



Condensed interim
consolidated financial
statements and
management report
corresponding to the three
months ended March 31,
2017



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

Report on Limited Review on the Condensed Interim Consolidated Financial Statements

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

Report on the condensed interim consolidated financial statements

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (the "interim financial statements") of Banco Bilbao Vizcaya Argentaria, S.A. (the "Bank") and subsidiaries composing, together with the Bank, the Banco Bilbao Vizcaya Argentaria, S.A. Group (the "Group"), which comprise the condensed interim consolidated balance sheet as of March 31, 2017, the condensed interim consolidated income statement, the interim consolidated statement of recognized income and expense, the interim consolidated statement of changes in equity, the condensed interim consolidated statement of cash flows and the accompanying notes to the interim financial statements corresponding to the three-month period between January 1 and March 31, 2017. Pursuant to article 12 of Royal Decree 1362/2007, the Directors of the Bank are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of 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 regulatory standards applicable for the audit of financial statement accounts in Spain, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

Based on our limited review, which cannot be considered an audit under any circumstances, nothing has come to our attention that causes us to believe that the accompanying interim financial statements as of March 31, 2017 and corresponding to the three-month period between January 1 and March 31, 2017, have not been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, pursuant to article 12 of Royal Decree 1362/2007.

Emphasis of Matter

We draw your attention to the accompanying Note 1, which states that these interim financial statements do not include all the information required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying interim financial statements should therefore be read in conjunction with the Group's consolidated annual report as of and for the year ended December 31, 2016. This matter does not modify our conclusion.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated management report (titled "Management Report for the First Quarter of 2017") contains explanations that the Directors of the Bank consider relevant with respect to significant events that have occurred during this period and their impact on the accompanying interim financial statements, as well as the information required by article 15 of Royal Decree 1362/2007. The said management report is not part of the interim financial statements. We have verified that the accounting information contained therein is consistent with the interim financial statements as of March 31, 2017 and corresponding to the three-month period between January 1 and March 31, 2017. Our work is limited to the verification of the consolidated interim management report within the scope described in this paragraph and does not include a review of information other than that derived from the accounting records of Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries.

Paragraph on Other Matters

This report has been prepared at the request of the Bank's Board of Directors in relation to the publication of the quarterly financial report voluntarily prepared under the framework of article 120 of Legislative Royal Decree 4/2015 of October 23, 2015, which approves the Revised Securities Market Law enacted by Royal Decree 1362/2007 of October 19, 2007.

KPMG Auditores, S.L.



Javier Muñoz Neira

May 5, 2017

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MANAGEMENT REPORT

BBVA Group

Condensed Interim Consolidated balance sheets as of March 31, 2017 and December 31, 2016

ASSETS	Millions of Euros	
	March 2017	December 2016 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	29,214	40,039
FINANCIAL ASSETS HELD FOR TRADING	74,898	74,950
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	2,274	2,062
AVAILABLE-FOR-SALE FINANCIAL ASSETS	78,846	79,221
LOANS AND RECEIVABLES	465,304	465,977
HELD-TO-MATURITY INVESTMENTS	16,712	17,696
HEDGING DERIVATIVES	2,473	2,833
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	6	17
JOINT VENTURES, ASSOCIATES AND UNCONSOLIDATED SUBSIDIARIES	1,152	765
INSURANCE AND REINSURANCE ASSETS	452	447
TANGIBLE ASSETS	8,940	8,941
INTANGIBLE ASSETS	9,561	9,786
TAX ASSETS	18,156	18,245
OTHER ASSETS	8,227	7,274
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	2,979	3,603
TOTAL ASSETS	719,193	731,856

LIABILITIES AND EQUITY	Millions of Euros	
	March 2017	December 2016 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	51,179	54,675
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	2,522	2,338
FINANCIAL LIABILITIES AT AMORTIZED COST	580,031	589,210
HEDGING DERIVATIVES	2,200	2,347
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	9,657	9,139
PROVISIONS	8,818	9,071
TAX LIABILITIES	4,933	4,668
OTHER LIABILITIES	4,934	4,979
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	-	-
TOTAL LIABILITIES	664,275	676,428
SHAREHOLDERS' FUNDS	53,188	52,821
Capital	3,218	3,218
Share premium	23,992	23,992
Equity instruments issued other than capital	-	-
Other equity	35	54
Retained earnings	25,718	23,688
Revaluation reserves	17	20
Other reserves	(35)	(67)
Less: Treasury shares	(22)	(48)
Profit or loss attributable to owners of the parent	1,199	3,475
Less: Interim dividends	(933)	(1,510)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	(5,144)	(5,458)
MINORITY INTERESTS (NON-CONTROLLING INTEREST)	6,874	8,064
TOTAL EQUITY	54,918	55,428
TOTAL EQUITY AND TOTAL LIABILITIES	719,193	731,856

MEMORANDUM	Millions of Euros	
	March 2017	December 2016 (*)
Guarantees given	48,548	50,540
Contingent commitments	108,041	117,573

(*) 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 financial statements for the three-month period ended March 31, 2017.

BBVA Group

Condensed Interim Consolidated income statements for the three months ended March 31, 2017 and 2016

Millions of Euros		
Condensed consolidated income statements	March 2017	March 2016 (*)
Interest income	6,986	6,859
Interest expense	(2,663)	(2,707)
NET INTEREST INCOME	4,322	4,152
Dividend income	43	45
Share of profit or loss of entities accounted for using the equity method	(5)	7
Fee and commission income	1,755	1,634
Fee and commission expense	(532)	(473)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	520	172
Gains (losses) on financial assets and liabilities held for trading, net	179	(109)
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(61)	13
Gains (losses) from hedge accounting, net	(141)	(20)
Exchange differences (net)	194	302
Other operating income	262	297
Other operating expense	(426)	(495)
Income from insurance and reinsurance contracts	1,001	1,029
Expense from insurance and reinsurance contracts	(729)	(764)
GROSS INCOME	6,383	5,788
Administration costs	(2,783)	(2,830)
Depreciation and amortization	(354)	(344)
Provisions or reversal of provisions	(170)	(181)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(945)	(1,033)
NET OPERATING INCOME	2,131	1,400
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	-	-
Impairment or reversal of impairment on non-financial assets	(52)	(44)
Gains (losses) on derecognition of non financial assets and subsidiaries, net	(2)	18
Negative goodwill recognised in profit or loss	-	-
Profit (Loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(12)	(36)
OPERATING PROFIT BEFORE TAX	2,065	1,338
Tax expense or income related to profit or loss from continuing operation	(573)	(362)
PROFIT FROM CONTINUING OPERATIONS	1,492	976
Profit from discontinued operations (net)	-	-
PROFIT	1,492	976
Attributable to minority interest [non-controlling interests]	293	266
Attributable to owners of the parent	1,199	709

Euros		
Condensed consolidated income statements	March 2017	March 2016 (*)
EARNINGS PER SHARE	0.17	0.10
Basic earnings per share from continued operations	0.17	0.10
Diluted earnings per share from continued operations	0.17	0.10
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 condensed interim consolidated income statement for the three months ended March 31, 2017.

BBVA Group

Interim Consolidated statements of recognized income and expenses for the three months ended March 31, 2017 and 2016

Consolidated statements of recognized income and expenses	Millions of Euros	
	March 2017	March 2016 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	1,492	976
OTHER RECOGNIZED INCOME (EXPENSES)	366	(893)
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	(31)	11
Actuarial gains and losses from defined benefit pension plans	(41)	19
Non-current assets available for sale	-	-
Entities under the equity method of accounting	-	-
Income tax related to items not subject to reclassification to income statement	10	(8)
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	397	(904)
Hedge of net investments in foreign operations [effective portion]	(330)	(103)
Valuation gains or (-) losses taken to equity	(330)	(103)
Transferred to profit or loss	-	-
Other reclassifications	-	-
Foreign currency translation	422	(965)
Valuation gains or (-) losses taken to equity	421	(965)
Transferred to profit or loss	1	-
Other reclassifications	-	-
Cash flow hedges [effective portion]	(42)	(57)
Valuation gains or (-) losses taken to equity	(57)	(56)
Transferred to profit or loss	15	(1)
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Available-for-sale financial assets	263	295
Valuation gains or (-) losses taken to equity	765	433
Transferred to profit or loss	(502)	(138)
Other reclassifications	-	-
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	2	(4)
Income tax	82	(70)
TOTAL RECOGNIZED INCOME/EXPENSES	1,858	83
Attributable to minority interest [non-controlling interests]	345	196
Attributable to the parent company	1,513	(113)

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

The accompanying Notes 1 to 10 are an integral part of the interim consolidated statement of recognized income and expenses for the three months ended March 31, 2017.

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 Group

Interim Consolidated statements of changes in equity for the three months ended March 31, 2017 and 2016

Millions of Euros														
March 2017	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, 2017	3,218	23,992	0	54	23,688	20	(67)	(48)	3,475	(1,510)	(5,458)	(2,246)	10,310	55,428
Total income/expense recognized	-	-	-	-	-	-	-	-	1,199	-	314	53	293	1,859
Other changes in equity	-	-	(0)	(19)	2,030	(4)	32	26	(3,475)	577	-	-	(1,536)	(2,368)
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	8	-	(8)	-	-	(933)	-	-	(294)	(1228)
Purchase of treasury shares	-	-	-	-	-	-	-	(577)	-	-	-	-	-	(577)
Sale or cancellation of treasury shares	-	-	-	-	(4)	-	-	603	-	-	-	-	-	599
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	-	-	1,927	(4)	41	-	(3,475)	1510	-	-	-	(0)
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(26)	-	-	-	-	-	-	-	-	-	(26)
Other increases or (-) decreases in equity	-	-	(0)	7	99	-	(1)	-	-	-	-	-	(1242)	(1137)
Balances as of March 31, 2017	3,218	23,992	0	35	25,718	17	(35)	(22)	1,199	(933)	(5,144)	(2,193)	9,066	54,918

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.

Millions of Euros														
March 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	-	34	22,587	23	(98)	(309)	2,642	(1,352)	(3,349)	(53)	8,202	55,439
Total income/expense recognized	-	-	-	-	-	-	-	-	709	-	(821)	(71)	266	84
Other changes in equity	-	-	-	(13)	1,270	(1)	(11)	129	(2,642)	473	-	-	(212)	(1,007)
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	9	-	(9)	-	-	(879)	-	-	(211)	(1,090)
Purchase of treasury shares	-	-	-	-	-	-	-	(502)	-	-	-	-	-	(502)
Sale or cancellation of treasury shares	-	-	-	-	(29)	-	-	631	-	-	-	-	-	602
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	-	-	1,304	(1)	(13)	-	(2,642)	1,352	-	-	-	(0)
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(18)	(3)	-	-	-	-	-	-	-	-	(21)
Other increases or (-) decreases in equity	-	-	-	5	(11)	-	11	-	-	-	-	-	(1)	4
Balances as of March 31, 2016	3,120	23,992	-	21	23,857	22	(109)	(180)	709	(879)	(4,170)	(123)	8,256	54,516

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

The accompanying Notes 1 to 10 are an integral part of the interim consolidated statement of changes in equity for the three months ended March 31, 2017.

BBVA Group

Condensed Interim Consolidated statements of cash flows for the three months ended March 31, 2017 and 2016

Millions of Euros		
Condensed Consolidated statements of cash flows	March 2017	March 2016 (*)
CASH FLOW FROM OPERATING ACTIVITIES (1)	(6,613)	(2,745)
Profit for the period	1,492	976
Adjustments to obtain the cash flow from operating activities:	1,400	1,412
Depreciation and amortization	354	344
Other adjustments	1,046	1,068
Net increase/decrease in operating assets	(8,932)	(4,771)
Financial assets held for trading	(2,371)	(3,955)
Other financial assets/liabilities designated at fair value through profit or loss	(28)	(20)
Available-for-sale financial assets	1,111	2,487
Loans and receivables / Financial liabilities at amortized cost	(7,596)	(3,575)
Other operating assets/liabilities	(48)	292
Collection/Payments for income tax	(573)	(362)
CASH FLOWS FROM INVESTING ACTIVITIES (2)	278	200
Tangible assets	(55)	79
Intangible assets	(41)	(57)
Investments	(41)	39
Subsidiaries and other business units	(847)	(18)
Non-current assets held for sale and associated liabilities	-	157
Held-to-maturity investments	665	-
Other settlements/collections related to investing activities	597	-
CASH FLOWS FROM FINANCING ACTIVITIES (3)	(903)	(444)
Dividends	(629)	(588)
Subordinated liabilities	-	-
Common stock amortization/increase	-	-
Treasury stock acquisition/disposal	20	171
Other items relating to financing activities	(294)	(27)
EFFECT OF EXCHANGE RATE CHANGES (4)	34	(1,177)
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)	(7,205)	(4,166)
CASH OR CASH EQUIVALENTS AT BEGINNING OF THE YEAR	44,957	43,466
CASH OR CASH EQUIVALENTS AT END OF THE PERIOD	37,751	39,300

Millions of Euros		
COMPONENTS OF CASH AND EQUIVALENT AT END OF THE PERIOD	March 2017	March 2016 (*)
Cash	6,464	6,952
Balance of cash equivalent in central banks (**)	31,287	32,348
Other financial assets	-	-
Less: Bank overdraft refundable on demand	-	-
TOTAL CASH OR CASH EQUIVALENTS AT END OF THE PERIOD	37,751	39,300

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

(**) Balance of cash equivalent in central banks includes short-term deposits at central banks under the heading "Loans and receivables" in the accompanying consolidated balance sheets.

The accompanying Notes 1 to 10 are an integral part of the condensed interim consolidated statement of cash flows for the three months ended March 31, 2017.

BBVA Group

Notes to the condensed interim consolidated financial statements as of and for the period ended March 31, 2017

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 consolidated financial statements comprising all consolidated subsidiaries of the Group.

The consolidated financial statements of the BBVA Group for the year ended December 31, 2016 were approved by the shareholders at the Annual General Meeting (“AGM”) on March 17, 2017.

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 April 26, 2017. In accordance with IAS 34, the interim financial information is prepared solely for the purpose of updating the last annual consolidated financial statements, focusing on new activities, events and circumstances that occurred during the period without duplicating the information previously published in the last annual consolidated financial statements. Therefore, the accompanying consolidated financial statements do not include all information required by a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards, consequently for an appropriate understanding of the information included in them, they should be read together with the consolidated financial statements of the Group as of and for the year ended December 31, 2016. The consolidated financial statements of the Group for the year ended December 31, 2016 were presented in accordance with the International Financial Reporting Standards endorsed by the European Union (hereinafter, “EU-IFRS”) applicable as of December 31 2016, pursuant to Bank of Spain Circular 4/2004, of 22 December (and as amended thereafter), and 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 as of and for the year ended December 31, 2016, taking into account the standards and interpretations issued during the first quarter of 2017, so that they present fairly the Group’s consolidated equity and financial position as of March 31, 2017, together with the consolidated results of its operations and the consolidated cash flows generated by the Group during the three months ended March 31, 2017. 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 balance in these consolidated financial statements are due to 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

The accompanying interim 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 of credit institutions to the terminology and formats of the financial statements mandated by the European Union regulation for the credit institution.

The information included in the accompanying condensed interim consolidated financial statements and the explanatory notes relating to December 31, 2016 and March 31, 2016 is presented for the purpose of comparison with the information for March 31, 2017. Certain minor reclassifications have been made for purposes of comparison.

In the first quarter of 2017, there were no significant changes to the existing structure of the BBVA Group's operating segments in comparison to 2016 (see Note 5).

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 typical 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 of 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 March 31, 2017 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 the applicable standards, recognizing the effects of changes in the estimates in the corresponding consolidated income statement.

During the three months ended March 31, 2017 there were no significant changes to the assumptions made as of December 31, 2016, except as indicated in these consolidated financial statements.

Related-party transactions

The information related to these transactions is presented in Note 53 of the consolidated financial statements of the Group for the year ended December 31, 2016.

As financial institutions, BBVA and other entities in the Group engage in transactions with related parties in the normal course of their business. None of these transactions are considered significant 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 annual Consolidated Financial Statements as of and for the year ended December 31, 2016 (see Note 2).

Recent IFRS pronouncements

Changes introduced in 2017

The following amendments to the IFRS standards or their interpretations (hereinafter "IFRIC") came into force after January 1, 2017. They have not had a significant impact on the BBVA Group's consolidated financial statements corresponding to the period ended March 31, 2017.

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

The amendments made to IAS 12 clarify the requirements on recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. The following aspects are clarified:

- An unrealized loss on a debt instrument measured at fair value gives rise to a deductible temporary difference regardless of whether the holder expects to recover its carrying amount by holding the debt instrument until maturity or by selling the debt instrument.
- An entity assesses the utilization of deductible temporary differences in combination with other deductible temporary differences. In circumstances in which tax laws restrict the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the appropriate type.
- An entity's estimate of future taxable profit can include the recovery of its assets for amounts more than their carrying amounts if there is sufficient evidence to conclude that it is probable that the entity will achieve this.
- An entity's estimate of future taxable profit excludes tax deductions resulting from the reversal of deductible temporary difference.

The European Union has not still approved the adoption of the amendments, which is expected in the second quarter of 2017.

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

The amendments to IAS 7 introduce the following new disclosure requirements related to changes in liabilities arising from financing activities to enable users of financial statements to evaluate changes in those liabilities: changes from financing cash flows; changes arising from obtaining or losing control of subsidiaries or other businesses; the effect of changes in foreign exchange rates; changes in fair values; and other changes.

Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows arising from financing activities. Additionally, the disclosure requirements also apply to changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

The European Union has not still approved the adoption of the amendments, which is expected in the second quarter of 2017.

Annual improvements cycle to IFRSs 2014-2016 - Minor amendments to IFRS 12

The annual improvements cycle to IFRSs 2014-2016 includes minor changes and clarifications to IFRS 12 - Disclosure of Interests in Other Entities. The European Union has not still approved the adoption of the amendments, which is expected in the third quarter of 2017.

Standards and interpretations issued but not yet effective as of March 31, 2017

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 March 31, 2017. 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"

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

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.

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.

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

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

Annual improvements cycle to IFRSs 2014-2016 - Minor amendments to IFRS 1 and IAS 28

The annual improvements cycle to IFRSs 2014-2016 includes minor changes and clarifications to IFRS 1- First-time Adoption of International Financial Reporting Standards and IAS 28 - Investments in Associates and Joint Ventures, which will be applied to the accounting periods beginning on or after January 1, 2018, although early application is permitted to amendments to IAS 28.

IFRIC 22- Foreign Currency Transactions and Advance Consideration

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

Amended IAS 40 - Investment Property

The amendments will be applied to the accounting periods beginning on or after January 1, 2018, although early adoption is allowed.

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 2016 Consolidated Financial Statements show relevant information as of December 31, 2016 related to the consolidated subsidiaries and structured entities; and investments in unconsolidated subsidiaries, joint ventures and associates accounted for using the equity method, respectively. Appendix III of the 2016 Consolidated Financial Statements shows the main changes and notification of investments and divestments in the BBVA Group for the year ended December 31, 2016. Appendix IV of the Consolidated Financial Statements of 2016, shows fully consolidated subsidiaries with more than 10% owned by non-Group shareholders as of December 31, 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 first quarter of 2017 from 2016.

Significant transactions in the first quarter

On February 21, 2017, BBVA Group entered into an agreement for the acquisition from Dogus Holding A.S. and Dogus Arastirma Gelistirme ve Musavirlik Hizmetleri A.S of 41,790,000,000 shares of Turkiye Garanti Bankasi, A.S. ("Garanti Bank"), amounting to 9.95% of the total issued share capital of Garanti Bank. On March 22, 2017, the sale and purchase agreement was completed, and therefore BBVA's total stake in Garanti Bank now amounts to 49.85%.

4. Shareholder remuneration system

On March 29, 2017, the Board of Directors approved the execution of the share capital increase charged to voluntary reserves, as agreed by the AGM held on March 17, 2017 to implement the Dividend Option. As a result of this increase, in April 2017 the Bank's share capital increased by €49,622,955.62 (101,271,338 shares at a €0.49 par value each). 83.28 % of the right owners have opted to receive newly-issued BBVA ordinary shares. The other 16.72 % of the right owners opted to sell the rights of free allocation assigned to them to BBVA, and as a result, BBVA acquired 1,097,962,903 rights for a total amount of €143,833,140.29. The price at which BBVA has acquired such rights of free allocation (in execution of said commitment) was €0.131 per right.

The Board of Directors, at its meeting held on December 21, 2016, approved the payment in cash of €0.08 (€0.0648 net of withholding tax) per BBVA share, as gross interim dividend based on 2016 results. The dividend was paid on January 12, 2017.

5. Operating segment reporting

The information about operating segments is presented 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 and, ultimately, into the reportable operating segments themselves.

During 2017, 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 2016. 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.

- **Non Core Real Estate**
Covers specialist management in Spain of loans to developers in difficulties and real-estate assets mainly coming from foreclosed assets, originated from both, residential mortgages, as well as loans to developers. New loan production to developers or loans to those that are not in difficulties are managed by Banking activity in Spain.
- **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 and insurance businesses in the country.
- **South America**
Includes mainly 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 is comprised of the rest of the assets and liabilities 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.

The breakdown of the BBVA Group's total assets by operating segments as of March 31, 2017 and December 31, 2016, is as follows:

Millions of euros		
Total Assets by Operating Segments	March 2017	December 2016 (*)
Banking activity in Spain	317,386	335,847
Non Core Real Estate	14,447	13,713
United States	87,551	88,902
Turkey	85,035	84,866
Mexico	99,173	93,318
South America	79,013	77,918
Rest of Eurasia	19,024	19,106
Subtotal Assets by Operating Segments	701,630	713,670
Corporate Center and other adjustments	17,563	18,186
Total Assets BBVA Group	719,193	731,856

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

The profit and main earning figures in the consolidated income statements for the three months ended March 31, 2017 and 2016 by operating segments are as follows:

	Millions of Euros								
Main Margins and Profits by Operating Segments	BBVA Group	Operating Segments							Corporate Center
		Banking Activity in Spain	Non Core Real Estate	United States	Turkey	Mexico	South America	Rest of Eurasia	
March 2017									
Net interest income	4,322	935	10	535	812	1,287	807	46	(110)
Gross income	6,383	1,676	(21)	732	976	1,710	1,104	135	71
Net margin before provisions (*)	3,246	821	(51)	262	588	1,135	573	55	(137)
Operating profit /(loss) before tax	2,065	528	(141)	184	483	729	369	58	(144)
Profit	1,199	375	(109)	134	160	536	185	40	(122)
March 2016 (**)									
Net interest income	4,152	959	26	478	775	1,290	717	41	(134)
Gross income	5,788	1,561	12	667	977	1,654	985	109	(178)
Net margin before provisions (*)	2,614	669	(20)	209	554	1,055	524	25	(403)
Operating profit /(loss) before tax	1,338	355	(148)	75	424	652	375	25	(421)
Profit	709	243	(113)	49	133	489	182	16	(290)

(*) Gross Income less Administrative costs and Depreciation and Amortization.

(**) Presented solely and exclusively for comparison purposes (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 March 31, 2017 do not differ significantly from those included in the consolidated financial statements for the year ended December 31, 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 March 31, 2017 and December 31, 2016 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:

Maximum Credit Risk Exposure	Millions of euros	
	March 2017	December 2016
Financial assets held for trading	35,617	31,995
Debt securities	31,111	27,166
Equity instruments	4,436	4,675
Loans and advances to customers	70	154
Other financial assets designated at fair value through profit or loss	2,274	2,062
Loans and advances to credit institutions	-	-
Debt securities	169	142
Equity instruments	2,105	1,920
Available-for-sale financial assets	79,125	79,553
Debt securities	74,434	74,739
Government	57,046	55,047
Credit institutions	4,737	5,011
Other sectors	12,651	14,682
Equity instruments	4,691	4,814
Loans and receivables	481,173	482,011
Loans and advances to central banks	11,938	8,894
Loans and advances to credit institutions	25,748	31,416
Loans and advances to customers	431,899	430,473
Debt securities	11,588	11,226
Held-to-maturity investments	16,726	17,710
Derivatives (trading and hedging)	51,003	54,122
Total Financial Assets Risk	665,918	667,454
Total Loan commitments and financial guarantees	156,589	168,113
Total Maximum Credit Exposure	822,507	835,567

The table below shows the composition of the impaired financial assets and risks as of March 31, 2017 and December 31, 2016, broken down by heading in the accompanying consolidated balance sheet:

Millions of euros		
Impaired secured loans Risks.	March	December
Breakdown by Type of Asset and by Sector	2017	2016
Impaired financial Assets		
Available-for-sale financial assets	184	254
Debt securities	184	254
Loans and receivables	22,603	22,943
Loans and advances to credit institutions	10	10
Loans and advances to customers	22,572	22,915
Debt securities	22	18
Total Impaired financial Assets	22,787	23,197
Impaired financial guarantees given	664	680
Total impaired secured loans Risks	23,452	23,877

The table below presents the change in the impaired financial assets in the three-month period ended March 31, 2017 and the year ended December 31, 2016:

Millions of euros		
Changes in Impaired Financial Assets and Contingent Risks	March	December
	2017	2016
Balance at the beginning	23,877	26,103
Additions	2,490	11,133
Decreases (*)	(1,765)	(7,633)
Net additions	24,602	29,603
Amounts writtens off	(1,141)	(5,592)
Acquisition of subsidiaries in the year	-	-
Exchange differences and other	(9)	(134)
Balance at the end	23,452	23,877

(*) Reflects the total amount of impaired loans derecognized from the balance sheet during 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 March 31, 2017 and December 31, 2016, broken down by heading in the accompanying consolidated balance sheets:

Millions of euros		
Impairment Losses and Provisions for Contingent Risks	March 2017	December 2016
Available-for-sale financial assets	279	333
Equity instruments	167	174
Debt securities	112	159
Loans and receivables	15,869	16,034
Debt securities	26	17
Loans and advances to central banks	-	-
Loans and advances to credit institutions	32	43
Loans and advances to customers	15,811	15,974
Held-to-maturity investments	14	14
Subtotal	16,162	16,381
Provisions for guarantees given	574	599
Total	16,736	16,979

Below are the changes in the period of three months ended March 31, 2017 and the year ended December 31, 2016, in the estimated impairment losses:

Millions of euros		
Changes in Impaired Financial Assets	March 2017	December 2016
Balance at the beginning	16,979	19,539
Increase in impairment losses charged to income	2,885	8,797
Decrease in impairment losses charged to income	(1,846)	(4,497)
Acquisition of subsidiaries in the year	-	-
Transfer to written-off loans, exchange differences and other	(1,282)	(6,859)
Balance at the end	16,736	16,979

7. Fair Value

The criteria and valuation methods used to calculate the fair value of financial assets as of March 31, 2017, do not differ significantly from those included in the Note 8 from the consolidated financial statements for the year ended December 31, 2016.

During the three months ended March 31, 2017, there is no significant transfer of financial instruments between the different levels, and the changes in measurement are due to the variations in the fair value of the financial instruments.

8. Balance sheet

Cash and cash balances at central banks and other demand deposits

Millions of euros		
Cash, cash balances at central banks and other demand deposits	March 2017	December 2016
Cash on hand	6,464	7,413
Cash balances at central banks	19,367	28,671
Other demand deposits	3,383	3,955
Total Assets	29,214	40,039
Deposits from Central Banks (*)	31,101	30,091
Repurchase agreements	4,599	4,649
Total Liabilities	35,700	34,740

(*) Includes Accrued Interest

The decrease in the heading "Cash balances at central banks" is mainly due to lower cash balances with the European Central Bank.

Financial Assets and Liabilities Held-for-Trading

Millions of euros		
Financial Assets and Liabilities Held-for-Trading	March 2017	December 2016
Derivatives	39,280	42,955
Debt securities	31,111	27,166
Issued by Central Banks	603	544
Spanish government bonds	5,887	4,840
Foreign government bonds	21,805	18,782
Issued by Spanish financial institutions	151	218
Issued by foreign financial institutions	1,258	1,434
Other debt securities	1,407	1,349
Loans and advances	70	154
Equity instruments	4,436	4,675
Total Assets	74,898	74,950
Derivatives	40,121	43,118
Short positions	11,058	11,556
Total Liabilities	51,179	54,675

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	March 2017	December 2016
Equity instruments	2,105	1,920
Unit-linked products	1,884	1,749
Other securities	221	171
Debt securities	169	142
Unit-linked products	150	128
Other securities	19	14
Loans and advances to credit institutions	-	-
Total Assets	2,274	2,062
Other financial liabilities	2,522	2,338
Unit-linked products	2,522	2,338
Total Liabilities	2,522	2,338

Available-for-sale financial assets

Millions of euros		
Available-for-Sale Financial Assets	March 2017	December 2016
Debt securities	74,434	74,739
Issue by Central Banks	2,667	2,273
Spanish government bonds	22,364	40,394
Foreign government bonds	32,014	38,913
Issue by credit institutions	4,737	8,069
Resident	1,087	2,789
Non-resident	3,650	5,279
Other debt securities	12,247	18,150
Resident	1,266	2,074
Non-resident	10,981	16,076
Accruals and adjustments for hedging derivatives	404	404
Impairment losses	(112)	(159)
Subtotal	74,322	74,580
Equity instruments	4,691	4,814
Impairment losses	(167)	(174)
Subtotal	4,524	4,641
Total	78,846	79,221

Loans and receivables

Millions of euros		
Loans and receivables	March 2017	December 2016
Debt securities	11,562	11,209
Loans and advances to central banks	11,938	8,894
Loans and advances to credit institutions	25,716	31,373
Loans and advances to customers	416,088	414,500
Mortgage secured loans	141,921	142,269
Other loans secured with security interest	60,462	59,898
Unsecured loans	136,631	134,275
Credit lines	13,181	12,268
Commercial credit	13,742	14,877
Receivable on demand and other	8,915	8,858
Credit cards	15,270	15,238
Finance leases	8,939	9,144
Reverse repurchase agreements	6,905	7,279
Financial paper	1,058	1,020
Impaired assets	22,572	22,915
Valuation adjustments	(13,508)	(13,541)
Impairment losses	(15,811)	(15,974)
Derivatives - Hedge accounting and others	1,174	1,222
Rest of valuation adjustments	1,129	1,211
Total	465,304	465,977

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 March 31, 2017 and December 31, 2016 amounted to €33,779 million and €33,243 million, respectively.

Held to maturity investments

Millions of Euros		
Held-to-Maturity Investments	March 2017	December 2016
Domestic Debt Securities	7,998	8,625
Spanish Government and other government agency debt securities	7,517	8,063
Other Domestic Securities	482	562
Credit institutions	413	494
Other resident	68	68
Foreign Debt Securities	8,728	9,085
Government and other government agency debt securities	7,695	7,986
Others securities	1,033	1,099
Credit institutions	966	1,032
Other non resident	67	67
Valuation adjustments	(14)	(14)
TOTAL	16,712	17,696

Investments in joint ventures and associates

Millions of euros		
Associates Entities and joint ventures	March	December
Breakdown by entities	2017	2016
Joint ventures	269	229
Associates	883	536
Total	1,152	765

The variance in the heading "Associates" corresponds mainly due to the increase of BBVA S.A.'s stake in Testa Residencial through its contribution to the capital increase carried out by the latter entity by contributing assets from the Bank's real estate assets. The stake in Testa Residencial as of March 31, 2017 is 33.72%.

Tangible assets

Millions of euros		
Tangible Assets. Breakdown by Type of Asset	March	December
Cost Value, Depreciation and impairments	2017	2016
Property plant and equipment		
For own use		
Land and Buildings	6,276	6,179
Work in Progress	237	240
Furniture, Fixtures and Vehicles	7,123	7,059
Accumulated depreciation	(5,699)	(5,579)
Impairment	(379)	(381)
Subtotal	7,558	7,519
Leased out under an operating lease		
Assets leased out under an operating lease	961	958
Accumulated depreciation	(217)	(215)
Impairment	(11)	(11)
Subtotal	733	732
Subtotal	8,291	8,250
Investment property		
Building rental	1,057	1,119
Other	44	44
Accumulated depreciation	(61)	(64)
Impairment	(391)	(408)
Subtotal	649	691
Total	8,940	8,941

Intangible assets

Millions of euros		
Intangible Assets	March	December
	2017	2016
Goodwill	6,881	6,937
Other intangible assets	2,680	2,849
Total	9,561	9,786

The variance in the heading "Goodwill" is as a result of exchange differences. The variance in the heading "Other intangible assets" is mainly due to amortizations during the quarter.

Tax assets and liabilities

	Millions of euros	
	March	December
Tax assets and liabilities	2017	2016
Tax assets	18,156	18,245
Current tax assets	1,900	1,853
Deferred (*)	16,257	16,391
Tax Liabilities	4,933	4,668
Current tax liabilities	1,593	1,276
Deferred tax liabilities	3,340	3,392

(*) Includes guaranteed deferred assets totaling €9,422 and €9,431 million as of March 31, 2017 and December 31, 2016 respectively.

In accordance with 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.

Other assets and liabilities

	Millions of euros	
	March	December
Other assets and liabilities	2017	2016
Breakdown by nature		
ASSETS		
Inventories	3,158	3,298
Real estate	3,129	3,268
Others	29	29
Transactions in progress	445	241
Accruals	939	723
Prepaid expenses	620	518
Other prepayments and accrued income	319	204
Insurance contracts linked to pensions	-	-
Other items	3,685	3,012
Total Assets	8,227	7,274
LIABILITIES		
Transactions in progress	236	127
Accruals	2,531	2,721
Accrued expenses	1,854	2,125
Other accrued expenses and deferred income	677	596
Other items	2,168	2,131
Total Liabilities	4,934	4,979

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

	Millions of euros	
	March	December
Non-current assets and disposal groups classified as held for sale	2017	2016
Foreclosures and recoveries	4,068	4,225
Other assets from tangible assets	363	1,181
Business assets	29	40
Accumulated amortization (*)	(60)	(116)
Impairment losses	(1,422)	(1,727)
Total Non-current assets and disposal groups classified as held for sale	2,979	3,603

(*) Represents the amortization prior to reclassification to non-current assets and disposal groups held for sale.

Decrease in this heading is mainly due to the contribution of real estate assets used to increase BBVA's participation in Testa Residencial as disclosed earlier, and sales of foreclosed assets.

Financial liabilities at amortized cost

Financial liabilities measured at amortised cost	Millions of euros	
	March 2017	December 2016
Deposits	492,875	499,706
Deposits from Central Banks	35,700	34,740
Deposits from Credit Institutions	58,676	63,501
Customer deposits	398,499	401,465
Debt securities issued	72,840	76,375
Other financial liabilities	14,315	13,129
Total	580,031	589,210

Deposits from credit institutions

Deposits from credit institutions	Millions of euros	
	March 2017	December 2016
Reciprocal accounts	85	165
Term deposits	29,589	30,286
Demand deposits	4,822	4,435
Repurchase agreements	24,000	28,421
Other deposits	31	35
Subtotal	58,527	63,342
Accrued interest until expiration	150	160
Total	58,676	63,502

Customer deposits

Customer deposits	Millions of euros	
	March 2017	December 2016
General Governments	22,205	21,359
Current accounts	127,740	123,401
Savings accounts	92,306	88,835
Time deposits	143,550	153,123
Repurchase agreements	10,939	13,491
Subordinated deposits	201	233
Other accounts	892	329
Valuation adjustments	666	694
Total	398,499	401,465

Debt securities issued

Millions of euros		
Debt securities issued	March 2017	December 2016
In Euros		
Promissory bills and notes	583	841
Non-convertible bonds and debentures	8,322	8,420
Mortgage Covered bonds	19,168	23,869
Hybrid financial instruments	495	450
Securitization bonds issued by the Group	3,473	3,548
Accrued interest and others (*)	973	1,518
Subordinated liabilities	7,887	6,972
Convertible	4,000	4,000
<i>Convertible perpetual securities</i>	4,000	4,000
Non-convertible	3,768	2,852
<i>Preferred Stock</i>	123	359
<i>Other subordinated liabilities</i>	3,645	2,493
Accrued interest and others (*)	119	120
In Foreign Currencies		
Promissory bills and notes	220	377
Non-convertible bonds and debentures	16,012	14,924
Mortgage Covered bonds	143	147
Hybrid financial instruments	2,272	2,030
Securitization bonds issued by the Group	2,945	2,977
Accrued interest and others (*)	327	288
Subordinated liabilities	10,021	10,016
Convertible	1,445	1,487
<i>Convertible perpetual securities</i>	1,445	1,487
Non-convertible	8,197	8,134
<i>Preferred Stock</i>	616	629
<i>Other subordinated liabilities</i>	7,581	7,505
Accrued interest and others (*)	379	394
Total	72,840	76,376

(*) Hedging transactions and issuance expenses.

The variance for the three months ended March 31, 2017 in the heading "Debt securities issued" corresponds mainly to the maturity of Mortgage Covered bonds issued by BBVA S.A.

Other financial liabilities

Millions of euros		
Other financial liabilities	March 2017	December 2016
Creditors for other financial liabilities	4,771	3,465
Collection accounts	2,671	2,768
Creditors for other payment obligations	6,873	6,370
Dividend payable but pending payment	-	525
Total	14,315	13,128

Liabilities under insurance and reinsurance contracts

Millions of euros		
Liabilities under Insurance and Reinsurance Contracts	March	December
Technical Reserve and Provisions	2017	2016
Technical reserves	8,245	7,813
Provision for unpaid claims reported	709	691
Provisions for unexpired risks and other provisions	703	635
Total	9,657	9,139

Provisions

Millions of euros		
Provisions. Breakdown by concepts	March	December
	2017	2016
Pensions and other post employment defined benefit obligations	5,787	6,025
Other long term employee benefits	38	69
Pending legal issues and tax litigation	417	418
Commitments and guarantees given	905	950
Other provisions (*)	1,671	1,609
Total	8,818	9,071

(*) Individually insignificant provisions or contingencies in different geographies.

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 of the defined benefit plans are for individuals already retired, and are closed to new 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 for the three months ended March 31, 2017 and 2016 are as follows:

Millions of euros		
Consolidated Income Statement Impact	March	March
	2017	2016
Interest and similar expenses (*)	19	25
Personnel expenses	44	42
Defined contribution plan expense	26	24
Defined benefit plan expense	18	18
Provisions (net)	107	70
Total impact on Income Statement: Debit (Credit)	170	137

(*) Includes interest charges/credits.

Common stock

As of March 31, 2017, BBVA's share capital amounted to €3,217,641,468.58 divided into 6,566,615,242 shares. As a result of the increase carried out on April 2017, due to the execution of the capital increase described in Note 4, BBVA's share capital, at the date of the preparation of these consolidated financial statements, amounted to €3,267,264,424.20 divided into 6,667,886,580 fully subscribed and paid-up registered shares, all of the same class and series, at €0.49 par value each, represented through book-entry accounts. All of the Bank's shares carry the same voting and dividend rights, and no single stockholder enjoys special voting rights. Each and every share is part of the Bank's common stock.

Retained earnings, revaluation reserves and other reserves

Millions of euros		
Retained earnings, revaluation reserves and other reserves	March 2017	December 2016
Retained earnings	25,718	23,688
Revaluation reserves	17	20
Other reserves	(35)	(67)
Total	25,700	23,641

Accumulated other comprehensive income (Loss)

Millions of euros		
Accumulated other comprehensive income (Loss)	March 2017	December 2016
Items that will not be reclassified to profit or loss	(1,127)	(1,095)
Actuarial gains or (-) losses on defined benefit pension plans	(1,127)	(1,095)
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	-	-
Other adjustments	-	-
Items that may be reclassified to profit or loss	(4,016)	(4,363)
Hedge of net investments in foreign operations [effective portion]	(449)	(118)
Foreign currency translation	(4,719)	(5,185)
Hedging derivatives. Cash flow hedges [effective portion]	(10)	16
Available-for-sale financial assets	1,184	947
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	(22)	(23)
Total	(5,144)	(5,458)

Minority interest (non-controlling interests)

Millions of euros		
Non-Controlling Interests Breakdown by Subsidiaries	March 2017	December 2016
BBVA Colombia Group	65	67
BBVA Chile Group	378	377
BBVA Banco Continental Group	1,014	1,059
BBVA Banco Provincial Group	93	97
BBVA Banco Francés Group	244	243
Garanti Group	5,015	6,157
Other entities	65	64
Total	6,874	8,064

The decrease in the heading "Minority interest" corresponds to the acquisition of the 9.95% of Garanti Group (see Note 3).

Millions of euros		
Attributable to minority interest (non-controlling interests) Breakdown by Subsidiaries	March 2017	March 2016
BBVA Colombia Group	1	2
BBVA Chile Group	14	6
BBVA Banco Continental Group	50	44
BBVA Banco Provincial Group	(3)	(8)
BBVA Banco Francés Group	12	19
Garanti Group	217	203
Other entities	1	1
Total	293	266

Contingent commitments and guarantees given

Millions of euros		
Contingent commitments and guarantees given	March 2017	December 2016
Guarantees given	48,548	50,540
Contingent commitments	108,041	117,573
Total	156,589	168,113

Off-balance sheet customer funds

Millions of euros		
Off-Balance Sheet Customer Funds by Type	March 2017	December 2016
Mutual funds	58,780	55,037
Pension funds	33,479	33,418
Customer portfolios	40,078	40,805
Other resources	2,952	2,831
Total	135,290	132,092

9. Income statement

Net Interest income

Interest income

Millions of euros		
Interest Income Breakdown by Origin	March 2017	March 2016
Central Banks	59	48
Loans and advances to credit institutions	71	86
Loans and advances to customers	5,468	5,277
General governments	75	110
Resident	694	778
Non resident	4,699	4,389
Debt securities	898	1,079
Held for trading	284	248
Available-for-sale financial assets	614	831
Adjustments of income as a result of hedging transactions	(78)	(97)
Insurance activity	374	323
Other income	193	143
Total	6,986	6,859

Interest expenses

Millions of euros		
Interest Expenses Breakdown by Origin	March 2017	March 2016
Central banks	32	41
Deposits from credit institutions	336	369
Customers deposits	1,415	1,430
Debt securities issued	556	634
Adjustments of expenses as a result of hedging transactions	(150)	(151)
Cost attributable to pension funds	23	30
Insurance activity	280	228
Other expenses	171	125
Total	2,663	2,707

Dividend income

Millions of euros		
Dividend Income	March 2017	March 2016
Dividends from:		
Financial assets held for trading	27	37
Available-for-sale financial assets	16	8
Total	43	45

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

Net income from "Investments in Entities Accounted for Using the Equity Method" resulted in a negative impact of €5 million for the three months ended March 31, 2017 compared with the positive impact of €7 million recorded for the three months ended March 31, 2016.

Fee and Commissions Income and expenses

Millions of euros		
Fee and Commission Income	March 2017	March 2016
Bills receivables	12	13
Demand accounts	123	114
Credit and debit cards	675	631
Checks	51	50
Transfers and others payment orders	148	136
Insurance product commissions	51	42
Commitment fees	59	70
Contingent risks	101	100
Asset Management	217	212
Securities fees	105	78
Custody securities	30	31
Other fees and commissions	185	157
Total	1,755	1,634

Millions of euros		
Fee and Commission Expense	March 2017	March 2016
Credit and debit cards	349	312
Transfers and others payment orders	25	26
Commissions for selling insurance	16	15
Other fees and commissions	141	120
Total	532	473

Gains or losses on financial assets and liabilities and exchange differences

Millions of euros		
Gains or losses on financial assets and liabilities and exchange differences	March 2017	March 2016
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	520	172
Available-for-sale financial assets	502	138
Loans and receivables	15	32
Other	3	2
Gains or losses on financial assets and liabilities held for trading, net	179	(109)
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	(61)	13
Gains or losses from hedge accounting, net	(141)	(20)
Subtotal Gains or losses on financial assets and liabilities	496	55
Exchange Differences	194	302
Total	690	357

The variance in the heading "Gains or losses on financial assets and liabilities" is mainly due to market fluctuation during the first quarter of 2017 and gains of €204 million from the sale of a 1.81% stake in China National Corporation Bank (CNCB). BBVA's current stake in CNCB is 0.34%.

Millions of euros		
Gains or losses on financial assets and liabilities Breakdown by nature of the Financial Instrument	March 2017	March 2016
Debt instruments	346	170
Equity instruments	549	(266)
Loans and advances to customers	23	33
Trading derivatives and hedge accounting	(365)	116
Costumer deposits	(69)	2
Other	12	-
Total	496	55

Other operating income and expenses

Millions of euros		
Other operating income	March 2017	March 2016
Gains from sales of non-financial services	167	183
Of which: Real estate	93	110
Rest of other operating income	95	113
Of which: net profit from building leases	18	19
Total	262	297

Millions of euros		
Other operating expense	March 2017	March 2016
Change in inventories	106	119
Of Which: Real estate	83	92
Rest of other operating expenses	320	376
Total	426	495

Income and expenses on insurance and reinsurance contracts

Millions of Euros		
Income and expense on insurance and reinsurance contracts	March 2017	March 2016
Income from insurance and reinsurance contracts	1,001	1,029
Expense from insurance and reinsurance contracts	(729)	(764)
Total	272	265

Administration costs

Personnel expenses

Millions of euros		
Personnel Expenses	March 2017	March 2016
Wages and salaries	1,282	1,293
Social security costs	199	203
Defined contribution plan expense	26	24
Defined benefit plan expense	18	18
Other personnel expenses	122	131
Total	1,647	1,669

Other administrative expenses

Millions of euros		
Other Administrative Expenses	March 2017	March 2016
Technology and systems	173	160
Communications	75	78
Advertising	90	97
Property, fixtures and materials	265	276
Of which: Rent expenses (*)	153	160
Taxes other than income tax	126	130
Other expenses	407	420
Total	1,136	1,161

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

Depreciation

Millions of euros		
Depreciation and amortization	March 2017	March 2016
Tangible assets	176	171
For own use	171	165
Investment properties	5	6
Assets leased out under operating lease	-	-
Other Intangible assets	178	172
Total	354	344

Provisions or reversal of provisions

Millions of euros		
Provisions or reversal of provisions	March 2017	March 2016
Pensions and other post employment defined benefit obligations	107	70
Other long term employee benefits	-	-
Commitments and guarantees given	(47)	43
Pending legal issues and tax litigation	7	20
Other Provisions	104	48
Total	170	181

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	March 2017	March 2016
Available-for-sale financial assets	(5)	48
Debt securities	(5)	45
Equity instruments	-	3
Loans and receivables	949	985
Of which: Recovery of written-off assets	114	117
Held to maturity investments	1	-
Total	945	1,033

Impairment or reversal of impairment on non-financial assets

Millions of euros		
Impairment or reversal of impairment on non-financial assets	March 2017	March 2016
Tangible assets	2	7
Intangible assets	-	-
Others	51	37
Total	52	44

Gains or losses on derecognition of non financial assets and subsidiaries, net

Millions of euros		
Gains or losses on derecognition of non-financial assets and investments in subsidiaries, joint ventures and associates, net	March 2017	March 2016
Gains		
Disposal of investments in non-consolidated subsidiaries	2	27
Disposal of tangible assets and other	13	6
Losses:		
Disposal of investments in non-consolidated subsidiaries	(1)	(2)
Disposal of tangible assets and other	(16)	(13)
Total	(2)	18

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

Millions of euros		
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	March 2017	March 2016
Gains on sale of real estate	10	12
Impairment of non-current assets held for sale	(26)	(48)
Gains on sale of investments classified as non current assets held for sale	4	-
Gains on sale of equity instruments classified as non current assets held for sale	-	-
Total	(12)	(36)

10. Subsequent events

From April 1, 2017 to the date of preparation of these consolidated financial statements, no subsequent events requiring disclosure in these interim financial statements have taken place that significantly affect the Group's earnings or its equity position, except the one mentioned in note 4 concerning the Dividend Option.

Management Report

First quarter 2017

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BBVA Group highlights

BBVA Group highlights (Consolidated figures)

	31-03-17	Δ%	31-03-16	31-12-16
Balance sheet (million euros)				
Total assets	719,193	(2.9)	740,947	731,856
Loans and advances to customers (gross)	431,899	0.8	428,515	430,474
Deposits from customers	398,499	(2.6)	409,208	401,465
Other customer funds	135,290	3.2	131,072	132,092
Total customer funds	533,789	(1.2)	540,280	533,557
Total equity	54,918	0.7	54,516	55,428
Income statement (million euros)				
Net interest income	4,322	4.1	4,152	17,059
Gross income	6,383	10.3	5,788	24,653
Operating income	3,246	24.2	2,614	11,862
Profit/(loss) before tax	2,065	54.3	1,338	6,392
Net attributable profit	1,199	69.0	709	3,475
The BBVA share and share performance ratios				
Number of shares (millions)	6,567	3.1	6,367	6,567
Share price (euros)	7.27	24.4	5.84	6.41
Earning per share (euros) ⁽¹⁾	0.17	72.4	0.10	0.49
Book value per share (euros)	7.32	0.4	7.29	7.22
Tangible book value per share (euros)	5.88	2.1	5.76	5.73
Market capitalization (million euros)	47,739	28.4	37,194	42,118
Yield (dividend/price; %)	5.1		6.3	5.8
Significant ratios (%)				
ROE (net attributable profit/average shareholders' funds) ⁽²⁾	9.1		5.6	6.7
ROTE (net attributable profit/average shareholders' funds excluding intangible assets) ⁽²⁾	11.1		7.0	8.2
ROA (profit or loss for the year/average total assets)	0.84		0.52	0.64
RORWA (profit or loss for the year/average risk-weighted assets)	1.56		0.98	1.19
Efficiency ratio	49.1		54.8	51.9
Cost of risk	0.90		0.92	0.84
NPL ratio	4.8		5.3	4.9
NPL coverage ratio	71		74	70
Capital adequacy ratios (%)				
CET1 fully-loaded	11.0		10.5	10.9
CET1 phased-in ⁽³⁾	11.6		11.6	12.2
Tier 1 phased-in ⁽³⁾	12.8		12.1	12.9
Total ratio phased-in ⁽³⁾	15.3		15.0	15.1
Other information				
Number of shareholders	919,274	(2.4)	942,343	935,284
Number of employees	133,007	(3.2)	137,445	134,792
Number of branches	8,499	(7.3)	9,173	8,660
Number of ATMs	31,185	1.3	30,794	31,120

⁽¹⁾ Adjusted by additional Tier 1 instrument remuneration.

⁽²⁾ The ROE and ROTE ratios include in the denominator the Group's average shareholders' funds, but do not take into account the caption within total equity named "Accumulated other comprehensive income" with an average balance of -€4,120m in 1Q16, -€4,492m in 2016 and -€5,743m in 1Q17.

⁽³⁾ The capital ratios are calculated under CRD IV from Basel III regulation, applying a 80% phase-in for 2017 and a 60% for 2016.

Group information

Relevant events

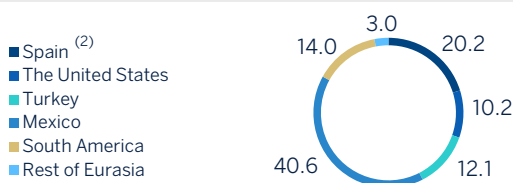
Results (pages 4-9)

- Good performance of **gross income**, thanks to a positive trend in more recurring revenue (particularly income from fees and commissions) and net trading income (NTI).
- Operating expenses** under control.
- This has led to a further improvement in the **efficiency** ratio.
- Impairment losses on financial assets** slightly below the figure for the first quarter of 2016.
- Inclusion of €177m restructuring costs in **provisions**.
- As a result, the **net attributable profit** in the first quarter of 2017 was €1,199m, 69.0% higher than in the same quarter last year and 76.8% higher than posted in the fourth quarter of 2016.

Net attributable profit (Million euros)



Net attributable profit breakdown⁽¹⁾ (Percentage, 1Q 2017)



⁽¹⁾ Excludes the Corporate Center.

⁽²⁾ Includes the areas Banking activity in Spain and Non Core Real Estate.

Balance sheet and business activity (pages 10-11)

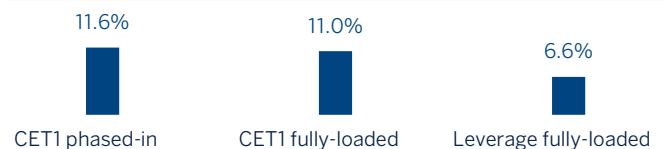
- Loans and advances to customers** (gross) remain strong in emerging economies but have declined in Spain and the United States.
- Non-performing loans** continue to improve, particularly in the areas of Non Core Real Estate and the United States.
- Deposits** from customers have performed particularly well in the more liquid and lower-cost items.
- Finally, renewed growth over the quarter of **off-balance sheet customer funds**.

Solvency (page 12)

- The **capital** position is above regulatory requirements, with a fully-loaded CET1 ratio of 11.0% as of 31-Mar-2017. Recurring generation of earnings and the positive effect of the evolution of the markets in the period have offset the combined impact of a negative 13 basis points stemming from operations carried-out in the quarter (increased stake in Garanti and sale of the 1.7% stake in China Citic Bank -CNCB-).

- The fully-loaded **leverage** ratio of 6.6% still compares very favorably with the rest of the peer group.

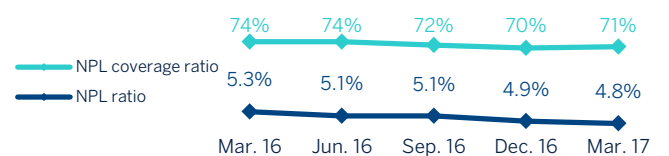
Capital and leverage ratios (Percentage as of 31-03-17)



Risk management (pages 13-15)

- Positive trends also of the metrics related to **credit-risk** management. As of 31-Mar-2017, the NPL ratio has declined and the coverage ratio has increased slightly on the figures for the close of 2016. The cost of risk is stable.

NPL and coverage ratios (Percentage)



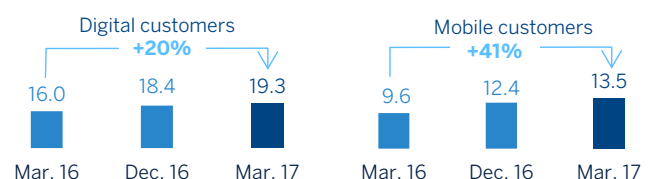
Other matters of interest

- In March 2017, BBVA completed the acquisition of an additional 9.95% stake in the share capital of Türkiye Garanti Bankası, A.S. (hereinafter Garanti), increasing BBVA's current total stake in Garanti to 49.85%.
- There was a new bonus share issue in April to implement what will be the last "dividend option". On this occasion, the holders of 83.28% of free allotment rights opted to receive new shares.

Transformation

- The Group's **digital and mobile customer** base continues to increase (up 20% and 41% year-on-year, respectively, according to the latest available data). **Digital sales** are also up in all the geographic areas where BBVA operates.

Digital and mobile costumers (Millions)



Results

In the first quarter of 2017, BBVA has generated a net attributable **profit** of €1,199m, a significant increase in both year-on-year and quarterly terms. This positive trend is explained by the continued good performance of more recurring revenue, particularly income from fees and commissions, and NTI; as well as the reduction in operating expenses and containment of impairment losses on financial

assets, although €177m for restructuring costs have been allocated under the heading of provisions.

Unless expressly indicated otherwise, to better understand the changes in the main headings of the Group's income statement, the year-on-year percentage changes given below refer to **constant exchange rates**.

Consolidated income statement: quarterly evolution (Million euros)

	2017	2016			
	1Q	4Q	3Q	2Q	1Q
Net interest income	4,322	4,385	4,310	4,213	4,152
Net fees and commissions	1,223	1,161	1,207	1,189	1,161
Net trading income	691	379	577	819	357
Dividend income	43	131	35	257	45
Share of profit or loss of entities accounted for using the equity method	(5)	7	17	(6)	7
Other operating income and expenses	108	159	52	(26)	66
Gross income	6,383	6,222	6,198	6,445	5,788
Operating expenses	(3,137)	(3,243)	(3,216)	(3,159)	(3,174)
Personnel expenses	(1,647)	(1,698)	(1,700)	(1,655)	(1,669)
Other administrative expenses	(1,136)	(1,180)	(1,144)	(1,158)	(1,161)
Depreciation	(354)	(365)	(372)	(345)	(344)
Operating income	3,246	2,980	2,982	3,287	2,614
Impairment on financial assets (net)	(945)	(687)	(1,004)	(1,077)	(1,033)
Provisions (net)	(170)	(723)	(201)	(81)	(181)
Other gains (losses)	(66)	(284)	(61)	(75)	(62)
Profit/(loss) before tax	2,065	1,285	1,716	2,053	1,338
Income tax	(573)	(314)	(465)	(557)	(362)
Profit/(loss) for the year	1,492	971	1,251	1,496	976
Non-controlling interests	(293)	(293)	(286)	(373)	(266)
Net attributable profit	1,199	678	965	1,123	709
Earning per share (euros) ⁽¹⁾	0.17	0.09	0.13	0.16	0.10

⁽¹⁾ Adjusted by additional Tier 1 instrument remuneration.

Consolidated income statement (Million euros)

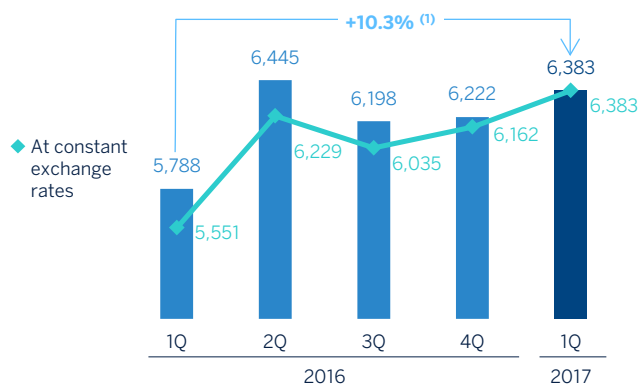
	1Q17	Δ%	Δ% at constant exchange rates	1Q16
Net interest income	4,322	4.1	9.2	4,152
Net fees and commissions	1,223	5.4	9.4	1,161
Net trading income	691	93.5	110.2	357
Dividend income	43	(3.5)	(3.6)	45
Share of profit or loss of entities accounted for using the equity method	(5)	n.m.	n.m.	7
Other operating income and expenses	108	62.3	14.7	66
Gross income	6,383	10.3	15.0	5,788
Operating expenses	(3,137)	(1.2)	1.8	(3,174)
Personnel expenses	(1,647)	(1.3)	1.1	(1,669)
Other administrative expenses	(1,136)	(2.2)	1.3	(1,161)
Depreciation	(354)	2.9	6.4	(344)
Operating income	3,246	24.2	31.5	2,614
Impairment on financial assets (net)	(945)	(8.6)	(5.1)	(1,033)
Provisions (net)	(170)	(6.0)	(3.6)	(181)
Other gains (losses)	(66)	6.9	3.0	(62)
Profit/(loss) before tax	2,065	54.3	67.6	1,338
Income tax	(573)	58.2	77.7	(362)
Profit/(loss) for the year	1,492	52.9	64.0	976
Non-controlling interests	(293)	9.8	21.5	(266)
Net attributable profit	1,199	69.0	79.2	709
Earning per share (euros) ⁽¹⁾	0.17			0.10

⁽¹⁾ Adjusted by additional Tier 1 instrument remuneration.

Gross income

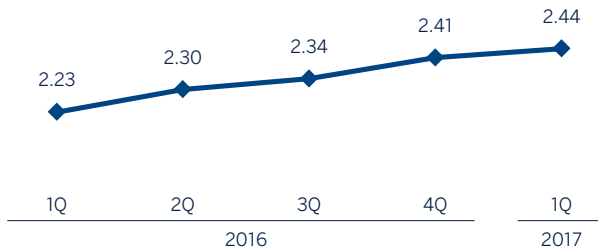
Cumulative **gross income** has grown at a double-digit rate in year-on-year terms, thanks to the positive figures from practically all the revenue headings, basically the more recurring items and NTI.

Gross income (Million euros)

⁽¹⁾ At constant exchange rates: +15.0%.

Net interest income has posted a very similar figure to the fourth quarter of 2016 (up 0.1%), so in year-on-year terms growth has been 9.2%. Once more this quarter, the trend can be explained by the growth in activity in emerging economies and good management of customer spreads. By business areas, it is worth noting the outstanding performance of Turkey (up 27.0% year-on-year) and the positive trends in Mexico (up 8.4%), the United States (up 8.2%), South America (up 8.3%) and the Rest of Eurasia (up 10.5%). Banking activity in Spain has declined for the reasons explained in the fourth quarter of 2016, as a result of the current environment of very low interest rates and lower business volumes.

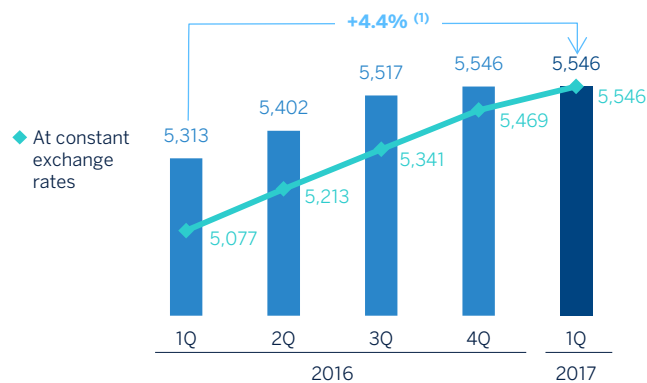
Net interest income/ATA (Percentage)



Income from fees and commissions has performed very favorably, both in the last twelve months and over the quarter, largely due to the recovery in the Group's wholesale business activity.

As a result, **more recurring revenue** (net interest income plus fees and commissions) has increased year-on-year by 9.2%, or 1.4% over the quarter.

Net interest income plus fees and commissions (Million euros)



⁽¹⁾ At constant exchange rates: +9.2%.

The contribution from **NTI** has been very positive. The performance of the Global Markets unit was outstanding, thanks to the good management of market volatility and the positive trend in activity with customers. Also worth noting are capital gains of €204m before tax (€174m after tax) from the sale on the market of 1.7% of CNCB.

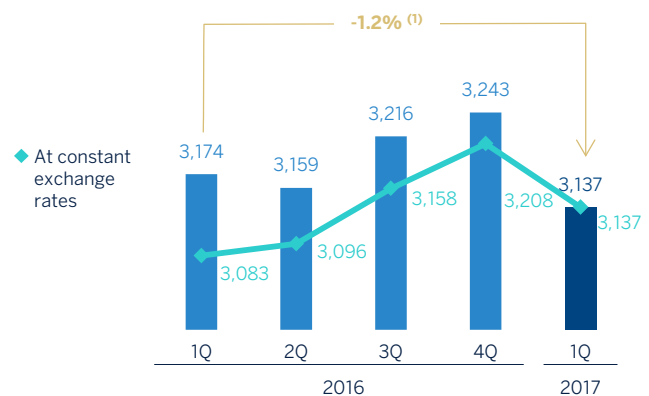
The **dividends** line item has grown in line with the first quarter of 2016 (the fourth quarter included the dividend payment from Telefónica).

Finally, the other **operating income and expenses** have risen by 14.7% in year-on-year terms and 10.0% over the quarter. The insurance business performed outstandingly (up 6.7% year-on-year). Although compared with fourth quarter, earnings from this activity have declined by 19.7%, the fall is mainly due to the positive effect of the release of reserves in Mexico in the fourth quarter of 2016 as a result of the regulatory change governing the sector with respect to their calculation, as both new contract and claims rates have clearly improved in the first three months of 2017.

Operating income

Operating expenses slowed their increase to 1.8% year-on-year, falling over the quarter by 2.2%. The above is due to the cost discipline implemented in all the areas of the Group through efficiency plans that are beginning to deliver results, and the materialization of some synergies (such as for example those resulting from the integration of Catalunya Banc -CX-).

Operating expenses (Million euros)

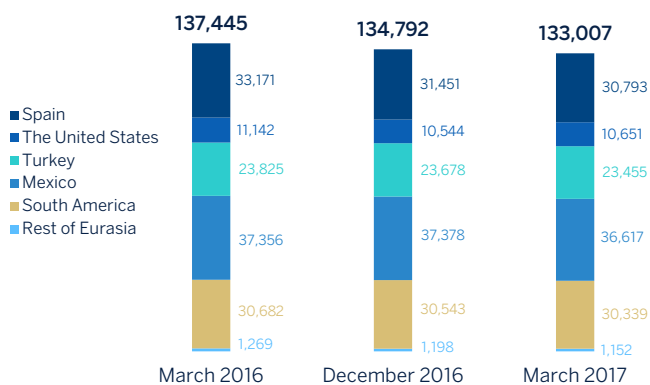


⁽¹⁾ At constant exchange rates: +1.8%.

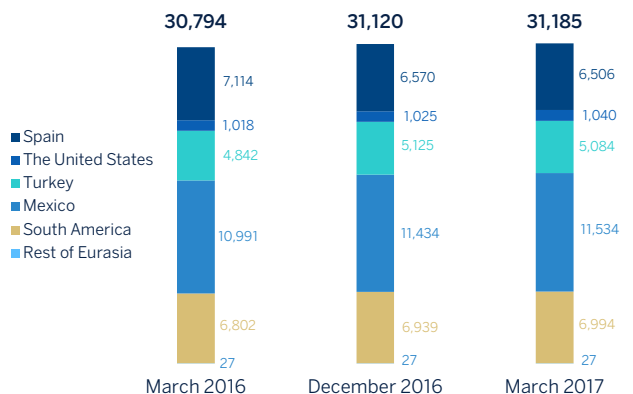
Breakdown of operating expenses and efficiency calculation (Million euros)

	1Q17	Δ%	1Q16
Personnel expenses	1,647	(1.3)	1,669
Wages and salaries	1,282	(0.8)	1,293
Employee welfare expenses	243	(0.7)	245
Training expenses and other	122	(7.3)	131
Other administrative expenses	1,136	(2.2)	1,161
Property, fixtures and materials	265	(3.9)	276
IT	242	3.8	233
Communications	75	(3.7)	78
Advertising and publicity	90	(6.7)	97
Corporate expenses	22	(8.2)	24
Other expenses	315	(2.4)	323
Levies and taxes	126	(3.1)	130
Administration costs	2,783	(1.7)	2,830
Depreciation	354	2.9	344
Operating expenses	3,137	(1.2)	3,174
Gross income	6,383	10.3	5,788
Efficiency ratio (operating expenses/gross income; %)	49.1		54.8

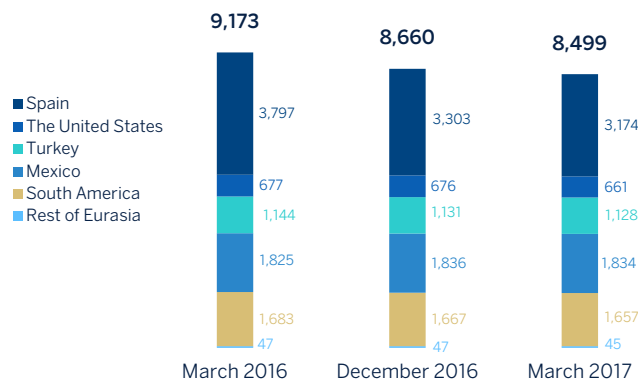
Number of employees



Number of ATMs



Number of branches

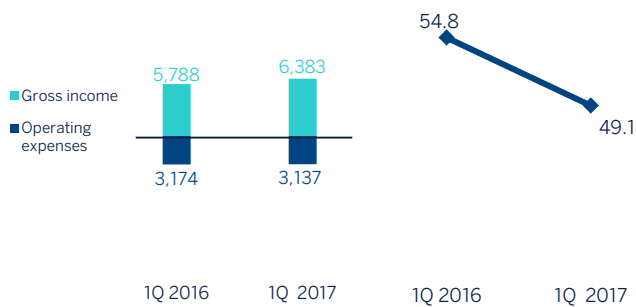


The Group's workforce decreased over the last twelve months by 3.2%, with reductions across practically all the geographical areas, particularly in Spain and to a lesser extent the United States and Mexico. There has also been a fall in the number of branches, focused again in Spain (around 130 branches were closed in February 2017). However, there has been a slight increase in ATMs, particularly in emerging geographical areas.

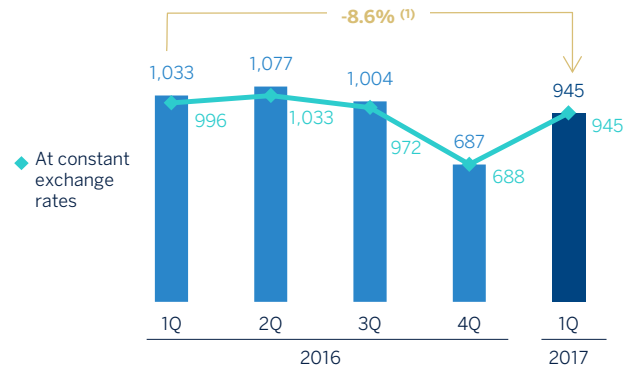
As a result of the above, the **efficiency ratio** has improved, both on the first quarter of last year and 2016 as a whole.

Operating income has grown by 31.5% in the last twelve months and 9.9% on the fourth quarter of 2016.

Efficiency (Million euros) and efficiency ratio (Percentage)

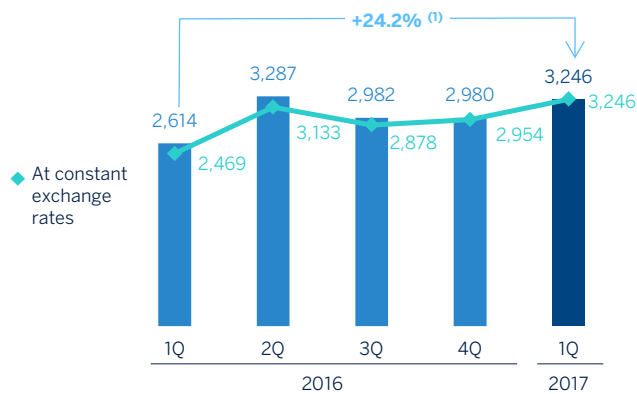


Impairment on financial assets (net) (Million euros)



⁽¹⁾ At constant exchange rates: -5.1%.

Operating income (Million euros)



⁽¹⁾ At constant exchange rates: +31.5%.

Provisions and others

Impairment losses on financial assets amounted to €945m, below the figure for the first three months of last year. By areas, there was a year-on-year decline in Spain, where loan provisioning requirements reduced, and the United States, as the same period last year included extraordinary provisions following the rating downgrades of some companies in the energy and metals & mining sectors. In contrast, Turkey, Mexico and South America have seen increases over the last twelve months, largely linked to the increase in lending activity, and to a lesser extent, to regulatory changes in some geographical areas (Colombia) and the impact of increased requirements for insolvency provisions associated with some customers.

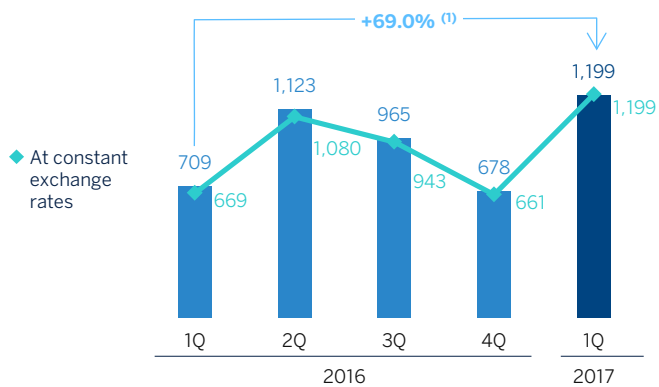
Provisions (net) and other gains (losses) have fallen by 1.8% in year-on-year terms and 76.2% over the quarter. They include a charge of €177m for restructuring costs in the first quarter of 2017, basically affecting banking activity in Spain, the area where increasing efficiency is a priority focus. The fourth quarter of 2016 included €577m (€404m after tax) to cover the contingency linked to judgment by the Court of Justice of the European Union (CJEU) on "mortgage floor clauses".

Profit

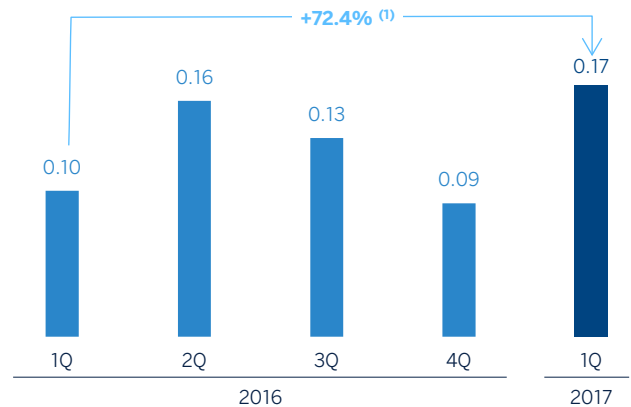
As a result of the above, the growth of the Group's **net attributable profit** has been very positive, both over the quarter (up 81.4%) and in the last twelve months (up 79.2%). It is important to note that since March 2017 this figure has included the additional stake of 9.95% in the capital of Garanti, which has made a positive impact of €11m on non-controlling interests.

By **business area**, banking activity in Spain has generated €375m, Non Core Real Estate generated a loss of €109m, United States contributed €134m, Turkey €160m, Mexico €536m, South America €185m and the Rest of Eurasia €40m.

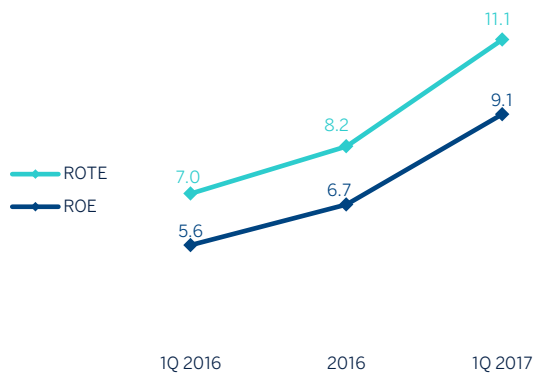
Net attributable profit (Million euros)



⁽¹⁾ At constant exchange rates: +79.2%.

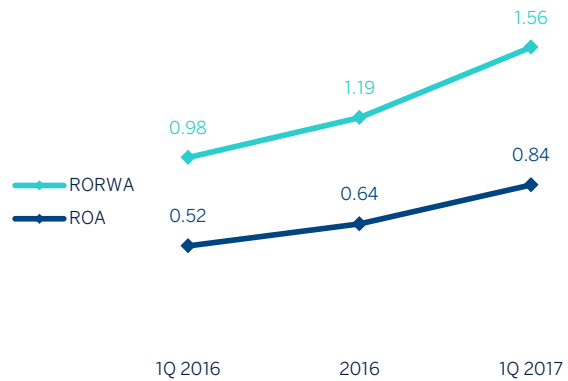
Earnings per share ⁽¹⁾ (Euros)

⁽¹⁾ Adjusted by additional Tier 1 instrument remuneration.

ROE and ROTE ⁽¹⁾ (Percentage)

⁽¹⁾ The ROE and ROTE ratios include in the denominator the Group's average shareholders' funds, but do not take into account the caption within total equity named "Accumulated other comprehensive income" with an average balance of -€4.120m in 1Q 2016, -€4.492m in 2016 and -€5,743 in 1Q 2017.

ROA and RORWA (Percentage)



Balance sheet and business activity

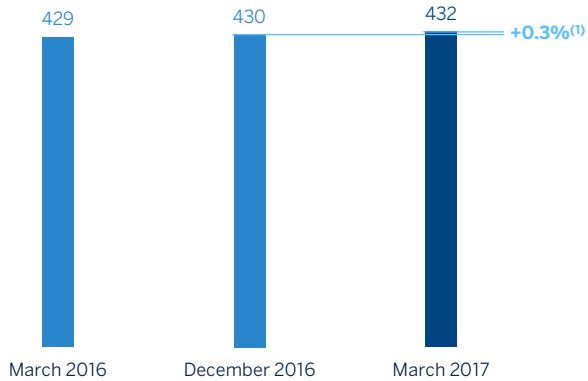
The most notable factors behind BBVA Group's key balance sheet and activity figures over the quarter are:

- A slight rise in **loans and advances to customers** (gross) as a result of the increase in credit volumes in emerging economies. In Spain, the trend remains the same as that seen in previous periods: deleveraging, despite the continued good performance of new production, chiefly due to more sluggish activity with institutions, increased repayments in the mortgage portfolio and a sustained decline of non-performing balances. In the United States, selective growth in the portfolios considered more profitable (basically loans to businesses and some consumer finance segments) is leading to a slight decline in overall lending activity.
- **Non-performing loans** have continued the decline registered in previous quarters, particularly in Non Core Real Estate and the United States.
- The Group's **deposits from customers** closed March 0.7% down on the figure as of 31-Dec-2016, strongly impacted by the decline in repos and other deposits, and to a lesser extent time deposits. In contrast, there has been a general rise in lower-cost items, such as current and savings accounts.
- **Off-balance sheet funds** have continued to rise over the quarter, strongly focused on mutual funds and investment companies.

Consolidated balance sheet (Million euros)

	31-03-17	Δ%	31-12-16	31-03-16
Cash, cash balances at central banks and other demand deposits	29,214	(27.0)	40,039	23,554
Financial assets held for trading	74,898	(0.1)	74,950	81,706
Other financial assets designated at fair value through profit or loss	2,274	10.3	2,062	2,281
Available-for-sale financial assets	78,846	(0.5)	79,221	92,476
Loans and receivables	465,304	(0.1)	465,977	469,086
Loans and advances to central banks and credit institutions	37,654	(6.5)	40,268	47,322
Loans and advances to customers	416,088	0.4	414,500	410,458
Debt securities	11,562	3.2	11,209	11,306
Held-to-maturity investments	16,712	(5.6)	17,696	17,504
Investments in subsidiaries, joint ventures and associates	1,152	50.6	765	1,179
Tangible assets	8,940	(0.0)	8,941	9,697
Intangible assets	9,561	(2.3)	9,786	9,858
Other assets	32,293	(0.4)	32,418	33,607
Total assets	719,193	(1.7)	731,856	740,947
Financial liabilities held for trading	51,179	(6.4)	54,675	55,107
Other financial liabilities designated at fair value through profit or loss	2,522	7.9	2,338	2,600
Financial liabilities at amortized cost	580,031	(1.6)	589,210	597,709
Deposits from central banks and credit institutions	94,376	(3.9)	98,241	100,395
Deposits from customers	398,499	(0.7)	401,465	409,208
Debt certificates	72,840	(4.6)	76,375	74,834
Other financial liabilities	14,315	9.0	13,129	13,272
Liabilities under insurance contracts	9,657	5.7	9,139	9,379
Other liabilities	20,886	(0.9)	21,066	21,637
Total liabilities	664,275	(1.8)	676,428	686,431
Non-controlling interests	6,874	(14.8)	8,064	8,132
Accumulated other comprehensive income	(5,144)	(5.8)	(5,458)	(4,171)
Shareholders' funds	53,188	0.7	52,821	50,555
Total equity	54,918	(0.9)	55,428	54,516
Total equity and liabilities	719,193	(1.7)	731,856	740,947
Memorandum item:				
Guarantees given	48,548	(3.9)	50,540	50,147

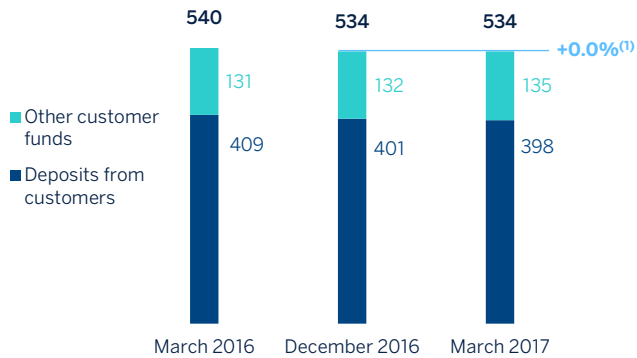
Loans and advances to customers (gross) (Billion euros)

⁽¹⁾ At constant exchange rates: +0.1%.

Loans and advances to customers (Million euros)

	31-03-17	Δ%	31-12-16	31-03-16
Public sector	27,787	1.0	27,506	30,058
Individuals	173,167	0.4	172,476	172,194
Mortgages	121,483	(0.8)	122,439	123,811
Consumer	36,879	4.8	35,195	33,873
Credit cards	14,805	(0.2)	14,842	14,510
Business	189,699	(0.0)	189,733	185,377
Business retail	24,843	2.1	24,343	23,903
Other business	164,856	(0.3)	165,391	161,473
Other loans	18,674	4.7	17,844	16,060
Non-performing loans	22,572	(1.5)	22,915	24,826
Loans and advances to customers (gross)	431,899	0.3	430,474	428,515
Loan-loss provisions	(15,811)	(1.0)	(15,974)	(18,057)
Loans and advances to customers	416,088	0.4	414,500	410,458
Memorandum item:				
Secured loans	201,991	0.1	201,772	201,318

Customer funds (Billion euros)

⁽¹⁾ At constant exchange rates: -0.5%.

Customer funds (Million euros)

	31-03-17	Δ%	31-12-16	31-03-16
Deposits from customers	398,499	(0.7)	401,465	409,208
Demand deposits	240,581	3.9	231,638	215,597
Time deposits	135,970	(5.8)	144,407	158,441
Assets sold under repurchase agreement	9,738	(11.9)	11,056	21,047
Other deposits	12,211	(15.0)	14,364	14,122
Other customer funds	135,290	2.4	132,092	131,072
Mutual funds and investment companies	58,780	6.8	55,037	53,147
Pension funds	33,479	0.2	33,418	31,410
Other off-balance sheet funds	2,952	4.3	2,831	3,611
Customer portfolios	40,078	(1.8)	40,805	42,903
Total customer funds	533,789	0.0	533,557	540,280

Solvency

Capital base

BBVA Group had a **fully-loaded CET1** ratio of 11.0% at the close of March 2017. Key to the quarter has been the recurring generation of earnings and the positive impact of the markets.

The ratio is affected by **transactions** carried out during the quarter, in particular the acquisition of an additional 9.95% stake in Garanti and the sale of 1.7% in CNCB. Both transactions have had a joint negative impact on this ratio of 13 basis points.

There has been a slight increase in risk-weighted assets (**RWAs**) in the first quarter compared with the figure for December 2016. The decline in RWAs coming from the CNCB disposal does not fully offset the growth of activity in the emerging geographical areas.

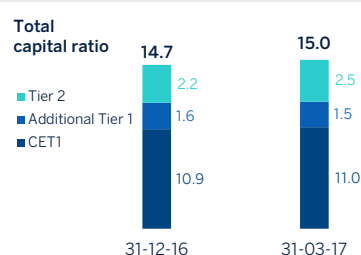
There have been four subordinate **capital issues** in the quarter eligible under the CRD-IV capital regulations as Tier 2, in both phased-in and fully-loaded terms, with an approximate impact of 34 basis points of capital.

Due to these factors, combined with the other impacts on **CET1**, the **phased-in** ratio stands at 11.6%. As of January 1, 2017, the ratio has been affected by the European solvency regulations, i.e. the gradual transition period for some items, the most relevant being the deductions for goodwill and intangible assets, which since 2014 have increased by 20% every January 1, and will be fully deductible on January 1, 2018. These deductions have been partially offset by the increases in the calculation of other items (such as capital gains on available-for-sale portfolios). The **Tier 1** ratio ended the quarter at 12.8% and the **Tier 2** ratio at 2.4%, giving a total capital ratio of 15.3%. These levels are above the requirements established by the ECB in its SREP letter and

the systemic buffers applicable to BBVA Group for 2017 (7.625% for the phased-in CET1 ratio and 11.125% for the total capital ratio).

The Group maintains a robust **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

On April 3, 2017, Standard & Poors (S&P) improved its outlook for BBVA to positive from stable as a result of a similar improvement in Spain's sovereign rating outlook (on March 31), with both ratings remaining at BBB+. The rest of the credit rating agencies have not changed either BBVA's rating or its outlook.

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	Positive

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

Capital base ⁽¹⁾ (Million euros)

	CRD IV phased-in ⁽¹⁾			CRD IV fully-loaded		
	31-03-2017 ⁽²⁾	31-12-16	31-03-16	31-03-2017 ⁽²⁾	31-12-16	31-03-16
Common Equity Tier 1 (CET 1)	45,364	47,370	46,471	42,893	42,398	42,007
Tier 1	50,034	50,083	48,272	48,816	48,459	47,004
Tier 2	9,397	8,810	11,566	9,653	8,739	11,643
Total Capital (Tier 1 + Tier 2)	59,431	58,893	59,838	58,469	57,198	58,647
Risk-weighted assets	389,696	388,951	399,270	389,696	388,951	398,826
CET1 (%)	11.6	12.2	11.6	11.0	10.9	10.5
Tier 1 (%)	12.8	12.9	12.1	12.5	12.5	11.8
Tier 2 (%)	2.4	2.3	2.9	2.5	2.2	2.9
Total capital ratio (%)	15.3	15.1	15.0	15.0	14.7	14.7

⁽¹⁾ The capital ratios are calculated under CRD IV from Basel III regulation, applying a 80% phase-in for 2017 and a 60% for 2016.

⁽²⁾ Preliminary data.

Risk management

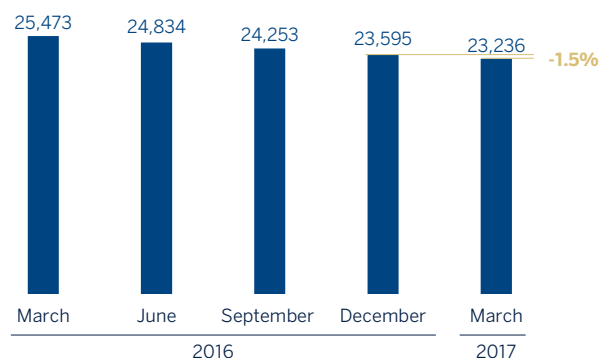
Credit risk

In the **first quarter of 2017** BBVA Group has maintained the positive trend in the metrics related to credit risk management:

- **Credit risk** has remained flat over the quarter. At constant exchange rates, there was a year-on-year decline of 0.4%. Highlights: deleveraging in Spain, South America, the United States and Turkey (in the latter case due to the exchange-rate effect); and growth in Mexico.
- **Non-performing loans** have declined again with respect to the close of 2016. The balance has fallen by 1.5% in the last three months. There have been good figures in practically all geographical areas, with Non Core Real-Estate (down 7.7%) and the United States (down 13.5%) being mainly responsible for the reduction. In contrast, there has been a rise in South America of 13.2%, strongly influenced by the current economic situation.
- The Group's **NPL ratio** continues to improve (down 7 basis point over the last three months and down 49 basis points on the figure for 31-Mar-2016), to 4.8% as of the close of the quarter.

- **Loan-loss provisions** have fallen slightly by 1.1% on the figure at the close of December 2016 (down 1.3% excluding the exchange-rate effect), due to declines in all the geographical areas except for South America (up 5.7%) and Mexico (up 9.4%).
- The **coverage ratio** stands at 71%.
- Finally, the cumulative **cost of risk** through March is 0.90%.

Non-performing loans (Million euros)



Credit risks ⁽¹⁾ (Million euros)

	31-03-17	31-12-16	30-09-16	30-06-16	31-03-16
Non-performing loans and guarantees given	23,236	23,595	24,253	24,834	25,473
Credit risks	480,517	480,720	472,521	483,169	478,429
Provisions	16,385	16,573	17,397	18,264	18,740
NPL ratio (%)	4.8	4.9	5.1	5.1	5.3
NPL coverage ratio (%)	71	70	72	74	74

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

Non-performing loans evolution (Million euros)

	1Q17	4Q16	3Q16	2Q16	1Q16
Beginning balance	23,595	24,253	24,834	25,473	25,996
Entries	2,490	3,000	2,588	2,947	2,421
Recoveries	(1,698)	(2,141)	(1,784)	(2,189)	(1,519)
Net variation	792	859	804	758	902
Write-offs	(1,141)	(1,403)	(1,220)	(1,537)	(1,432)
Exchange rate differences and other	(9)	(115)	(165)	140	6
Period-end balance	23,236	23,595	24,253	24,834	25,473
Memorandum item:					
Non-performing loans	22,572	22,915	23,589	24,212	24,826
Non-performing guarantees given	664	680	665	622	647

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 quarter of 2017** 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, fundamentally through the use of customer funds. Customer deposits, in particular those more liquid and of lower cost, have shown a positive trend in all the Group's franchises.
- In the Eurozone, the liquidity situation is comfortable in all the internal and regulatory metrics, and is within established limits. In the first three months of 2017 liquidity has been generated by a narrowing of the credit gap, as well as a reduction in the fixed-income portfolios.
- In Mexico, the liquidity position continues to be sound, despite market volatility. The credit gap has narrowed this year, thanks to a significant increase of deposits in U.S. dollars, so there is little dependence on wholesale funding.
- In the United States, the liquidity situation is comfortable, with extensive volumes of cash supported by the reduction of the credit gap. In the first quarter of 2017, the credit rating agency Standard & Poor's improved the outlook of BBVA Compass from negative to stable.
- Comfortable liquidity situation in Turkey. Slight increase in the credit gap during the quarter due to higher lending activity.
- In South America, deposit growth over the quarter higher than that of the loan book has helped improve the comfortable liquidity situation in the region.
- In the first three months of the year, BBVA S.A. has accessed the wholesale funding markets for €2 billion, using senior (€1 billion) and Tier 2 (€1 billion) debt. In addition, BBVA S.A. has also closed various private

issuance transactions of Tier 2 debt for a total of €330m. In April BBVA S.A. has also once more issued senior debt with a variable coupon for €1.5 billion. The long-term wholesale funding markets remain stable in the other geographical areas where the Group operates. Of note has been the senior debt issue by Garanti in Turkey for US\$500m.

- Short-term funding has also continued to perform favorably, in a context of high liquidity.
- As regards the new LCR regulatory liquidity ratio, BBVA Group has levels of over 100%, clearly higher than demanded by regulations (over 80% in 2017), 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 **first quarter of 2017** has been marked by:

- Uncertainty with respect to the fiscal and commercial policies of the new U.S. administration, which has generated a high level of volatility in the case of the Mexican peso.
- The cautious rise in interest rates by the Federal Reserve (FED).
- The debate on the elimination of negative rates by the European Central Bank (ECB), in view of the improvement in macroeconomic data.
- Activation of the process for the United Kingdom's exit from the European Union (Brexit).
- Action by central banks in Mexico (Banxico) and Turkey (CBRT) to address the volatility of their currencies.

In this context, BBVA has maintained its policy of actively hedging its main investments in emerging countries, covering on average between 30% and 50% of the earnings expected for the following year and around 70% of the excess of the CET1 ratio (which is not naturally covered by the ratio itself). In accordance with this policy, at the close of March 2017, the sensitivity of the CET1 ratio to a depreciation of 10% of the main emerging currencies (Mexican peso or Turkish lira) against the euro would be limited to less than 2 basis points, and the coverage level of the expected earnings for next year in these two countries would be around 60% in Mexico and 50% in Turkey.

Interest rates

The aim of managing **interest-rate** risk is to maintain a sustained growth of net interest income in the short and medium term, irrespective of interest-rate fluctuations, while controlling the impact on the capital adequacy ratio through the valuation of the portfolio of available-for-sale assets.

In the **first quarter of 2017**, 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, Mexico and Turkey is the result of prudent portfolio management strategies, particularly of sovereign debt, in a context of low interest rates. Portfolios are also held in the United States and South America, mainly of sovereign debt, to manage the balance-sheet structure.

Finally, the following is worth noting with respect to the **monetary policy** pursued by the different central banks of the main geographical areas where BBVA operates:

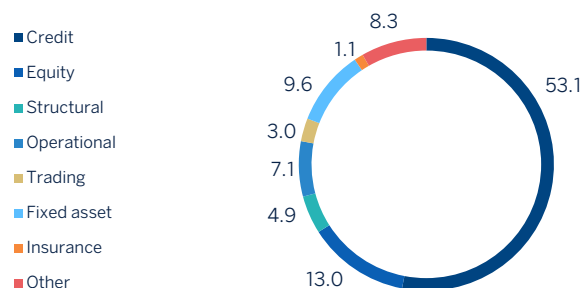
- No relevant changes in the Eurozone, where rates remain at 0%.
- In the United States the upward trend in interest rates continues, with a further rise in March to 1%.
- In Mexico, Banxico has carried out two interest-rate hikes so far this year for a total of 75 basis points, with the aim of containing inflation, leaving the monetary policy level at 6.50%.
- In Turkey, the quarter has been marked by the CBRT's

interest-rate hikes to contain inflationary and depreciation pressures on the Turkish lira.

Economic capital

Consumption of economic risk capital (ERC) at the close of February stood at €37,127m¹ in consolidated terms, a similar level to the close of 2016. Of note by type of ERC are: the increase in ERC for credit risk (the Americas and Turkey) and to a lesser extent equity risk due to goodwill (a result of the appreciation of some currencies over the quarter); as well as the reductions in trading ERC (for Garanti and insurance activity in Spain); fixed-income spread (Spain and Corporate & Investment Banking - CIB); exchange-rate (due to the depreciation of the Turkish lira in January 2017 on December 2016) and interest-rate structural risk; and fixed assets.

Attributable economic risk capital breakdown
(Percentage as of March 2017)



⁽¹⁾ The rate of change is calculated against the consolidated data at the close of December 2016 in comparable terms (€37,094m). This includes the annual effect of updating the diversification coefficients, the asset risk parameters at the close of the year (Mexico, South America, the United States and Garanti), and the sovereign rating (Garanti), as well as a review of the rest of the risk models, against the official consolidated figure at the close of 2016 (€37,665m).

The BBVA share

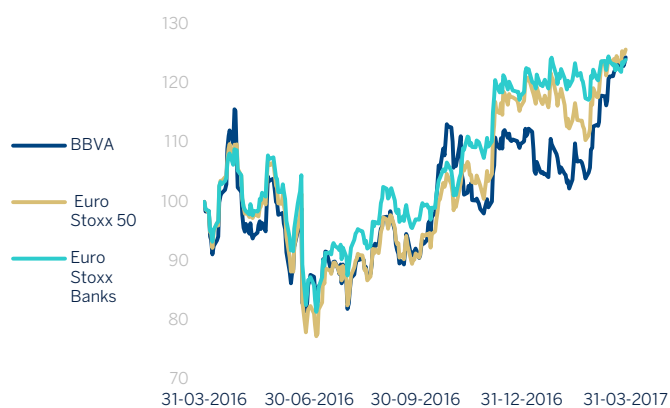
Global growth improved in the second half of 2016 (around 0.9% on a quarterly basis) and the trend appears to be solidifying so far in 2017. Growth in developed countries is accelerating thanks to an increase in confidence and global trade, also underpinned by an improved outturn in the Chinese economy. The performance of the rest of the emerging economies is uneven, but in general the trend is for recovery.

Against this backdrop, the main **stock market indices** delivered positive results in the first quarter of 2017. In Europe, the Stoxx 50 rose by 5.0%; in the Eurozone, the Euro Stoxx 50 gained 6.4%; and in Spain, the Ibex 35 increased by 11.9%. The S&P 500, which tracks the share prices of U.S. companies, also performed positively, registering a 5.5% rise.

In the **banking sector**, the European Stoxx Banks index, which includes British banks, rose 5.1%, while the Eurozone bank index, the Euro Stoxx Banks, increased by 8.4%. In contrast, in the United States the S&P Regional Banks sector index recorded a decline of 1.7%.

During the first three months of 2017, the **BBVA share** sustained a stronger relative performance than both the European banking sector and the Ibex 35; the share price rose by 13.3%, closing the quarter at 7.27 euros.

BBVA share evolution compared with European indices
(Base index 100=31-03-2016)



The BBVA share and share performance ratios

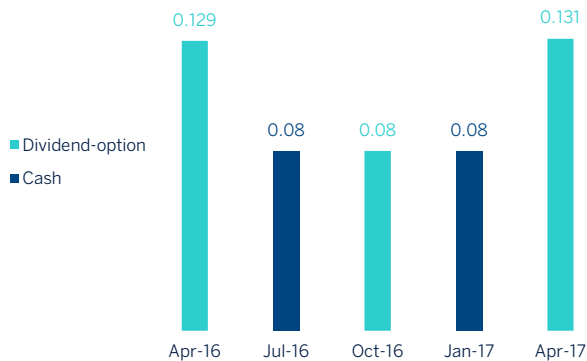
	31-03-17	31-12-16
Number of shareholders	919,274	935,284
Number of shares issued	6,566,615,242	6,566,615,242
Daily average number of shares traded	49,642,589	47,180,855
Daily average trading (million euros)	322	272
Maximum price (euros)	7.32	6.88
Minimum price (euros)	5.92	4.50
Closing price (euros)	7.27	6.41
Book value per share (euros)	7.32	7.22
Tangible book value per share (euros)	5.88	5.73
Market capitalization (million euros)	47,739	42,118
Yield (dividend/price; %) ⁽¹⁾	5.1	5.8

⁽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 decided at its meeting on March 29, 2017 to increase share capital against voluntary reserves, in accordance with the terms agreed by the Annual General Meeting of March 17, 2017. This increase in share capital has served as a way to implement the “dividend option” shareholder remuneration system, offering BBVA shareholders the possibility of receiving all or a part of their remuneration in newly issued BBVA ordinary shares or cash. BBVA has committed to buy each free allocation right at a price of €0.131 gross per right. Ultimately, owners of 83.28% of these rights chose to receive new shares.

In the future, once this “dividend-option” has been paid, and in line with the significant event published on February 1, 2017, BBVA intends to distribute fully in cash between 35% and 40% of profits obtained each year. This shareholder remuneration policy will be formed each year of an interim dividend (which is expected to be paid in October) and a final dividend (which will be paid out upon completion of the final year and following approval of the application of the result, foreseeably in April). These payouts will be subject to appropriate approval by the corresponding governing bodies.

Shareholder remuneration
(Euros-gross-/share)



The number of BBVA **shares** as of March 31, 2017, remained at 6,567 million and the number of shareholders was 919,274. Investors resident in Spain held 45.25% of share capital, while non-resident **shareholders** owned the remaining 54.75%.

Shareholder structure (31-03-2017)

Number of shares	Shareholders		Shares	
	Number	%	Number	%
Up to 150	191,907	20.9	13,731,834	0.2
151 to 450	190,617	20.7	51,856,537	0.8
451 to 1,800	288,374	31.4	278,807,222	4.2
1,801 to 4,500	130,362	14.2	371,459,887	5.7
4,501 to 9,000	60,509	6.6	381,412,700	5.8
9,001 to 45,000	50,887	5.5	887,297,571	13.5
More than 45,001	6,618	0.7	4,582,049,491	69.8
Total	919,274	100.0	6,566,615,242	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 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, Euro Stoxx 50 and Stoxx 50, with a weighting of 8.80%, 2.01% and 1.30% respectively. They are also listed on several sector indices, including the Euro Stoxx Banks, with a weighting of 9.17%, and the Stoxx Banks, with a weighting of 4.58%.

Finally, BBVA maintains a significant presence on a number of international **sustainability indices** or ESG (environmental, social and governance), which evaluate the performance of companies in this area, as summarized in the table below.

Sustainability indices on which BBVA is listed as of 31-03-2017 ⁽¹⁾

 2016 Constituent MSCI Global Sustainability Indexes ⁽¹⁾	Listed on the MSCI Global Sustainability indices AAA rating
	Listed on the FTSE4Good Global, FTSE4Good Europe and FTSE4Good IBEX indices
	Industry leader according to the latest ESG 2016 rating
	Listed on the Euronext Vigeo Eurozone 120 indices
	Included on the Ethibel Excellence Investment Register
	In 2016, BBVA obtained a "B" rating

⁽¹⁾ The inclusion of BBVA in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein do not constitute a sponsorship, endorsement or promotion of BBVA by MSCI or any of its affiliates. The MSCI indices are the exclusive property of MSCI. MSCI and MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Responsible banking

At BBVA we have a differential banking **model** that we refer to as responsible banking, based on seeking out a return adjusted to principles, strict legal compliance, best practices and the creation of long-term value for all stakeholders.

The main **strategic initiatives** related to responsible banking which we are working on are:

- The creation of **lasting and more balanced relationships with our customers** through transparent, clear and responsible communication and financial education included in the solutions that we offer.

In order to enhance financial education, in the first quarter of 2017 BBVA launched the **Center for Financial Education and Skills** in collaboration with globally renowned institutions and organizations. The center's goal is to promote financial knowledge and help people to acquire financial skills that will enable them to improve their lives and access better opportunities.

Moreover, in Spain, BBVA has also launched the 8th edition of **Valores de futuro (Future Values)**, a program which seeks to promote values associated with the correct use of money among children aged 6 to 15 years. More than five million students have taken part in this program since its inception in 2009.

- The **full integration of how we do business** through responsible business policies, a reputational risk model, and a people-centric culture throughout the Organization.

BBVA is committed to communities across our global footprint. In this regard, because of the interest that has arisen among some stakeholders in regard to the financing of the Dakota Access Pipeline, the Bank has sought to sustain a fluid dialog with the customer and representatives of Sioux Standing Rock to facilitate a favorable agreement for all sides. BBVA has published an official statement summarizing its position on this issue:

1. BBVA will seek an agreement that is favorable for all parties involved.
2. The project, for which the Bank has contributed 5% of the finance, has been assessed in accordance with the Equator Principles, complies with current legislation and has been approved by the Government of the United States.

3. An independent human rights consultant has been hired to review matters related to the permitting process and recommend measures

In the **human rights** area, and as part of BBVA's dialog with other European institutions, the Thun Group has published its second discussion paper on the implications of UN Guiding Principles 13 & 17 on Business and Human Rights within the context of banking. BBVA has been a member of the Thun Group since its creation.

- **Promotion of responsible and sustainable growth** through financial inclusion, sustainable finance, support for SMEs and responsible investment.

BBVA is broadening the range of available sustainable finance tools it provides. In this regard, the Bank has demonstrated its leading position in green finance with the start-up of the green loans plan, following the success achieved in recent years with the green bonds format. This format reflects BBVA's commitment to sustainability and green principles.

- **Investment in the community**, with priority for financial education initiatives for society, entrepreneurship, knowledge and other social causes that are relevant from a local point of view.

BBVA has launched the sixth edition of "**BBVA Momentum**", a social entrepreneurship program, which will be global from now on (run in Spain, United States, Mexico, Turkey and Colombia), reaching more companies and better adapting to the reality facing social entrepreneurs. BBVA Momentum is organized around five initiatives: a training program; a strategic facilitation program; access to an external network of entrepreneurs, customers and investors; collaboration to give visibility to companies; and funding

Finally, the BBVA Foundation has announced the winners of the 9th **BBVA Frontiers of Knowledge Awards**. Award categories include: Climate Change, Information and Communication Technologies (ICT), Basic Sciences, Biomedicine, Ecology and Conservation Biology, Contemporary Music, Economy, Finance and Company Management and Development Cooperation. The prizewinners stand out for their originality and for breaking frontiers in pursuit of new knowledge insights.

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 2017 the **reporting structure** of BBVA Group's business areas remains basically the same as in 2016:

- **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.
- **Non Core Real Estate** covers specialist management in Spain of loans to developers in difficulties and real-estate assets mainly coming from foreclosed assets, originated from both, residential mortgages, as well as loans to developers. New loan production to developers or loans to those that are not in difficulties are managed by Banking activity in Spain.
- **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. On March 22nd 2017 BBVA completed the acquisition of a 9.95% additional stake in Garanti. Thus, BBVA's total stake in the said entity at present amounts to 49.85%.
- **Mexico** basically 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 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.

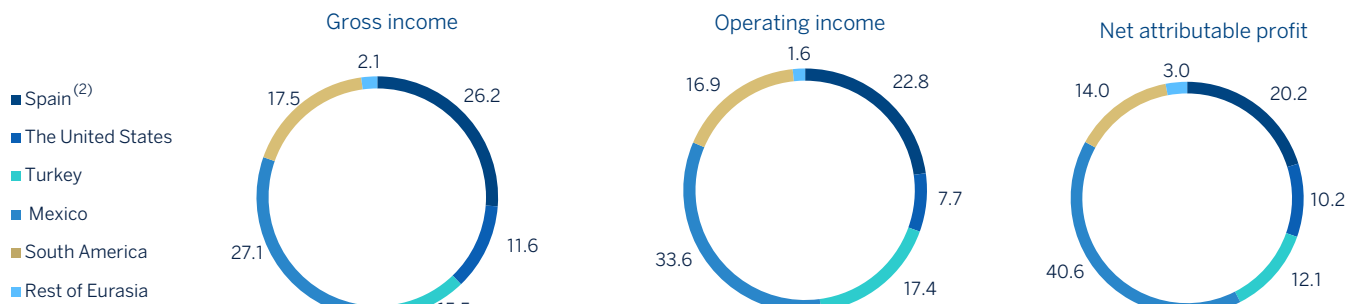
In addition to this geographical breakdown, **supplementary information** is provided for all the wholesale businesses carried out by BBVA, i.e. Corporate & Investment Banking (CIB), in all the geographical areas where it operates. This aggregate business is considered relevant to better understand the 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)

	Business areas								Σ Business areas	Corporate Center
	BBVA Group	Banking activity in Spain	Non Core Real Estate	The United States	Turkey	Mexico	South America	Rest of Eurasia		
1Q17										
Net interest income	4,322	935	10	535	812	1,287	807	46	4,432	(110)
Gross income	6,383	1,676	(21)	732	976	1,710	1,104	135	6,312	71
Operating income	3,246	821	(51)	262	588	1,135	573	55	3,383	(137)
Profit/(loss) before tax	2,065	528	(141)	184	483	729	369	58	2,209	(144)
Net attributable profit	1,199	375	(109)	134	160	536	185	40	1,321	(122)
1Q16										
Net interest income	4,152	959	26	478	775	1,290	717	41	4,286	(134)
Gross income	5,788	1,561	12	667	977	1,654	985	109	5,965	(178)
Operating income	2,614	669	(20)	209	554	1,055	524	25	3,017	(403)
Profit/(loss) before tax	1,338	355	(148)	75	424	652	375	25	1,759	(421)
Net attributable profit	709	243	(113)	49	133	489	182	16	999	(290)

Gross income⁽¹⁾, operating income⁽¹⁾ and net attributable profit breakdown⁽¹⁾ (Percentage, 1Q 2017)⁽¹⁾ Excludes the Corporate Center.⁽²⁾ Includes the areas Banking activity in Spain and Non Core Real Estate.

Major balance sheet items and risk-weighted assets by business area (Million euros)

	Business areas									Corporate Center
	BBVA Group	Banking activity in Spain	Non Core Real Estate	The United States	Turkey	Mexico	South America	Rest of Eurasia	Σ Business areas	
31-03-17										
Loans and advances to customers	416,088	179,050	6,055	59,906	55,590	50,783	48,771	15,933	416,088	-
Deposits from customers	398,499	176,810	22	64,427	46,558	53,238	48,919	8,524	398,499	-
Off-balance sheet funds	95,212	57,492	7	-	3,764	20,724	12,868	356	95,212	-
Total assets/liabilities and equity	719,193	317,386	14,447	87,551	85,035	99,173	79,013	19,024	701,630	17,563
Risk-weighted assets	389,696	110,739	10,777	64,800	70,387	50,184	58,076	14,394	379,357	10,338
31-12-16										
Loans and advances to customers	414,500	181,137	5,946	61,159	55,612	46,474	48,718	15,325	414,370	130
Deposits from customers	401,465	180,544	24	65,760	47,244	50,571	47,927	9,396	401,465	-
Off-balance sheet funds	91,287	56,147	8	-	3,753	19,111	11,902	366	91,287	-
Total assets/liabilities and equity	731,856	335,847	13,713	88,902	84,866	93,318	77,918	19,106	713,670	18,186
Risk-weighted assets	388,951	113,194	10,870	65,492	70,337	47,863	57,443	15,637	380,836	8,115

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.
- **Internal transfer prices.** BBVA Group has a transfer prices system whose general principles apply in the Bank's different entities, business areas and 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)

	2017	2016			
	1Q	4Q	3Q	2Q	1Q
Official ECB rate	0.00	0.00	0.00	0.00	0.04
Euribor 3 months	(0.33)	(0.31)	(0.30)	(0.26)	(0.19)
Euribor 1 year	(0.10)	(0.07)	(0.05)	(0.02)	0.01
USA Federal rates	0.80	0.55	0.50	0.50	0.50
TIIE (Mexico)	6.41	5.45	4.60	4.08	3.80
CBRT (Turkey)	10.12	7.98	7.99	8.50	8.98

Exchange rates (Expressed in currency/euro)

	Year-end exchange rates			Average exchange rates	
	31-03-17	Δ% on 31-03-16	Δ% on 31-12-16	1Q17	Δ% on 1Q16
Mexican peso	20.0176	(2.1)	8.8	21,6165	(8.0)
U.S. dollar	1.0691	6.5	(1.4)	1,0648	3.5
Argentine peso	16.4639	1.1	0.7	16,6964	(4.6)
Chilean peso	708.22	8.5	(0.7)	698,32	10.8
Colombian peso	3,076.92	11.7	2.8	3,115.26	15.1
Peruvian sol	3.4734	8.9	1.7	3.4998	8.6
Venezuelan bolivar	3,105.59	(76.3)	(39.0)	3,105.59	(76.3)
Turkish lira	3.8894	(17.4)	(4.7)	3.9378	(17.6)

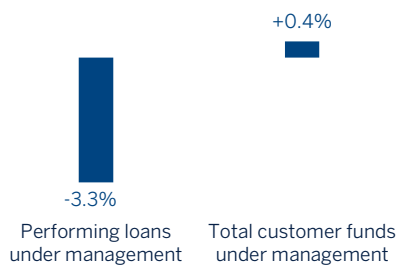
Banking activity in Spain

Highlights

- Lending continues its downward trend.
- Recovery in income from fees and commissions and excellent NTI.
- Positive trend in operating expenses.
- Accounting for restructuring costs to improve efficiency.
- Stability in risk indicators.

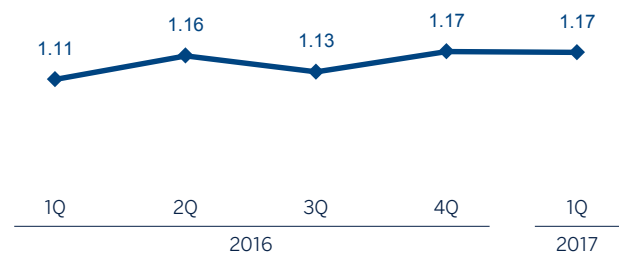
Business activity ⁽¹⁾

(Year-on-year change. Data as of 31-03-2017)



Net interest income/ATA

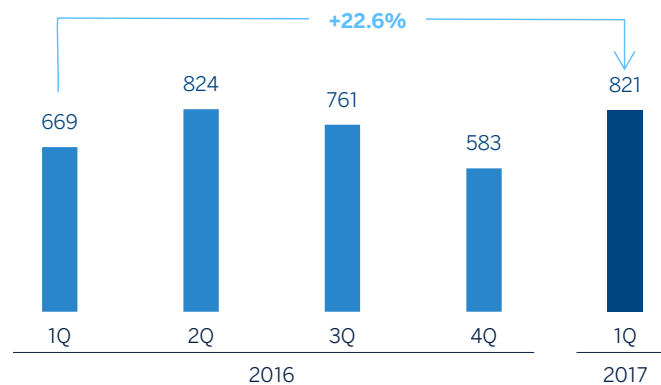
(Percentage)



⁽¹⁾ Excluding repos.

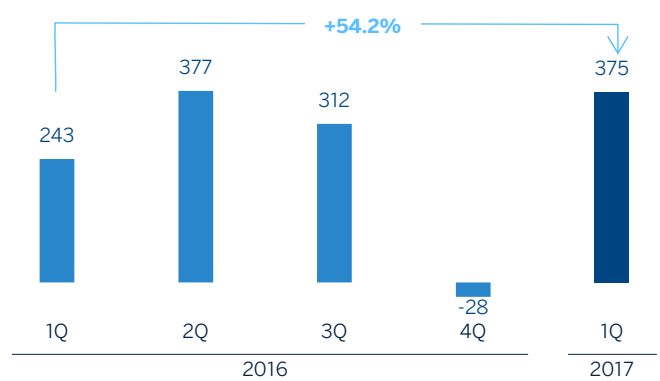
Operating income

(Million euros)



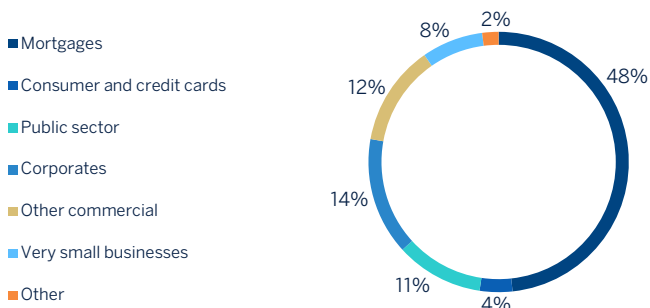
Net attributable profit

(Million euros)



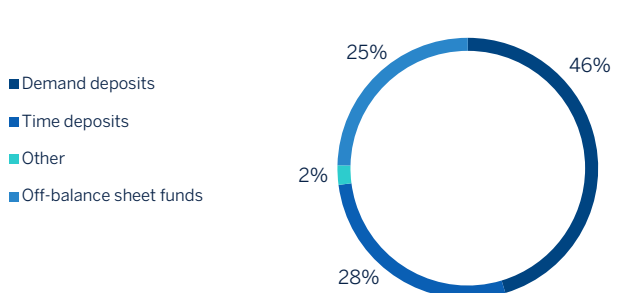
Breakdown of performing loans under management ⁽¹⁾

(31-03-2017)



Breakdown of customer funds under management ⁽¹⁾

(31-03-2017)



⁽¹⁾ Excluding repos.

⁽¹⁾ Excluding repos.

Macro and industry trends

The Spanish **economy** grew by 0.7% in the fourth quarter of 2016, maintaining steady output growth. The economy registered average annual GDP growth of 3.2% in 2016. Domestic demand remains robust.

The Spanish **financial system** continues with household and company deleveraging, albeit at a slower pace than in previous years. Total domestic private-sector lending fell by 4.1% in year-on-year terms, according to data to February 2017. However, new lending to households and SMEs remains on an upward trend since January 2014. New retail lending increased by 9.3% in year-on-year terms (according to March 2017 data). The total amount of new lending rose by 3.1% over the same period, despite a 5.7% decline in new lending to large companies. Asset quality indicators in the system continue to improve. The sector NPL ratio stood at 9.1% in February, 0.98 percentage points below the previous year, on the back of a significant reduction in non-performing loans (down 13.2% year-on-year). Nonetheless, system profitability declined in 2016, mainly because of the increase in provisions in the fourth quarter, partly linked to the CJEU ruling on mortgage floor clauses. Thus, the sector ROE closed 2016 at 2.7%. The liquidity position of Spanish institutions is good. The funding gap (difference between loans and deposits) is currently at an all-time low. Finally, March 2017 data show that banks increased their recourse to ECB liquidity by 12% over the last twelve months, taking advantage of the final TLR0 (targeted longer-term refinancing operations) auctions.

Activity

Lending (performing customer loans under management) has remained on a downward path. It has fallen by 3.3% in year-on-year terms and 1.1% on a quarterly basis, closely related to the reduction in the residential mortgage and public-sector portfolios. However, it is worth highlighting the positive performance of new loan production, which registered year-on-year growth of 13.6% for companies and 30.7% for consumer lending (with final back-book balance at 31-Mar-2017 up 18.4% over the last twelve months and 4.8% over the last three months).

Financial statements and relevant business indicators (Million euros and percentage)

Income statement	1Q17	Δ%	1Q16
Net interest income	935	(2.4)	959
Net fees and commissions	382	(1.4)	388
Net trading income	224	193.2	77
Other income/expenses	134	(2.4)	138
of which Insurance activities ⁽¹⁾	108	(2.5)	110
Gross income	1,676	7.4	1,561
Operating expenses	(856)	(4.0)	(891)
Personnel expenses	(479)	(3.2)	(495)
Other administrative expenses	(297)	(6.5)	(318)
Depreciation	(80)	0.6	(79)
Operating income	821	22.6	669
Impairment on financial assets (net)	(165)	(36.0)	(258)
Provisions (net) and other gains (losses)	(128)	127.1	(56)
Profit/(loss) before tax	528	48.7	355
Income tax	(152)	37.0	(111)
Profit/(loss) for the year	376	54.0	244
Non-controlling interests	(1)	(11.1)	(1)
Net attributable profit	375	54.2	243

⁽¹⁾ Includes premiums received net of estimated technical insurance reserves.

Balance sheets	31-03-17	Δ%	31-12-16
Cash, cash balances at central banks and other demand deposits	3,794	(69.0)	12,230
Financial assets	95,503	(4.9)	100,394
Loans and receivables	206,865	(3.6)	214,497
of which Loans and advances to customers	179,050	(1.2)	181,137
Inter-area positions	6,725	44.4	4,658
Tangible assets	1,426	(0.7)	1,435
Other assets	3,074	16.8	2,632
Total assets/liabilities and equity	317,386	(5.5)	335,847
Financial liabilities held for trading and designated at fair value through profit or loss	37,584	(7.2)	40,490
Deposits from central banks and credit institutions	58,484	(11.4)	66,029
Deposits from customers	176,810	(2.1)	180,544
Debt certificates	34,589	(9.7)	38,322
Inter-area positions	-	-	-
Other liabilities	671	(45.0)	1,220
Economic capital allocated	9,247	0.1	9,242

Relevant business indicators	31-03-17	Δ%	31-12-16
Loans and advances to customers (gross) ⁽¹⁾	178,638	(1.1)	180,595
Non-performing loans and guarantees given	11,726	(0.8)	11,819
Customer deposits under management ⁽¹⁾	172,244	(1.4)	174,679
Off-balance sheet funds ⁽²⁾	57,492	2.4	56,147
Risk-weighted assets	110,739	(2.2)	113,194
Efficiency ratio (%)	51.0		55.8
NPL ratio (%)	5.8		5.8
NPL coverage ratio (%)	53		53
Cost of risk (%)	0.38		0.32

⁽¹⁾ Excluding repos.

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

In terms of **asset quality**, net additions to NPLs declined again. Together with a reduction in lending, this has pushed the NPL ratio down to 5.8% at 31-Mar-2017 (up 2 basis points in the last quarter and down 63 basis points in the last twelve months). The coverage ratio closed the quarter at 53%.

Customer **deposits** under management declined by 2.0% year-on-year and by 1.4% over the last quarter. The reduction in time deposits (down 22.4% and 9.4% respectively) was the main driver, given that current and savings accounts performed strongly (up 28.3% and 5.9% respectively).

Finally, **off-balance sheet funds** grew by 8.4% year-on-year and by 2.4% on a quarterly basis, with a notable increase in mutual funds (up 12.5% and 4.3% respectively).

Result

The key highlights of the income statement in the area in the first quarter of 2017 are as follows:

- 2.4% year-on-year decline in cumulative **net interest income** to March 2017 as a result of lower loan volumes, and sales of wholesale portfolios. However, the latter has had a positive impact on the area's NTI.
- Income from **fees and commissions** recovered between January and March, thanks to the positive contribution from wholesale businesses. This represents a modest decline of 1.4% relative to the same period of 2016, after a very strong performance during the first quarter of last year.
- The contribution from **NTI** was greater than in the same period in 2016, largely due to the strong performance of the Global Markets unit.

- The **other income/expenses** heading registered a 2.4% year-on-year decline. Income from insurance activity was a highlight within this category. While registering a slight 2.5% year-on-year decline, the insurance business performed strongly during the first quarter of 2017 (up 18.7% compared with the last quarter of 2016), thanks to the positive performance of insurance underwriting margins, which are very closely linked to strong increases in new policies in the quarter and the low claims ratio.
- Therefore, the area's **gross income** posted a positive performance (up 7.4%).
- **Operating expenses** declined by 3.6% over the last three months and by 4.0% year-on-year. This decline is linked to synergies arising from the integration of CX and the implementation of efficiency plans in the last quarter of 2016 (around 130 branches were closed in February).
- Consequently, both the area's **efficiency ratio and operating income** registered clear improvements.
- **Impairment losses on financial assets** declined by 36.0% year-on-year as a result of reduced provisioning requirements. The cost of risk in the area closed the quarter at 0.38%.
- Finally, the **provisions (net) and other gains (losses)** heading increased significantly, mainly due to €148m of restructuring costs.

Overall, net attributable **profit** generated by banking activity in Spain in the first quarter of 2017 was €375m, representing a year-on-year increase of 54.2%.

Non Core Real Estate

Highlights

- The positive trend in data from the Spanish real-estate sector continues.
- New strategy in the area, focused on growing sales and reducing stock, while aiming to preserve the economic value of the assets.
- Decline in net exposure and NPLs.

Industry trends

2016 was a positive year for the real-estate sector with sales growth pushing up house prices and construction activity.

According to the latest available information from the General Council of Spanish Notaries, nearly 460,000 **homes** were sold in 2016, amounting to a 13.9% year-on-year increase. 2017 has begun with renewed impetus in house sales. Transactions rose by 13.9% year-on-year in the first two months of the year.

According to the latest data published by the National Institute for Statistics (INE), the **price** of homes rose by 4.5% year-on-year in the fourth quarter of 2016. This growth is somewhat higher than in the previous quarter (4.0%) and may be a sign of a reversion of the moderate trend started from the second quarter of 2016.

The **mortgage market** retains momentum, thanks to increased sales against a backdrop of low financing costs, with interest rates remaining at record low levels, albeit with some signs of moderation in the last part of 2016. The volume of new residential mortgage loans granted to families in 2016 grew by 5.0% in year-on-year terms, or 17.4% if all transactions whose conditions were renegotiated are excluded. New lending in the first two months of 2017 has increased by 8.1%.

Slightly over 64,000 housing permits were granted for **construction activity** in 2016, representing a year-on-year increase of 28.9%. This now marks three consecutive years of growth in residential construction.

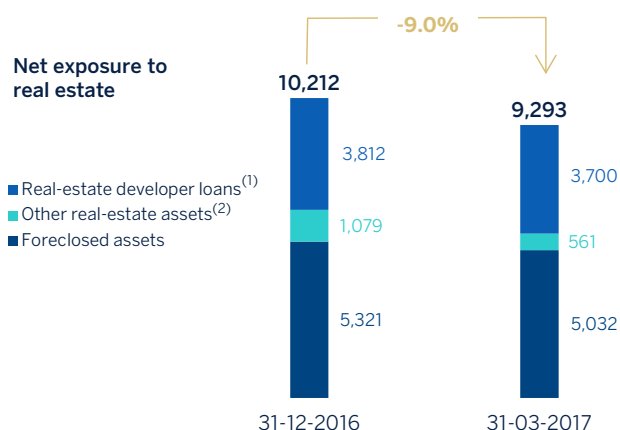
Activity

BBVA continues with its strategy of reducing its **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 other real-estate assets. As of 31-Mar-2017, the net exposure stood at €9,293m, a fall of 9.0% from December 2016, driven primarily by wholesale transactions during the last quarter.

Coverage of real-estate exposure
(Million of euros as of 31-03-17)

	Gross Value	Provisions	Net exposure	% Coverage
Real-estate developer loans ⁽¹⁾	6,448	2,748	3,700	43
Performing	1,710	85	1,625	5
Finished properties	1,111	51	1,060	5
Construction in progress	360	7	353	2
Land	195	25	170	13
Without collateral and other	43	2	42	4
NPL	4,739	2,663	2,075	56
Finished properties	1,939	722	1,217	37
Construction in progress	302	169	133	56
Land	2,081	1,453	629	70
Without collateral and other	416	320	96	77
Foreclosed assets	13,525	8,493	5,032	63
Finished properties	7,741	4,252	3,492	55
Construction in progress	798	524	275	66
Land	4,986	3,717	1,266	75
Other real-estate assets ⁽²⁾	1,030	470	561	46
Real-estate exposure	21,004	11,711	9,293	56

Net exposure to real-estate (Million euros)



⁽¹⁾ Compared to Bank of Spain's Transparency scope (Circular 5/2011 dated November 30), real-estate developer loans do not include €1.2 Bn (December 2016) and €1 Bn (March 2017) mainly related to developer performing loans transferred to the Banking activity in Spain unit.

⁽²⁾ Other real-estate assets not originated from foreclosures.

During the first three months of 2017, on top of steady growth in standard retail **sales** there were two notable sales of wholesale real-estate assets portfolios: the sale of a portfolio of service-sector rental properties with a gross value of around €300m; and the sale of around 3,400 residential properties with a gross value of around €362m. Overall, 10,884 units were sold during the quarter at a sales price of €860m. This represents a significant increase on the same period of last year both in the number of units and sales price. These figures include outflows of around 1,500 rental homes contributed for the participated company, Testa Residencial. The policies and commercial plans established for each asset type will continue in 2017 with the aim of accelerating sales and reducing the stock, with specific actions targeted at the product which has spent the longest time on the Bank's balance sheet. Work will also be carried out to increase the pace of reduction of stock through the sale or contribution of packages of assets to participated real-estate companies or through commercial agreements with developers. The different initiatives under consideration are analyzed on a case-by-case basis, with the goal of preserving the economic value of the assets.

In terms of total real-estate exposure, including outstanding loans to developers, foreclosed assets and other assets, the **coverage ratio** was 56% at the close of the first quarter of 2017, an improvement of one percentage point on 31-Dec-2016.

Non-performing loans have fallen again in the first quarter, with limited new additions of NPLs over the period and a coverage ratio of 53%.

Result

This business area posted a cumulative **loss** in the first quarter of 2017 of €109m, compared with a loss of €113m in the same period last year. A positive aspect worth highlighting is the reduction in provisioning needs for impairment losses on financial assets. Results for this quarter also reflect the loss on the sale of 3,400 foreclosed residential properties. These types of wholesale transactions increase the pace of reduction in the Group's real-estate exposure, albeit incurring a larger discount than on retail sales. In addition, the area generated lower net interest income due to the transfer of part of the outstanding portfolio to banking activity in Spain in the second and fourth quarters of 2016.

Financial statements (Million euros)

Income statement	1Q17	Δ%	1Q16
Net interest income	10	(63.5)	26
Net fees and commissions	2	86.8	1
Net trading income	(0)	(99.4)	(0)
Other income/expenses	(32)	114.2	(15)
Gross income	(21)	n.m.	12
Operating expenses	(30)	(5.1)	(32)
Personnel expenses	(15)	(2.5)	(16)
Other administrative expenses	(8)	(13.2)	(9)
Depreciation	(7)	0.2	(7)
Operating income	(51)	156.8	(20)
Impairment on financial assets (net)	(4)	(91.5)	(47)
Provisions (net) and other gains (losses)	(86)	6.1	(81)
Profit/(loss) before tax	(141)	(4.4)	(148)
Income tax	33	(5.0)	34
Profit/(loss) for the year	(109)	(4.2)	(113)
Non-controlling interests	(0)	n.m.	0
Net attributable profit	(109)	(3.8)	(113)

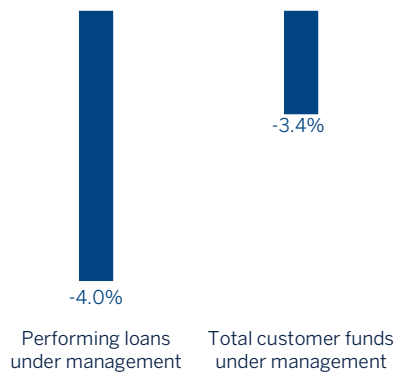
Balance sheet	31-03-17	Δ%	31-12-16
Cash, cash balances at central banks and other demand deposits	10	7.8	9
Financial assets	767	33.4	575
Loans and receivables	6,055	1.8	5,946
of which Loans and advances to customers	6,055	1.8	5,946
Inter-area positions	-	-	-
Tangible assets	431	(7.1)	464
Other assets	7,185	6.9	6,719
Total assets/liabilities and equity	14,447	5.4	13,713
Financial liabilities held for trading and designated at fair value through profit or loss	-	-	-
Deposits from central banks and credit institutions	-	-	-
Deposits from customers	22	(9.6)	24
Debt certificates	821	(1.5)	834
Inter-area positions	10,319	8.4	9,520
Other liabilities	0	n.m.	(0)
Economic capital allocated	3,285	(1.5)	3,335
Memorandum item:			
Risk-weighted assets	10,777	(0.9)	10,870

The United States

Highlights

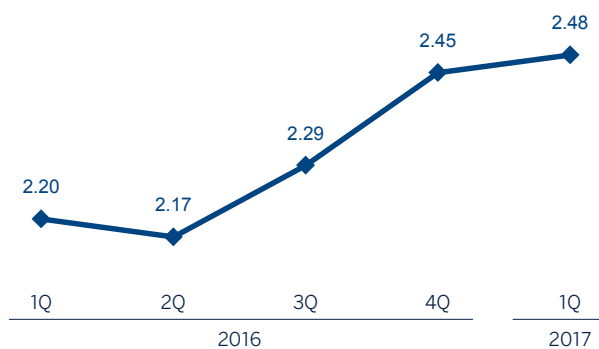
- Lending continues to focus on selective and profitable growth.
- Positive trend in more liquid funds and good management of their cost.
- Good performance in more recurring revenues.
- Containment of operating expenses and of the impairment of financial assets.
- Improved risk indicators.

Business activity ⁽¹⁾
(Year-on-year change at constant exchange rate. Data as of 31-03-2017)

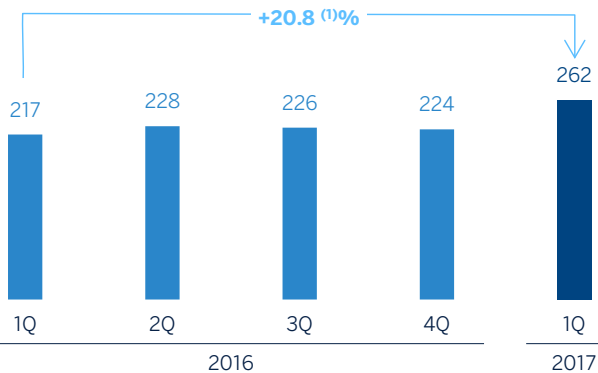


⁽¹⁾ Excluding repos.

Net interest income/ATA
(Percentage. Constant exchange rate)

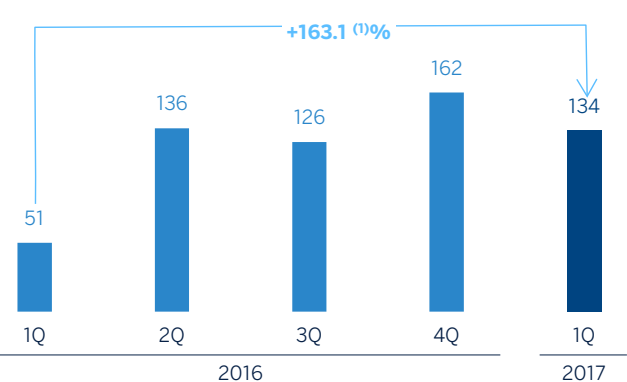


Operating income
(Million euros at constant exchange rate)



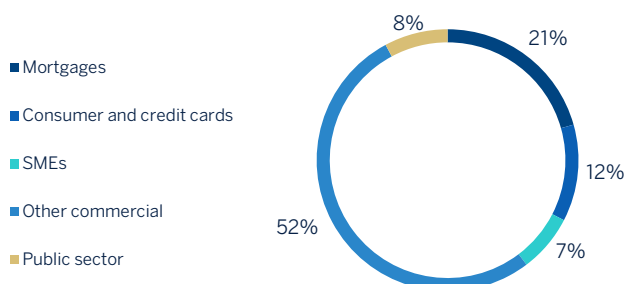
⁽¹⁾ At current exchange rate: +25.1%.

Net attributable profit
(Million euros at constant exchange rate)



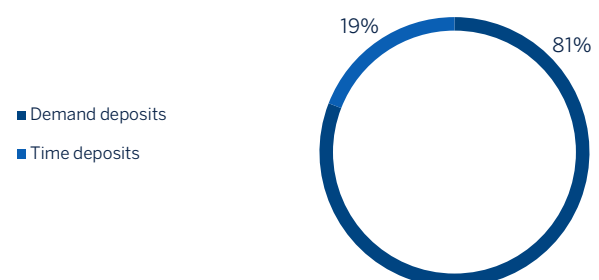
⁽¹⁾ At current exchange rate: +173.9%.

Breakdown of performing loans under management ⁽¹⁾
(31-03-2017)



⁽¹⁾ Excluding repos.

Breakdown of customer funds under management ⁽¹⁾
(31-03-2017)



⁽¹⁾ Excluding repos.

Macro and industry trends

U.S. **GDP** grew by just under 3% in annualized terms in the second half of 2016, after a relatively weak first half of the year (growth at around an annualized average of 1%), but progress has been at dual speed, with strong consumption offset by practically stagnant investment. Despite the support provided by employment growth and easy credit, the expansion of private consumption will probably slow, as rising prices and deleveraging will have an impact on household spending. The outlook for investment is slightly more optimistic, supported by improved expectations, stable oil prices and sustained growth in housing supply, although its rate of increase is expected to be very moderate.

With regard to the **currency** market, the trend in dollar gains against the euro in the last quarter of 2016 was broken at the start of the year, and has reversed slightly since that point. In fact, the dollar has lost 1.4% in the quarter, partly reflecting the Fed's statement on gradualism in its monetary policy normalization process, and partly due to the slightly improved situation in Europe.

The **financial system** continues in good shape overall despite the environment of low interest rates. With data as of the close of 2016, the system's NPL ratio stands at 2.07%, with a slight upturn on the figure for the third quarter of last year (2.05%). Despite this, the NPL ratio is still at a very positive level. With regard to lending, according to the latest available information as of February 2017 it has remained practically stable over the last twelve months. The total volume has fallen back 0.4% in year-on-year terms, with a decline of 1.3% in commercial loans and growth of 1.7% in residential home loans and 4.9% in consumer finance. The trend for total deposits in the system continues upward, with year-on-year growth of 2.3% as of February 2017.

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 changes at current exchange rate, can be seen in the attached tables of financial statements and relevant and business indicators.

Financial statements and relevant business indicators (Million euros and percentage)

Income statement	1Q17	Δ%	Δ% ⁽¹⁾	1Q16
Net interest income	535	12.1	8.2	478
Net fees and commissions	175	19.7	15.5	146
Net trading income	33	(28.6)	(31.2)	46
Other income/expenses	(12)	286.7	277.9	(3)
Gross income	732	9.7	5.9	667
Operating expenses	(470)	2.6	(0.9)	(458)
Personnel expenses	(269)	(0.6)	(4.1)	(271)
Other administrative expenses	(152)	9.0	5.2	(140)
Depreciation	(49)	2.2	(1.3)	(47)
Operating income	262	25.1	20.8	209
Impairment on financial assets (net)	(75)	(21.2)	(23.9)	(95)
Provisions (net) and other gains (losses)	(4)	(90.1)	(90.5)	(40)
Profit/(loss) before tax	184	144.9	135.7	75
Income tax	(49)	90.0	83.6	(26)
Profit/(loss) for the year	134	173.8	163.1	49
Non-controlling interests	0	(100.0)	(100.0)	(0)
Net attributable profit	134	173.9	163.1	49

Balance sheets	31-03-17	Δ%	Δ% ⁽¹⁾	31-12-16
Cash, cash balances at central banks and other demand deposits	8,424	5.8	7.3	7,963
Financial assets	14,228	(2.4)	(1.0)	14,581
Loans and receivables	61,586	(2.2)	(0.8)	62,962
of which Loans and advances to customers	59,906	(2.0)	(0.7)	61,159
Inter-area positions	-	-	-	-
Tangible assets	770	(2.2)	(0.8)	787
Other assets	2,543	(2.5)	(1.1)	2,609
Total assets/liabilities and equity	87,551	(1.5)	(0.1)	88,902
Financial liabilities held for trading and designated at fair value through profit or loss	2,663	(8.2)	(6.9)	2,901
Deposits from central banks and credit institutions	3,871	11.5	13.0	3,473
Deposits from customers	64,427	(2.0)	(0.6)	65,760
Debt certificates	2,425	(0.9)	0.5	2,446
Inter-area positions	4,729	(3.0)	(1.6)	4,875
Other liabilities	6,033	(0.6)	0.8	6,068
Economic capital allocated	3,402	0.7	2.1	3,379

Relevant business indicators	31-03-17	Δ%	Δ% ⁽¹⁾	31-12-16
Loans and advances to customers (gross) ⁽²⁾	60,729	(2.1)	(0.7)	62,000
Non-performing loans and guarantees given	844	(13.5)	(12.2)	976
Customer deposits under management ⁽²⁾	61,864	(2.1)	(0.7)	63,195
Off-balance sheet funds ⁽³⁾	-	-	-	-
Risk-weighted assets	64,800	(1.1)	0.4	65,492
Efficiency ratio (%)	64.2			68.1
NPL ratio (%)	1.3			1.5
NPL coverage ratio (%)	107			94
Cost of risk (%)	0.49			0.37

⁽¹⁾ Figures at constant exchange rate.

⁽²⁾ Excluding repos.

⁽³⁾ Includes mutual funds, pension funds and other off-balance sheet funds.

Lending activity (performing loans and advances under management) continues the trend to moderation which began in the second half of 2015. The trend is supported by the area's selective growth strategy in the most profitable portfolios and segments that represent more efficient capital consumption. As a result, this heading has fallen 4.4% year-on-year and declined 1.4% over the quarter. By portfolios, growth is basically focused on business lending (up 1.3% in the quarter), in some segments of loans to companies (specifically on real estate developer mortgages, mortgage collateralized loans and cards), and loans to the public sector (up 4.9% in the last three months).

With regard to **asset quality**, the main indicators improved over the quarter. The NPL ratio closed at 1.3%, a decline of 17 basis points compared with the close of 2016. The coverage ratio also improved to 107% (94% as of 31-Dec-2016).

Customer **deposits** under management have declined slightly (down 3.4% year-on-year and 0.7% in the quarter), strongly influenced by the reduction of time deposits (-24.1% and -12.9% respectively), stemming from the implementation of measures by the area to manage their cost. On the contrary, current and savings accounts maintain their positive trend and increased by 3.2% year-on-year and 2.7% over the quarter.

Result

The United States generated a cumulative net attributable **profit** income through March 2017 of €134m, much higher than that of the same period of the previous year. The most relevant aspects of the area's income statement are as follows:

- **Net interest income** continues to perform positively, with a cumulative figure through March rising by 8.2% over the last twelve months. This is due to the combined result of the measures adopted by BBVA Compass to improve loan yields and reduce the cost of deposits, as well as the Fed's interest-rate hikes.
- **Income from fees and commissions** has increased year-on-year by 15.5%, basically due to the positive trend in deposit and asset management fees, as well as those generated by the corporate and investment banking business.
- Reduction of 31.2% in **NTI** compared to the amount of the same period of the previous year. The good performance of the Global Markets unit in the quarter was not enough to offset the capital gains on portfolio sales done in the first quarter of 2016. However, this heading grew 32.5% compared to the previous quarter.
- **Operating expenses** were flat, showing a decline of 0.9%. Worth of note is the reduction in personnel costs, which offsets the increase in general expenses.
- Lastly, **impairment losses on financial assets** were significantly down compared to the the first quarter of 2016 (down 23.9%) when extraordinary provisions were allocated in response to the rating downgrade of some companies operating in the energy (exploration & production) and metals & mining (basic materials) sectors. As a result, the cumulative cost of risk as of 31-Mar-2017 stood at 0.49%, a significant decline compared to the same period of 2016.

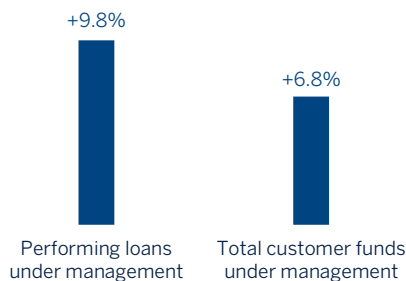
Mexico

Highlights

- Good year-on-year performance of lending, despite moderate economic activity.
- Expenses continue to increase below gross income and net attributable profit is growing year-on-year at double-digit rates.
- Asset quality resilience. Better than expected cost of risk.

Business activity ⁽¹⁾

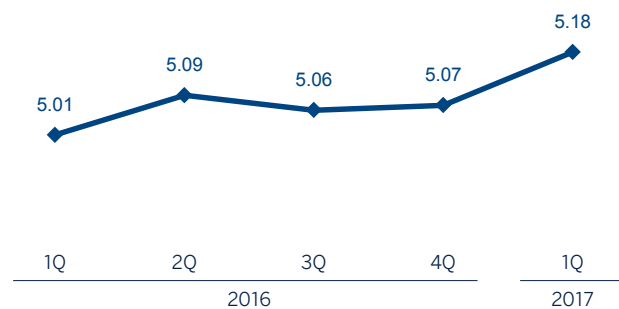
(Year-on-year change at constant exchange rate. Data as of 31-03-2017)



⁽¹⁾ Excluding repos.

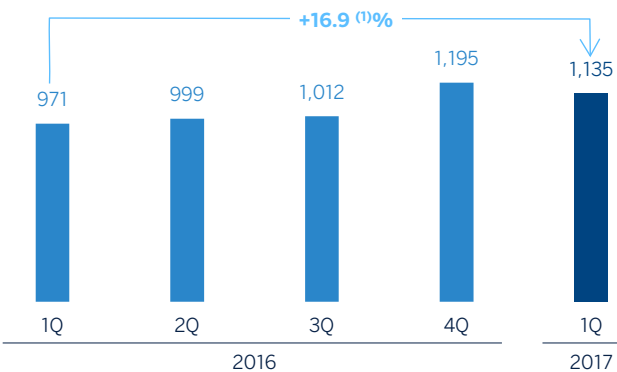
Net interest income/ATA

(Percentage. Constant exchange rate)



Operating income

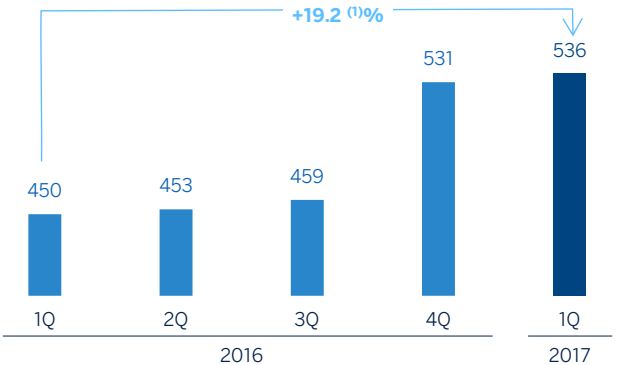
(Million euros at constant exchange rate)



⁽¹⁾ At current exchange rate: +7.6%.

Net attributable profit

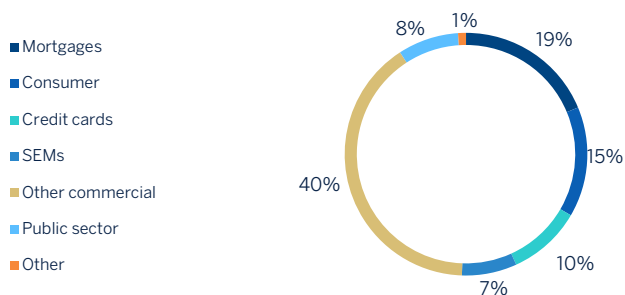
(Million euros at constant exchange rate)



⁽¹⁾ At current exchange rate: +9.7%.

Breakdown of performing loans under management ⁽¹⁾

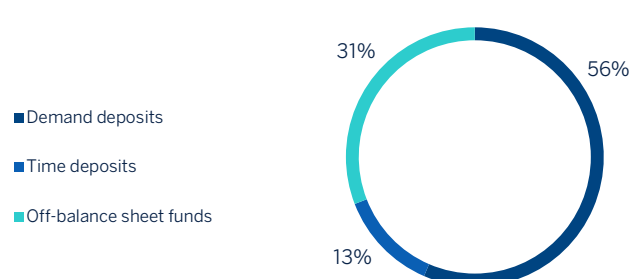
(31-03-2017)



⁽¹⁾ Excluding repos.

Breakdown of customer funds under management ⁽¹⁾

(31-03-2017)



⁽¹⁾ Excluding repos.

Macro and industry trends

GDP grew by 2.1% in Mexico in 2016, slightly below the trend registered in recent years. Stronger growth in the second half of the year helped compensate the slowdown in the first six months, primarily driven by an upturn in exports linked to the U.S. economic recovery.

The significant depreciation of the Mexican peso in 2016 has reversed since mid-January 2017, thanks to moderation from the United States with respect to future trade policy and, to a lesser degree, the hedging program implemented by Banxico. Exchange rate developments, together with an easing of the increase in inflation, could allow Banxico to soften the path of **interest rate** hikes relative to 2016.

The Mexican **financial system** maintains very comfortable capital adequacy and asset quality indicators. The capital adequacy ratio stood at 14.9% at the close of 2016, while the NPL ratio declined to 2.2% to January 2017, according to data released by the National Securities Banking Commission (CNBV). Nominal year-on-year growth in the loan portfolio in January was similar to growth rates registered during the previous year (up 11.6%). All portfolios contributed to this good performance. Traditional bank deposits (demand and time) rose 11.3% year-on-year in nominal terms, according to CNBV data to January 2017, with both components performing similarly.

Activity

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

BBVA in Mexico continued registering good growth in its **lending** (performing customer loans under management) in the first quarter of 2017, despite the slowdown in economic activity over the period. The portfolio grew 9.8% year-on-year and by 0.3% quarter-on-quarter. As a result, BBVA Bancomer retains its leadership, with a market share for its current portfolio of 23.5% (according to local information from the CNBV for the close of February 2017).

Financial statements and relevant business indicators (Million euros and percentage)

Income statement	1Q17	Δ%	Δ% ⁽¹⁾	1Q17
Net interest income	1,287	(0.2)	8.4	1,290
Net fees and commissions	281	3.0	12.0	273
Net trading income	73	67.8	82.3	43
Other income/expenses	69	41.3	53.5	49
Gross income	1,710	3.3	12.3	1,654
Operating expenses	(575)	(4.1)	4.2	(599)
Personnel expenses	(247)	(6.3)	1.8	(263)
Other administrative expenses	(265)	(3.9)	4.4	(276)
Depreciation	(63)	4.3	13.3	(60)
Operating income	1,135	7.6	16.9	1,055
Impairment on financial assets (net)	(402)	4.9	14.0	(383)
Provisions (net) and other gains (losses)	(4)	(79.8)	(78.0)	(19)
Profit/(loss) before tax	729	11.7	21.4	652
Income tax	(192)	18.1	28.3	(163)
Profit/(loss) for the year	536	9.6	19.1	489
Non-controlling interests	(0)	(70.5)	(67.9)	(0)
Net attributable profit	536	9.7	19.2	489

Balance sheets	31-03-17	Δ%	Δ% ⁽¹⁾	31-12-16
Cash, cash balances at central banks and other demand deposits	5,042	(2.9)	(10.7)	5,192
Financial assets	34,907	11.6	2.6	31,273
Loans and receivables	52,330	9.0	0.2	47,997
of which Loans and advances to customers	50,783	9.3	0.5	46,474
Tangible assets	2,093	7.0	(1.6)	1,957
Other assets	4,801	(30.4)	(36.0)	6,900
Total assets/liabilities and equity	99,173	6.3	(2.3)	93,318
Financial liabilities held for trading and designated at fair value through profit or loss	10,079	1.2	(7.0)	9,961
Deposits from central banks and credit institutions	8,708	47.0	35.2	5,923
Deposits from customers	53,238	5.3	(3.2)	50,571
Debt certificates	8,852	2.8	(5.5)	8,611
Other liabilities	14,217	2.0	(6.2)	13,941
Economic capital allocated	4,079	(5.4)	(13.0)	4,311

Relevant business indicators	31-03-17	Δ%	Δ% ⁽¹⁾	31-12-16
Loans and advances to customers (gross) ⁽²⁾	52,338	9.3	0.5	47,865
Non-performing loans and guarantees given	1,252	8.6	(0.1)	1,152
Customer deposits under management ⁽²⁾	46,326	10.3	1.4	41,989
Off-balance sheet funds ⁽³⁾	20,724	8.4	(0.3)	19,111
Risk-weighted assets	50,184	4.8	(3.6)	47,863
Efficiency ratio (%)	33.6			35.4
NPL ratio (%)	2.3			2.3
NPL coverage ratio (%)	128			127
Cost of risk (%)	3.31			3.40

⁽¹⁾ Figures at constant exchange rate.

⁽²⁾ Excluding repos.

⁽³⁾ Includes mutual funds, pension funds and other off-balance sheet funds.

At the end of March, the weight of the retail portfolio is slightly greater than the **wholesale** portfolio (51% and 49% respectively). The latter grew by 10.4% year-on-year, although it declined 1.3% over the quarter (explained by developments in the dollar portfolio, which was affected by peso appreciation in recent months). Business loans performed particularly well, including loans to corporate clients and mid-sized companies, which rose 11.5% in the last year (down 0.8% in the first quarter of 2017), excluding developer loans. Meanwhile lending to housing developers remains on a positive trend since last year, with an increase of 24.5% year-on-year (down 0.2% on a quarterly basis).

The **retail portfolio** registered 9.2% year-on-year growth and 1.8% quarterly growth, primarily driven by SME and auto lending, which rose by 17.2% and 23.5% respectively in the last twelve months (7.7% and 4.7% respectively in the quarter). Meanwhile, credit cards sustained single digit year-on-year growth (up 3.3%), but declined 3.1% over the quarter. Nonetheless, new production up to March 2017 increased by 10.4% year-on-year. The balance of the housing portfolio was affected by the ageing effect, and grew by 7.4% over the last twelve months and 2.3% quarter on quarter, despite new residential mortgage lending performing positively (up 5.1% year-on-year).

Lending growth has been accompanied by stable **asset quality** indicators. The NPL and coverage ratios closed March at 2.3% and 128% respectively.

Total **customer funds** (customer deposits under management, mutual funds, pension funds and other off-balance sheet funds) posted year-on-year growth of 6.8% (up 0.9% in the first quarter of the year). All products performed positively: current and savings accounts were up 10.9% year-on-year (up 1.8% on the previous quarter), and time deposits grew by 6.4% (down 0.3% over the quarter). BBVA in Mexico has a profitable funding mix with low-cost items accounting for over 80% of total customer deposits under management. Mutual funds registered year-on-year growth of 3.6%, and 0.3% quarter-on-quarter.

Result

The highlights of the income statement for Mexico for the first quarter of 2017 are summarized below:

- Positive performance of **net interest income**, with a year-on-year increase of 8.4%, driven mainly by greater activity volumes and the favorable development of customer spreads.
- Good performance of **net fees and commissions**, with growth of 12.0% over the last twelve months. These remain strongly influenced by an increased volume of transactions with credit card customers and fees from online and private banking.
- Significant growth in **NTI** (up 82.3% year-on-year) thanks to the very good performance of the Global Markets unit.
- Income from insurance activity performed strongly in line with **other income/expenses** (up 53.5% year-on-year), partly due to the regulatory change introduced at the end of 2016, affecting the method for calculating reserves.
- **Operating expenses** grew more slowly than in previous periods (up 4.2% year-on-year) and below the area's gross income growth of 12.3%. This helped to improve the **efficiency ratio**, which at the end of the first quarter of 2017 stood at 33.6%.
- **Impairment on financial assets** rose by 14.0% year-on-year. The above puts the area's cumulative cost of risk at 3.31%.

Overall, BBVA in Mexico posted a net attributable **profit** in the first three months of the year of €536m, a year-on-year increase of 19.2%.

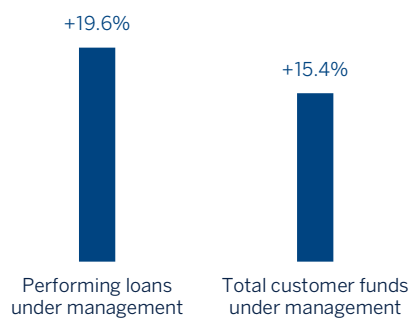
Turkey

Highlights

- Activity continues strong, despite uncertainties in the environment.
- Very positive behavior of more recurring revenues.
- Stable asset quality indicators.

Business activity ⁽¹⁾

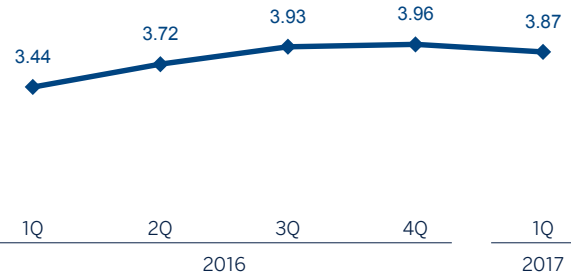
(Year-on-year change at constant exchange rate. Data as of 31-03-2017)



⁽¹⁾ Excluding repos.

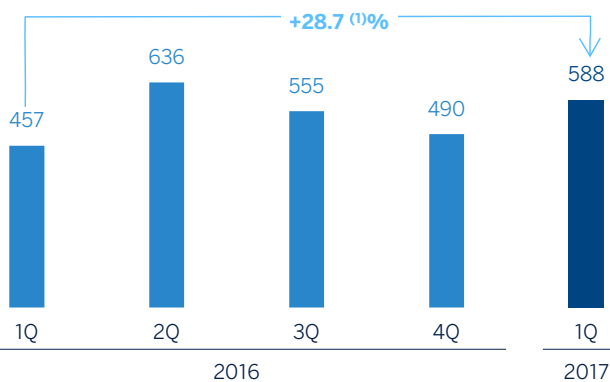
Net interest income/ATA

(Percentage. Constant exchange rate)



Operating income

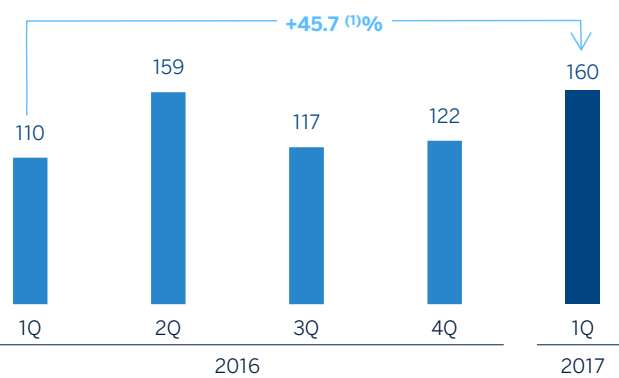
(Million euros at constant exchange rate)



⁽¹⁾ At current exchange rate: +6.1%.

Net attributable profit

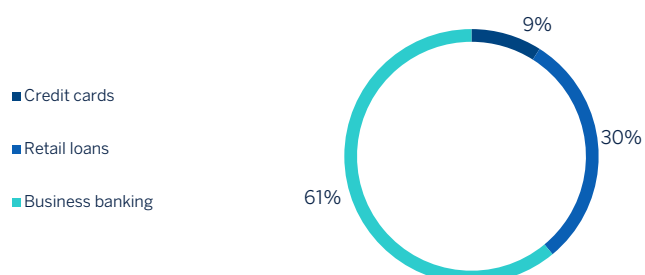
(Million euros at constant exchange rate)



⁽¹⁾ At current exchange rate: +20.1%.

Breakdown of performing loans under management ⁽¹⁾

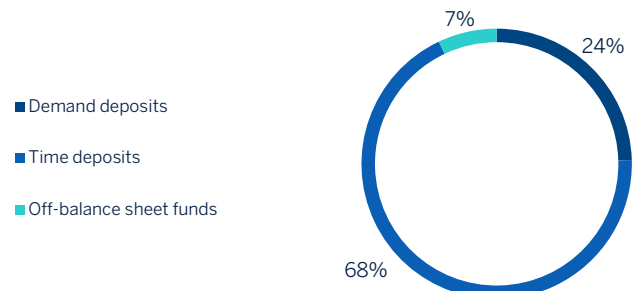
(31-03-2017)



⁽¹⁾ Excluding repos.

Breakdown of customer funds under management ⁽¹⁾

(31-03-2017)



⁽¹⁾ Excluding repos.

Macro and industry trends

After a decline of more than 1% in the third quarter of 2016, Turkey's **economic growth** in the fourth quarter of 2016 bounced back to 3.5% in annualized terms, boosted by macroprudential measures and increased fiscal stimuli. As a result, GDP grew on average by just under 3% in 2016. Inflation this year has continued to increase to more than 11% in March 2017, largely due to the base effect of food prices and significant depreciation of the Turkish lira in the second half of 2016. Inflation could rise further in April-May before moderating in the summer, although rates will still be high.

The CBRT has been tightening **monetary policy** since the end of last year. At its meeting in March it once more raised the liquidity window interest rate by 75 basis points, following the hike of 100 basis points at the start of the year, to 11.75%, while maintaining other interest rates constant. So far this year, the CBRT has raised the average funding rate by 320 basis points to 11.50% as of April 5. Moreover, its latest statement has announced that this stance would be maintained until inflationary pressure is significantly reduced. This tougher monetary policy, combined with the improvement in the global financial markets, has helped contain downward pressure on the Turkish lira. However, geopolitical uncertainty still weighs on the currency's movements, and could continue to do so in the future.

The Turkish **financial sector** is maintaining the trend shown in recent quarters. The year-on-year rise in lending, adjusted for the effect of the depreciation of the Turkish lira, was 14% through March 2017, supported by commercial lending. Deposit gathering in the first quarter of 2017 has maintained the strength shown last year, with a 10% year-on-year growth, also according to March data, adjusted for the exchange-rate impact. Of particular note is the growth in Turkish lira deposits (up 15% year-on-year), which contrasts with the fall of 2.3% in foreign-currency deposits. The NPL ratio in the system remains at 3.2%, according to the latest available information as of March 2017.

Activity

In March 2017, BBVA completed the acquisition of an additional 9.95% stake in the share capital of Garanti, making BBVA's total stake in this entity 49.85%, which has continued to be incorporated into the Group's financial statements by the full integration method.

Financial statements and relevant business indicators (Million euros and percentage)

Income statement	1Q17	Δ%	Δ% ⁽¹⁾	1Q16
Net interest income	812	4.7	27.0	775
Net fees and commissions	171	(5.5)	14.6	181
Net trading income	(15)	n.m.	n.m.	10
Other income/expenses	9	(14.5)	3.6	10
Gross income	976	(0.0)	21.3	977
Operating expenses	(389)	(8.1)	11.5	(423)
Personnel expenses	(203)	(7.4)	12.3	(220)
Other administrative expenses	(139)	(12.5)	6.1	(159)
Depreciation	(46)	4.8	27.2	(44)
Operating income	588	6.1	28.7	554
Impairment on financial assets (net)	(121)	(0.5)	20.7	(121)
Provisions (net) and other gains (losses)	16	n.m.	n.m.	(9)
Profit/(loss) before tax	483	13.9	38.2	424
Income tax	(106)	20.8	46.5	(88)
Profit/(loss) for the year	377	12.1	36.0	336
Non-controlling interests	(217)	6.9	29.7	(203)
Net attributable profit	160	20.1	45.7	133

Balance sheets	31-03-17	Δ%	Δ% ⁽¹⁾	31-12-16
Cash, cash balances at central banks and other demand deposits	2,132	(21.7)	(17.9)	2,724
Financial assets	12,962	(5.2)	(0.5)	13,670
Loans and receivables	66,404	2.5	7.5	64,814
of which Loans and advances to customers	55,590	(0.0)	4.9	55,612
Tangible assets	1,366	(4.5)	0.2	1,430
Other assets	2,171	(2.6)	2.2	2,229
Total assets/liabilities and equity	85,035	0.2	5.1	84,866
Financial liabilities held for trading and designated at fair value through profit or loss	715	(29.2)	(25.7)	1,009
Deposits from central banks and credit institutions	14,361	6.5	11.7	13,490
Deposits from customers	46,558	(1.5)	3.4	47,244
Debt certificates	8,463	7.0	12.3	7,907
Other liabilities	12,755	(1.0)	3.8	12,887
Economic capital allocated	2,183	(6.3)	(1.7)	2,330

Relevant business indicators	31-03-17	Δ%	Δ% ⁽¹⁾	31-12-16
Loans and advances to customers (gross) ⁽²⁾	57,926	(0.0)	4.9	57,941
Non-performing loans and guarantees given	1,904	(3.9)	0.8	1,982
Customer deposits under management ⁽²⁾	47,043	(0.9)	3.9	47,489
Off-balance sheet funds ⁽³⁾	3,764	0.3	5.2	3,753
Risk-weighted assets	70,387	0.1	5.0	70,337
Efficiency ratio (%)	39.8			40.8
NPL ratio (%)	2.6			2.7
NPL coverage ratio (%)	128			124
Cost of risk (%)	0.85			0.87

⁽¹⁾ Figures at constant exchange rate.

⁽²⁾ Excluding repos.

⁽³⁾ Includes mutual funds, pension funds and other off-balance sheet funds.

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

The area's **lending activity** (performing loans and advances under management) performed well, with an increase of 5.1% over the quarter (up 19.6% year-on-year). This growth is strongly focused on loans in Turkish lira, which have grown in Garanti Bank above the figure of the sector as a whole, while loans in foreign currency have continued to decline. All segments had a positive contribution. Worth of note are corporate loans (which include the so called business banking loans) that increased their quarterly rate of growth thanks to the extension of the Credit Guarantee Funds scheme (state guaranteed loans). In addition, the positive trend continues in general purpose loans, basically consumer finance for the retail segment, and in the mortgage portfolio. In contrast, auto loans have contracted in the first three months of 2017. With these figures, Garanti maintains its leading position in most of the lending segments.

Asset quality indicators remain stable, despite the political uncertainty and the volatile exchange rate over the first three months of 2017. The NPL ratio closed the quarter at 2.6% and far below the average in the banking sector (3.2%). The coverage ratio closed March at 128% (124% at the close of 2016).

With respect to **customer funds**, customer deposits continue to be the main source of funding for the area (around 55% of total liabilities), with an increase over the last three months of 3.9% and 14.8% year-on-year (customer deposits under management). There has been a shift of funds over the quarter from Turkish lira in Garanti Bank to foreign currency, given the high level of demand in the latter. As a result, deposits in Turkish lira have declined in the quarter and foreign-currency deposits have grown. By category, there was a good performance in sight accounts, which grew by 6.5% year-to-date. Their total weight as a proportion of customer deposits under management increased to 26.4%.

Result

The trend in the area for the first quarter of 2017 was very positive, with a cumulative net attributable **profit** of €160m, which represents a rise of 45.7% in year-on-year terms. The most significant aspects of Turkey's income statement are as follows:

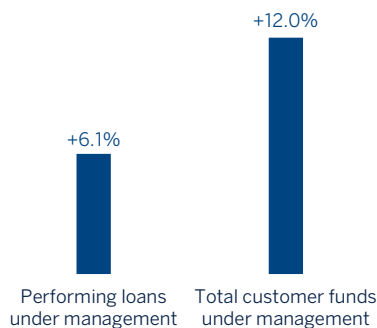
- Positive performance of **net interest income**, which was up 27.0% on the figure for the same period in 2016 (+2.0% against the figure for the fourth quarter of 2016), thanks to the increased volume of activity and customer spreads.
- Increase in **income from fees and commissions** (up 14.6% year-on-year and 22.3% in the last three months), despite the fact that the suspension on fees for the maintenance and administration of accounts in the retail segment enforced by the Turkish State Council remains in force. Such rise is the result of a good diversification of these revenues.
- Lower negative contribution of **NTI** compared to the previous quarter, due basically to a lower depreciation of the Turkish lira in the period.
- Strict cost control explains why **operating expenses** have fallen 6.4% with respect to the fourth quarter of 2016 (up 11.5% year-on-year as a consequence of the negative impact of the exchange rate on costs denominated in foreign currency and higher inflation levels). As a consequence, the efficiency ratio as of March 2017 has improved to 39.8%.
- Finally, there has been an increase in the **impairment losses on financial assets** (up 20.7% year-on-year), which is in line with the increase in activity in the same period (up 19.6%). As a result, the cost of risk in the area closed the quarter at 0.85%.

South America

Highlights

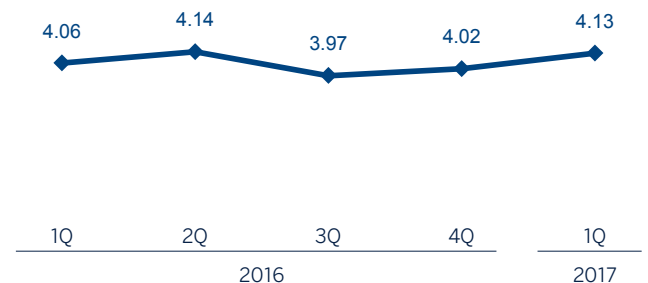
- Growth continues to slow in lending activity, in line with the seasonal nature of the period and the current macroeconomic environment.
- Positive trend of more recurring revenues.
- Expenses conditioned by the high inflation in some countries.
- The macroeconomic environment continues to influence the behavior of the risk indicators.

Business activity ⁽¹⁾
(Year-on-year change at constant exchange rate. Data as of 31-03-2017)

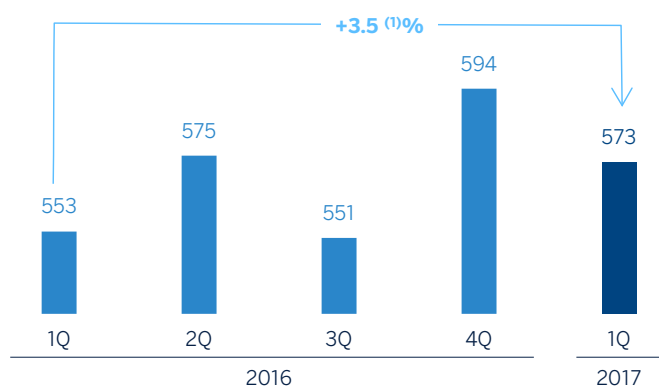


⁽¹⁾ Excluding repos.

Net interest income/ATA
(Percentage. Constant exchange rate)

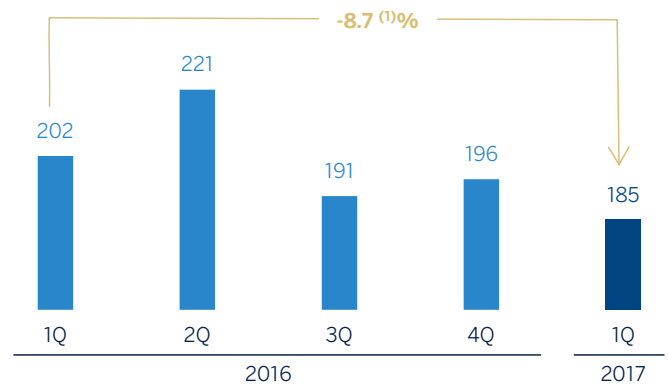


Operating income
(Million euros at constant exchange rate)



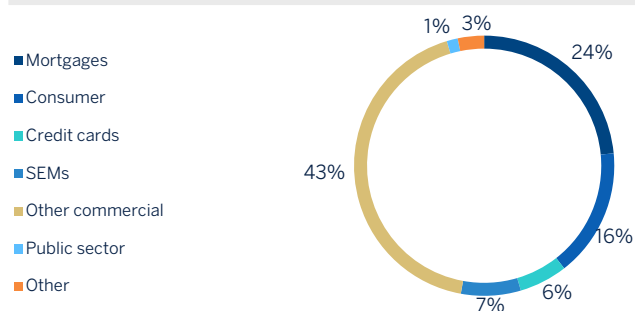
⁽¹⁾ At current exchange rate: +9.3%.

Net attributable profit
(Million euros at constant exchange rate)



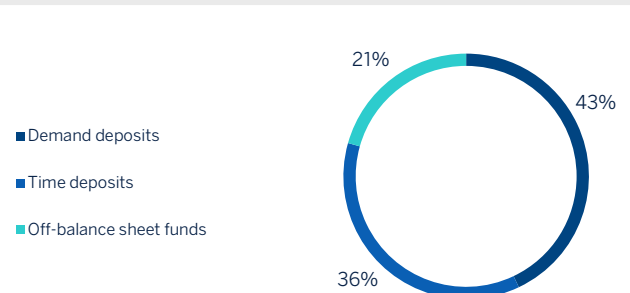
⁽¹⁾ At current exchange rate: +1.6%.

Breakdown of performing loans under management ⁽¹⁾
(31-03-2017)



⁽¹⁾ Excluding repos.

Breakdown of customer funds under management ⁽¹⁾
(31-03-2017)



⁽¹⁾ Excluding repos.

Macro and industry trends

South America has been going through a period of cyclical weakness since 2014, leading in the last two years to a contraction of **economic growth**. Lower foreign demand for commodities, which has negatively impacted prices and, most recently, political factors in a number of countries, have affected the confidence of agents and thus consumption and investment, albeit to significantly varying degrees in each country; there has been a difference between the more positive performance of Andean countries and more negative developments in Atlantic counties. However, the outlook is positive, as starting in 2017 South America will once more return to the path of recovery. Expectations on the sustainability of growth in China and the positive trend demonstrated by global growth will have a positive, though moderate, impact on the price of oil and other commodities. Added to this factor is the reduction in market volatility, following the elections in the United States, so a capital inflows can be expected to continue, boosted by the search for returns.

This situation of weak economic growth and moderate inflation has led most central banks (except for Colombia) to adopt slightly more accommodative **monetary policies**, and this is expected to continue for the rest of the year. **Exchange rates** in the region have all gained against the euro over the last year, except for the Venezuelan bolivar.

As regards the **financial system** within BBVA's regional footprint, key profitability and capital adequacy indicators are high, while NPL ratios remain in check in aggregate terms (with some differences between the countries). In addition, there has been sustained growth in lending and 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 changes at the current exchange rate, can be seen in the attached tables of financial statements and relevant business indicators.

The balance of **lending** (performing loans and advances to customers under management) is similar to the close of December 2016 (down 0.6%), affected by the seasonal factors, weak economic growth in the region, and changes in the portfolios denominated in U.S. dollars (impacted by the depreciation of the dollar against some local currencies). By segments, the individual customer segment has been strong (above all consumer finance), offsetting the moderation in the corporate and public sectors. By country, the biggest growth was in Argentina (up 5.0%) and Chile (up 2.5%). The year-on-year rise in the region has moderated to 6.1% with respect to the figure at the close of 2016. It is supported by the credit card and consumer portfolios, both with double-digit growth.

Financial statements and relevant business indicators (Million euros and percentage)

Income statement	1Q7	Δ%	Δ% ⁽¹⁾	1Q16
Net interest income	807	12.6	8.3	717
Net fees and commissions	176	25.2	20.5	141
Net trading income	115	(28.5)	(15.3)	160
Other income/expenses	5	n.m.	21.8	(33)
Gross income	1,104	12.0	7.0	985
Operating expenses	(531)	15.1	11.0	(461)
Personnel expenses	(276)	14.7	10.2	(241)
Other administrative expenses	(225)	14.1	10.3	(197)
Depreciation	(30)	26.6	25.0	(23)
Operating income	573	9.3	3.5	524
Impairment on financial assets (net)	(186)	42.1	30.8	(131)
Provisions (net) and other gains (losses)	(18)	(0.8)	1.3	(18)
Profit/(loss) before tax	369	(1.6)	(6.2)	375
Income tax	(110)	(16.6)	(8.1)	(131)
Profit/(loss) for the year	260	6.5	(5.3)	244
Non-controlling interests	(75)	21.1	4.0	(62)
Net attributable profit	185	1.6	(8.7)	182

Balance sheets	31-03-17	Δ%	Δ% ⁽¹⁾	31-12-16
Cash, cash balances at central banks and other demand deposits	8,857	(16.3)	(15.3)	10,586
Financial assets	12,021	11.9	12.0	10,739
Loans and receivables	55,762	3.2	2.5	54,057
of which Loans and advances to customers	48,771	0.1	(0.6)	48,718
Tangible assets	815	1.0	3.2	807
Other assets	1,559	(9.9)	(9.9)	1,729
Total assets/liabilities and equity	79,013	1.4	1.1	77,918
Financial liabilities held for trading and designated at fair value through profit or loss	2,590	0.2	0.3	2,585
Deposits from central banks and credit institutions	5,983	(10.1)	(11.1)	6,656
Deposits from customers	48,919	2.1	1.7	47,927
Debt certificates	7,754	4.1	3.8	7,447
Other liabilities	10,690	0.8	1.4	10,600
Economic capital allocated	3,076	13.8	13.2	2,703

Relevant business indicators	31-03-17	Δ%	Δ% ⁽¹⁾	31-12-16
Loans and advances to customers (gross) ⁽²⁾	50,477	0.3	(0.4)	50,316
Non-performing loans and guarantees given	1,854	13.2	11.8	1,637
Customer deposits under management ⁽³⁾	49,524	2.5	2.1	48,334
Off-balance sheet funds ⁽⁴⁾	12,868	8.1	8.6	11,902
Risk-weighted assets	58,076	1.1	0.9	57,443
Efficiency ratio (%)	48.1			46.7
NPL ratio (%)	3.3			2.9
NPL coverage ratio (%)	96			103
Cost of risk (%)	1.49			1.15

⁽¹⁾ Figures at constant exchange rate.

⁽²⁾ Excluding repos.

⁽³⁾ Excluding repos and including specific non-marketable debt securities.

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

In terms of **asset quality**, the macroeconomic situation continues to shape the NPL and coverage ratios, which closed the quarter at 3.3% and 96% respectively.

On the liabilities side, **customer funds** have grown over the quarter to 3.4% (up 12.0% year-on-year). This trend is explained by the good performance of all line items, particularly time deposits (up 2.2% in the quarter and 16.2% year-on-year) and off-balance sheet funds (up 8.6% and 19.9% over the quarter and year-on-year, respectively). By country, there has been a positive trend in Argentina (up 10.6% over the quarter and 61.2% year-on-year) and to a lesser extent Colombia (up 7.4% and 8.5% respectively) and Paraguay (up 3.3% and 3.5%, respectively).

Result

In the first quarter of the year, South America posted a net attributable **profit** of €185m, down 8.7% year-on-year on the figure for the first quarter of 2016. The most relevant aspects of the year-on-year changes in the income statement in the area are:

- **Gross income** has grown by 7.0%, thanks to the strong capacity to generate recurring revenues in the area, boosted chiefly by increased year-on-year activity. Net interest income is up 8.3% and fees and commissions have grown by 20.5%. There is lower contribution from NTI in Argentina (the first quarter of 2016 includes the effect of ending the “exchange clamp” in the country) and

in Colombia (in February 2016 there were capital gains on the sale of holdings).

- **Operating expenses** have increased year-on-year by 11.0%, with the main reason for this change being the high inflation rate in some geographical areas.

- **Impairment losses on financial assets** have increased by 30.8%, reflecting what is still weak economic growth in the region, and affected by the impact during the quarter of the provisions associated with one particular customer and the effect of regulatory changes on insolvency provisions in Colombia. All this has resulted in a cumulative cost of risk of 1.49% (1.15% in 2016 and 1.18% in the first quarter of 2016).

By country, net interest income in **Argentina** has posted moderate growth due to the surplus cash resulting from extra cash in the system. Income from fees and commissions has performed very well and NTI has moderated after the effect of the end of the “exchange clamp” in the first quarter of 2016. Expenses have been affected by high inflation and increased provisions linked to the performance of the retail business. In **Chile** the positive trend in gross income and the fall in expenses have easily offset the increase in the nominal tax rate. In **Colombia** gross income performed well, thanks to the good performance of net interest income and income from fees and commissions, although mitigated by the increased provisions mentioned above. In **Peru** there was an increase in income from fees and commissions and higher NTI, together with tighter control over expenses.

South America. Data per country (Million euros)

Country	Operating income				Net attributable profit			
	1Q17	Δ%	Δ% ⁽¹⁾	1Q16	1Q17	Δ%	Δ% ⁽¹⁾	1Q16
Argentina	101	(30.3)	(26.9)	145	43	(35.9)	(32.8)	66
Chile	112	59.5	44.0	70	51	85.2	67.2	28
Colombia	154	23.7	7.5	124	37	(28.8)	(38.1)	53
Peru	181	16.2	6.9	156	43	17.4	8.0	37
Other countries ⁽²⁾	25	(11.9)	0.9	29	11	n.m.	31.9	(1)
Total	573	9.3	3.5	524	185	1.6	(8.7)	182

⁽¹⁾ Figures at constant exchange rate.

⁽²⁾ Venezuela, Paraguay, Uruguay and Bolivia. Additionally, it includes eliminations and other charges.

South America. Relevant business indicators per country (Million euros)

	Argentina		Chile		Colombia		Peru	
	31-03-17	31-12-16	31-03-17	31-12-16	31-03-17	31-12-16	31-03-17	31-12-16
Loans and advances to customers (gross) ^(1,2)	4,831	4,652	15,041	14,618	13,123	13,093	14,023	14,802
Deposits from customers	47	36	412	402	614	468	689	660
Customer deposits under management ^(1,3)	7,408	6,922	9,666	10,023	13,911	13,072	13,382	13,617
Off-balance sheet funds ^(1,4)	1,472	1,105	1,720	1,488	943	763	1,599	1,547
Risk-weighted assets	9,250	8,717	14,476	14,300	13,296	12,185	16,753	17,400
Efficiency ratio (%)	63.3	53.8	44.9	49.1	39.0	38.9	37.4	35.8
NPL ratio (%)	1.0	0.8	2.5	2.6	4.6	3.5	3.8	3.4
NPL coverage ratio (%)	325	391	66	66	89	105	102	106
Cost of risk (%)	1.44	1.48	0.87	0.74	2.73	1.34	1.20	1.31

⁽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.

Rest of Eurasia

Highlights

- The loan book continues its upward path begun in the fourth quarter of 2016.
- Reduction in the balance of deposits.
- Significant progress in earnings, supported by the good performance of the Global Markets unit and reduction in costs.

Macro and industry trends

The economy of the **Eurozone** grew at a quarterly rate of 0.4% in the second half of 2016, supported by the strength of domestic demand. However, the uncertainty generated by some events that will occur in 2017 (the start of Brexit negotiations and presidential elections in France and Germany) make it difficult to think that growth will pick up significantly over the coming quarters. The domestic support for growth is still in place and economic policies continue to foster recovery. In this context, fiscal policy will be expansive in the area as a whole in 2017, while the European Central Bank (ECB) remains committed to maintaining an accommodative monetary policy until there are clear indications that the movement of inflation toward its target is clearly sustainable.

Activity and result

This business area basically includes the retail and wholesale business carried out by the Group in Europe (excluding Spain) and Asia.

The area's **loan book** (performing loans to customers under management) increased in the first quarter of 2017 by 3.8% on the figure at the close of 2016. In the first three months of the year activity in the branches in Europe has grown by 5.5%. In Asia it fell by 2.9%, though there was an increase of 3.8% year-on-year.

With respect to the main **credit risk indicators**, there has been a slight upturn in the NPL ratio since December 2016, closing March at 2.8% (compared with 2.7% in December), while the coverage ratio closed at 75% (84% as of 31-Mar-2016).

Customer **deposits** under management have fallen by 9.3% over the quarter, in both branches in Europe (down 11.0%) and Asia (down 2.6%).

Financial statements and relevant business indicators
(Million euros. Percentage)

Income statement	1Q17	Δ%	1Q16
Net interest income	46	10.5	41
Net fees and commissions	41	(3.4)	42
Net trading income	48	98.3	24
Other income/expenses	1	(55.4)	1
Gross income	135	23.8	109
Operating expenses	(80)	(5.6)	(84)
Personnel expenses	(43)	(12.1)	(49)
Other administrative expenses	(34)	3.1	(33)
Depreciation	(3)	4.1	(3)
Operating income	55	124.8	25
Impairment on financial assets (net)	7	n.m.	2
Provisions (net) and other gains (losses)	(5)	271.3	(1)
Profit/(loss) before tax	58	130.7	25
Income tax	(18)	103.9	(9)
Profit/(loss) for the year	40	145.7	16
Non-controlling interests	0	-	-
Net attributable profit	40	145.7	16

Balance sheets	31-03-17	Δ%	31-12-16
Cash, cash balances at central banks and other demand deposits	953	(28.8)	1,337
Financial assets	1,363	(23.7)	1,787
Loans and receivables	16,302	4.7	15,574
of which Loans and advances to customers	15,933	4.0	15,325
Inter-area positions	-	-	-
Tangible assets	38	(1.6)	38
Other assets	370	0.1	369
Total assets/liabilities and equity	19,024	(0.4)	19,106
Financial liabilities held for trading and designated at fair value through profit or loss	69	2.9	67
Deposits from central banks and credit institutions	2,969	11.2	2,670
Deposits from customers	8,524	(9.3)	9,396
Debt certificates	244	(22.4)	315
Inter-area positions	5,817	20.6	4,822
Other liabilities	423	(26.7)	577
Economic capital allocated	977	(22.4)	1,259

Relevant business indicators	31-03-17	Δ%	31-12-16
Loans and advances to customers (gross) ⁽¹⁾	16,438	3.8	15,835
Non-performing loans and guarantees given	691	9.2	633
Customer deposits under management ⁽¹⁾	8,453	(9.3)	9,322
Off-balance sheet funds ⁽²⁾	356	(2.8)	366
Risk-weighted assets	14,394	(8.0)	15,637
Efficiency ratio (%)	59.0		69.6
NPL ratio (%)	2.8		2.7
NPL coverage ratio (%)	75		84
Cost of risk (%)	(0.19)		(0.22)

⁽¹⁾ Excluding repos.

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

With respect to **earnings**, gross income has increased significantly (up 9.3% on the fourth quarter of 2016 and 23.8% compared to the first quarter of 2016), mainly due to the better results from the Global Markets unit, supported by both the distribution franchise and leverage. There has been an outstanding performance by trading activity, particularly in the category of equity, thanks to positive management

of volatility. In addition, operating expenses continue to moderate (down 5.6% year-on-year), due mainly to personnel expenses being kept in check. Finally, there were no relevant changes over the quarter in impairment losses on financial assets, so this geographical area has contributed €40m to net attributable profit in the first quarter of 2017, 145.7% more than in the same period in 2016.

Corporate Center

The Corporate Center basically 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 earnings, 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. The highlights of its income statement for the first quarter of 2017 are summarized below:

- Greater contribution of **NTI** than in the same period of the previous year, and than in the fourth quarter of 2016. This is mainly due to the registration of capital gains of €204m before tax (€174m after tax) from the sale on the market of 1.7% of CNCB.
- Containment of **operating expenses**, which declined 7.7% year-on-year.

Overall, the Corporate Center posted a negative cumulative **result** of €122m, which compares with a loss of €290m in the first quarter of 2016.

Financial statements (Million euros. Percentage)

Income statement	1Q17	Δ%	1Q16
Net interest income	(110)	(18.1)	(134)
Net fees and commissions	(5)	(55.2)	(11)
Net trading income	213	n.m.	(4)
Other income/expenses	(28)	(4.0)	(29)
Gross income	71	n.m.	(178)
Operating expenses	(208)	(7.7)	(225)
Personnel expenses	(115)	(0.8)	(116)
Other administrative expenses	(16)	(46.9)	(30)
Depreciation	(77)	(3.2)	(80)
Operating income	(137)	(66.0)	(403)
Impairment on financial assets (net)	1	60.6	0
Provisions (net) and other gains (losses)	(8)	(56.4)	(18)
Profit/(loss) before tax	(144)	(65.7)	(421)
Income tax	22	(83.5)	131
Profit/(loss) for the year	(123)	(57.6)	(290)
Non-controlling interests	1	n.m.	(0)
Net attributable profit	(122)	(57.9)	(290)

Balance sheets	31-03-17	Δ%	31-12-16
Cash, cash balances at central banks and other demand deposits	2	n.m.	(2)
Financial assets	2,131	27.2	1,675
Loans and receivables	-	-	130
of which Loans and advances to customers	-	-	130
Inter-area positions	(6,725)	44.4	(4,658)
Tangible assets	2,002	(1.1)	2,023
Other assets	20,152	6.0	19,017
Total assets/liabilities and equity	17,563	(3.4)	18,186
Financial liabilities held for trading and designated at fair value through profit or loss	-	-	-
Deposits from central banks and credit institutions	-	-	-
Deposits from customers	-	-	-
Debt certificates	9,692	(7.6)	10,493
Inter-area positions	(20,865)	8.6	(19,217)
Other liabilities	2,098	(21.3)	2,666
Economic capital allocated	(26,251)	(1.2)	(26,559)
Shareholders' funds	52,888	4.1	50,803

Other information

Main risks and uncertainties

See Note 7 of the Consolidated Financial Statements corresponding for the year ended December, 2016 for information on risk management and risk exposure faced by BBVA Group.

Subsequent events

From April 1, 2017 to the date of preparation of these consolidated financial statements, there are no subsequent events requiring disclosure in these interim financial statements have taken place that significantly affect the Group's earnings or its equity position, except the one mentioned in note 4 concerning the Dividend Option.

Alternative Performance Measures (APMs)

BBVA presents its results in accordance with the International Financial Reporting Standards (EU-IFRS). However, it also considers that some alternative performance measures (APMs) provide useful additional financial information that should be taken into account when evaluating performance. These APMs are also used when making financial, operational and planning decisions within the Entity. The Group firmly believes that they give a true and fair view of its financial information. These APMs are generally used in the financial sector as indicators for monitoring the assets, liabilities and economic and financial situation of entities.

BBVA Group's APMs are given below. They are presented in accordance with the European Securities and Markets Authority (ESMA) guidelines, published on October 5, 2015 [ESMA/2015/1415en](#)). These guidelines are aimed at promoting the usefulness and transparency of APMs included in prospectuses or regulated information to protect investors in the European Union. In accordance with the indications given in the guidelines, BBVA Group's APMs:

- Include clear and readable definitions of the APMs (paragraphs 21-25).
- Disclose the reconciliations to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period, separately identifying and explaining the material reconciling items (paragraphs 26-32).
- Are standard measures generally used in the financial industry, so their use provides comparability in the analysis of performance between issuers (paragraphs 33-34).
- Do not have greater preponderance than measures directly stemming from financial statements (paragraphs 35-36).
- Are accompanied by comparatives for previous periods (paragraphs 37-40).
- Are consistent over time (paragraphs 41-44).

Book value per share

The book value per share determines the value of the company on its books for each share held by the shareholder.

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

Explanation of the formula: The figures for both the shareholders' funds and accumulated other comprehensive income are taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend before publication. The denominator includes the final number of outstanding shares excluding own shares (treasury shares). The denominator is also adjusted to include the capital increase resulting from the execution of the "dividend options" explained above. Both the numerator and the denominator take into account specific balances.

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

Million euros		31/03/2016	30/06/2016	30/09/2016	31/12/2016	31/03/2017
Numerator (million euros)	+ Shareholders' funds	50.555	51.761	52.248	52.821	53.188
	+ Dividend-option adjustment	675	-	455	-	716
	+ Accumulated other comprehensive income	(4.171)	(4.327)	(4.681)	(5.458)	(5.144)
Denominator (million euros)	+ Number of shares outstanding	6.367	6.480	6.480	6.567	6.567
	+ Dividend-option	114	-	86	-	101
	- Treasury shares	26	28	11	7	4
=	Book value per share (euros / share)	7,29	7,35	7,33	7,22	7,32

Tangible book value per share

The tangible book value per share determines the value of the company on its books for each share held by shareholders in the event of liquidation.

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

Explanation of the formula: The figures for shareholders' funds, accumulated other comprehensive income and intangible assets are all taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend before publication. The denominator includes the final number of shares outstanding excluding own shares (treasury shares). The denominator is also adjusted to include the result of the capital increase resulting from the execution of the "dividend options" explained above. Both the numerator and the denominator take into account specific balances.

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

Million euros		31/03/2016	30/06/2016	30/09/2016	31/12/2016	31/03/2017
Numerator (million euros)	+ Shareholders' funds	50.555	51.761	52.248	52.821	53.188
	+ Dividend-option adjustment	675	-	455	-	716
	+ Accumulated other comprehensive income	(4.171)	(4.327)	(4.681)	(5.458)	(5.144)
	- Intangible assets	9.858	9.936	9.503	9.786	9.561
Denominator (million euros)	+ Number of shares outstanding	6.367	6.480	6.480	6.567	6.567
	+ Dividend-option	114	-	86	-	101
	- Treasury shares	26	28	11	7	4
=	Tangible book value per share (euros / share)	5,76	5,81	5,88	5,73	5,88

Dividend yield

This is the remuneration given to the shareholders in the last twelve calendar months divided into the closing price for the period.

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

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

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

		31/03/2016	30/06/2016	30/09/2016	31/12/2016	31/03/2017
Numerator (euros)	Σ Dividends	0,37	0,37	0,37	0,37	0,37
Denominator (euros)	Closing price	5,84	5,06	5,38	6,41	7,27
=	Dividend yield	6,3%	7,3%	6,9%	5,8%	5,1%

Non-performing loan (NPL) ratio

This is the ratio between the risks classified for accounting purposes as non-performing loans and the total credit risk balance for customers and contingent risks.

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

Explanation of the formula: Both non-performing loans and credit risk include contingent liabilities, now called collateral given. Their calculation is based on the headings in the first table on page 18 of this report.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the current situation and changes in credit risk quality, and specifically the relationship between risks classified in the accounts as non-performing loans and the total balance of credit risk, with respect to customers and contingent liabilities.

		31/03/2016	30/06/2016	30/09/2016	31/12/2016	31/03/2017
Numerator (million euros)	NPLs	25.473	24.834	24.253	23.595	23.236
Denominator (million euros)	Credit Risk	478.429	483.169	472.521	480.720	480.517
=	Non-Performing Loans (NPLs) ratio	5,3%	5,1%	5,1%	4,9%	4,8%

NPL coverage ratio

It reflects the degree to which the impairment of non-performing loans has been covered in the accounts via loan-loss provisions.

$$\frac{\text{Impairment on financial assets (net)}}{\text{NPL}}$$

Explanation of the formula: Non-performing loans include contingent liabilities, now called collateral given. Their calculation is based on the headings in the first table on page 18 of this report.

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

		31/03/2016	30/06/2016	30/09/2016	31/12/2016	31/03/2017
Numerator (million euros)	Provisions	18.740	18.264	17.397	16.573	16.385
Denominator (million euros)	NPLs	25.473	24.834	24.253	23.595	23.236
=	NPL coverage ratio	74%	74%	72%	70%	71%

Efficiency ratio

It measures the percentage of gross income consumed by an entity's operating expenses.

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

Explanation of the formula: Operating expenses are the sum of personnel expenses, plus administrative expenses, plus depreciation.

Relevance of its use: This ratio is generally used in the banking sector. It is also a ratio linked to one of the Group's six Strategic Priorities.

		2016				2017
		Jan.-Mar.	Jan.-Jun.	Jan.-Sep.	Jan.-Dec.	Jan.-Mar.
Numerator (million euros)	Operating expenses	(3.174)	(6.332)	(9.549)	(12.791)	(3.137)
Denominator (million euros)	Gross income	5.788	12.233	18.431	24.653	6.383
=	Efficiency ratio	54,8%	51,8%	51,8%	51,9%	49,1%

ROE

The ROE ratio (return on equity) measures the return obtained on an entity's shareholders' funds.

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

Explanation of the formula:

Annualized net attributable profit: it measures the net profit attributable to the Group after deducting the results from non-controlling interests. If the metric is presented on a date before the close of the fiscal year, the numerator must be annualized. If extraordinary items (results from corporate operations) are included in the net attributable profit for the months covered, they are eliminated from the figure before it is annualized, and then added to the metric once it has been annualized.

Average shareholders' funds: These are shareholders' funds adjusted to take into account the result of the "dividend-option" at the closing dates before publication on which it was agreed to distribute this type of dividend. Average shareholders' funds are a moving weighted average of shareholders' funds over the last twelve calendar months.

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

		2016				2017
		Jan.-Mar.	Jan.-Jun.	Jan.-Sep.	Jan.-Dec.	Jan.-Mar.
Numerator (million euros)	Annualized attributable profit	2.853	3.684	3.736	3.475	4.863
Denominator (million euros)	Average shareholder's funds	50.923	51.253	51.590	51.947	53.371
=	ROE	5,6%	7,2%	7,2%	6,7%	9,1%

In addition, a derivative of this metric may be reported, such as ROE not including the results from corporate operations. In this case the numerator will not include the results from corporate operations.

ROTE

The ROTE ratio (return on tangible equity) measures the return on an entity's shareholders' funds, excluding intangible assets.

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

Explanation of the formula:

Annualized net attributable profit: calculated in the same way as ROE above.

Average shareholders' funds: calculated in the same way as ROE above.

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

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

		2016				2017
		Jan.-Mar.	Jan.-Jun.	Jan.-Sep.	Jan.-Dec.	Jan.-Mar.
Numerator (million euros)	Annualized attributable profit	2.853	3.684	3.736	3.475	4.863
Denominator (million euros)	+ Average shareholder's funds	50.923	51.253	51.590	51.947	53.371
	- Average intangible assets	10.054	9.961	9.875	9.819	9.590
=	ROTE	7,0%	8,9%	9,0%	8,2%	11,1%

A derivative of this metric may also be reported, such as ROTE not including the results from corporate operations. In this case the numerator does not include the results from corporate operations.

ROA

The ROA ratio (return on assets) measures the return obtained on an entity's assets.

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

Explanation of the formula:

Annualized net income: If the metric is presented on a date before the close of the fiscal year, the numerator must be annualized. If extraordinary items (results from corporate operations) are included in the net attributable profit for the months covered, they are eliminated from the figure before it is annualized, and then added to the metric once it has been annualized.

Average total assets: A moving weighted average of the total assets in the last twelve calendar months.

Relevance of its use: This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

		2016				2017
		Jan.-Mar.	Jan.-Jun.	Jan.-Sep.	Jan.-Dec.	Jan.-Mar.
Numerator (million euros)	Annualized net income	3.924	4.970	4.972	4.693	6.049
Denominator (million euros)	Average total assets	749.242	742.470	739.330	735.636	719.448
=	ROA	0,52%	0,67%	0,67%	0,64%	0,84%

A derivative of this metric may also be reported, such as ROA not including the results from corporate operations. In this case the numerator does not include the results from corporate operations.

RORWA

The RORWA ratio (return on risk-weighted assets) measures the accounting return obtained on average risk-weighted assets.

$$\frac{\text{Annualized net income}}{\text{Average risk – weighted assets}}$$

Explanation of the formula:

Annualized net income: calculated in the same way as ROA above.

Average risk-weighted assets (RWA): a moving weighted average of RWA over the last twelve calendar months.

Relevance of its use: This ratio is generally used in the banking sector to measure the return obtained on RWA.

		2016				2017
		Jan.-Mar.	Jan.-Jun.	Jan.-Sep.	Jan.-Dec.	Jan.-Mar.
Numerator (million euros)	Annualized net income	3.924	4.970	4.972	4.693	6.049
Denominator (million euros)	Average RWA	399.448	397.873	395.447	394.356	388.541
=	RORWA	0,98%	1,25%	1,26%	1,19%	1,56%

A derivative of this metric may also be reported, such as RORWA not including the results from corporate operations. In this case the numerator does not include the results from corporate operations.

Other customer funds

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

Explanation of the formula: Sum of mutual funds + pension funds + other off-balance sheet funds + customer portfolios; as displayed in the table on page 16 of this report.

Relevance of its use: This metric is generally used in the banking sector, as apart from on-balance sheet funds, financial institutions manage other types of customer funds, such as mutual funds, pension funds, etc.

Million euros		31/03/2016	30/06/2016	30/09/2016	31/12/2016	31/03/2017
+	Mutual funds	53.147	53.487	54.555	55.037	58.780
+	Pension Funds	31.410	32.033	32.628	33.418	33.479
+	Other off-balance sheet funds	3.611	3.370	3.156	2.831	2.952
+	Customer portfolios	44.204	42.473	41.716	41.437	40.078
=	Other customer funds	131.072	130.176	130.833	132.092	135.290