793m in the same period of 2015 (-€680m excluding corporate operations).

Conciliation of the BBVA Group's financial statements

Presented below is the reconciliation between the consolidated income statement and the management income statement, which is shown throughout this management report for the first nine months of 2015. The main difference between both is the method used for integrating Garanti's earnings. In the management income statement, the Group's earnings were presented by consolidating Garanti in the proportion corresponding to the percentage held by BBVA Group in the Turkish bank until the third quarter of 2015 (25.01%), versus the integration using the equity method in the consolidated income statement. The "earnings from corporate operations" heading in the management income statement for the first nine months of 2015 includes the capital gains from the various sale operations equivalent to 6.34% of BBVA Group's stake in CNCB, the badwill generated by the CX operation, the effect of the valuation at fair value of the initial 25.01% stake in Garanti and the impact from the sale of 29.68% stake in CIFH. In the consolidated income statement, these earnings are included under net operating income.

Conciliation of the BBVA Group's income statements. January-September 2015

(Million euros)

Consolidated income statements		Adjustmets			Management income statements	
		Garanti integrated proportionally	Garanti by the equity method	Corporate operations [1]		
Interest and similar income	17,724	996			18,720	Financial income
Interest and similar expenses	(6,124)	(585)			(6,709)	Financial expenses
Net interest income	**11,600**	**411**			**12,011**	**Net interest income**
Dividend income	288				288	Dividend income
Share of profit or loss of entities accounted for using the equity method	192	8	(176)		24	Share of profit or loss of entities accounted for using the equity method
Fee and commission income	4,572					
Fee and commission expenses	(1,225)					
	3,347	95			3,442	Net fees and commissions
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	(434)					
Gains or (-) losses on financial assets and liabilities held for trading, net	190					
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	818					
Gains or losses from hedge accounting, net	155					
Exchange differences (net)	850					
	1,580	(21)			1,558	Net trading income
Other operating income and expenses	(549)					
Income on insurance and reinsurance contracts	753					
	204	7			211	Other operating income and expenses
Gross income	**17,211**	**499**	**(176)**		**17,534**	**Gross income**
Administration expenses	(7,880)				(9,024)	Operating expenses
Personnel expenses	(4,586)	(107)			(4,693)	Personnel expenses
Other general and administrative expenses	(3,294)	(88)			(3,382)	General and administrative expenses
Depreciation	(932)	(18)			(950)	Depreciation
	8,399	**287**	**(176)**		**8,510**	Operating income
Provisions or reversal of provisions	(574)	(2)			(576)	Provisions (net)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(3,214)	(69)			(3,283)	Impairment on financial assets (net)
Net operating income	**4,610**	**41**			**4,651**	
Impairment or reversal of impairment on non-financial assets	(206)					
Gains (losses) on derecognized assets not classified as non-current assets held for sale	(2,146)					
Negative goodwill recognised in profit or loss	22					
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	775					
	(1,555)	2		1,238	(316)	Other gains (losses)
Profit from continuing operations	**3,055**				**4,335**	**Income before tax**
Tax expense or income related to profit or loss from continuing operation	(941)	(44)		(124)	(1,109)	Income tax
Profit from continuing operations	**2,113**			**1,113**	**3,226**	**Net income from ongoing operations**
Profit from discontinued operations (net)	-				-	Net income from discontinued operations
					(1,113)	Results from corporate operations [1]
Profit	**2,113**				**2,113**	**Net income**
Attributable to minority interest [non-controlling interests]	(411)				(411)	Non-controlling interests
Attributable to owners of the parent	**1,702**				**1,702**	**Net attributable profit**

(1) 2015 includes the capital gains from the various sale operations equivalent to 6.34% of BBVA Group's stake in CNCB, the badwill from the CX operation, the effect of the valuation at fair value of the 25.01% initial stake held by BBVA in Garanti and the impact of the sale of BBVA's 29.68% stake in CIFH.

Main risks and uncertainties

See Note 7 of the Interim Consolidated Financial Statements corresponding to the six months period ended June 30, 2016 for information on risk management and risk exposure faced by BBVA Group.

Subsequent events

From October 1, 2016 to the date of preparation of these consolidated financial statements, no other subsequent events not mentioned above in these interim financial statements, except the one mentioned in note 4 concerning to the dividend option, have taken place that significantly affect the Group's earnings or its equity position.

Alternative Performance Measures (APMs)

The Group presents its results in accordance with the International Financial Reporting Standards (EU-IFRS); notwithstanding, the Management believes that certain Alternative Performance Measures (APMs) provide additional useful financial information that should be considered when evaluating the performance. The Management further uses these APMs in carrying out financial, operational and planning decisions and to assess the performance of the Company. The Group provides those APMs considered appropriate and useful for decision-making and firmly believes that represent the true picture of the financial information.

The BBVA Group uses certain alternative performance measures, commonly used in the banking sector, as indicators to monitor the management of assets and liabilities, and financial and economic situation of the Group.

According to the guidelines of ESMA on transparency to protect investors in the European Union (published in October 2015), the BBVA Group included in these Consolidated Interim Financial Statements definitions of all APMs used clearly and legibly following paragraphs 21-25 of the guidelines of ESMA. Similarly, the Group included in these Consolidated Interim Financial Statements a reconciliation of the APM to the most directly reconcilable line item, subtotal or total, presented in the financial statements of the corresponding period following the paragraphs 26-32. The APMs used in BBVA Group are standard measures widely used in the financial industry and thus facilitate comparability and profitability analysis among issuers following paragraphs 33-34. The APMs are not displayed with more prominence than the measures directly stemming from the financial statements, following paragraphs 35-36. According to paragraphs 37-40, the APMs are accompanied by comparatives with previous periods. Finally, following the 41-44 paragraphs, APMs show consistency over time. The APMs currently used (as well as the calculation of each measure), are shown below:

Book value per share

It determines the value of the company obtained in "book" or accounting for each share held by the shareholder.

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

Formula's explanation: Both shareholders' funds and accumulated other comprehensive income are taken from the balance sheet. Shareholders' funds are adjusted to consider the result from the execution of the dividend-option when this type of dividend is agreed before the date of the publication form. In the denominator, it is considered the final number of shares outstanding excluding treasury shares. Additionally, the denominator is adjusted to obtain the result from the capital increase coming from the execution of the dividend-option described above. Both the numerator and denominator take into account values in balances.

Relevance of use: It is important to know the book value of the company for each share issued. It is a very commonly used ratio not only in the banking sector but also in other sectors.

			2015	2016		
				Jan.-Mar- 16	Jan.-Jun- 16	Jan.-Sep- 16
Numerator	+	Shareholders' funds	50,639	50,555	51,761	52,248
	+	Dividend-option adjustment	-	675	-	455
	+	Accumulated other comprehensive income	(3,349)	(4,171)	(4,327)	(4,681)
Denominator	+	Number of shares outstanding	6,367	6,367	6,480	6,480
	+	Dividend-option	-	114	-	86
	-	Treasury shares	39	26	28	11
=		**Book value per share**	**7.47**	**7.29**	**7.35**	**7.33**

Tangible book value per share

It determines the value of the company obtained "book" or accounting for each share held by the shareholder, in the event of liquidation.

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

Formula's explanation: Shareholders' funds, accumulated other comprehensive income and intangible assets are taken from the balance sheet. Shareholders' funds are adjusted to consider the result from the execution of the dividend-option when this type of dividend is agreed before the date of the publication form. In the denominator it is considered the final number of shares outstanding excluding treasury shares. Additionally, the denominator is adjusted to obtain the result from the capital increase from the execution of the dividend- option described above. Both the numerator and denominator take into account values in balances.

Relevance of use: It is important to know the book value of the company, after deducting intangible assets, for each share issued. It is a very commonly used ratio not only in the banking sector but also in other sectors.

			2015	2016		
				Jan.-Mar- 16	Jan.-Jun- 16	Jan.-Sep- 16
Numerator	+	Shareholders' funds	50,639	50,555	51,761	52,248
	+	Dividend-option adjustment	-	675	-	455
	+	Accumulated other comprehensive income	(3,349)	(4,171)	(4,327)	(4,681)
	-	Intangible assets	10,275	9,858	9,936	9,503
Denominator	+	Number of shares outstanding	6,367	6,367	6,480	6,480
	+	Dividend-option	-	114	-	86
	-	Treasury shares	39	26	28	11
=		**Tangible book value per share**	**5.85**	**5.76**	**5.81**	**5.88**

Dividend yield

It is the remuneration given to the shareholders during the last twelve months divided by the closing price of the period.

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

Formula's explanation: The remuneration per share takes into account gross amounts per share paid in cash and also those paid through the flexible remuneration system called dividend-option.

Relevance of use: It is a very commonly used ratio by analysts, shareholders and investors from companies and entities listed. It compares the dividend paid annually by a company with the share market price.

			2015	2016		
				Jan.-Mar- 16	Jan.-Jun- 16	Jan.-Sep- 16
Numerator	+	∑ Dividends	0.37	0.37	0.37	0.37
Denominator	+	Closing price	6.74	5.84	5.06	5.38
=		**Dividend yield**	**5.5%**	**6.3%**	**7.3%**	**6.9%**

Non-Performing Loans (NPLs) ratio

Ratio between risks classified for accounting purposes as non-performing and the total credit risk balance for customers and contingent risks.

$$\frac{Non-performing\ loans\ (NPLs)}{Total\ credit\ risk}$$

Formula's explanation: Both NPLs and total credit risk incorporate contingent liabilities, now called guarantees given. To calculate this ratio, the headings included in the first table on page 13 are considered.

Relevance of use: This is one of the main indicators used in the banking sector to monitor the status and evolution of the credit risk quality.

			2015	2016		
				Jan.-Mar- 16	Jan.-Jun- 16	Jan.-Sep- 16
Numerator	+	NPLs	25,996	25,473	24,834	24,253
Denominator	+	Credit Risk	482,518	478,429	483,169	472,521
=		**Non-Performing Loans (NPLs) ratio**	**5.4%**	**5.3%**	**5.1%**	**5.1%**

NPL coverage ratio

It reflects the degree to which the impairment of NPLs has been covered in the accounting via provisions.

$$\frac{Provisions}{Non-performing\ loans\ (NPLs)}$$

Formula's explanation: NPLs incorporate contingent liabilities, now called guarantees given. To calculate this ratio, the headings included in the first table on page 13 are considered.

Relevance of use: This is one of the main indicators used in the banking sector to monitor credit risk quality and its changes.

			2015	2016		
				Jan.-Mar- 16	Jan.-Jun- 16	Jan.-Sep- 16
Numerator	+	Provisions	19,405	18,740	18,264	17,397
Denominator	+	NPLs	25,996	25,473	24,834	24,253
=		**NPL coverage ratio**	**74%**	**74%**	**74%**	**72%**

Efficiency ratio

It measures the gross income percentage consumed by operating expenses incurred by an entity.

$$\frac{Operating\ expenses}{Gross\ income}$$

Formula's explanation: Operating expenses are the sum of personnel expenses plus other administration expenses plus depreciation.

Relevance of use: It is a very commonly used ratio in the banking sector.

			2015	2016		
				Jan.-Mar- 16	Jan.-Jun- 16	Jan.-Sep- 16
Numerator	+	Operating expenses	(12,317)	(3,174)	(6,332)	(9,549)
Denominator	+	Gross income	23,680	5,788	12,233	18,431
=		**Efficiency ratio**	**52.0%**	**54.8%**	**51.8%**	**51.8%**

ROE

It measures the return obtained on an entity's shareholders' funds.

$$\frac{Annualized\ attributable\ profit}{Average\ shareholders'\ funds}$$

Formula's explanation:

Annualized attributable profit: It measures the attributable profit to the Group after deducting results from non-controlling interests. The numerator is annualized if the metric is presented for a date prior to the end of the year. In the event that there are extraordinary items (results from corporate operations) in attributable profit in the months considered, these are eliminated before the profit is annualized, to be subsequently added to the metric when it is annualized.

Average shareholders' funds: It is shareholders' funds adjusted to consider the result of the dividend-option at the balance sheet date when this type of dividend is agreed before the publication form. The average shareholders' funds are the moving weighted average of the existing shareholders' funds in the last twelve months.

Relevance of use: It is a very commonly used ratio not only in the banking sector but also in other sectors to measure profitability obtained on equity.

			2015	2016		
				Jan.-Mar- 16	Jan.-Jun- 16	Jan.-Sep- 16
Numerator	+	Annualized attributable profit	2,642	2,853	3,684	3,736
Denominator	+	Average shareholder's funds	50,767	50,923	51,253	51,590
=		**ROE**	**5.2%**	**5.6%**	**7.2%**	**7.2%**

Additionally, a derived of this metric could be reported, such as ROE without the results from corporate operations. In this case, results from corporate operations are not taken into account in the numerator.

ROTE

It measures the return on an entity's shareholder's funds, excluding intangible assets.

$$\frac{Annualized\ attributable\ profit}{Average\ shareholders'\ funds - Average\ intangible\ assets}$$

Formula's explanation:

Annualized attributable profit: Calculated in the same way as for ROE.

Average shareholders' funds: Calculated in the same way as for ROE.

Average intangible assets: Intangible assets in the balance sheet, including goodwill and other intangible assets. The average balance is calculated in the same way as for shareholders' funds.

Relevance of use: It is a very commonly used ratio not only in the banking sector but also in other sectors to measure profitability obtained on equity regardless intangible assets.

			2015	2016		
				Jan.-Mar- 16	Jan.-Jun- 16	Jan.-Sep- 16
Numerator	+	Annualized attributable profit	2,642	2,853	3,684	3,736
Denominator	+	Average shareholder's funds	50,767	50,923	51,253	51,590
	-	Average intangible assets	9,644	10,092	9,980	9,888
=		**ROTE**	**6.4%**	**7.0%**	**8.9%**	**9.0%**

Additionally, a derived of this metric could be reported, such as ROTE without the results from corporate operations. In this case, results from corporate operations are not taken into account in the numerator.

ROA

It measures the return obtained on an entity's assets

$$\frac{Annualized\ net\ income}{Average\ total\ assets}$$

Formula's explanation:

Annualized net income: The numerator is annualized if the metric is presented for a date prior to the end of the year. In the event that there are extraordinary items (results from corporate operations) in net income in the months considered, these are eliminated before the net profit is annualized, and then subsequently added to the metric when it is annualized.

Average total assets: Weighted average of the existing total assets in the last twelve months.

Relevance of use: It is a very commonly used ratio not only in the banking sector but also in other sectors to measure profitability obtained on assets.

			2015	2016		
				Jan.-Mar- 16	Jan.-Jun- 16	Jan.-Sep- 16
Numerator	+	Annualized net income	3,328	3,924	4,970	4,972
Denominator	+	Average total assets	716,388	749,280	742,489	739,343
=		**ROA**	**0.46%**	**0.52%**	**0.67%**	**0.67%**

Additionally, a derived of this metric could be reported, such as ROA without results from corporate operations. In this case, results from corporate operations are not taken into account in the numerator.

RORWA

It measures the return obtained on an entity's assets weighted for risk.

$$\frac{Annualized\ net\ income}{Average\ Risk - Weighted\ Assets}$$

Formula's explanation:

Annualized net income: Calculated in the same way as for ROA.

Average Risk-Weighted Assets: Weighted average of existing RWA in the last twelve months.

Relevance of use: It is a very commonly used ratio in the banking industry to measure profitability obtained on RWA.

			2015	2016		
				Jan.-Mar- 16	Jan.-Jun- 16	Jan.-Sep- 16
Numerator	+	Annualized net income	3,328	3,924	4,970	4,972
Denominator	+	Average RWA	380,844	399,448	397,873	395,451
=		**RORWA**	**0.87%**	**0.98%**	**1.25%**	**1.26%**

Additionally, a derived of this metric could be reported, such as RORWA without results from corporate operations. In this case, results of corporate operations are not taken into account in the numerator.

Other customer funds

It includes off-balance sheet funds (investment funds, pension funds and other off-balance sheet funds) and customer portfolios.

Formula's explanation: Sum of mutual funds, pension funds, other off-balance sheet funds and customer portfolios.

Relevance of use: It is a very commonly used ratio in the banking industry since financial institutions manage other customer funds, such as mutual funds, pension funds, etc.

		2015	2016		
			Jan.-Mar- 16	Jan.-Jun- 16	Jan.-Sep- 16
=	Other customer funds	131,822	131,076	130,116	130,833