

*Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRS for banks. See Note 54). This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.*

# BBVA



# Financial Statements

For the year ended December 31, 2013

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank (identified in Note 1.2 to the accompanying financial statements) and rules contained therein (Notes 1 and 54). In the event of a discrepancy, the Spanish-language version prevails.*

## AUDITORS' REPORT ON FINANCIAL STATEMENTS

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

We have audited the financial statements of Banco Bilbao Vizcaya Argentaria, S.A. ("the Bank"), which comprise the balance sheet at 31 December 2013 and the related income statement, statement of recognised income and expense, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended. The directors of the Bank are responsible for the preparation of the Bank's financial statements in accordance with the regulatory financial reporting framework applicable to the Bank (identified in Note 1.2 to the accompanying financial statements) and, in particular, with the accounting principles and rules contained therein. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

In our opinion, the accompanying financial statements for 2013 present fairly, in all material respects, the equity and financial position of Banco Bilbao Vizcaya Argentaria, S.A. at 31 December 2013, and the results of its operations and its cash flows for the year then ended, in conformity with the regulatory financial reporting framework applicable to the Bank and, in particular, with the accounting principles and rules contained therein.

The accompanying directors' report for 2013 contains the explanations which the directors consider appropriate about the Bank's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2013. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Bank's accounting records.

DELOITTE, S.L.  
Registered in ROAC under no. S0692



Miguel Ángel Bailón  
4 February 2014

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## MANAGEMENT REPORT



## BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

### Balance sheets as of December 31, 2013 and 2012

| ASSETS  | Notes     | Millones of Euros |                |
|---|-----------|-------------------|----------------|
|   |           | 2013              | 2012(*)        |
| <b>CASH AND BALANCES WITH CENTRAL BANKS</b>   | <b>7</b>  | <b>12,085</b>     | <b>11,079</b>  |
| <b>FINANCIAL ASSETS HELD FOR TRADING</b>  | <b>8</b>  | <b>56,631</b>     | <b>63,771</b>  |
| Loans and advances to credit institutions   |           | -                 | -              |
| Loans and advances to customers   |           | -                 | -              |
| Debt securities   |           | 13,425            | 12,437         |
| Equity instruments  |           | 4,148             | 2,199          |
| Trading derivatives   |           | 39,058            | 49,135         |
| Memorandum item: Loaned or advanced as collateral                                       |           | 9,111             | 7,378          |
| <b>OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>           | <b>9</b>  | <b>-</b>          | <b>-</b>       |
| Loans and advances to credit institutions   |           | -                 | -              |
| Loans and advances to customers   |           | -                 | -              |
| Debt securities   |           | -                 | -              |
| Equity instruments  |           | -                 | -              |
| Memorandum item: Loaned or advanced as collateral                                       |           | -                 | -              |
| <b>AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>  | <b>10</b> | <b>43,301</b>     | <b>33,098</b>  |
| Debt securities   |           | 38,151            | 30,083         |
| Equity instruments  |           | 5,150             | 3,015          |
| Memorandum item: Loaned or advanced as collateral                                       |           | 19,200            | 19,813         |
| <b>LOANS AND RECEIVABLES</b>  | <b>11</b> | <b>230,523</b>    | <b>237,029</b> |
| Loans and advances to credit institutions   |           | 20,410            | 21,366         |
| Loans and advances to customers   |           | 208,313           | 213,944        |
| Debt securities   |           | 1,800             | 1,719          |
| Memorandum item: Loaned or advanced as collateral                                       |           | 37,215            | 64,237         |
| <b>HELD-TO-MATURITY INVESTMENTS</b>   | <b>12</b> | <b>-</b>          | <b>10,162</b>  |
| Memorandum item: Loaned or advanced as collateral                                       |           | -                 | 2,853          |
| <b>FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK</b> | <b>13</b> | <b>99</b>         | <b>226</b>     |
| <b>HEDGING DERIVATIVES</b>  | <b>13</b> | <b>2,307</b>      | <b>3,708</b>   |
| <b>NON-CURRENT ASSETS HELD FOR SALE</b>   | <b>14</b> | <b>2,195</b>      | <b>1,968</b>   |
| <b>EQUITY METHOD</b>  | <b>15</b> | <b>25,602</b>     | <b>28,524</b>  |
| Associates  |           | 818               | 4,499          |
| Jointly controlled entities   |           | 3,865             | 4,013          |
| Subsidiaries  |           | 20,919            | 20,012         |
| <b>INSURANCE CONTRACTS LINKED TO PENSIONS</b>   | <b>22</b> | <b>1,989</b>      | <b>2,022</b>   |
| <b>TANGIBLE ASSETS</b>  | <b>16</b> | <b>1,651</b>      | <b>1,461</b>   |
| Property, plants and equipment  |           | 1,646             | 1,460          |
| For own use   |           | 1,646             | 1,460          |
| Other assets leased out under an operating lease  |           | -                 | -              |
| Investment properties   |           | 5                 | 1              |
| Memorandum item: Loaned or advanced as collateral                                       |           | -                 | -              |
| <b>INTANGIBLE ASSETS</b>  | <b>17</b> | <b>927</b>        | <b>729</b>     |
| Goodwill  |           | -                 | -              |
| Other intangible assets   |           | 927               | 729            |
| <b>TAX ASSETS</b>   | <b>18</b> | <b>8,543</b>      | <b>5,732</b>   |
| Current   |           | 1,402             | 787            |
| Deferred  |           | 7,141             | 4,945          |
| <b>OTHER ASSETS</b>   | <b>19</b> | <b>1,078</b>      | <b>990</b>     |
| <b>TOTAL ASSETS</b>   |           | <b>386,931</b>    | <b>400,499</b> |

(\*) Presented for comparison purposes only (nota 1.3).

The accompanying Notes 1 to 54 and Appendices I to XV are an integral part of the balance sheet as of December 31, 2013.



## BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

### Balance sheets as of December 31, 2013 and 2012

| LIABILITIES AND EQUITY  | Notes     | Millions of Euros |                |
|---|-----------|-------------------|----------------|
|   |           | 2013              | 2012(*)        |
| <b>FINANCIAL LIABILITIES HELD FOR TRADING</b>   | <b>8</b>  | <b>43,599</b>     | <b>53,434</b>  |
| Deposits from central banks   |           | -                 | -              |
| Deposits from credit institutions   |           | -                 | -              |
| Customer deposits   |           | -                 | -              |
| Debt certificates   |           | -                 | -              |
| Trading derivatives   |           | 38,531            | 48,849         |
| Short positions   |           | 5,068             | 4,585          |
| Other financial liabilities   |           | -                 | -              |
| <b>OTHER FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>      | <b>9</b>  | <b>-</b>          | <b>-</b>       |
| Deposits from central banks   |           | -                 | -              |
| Deposits from credit institutions   |           | -                 | -              |
| Customer deposits   |           | -                 | -              |
| Debt certificates   |           | -                 | -              |
| Subordinated liabilities  |           | -                 | -              |
| Other financial liabilities   |           | -                 | -              |
| <b>FINANCIAL LIABILITIES AT AMORTIZED COST</b>  | <b>20</b> | <b>300,716</b>    | <b>305,917</b> |
| Deposits from central banks   |           | 25,487            | 40,557         |
| Deposits from credit institutions   |           | 42,920            | 48,962         |
| Customer deposits   |           | 188,013           | 163,798        |
| Debt certificates   |           | 33,787            | 42,025         |
| Subordinated liabilities  |           | 5,106             | 5,169          |
| Other financial liabilities   |           | 5,403             | 5,406          |
| <b>FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK</b> | <b>13</b> | <b>-</b>          | <b>-</b>       |
| <b>HEDGING DERIVATIVES</b>  | <b>13</b> | <b>1,507</b>      | <b>2,586</b>   |
| <b>LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE</b>                     | <b>14</b> | <b>-</b>          | <b>-</b>       |
| <b>PROVISIONS</b>   | <b>21</b> | <b>5,782</b>      | <b>6,696</b>   |
| Provisions for pensions and similar obligations   |           | 4,878             | 4,998          |
| Provisions for taxes and other legal contingencies                                      |           | -                 | -              |
| Provisions for contingent exposures and commitments                                     |           | 221               | 176            |
| Other provisions  |           | 683               | 1,522          |
| <b>TAX LIABILITIES</b>  | <b>18</b> | <b>978</b>        | <b>450</b>     |
| Current   |           | -                 | -              |
| Deferred  |           | 978               | 450            |
| <b>OTHER LIABILITIES</b>  | <b>19</b> | <b>1,474</b>      | <b>1,610</b>   |
| <b>TOTAL LIABILITIES</b>  |           | <b>354,056</b>    | <b>370,693</b> |

(\*) Presented for comparison purposes only (nota 1.3).

The accompanying Notes 1 to 54 and Appendices I to XV are an integral part of the balance sheet as of December 31, 2013.





## BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

### Balance sheets as of December 31, 2013 and 2012

|  |       | Millions of Euros |                |
|--|-------|-------------------|----------------|
| LIABILITIES AND EQUITY (Continued)                 | Notes | 2013              | 2012(*)        |
| <b>STOCKHOLDERS' FUNDS</b>                         |       | <b>32,991</b>     | <b>30,783</b>  |
| Common Stock                                       | 23    | 2,835             | 2,670          |
| Issued   |       | 2,835             | 2,670          |
| Unpaid and uncalled (-)                            |       | -                 | -              |
| Share premium                                      | 24    | 22,111            | 20,968         |
| Reserves   | 25    | 7,384             | 7,049          |
| Other equity instruments                           |       | 43                | 43             |
| Equity component of compound financial instruments |       | -                 | -              |
| Other equity instruments                           |       | 43                | 43             |
| Less: Treasury stock                               | 26    | (20)              | (41)           |
| Income attributed                                  |       | 1,406             | 1,428          |
| Less: Dividends and remuneration                   |       | (768)             | (1,334)        |
| <b>VALUATION ADJUSTMENTS</b>                       | 27    | <b>(116)</b>      | <b>(977)</b>   |
| Available-for-sale financial assets                |       | (52)              | (938)          |
| Cash flow hedging                                  |       | (45)              | (40)           |
| Hedging of net investment in foreign transactions  |       | -                 | -              |
| Exchange differences                               |       | 1                 | 19             |
| Non-current assets held-for-sale                   |       | -                 | -              |
| Other valuation adjustments                        |       | (20)              | (18)           |
| <b>TOTAL EQUITY</b>                                |       | <b>32,875</b>     | <b>29,806</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>                |       | <b>386,931</b>    | <b>400,499</b> |

|                        |       | Millions of Euros |         |
|------------------------|-------|-------------------|---------|
| MEMORANDUM ITEM        | Notes | 2013              | 2012(*) |
| CONTINGENT RISK        | 29    | 47,961            | 64,373  |
| CONTINGENT COMMITMENTS | 29    | 53,412            | 50,202  |

(\*) Presented for comparison purposes only (nota 1.3).

The accompanying Notes 1 to 54 and Appendices I to XV are an integral part of the balance sheet as of December 31, 2013.



## BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

### Income statements for the years ended December 31, 2013 and 2012.

|  |       | Millions of Euros |               |
|--|-------|-------------------|---------------|
|  | Notes | 2013              | 2012(*)       |
| INTEREST AND SIMILAR INCOME  | 34    | 7,877             | 9,099         |
| INTEREST AND SIMILAR EXPENSES  | 34    | (4,589)           | (4,875)       |
| <b>NET INTEREST INCOME</b>   |       | <b>3,288</b>      | <b>4,224</b>  |
| DIVIDEND INCOME  | 35    | 2,257             | 5,117         |
| FEE AND COMMISSION INCOME  | 36    | 1,775             | 1,730         |
| FEE AND COMMISSION EXPENSES  | 37    | (332)             | (322)         |
| NET GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES               | 38    | 1,125             | 987           |
| Financial instruments held for trading                               |       | 328               | 580           |
| Other financial instruments at fair value through profit or loss     |       | -                 | -             |
| Other financial instruments not at fair value through profit or loss |       | 797               | 407           |
| Rest   |       | -                 | -             |
| EXCHANGE DIFFERENCES (NET)   |       | 195               | (307)         |
| OTHER OPERATING INCOME   | 39    | 131               | 93            |
| OTHER OPERATING EXPENSES   | 39    | (437)             | (272)         |
| <b>GROSS INCOME</b>  |       | <b>8,002</b>      | <b>11,250</b> |
| ADMINISTRATION COSTS   | 40    | (3,877)           | (3,668)       |
| Personnel expenses   |       | (2,352)           | (2,264)       |
| General and administrative expenses                                  |       | (1,525)           | (1,404)       |
| DEPRECIATION AND AMORTIZATION  | 41    | (502)             | (380)         |
| PROVISIONS (NET)   | 42    | (730)             | (969)         |
| IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)                          | 43    | (3,254)           | (5,668)       |
| Loans and receivables  |       | (3,224)           | (5,653)       |
| Other financial instruments not at fair value through profit or loss |       | (30)              | (15)          |
| <b>NET OPERATING INCOME</b>  |       | <b>(361)</b>      | <b>565</b>    |

(\*) Presented for comparison purposes only (nota 1.3).

The accompanying Notes 1 to 54 and Appendices I to XV are an integral part of the income statement for the year ended December 31, 2013.





**BANCO BILBAO VIZCAYA ARGENTARIA, S.A.**  
**Income statements for the years ended December 31, 2013 and 2012.**

| (Continued)  | Notes | Millions of Euros |              |
|--|-------|-------------------|--------------|
|  |       | 2013              | 2012(*)      |
| <b>NET OPERATING INCOME</b>  |       | <b>(361)</b>      | <b>565</b>   |
| IMPAIRMENT LOSSES ON OTHER ASSETS (NET)  | 44    | 145               | 543          |
| Goodwill and other intangible assets   |       | -                 | -            |
| Other assets   |       | 145               | 543          |
| GAINS (LOSSES) ON DERECOGNIZED ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE     | 45    | (127)             | 14           |
| NEGATIVE GOODWILL  |       | -                 | -            |
| GAINS (LOSSES) IN NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS | 46.1  | (370)             | (488)        |
| <b>INCOME BEFORE TAX</b>   |       | <b>(713)</b>      | <b>634</b>   |
| INCOME TAX   | 18    | 1,058             | 751          |
| <b>INCOME FROM CONTINUING TRANSACTIONS</b>   |       | <b>345</b>        | <b>1,385</b> |
| INCOME FROM DISCONTINUED TRANSACTIONS (NET)  | 46.2  | 1,061             | 43           |
| <b>NET INCOME</b>  |       | <b>1,406</b>      | <b>1,428</b> |

(\*) Presented for comparison purposes only (nota 1.3).

The accompanying Notes 1 to 54 and Appendices I to XV are an integral part of the income statement for the year ended December 31, 2013.



## BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

### Statements of recognized income and expenses for the years ended December 31, 2013 and 2012.

|  | Millions of Euros |              |
|--|-------------------|--------------|
|  | 2013              | 2012(*)      |
| <b>NET INCOME RECOGNIZED IN INCOME STATEMENT</b>                   | <b>1,406</b>      | <b>1,428</b> |
| <b>OTHER RECOGNIZED INCOME (EXPENSES)</b>                          | <b>861</b>        | <b>(124)</b> |
| <b>ITEMS NOT SUBJECT TO RECLASSIFICATION TO P&amp;L</b>            | <b>(2)</b>        | <b>(9)</b>   |
| Actuarial gains and losses from defined benefit pension plans      | (3)               | (13)         |
| Non-current assets available for sale                              | -                 | -            |
| Income tax related to items not subject to reclassification to p&l | 1                 | 4            |
| <b>ITEMS SUBJECT TO RECLASSIFICATION TO P&amp;L</b>                | <b>863</b>        | <b>(115)</b> |
| <b>Available-for-sale financial assets</b>                         | <b>1,294</b>      | <b>(176)</b> |
| Valuation gains/(losses)   | 1,360             | (343)        |
| Amounts removed to income statement                                | (66)              | 167          |
| Reclassifications  | -                 | -            |
| <b>Cash flow hedging</b>   | <b>(8)</b>        | <b>(14)</b>  |
| Valuation gains/(losses)   | (7)               | (14)         |
| Amounts removed to income statement                                | (1)               | -            |
| Amounts removed to the initial carrying amount of the hedg         | -                 | -            |
| Reclassifications  | -                 | -            |
| <b>Hedging of net investment in foreign transactions</b>           | <b>-</b>          | <b>-</b>     |
| Valuation gains/(losses)   | -                 | -            |
| Amounts removed to income statement                                | -                 | -            |
| Reclassifications  | -                 | -            |
| <b>Exchange differences</b>  | <b>(17)</b>       | <b>73</b>    |
| Valuation gains/(losses)   | 1                 | 73           |
| Amounts removed to income statement                                | (18)              | -            |
| Reclassifications  | -                 | -            |
| <b>Non-current assets held for sale</b>                            | <b>-</b>          | <b>-</b>     |
| Valuation gains/(losses)   | -                 | -            |
| Amounts removed to income statement                                | -                 | -            |
| Reclassifications  | -                 | -            |
| <b>Rest of recognized income and expenses</b>                      | <b>-</b>          | <b>-</b>     |
| <b>Income tax</b>  | <b>(406)</b>      | <b>2</b>     |
| <b>TOTAL RECOGNIZED INCOME/EXPENSES</b>                            | <b>2,267</b>      | <b>1,304</b> |

(\*) Presented for comparison purposes only (nota 1.3).

The accompanying Notes 1 to 54 and Appendices I to XV are an integral part of the statement of recognized income and expenses for the year ended December 31, 2013

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRS for banks. See Note 54).

This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.



## BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

### Statements of changes in equity for the years ended December 31, 2013 and 2012.

| Millions of Euros  |   |                         |   |                          |                                |                     |  |                           |                                 |              |
|--|---|-------------------------|---|--------------------------|--------------------------------|---------------------|--|---------------------------|---------------------------------|--------------|
| 2013   | Total Equity Attributed to the Parent Company |                         |   |                          |                                |                     |  |                           |                                 | Total Equity |
|  | Stockholders' Funds                           |                         |   |                          |                                |                     |  |                           | Valuation Adjustments (Note 27) |              |
|  | Common Stock (Note 23)                        | Share Premium (Note 24) | Reserves (Note 25)<br>Reserves (Accumulated Losses) | Other Equity Instruments | Less: Treasury Stock (Note 26) | Profit for the Year | Less: Dividends and Remunerations (Note 4) | Total Stockholders' Funds |                                 |              |
| Balances as of January 1, 2013   | 2,670   | 20,968                  | 7,049   | 43                       | (41)                           | 1,428               | (1,334)                                    | 30,783                    | (977)                           | 29,806       |
| Effect of changes in accounting policies                                 | -   | -                       | -   | -                        | -                              | -                   | -  | -                         | -                               | -            |
| Effect of correction of errors   | -   | -                       | -   | -                        | -                              | -                   | -  | -                         | -                               | -            |
| Adjusted initial balance   | 2,670   | 20,968                  | 7,049   | 43                       | (41)                           | 1,428               | (1,334)                                    | 30,783                    | (977)                           | 29,806       |
| Total income/expense recognized  | -   | -                       | -   | -                        | -                              | 1,406               | -  | 1,406                     | 861                             | 2,267        |
| Other changes in equity  | 165   | 1,143                   | 335   | -                        | 21                             | (1,428)             | 566  | 802                       | -                               | 802          |
| Common stock increase  | 71  | -                       | (71)  | -                        | -                              | -                   | -  | -                         | -                               | -            |
| Common stock reduction   | -   | -                       | -   | -                        | -                              | -                   | -  | -                         | -                               | -            |
| Conversion of financial liabilities into capital                         | 94  | 1,143                   | -   | -                        | -                              | -                   | -  | 1237                      | -                               | 1237         |
| Increase of other equity instruments                                     | -   | -                       | -   | 27                       | -                              | -                   | -  | 27                        | -                               | 27           |
| Reclassification of financial liabilities to other equity instruments    | -   | -                       | -   | -                        | -                              | -                   | -  | -                         | -                               | -            |
| Reclassification of other equity instruments to financial liabilities    | -   | -                       | -   | -                        | -                              | -                   | -  | -                         | -                               | -            |
| Dividend distribution  | -   | -                       | -   | -                        | -                              | -                   | (607)                                      | (607)                     | -                               | (607)        |
| Transactions including treasury stock and other equity instruments (net) | -   | -                       | -   | -                        | 21                             | -                   | -  | 21                        | -                               | 21           |
| Transfers between total equity entries                                   | -   | -                       | 107   | (13)                     | -                              | (1428)              | 1334                                       | -                         | -                               | -            |
| Increase/Reduction due to business combinations                          | -   | -                       | 308   | -                        | -                              | -                   | -  | 308                       | -                               | 308          |
| Payments with equity instruments   | -   | -                       | -   | -                        | -                              | -                   | -  | -                         | -                               | -            |
| Rest of increases/reductions in total equity                             | -   | -                       | (9)   | (14)                     | -                              | -                   | (161)                                      | (184)                     | -                               | (184)        |
| Of which:  |   |                         |   |                          |                                |                     |  |                           |                                 |              |
| Acquisition of the free allotment rights                                 | -   | -                       | -   | -                        | -                              | -                   | (161)                                      | (161)                     | -                               | (161)        |
| Balances as of December 31, 2013   | 2,835   | 22,111                  | 7,384   | 43                       | (20)                           | 1,406               | (768)                                      | 32,991                    | (116)                           | 32,875       |

The accompanying Notes 1 to 54 and Appendices I to XV are an integral part of the statement of changes in equity for the year ended December 31, 2013.

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRS for banks. See Note 54).

This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.



## BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

### Statements of changes in equity for the years ended December 31, 2013 and 2012.

| Millions of Euros  |   |                         |   |                          |                                |                     |  |                           |                                 |                  |
|--|---|-------------------------|---|--------------------------|--------------------------------|---------------------|--|---------------------------|---------------------------------|------------------|
| 2012   | Total Equity Attributed to the Parent Company |                         |   |                          |                                |                     |  |                           |                                 | Total Equity (*) |
|  | Stockholders' Funds                           |                         |   |                          |                                |                     |  |                           | Valuation Adjustments (Note 27) |                  |
|  | Common Stock (Note 23)                        | Share Premium (Note 24) | Reserves (Note 25)<br>Reserves (Accumulated Losses) | Other Equity Instruments | Less: Treasury Stock (Note 26) | Profit for the Year | Less: Dividends and Remunerations (Note 4) | Total Stockholders' Funds |                                 |                  |
| Balances as of January 1, 2012   | 2,403   | 18,970                  | 6,817   | 29                       | (19)                           | 1,428               | (1,124)                                    | 28,504                    | (853)                           | 27,651           |
| Effect of changes in accounting policies                                 | -   | -                       | -   | -                        | -                              | -                   | -  | -                         | -                               | -                |
| Effect of correction of errors   | -   | -                       | -   | -                        | -                              | -                   | -  | -                         | -                               | -                |
| Adjusted initial balance   | 2,403   | 18,970                  | 6,817   | 29                       | (19)                           | 1,428               | (1,124)                                    | 28,504                    | (853)                           | 27,651           |
| Total income/expense recognized  | -   | -                       | -   | -                        | -                              | 1,428               | -  | 1,428                     | (124)                           | 1,304            |
| Other changes in equity  | 267   | 1,998                   | 232   | 14                       | (22)                           | (1,428)             | (210)                                      | 851                       | -                               | 851              |
| Common stock increase  | 73  | -                       | (73)  | -                        | -                              | -                   | -  | -                         | -                               | -                |
| Common stock reduction   | -   | -                       | -   | -                        | -                              | -                   | -  | -                         | -                               | -                |
| Conversion of financial liabilities into capital                         | 194   | 1,998                   | -   | -                        | -                              | -                   | -  | 2,192                     | -                               | 2,192            |
| Increase of other equity instruments                                     | -   | -                       | -   | 17                       | -                              | -                   | -  | 17                        | -                               | 17               |
| Reclassification of financial liabilities to other equity instruments    | -   | -                       | -   | -                        | -                              | -                   | -  | -                         | -                               | -                |
| Reclassification of other equity instruments to financial liabilities    | -   | -                       | -   | -                        | -                              | -                   | -  | -                         | -                               | -                |
| Dividend distribution  | -   | -                       | -   | -                        | -                              | -                   | (1,083)                                    | (1,083)                   | -                               | (1,083)          |
| Transactions including treasury stock and other equity instruments (net) | -   | -                       | 17  | -                        | (22)                           | -                   | -  | (5)                       | -                               | (5)              |
| Transfers between total equity entries                                   | -   | -                       | 289   | 15                       | -                              | (1,428)             | 1,124                                      | -                         | -                               | -                |
| Increase/Reduction due to business combinations                          | -   | -                       | -   | -                        | -                              | -                   | -  | -                         | -                               | -                |
| Payments with equity instruments   | -   | -                       | -   | -                        | -                              | -                   | -  | -                         | -                               | -                |
| Rest of increases/reductions in total equity                             | -   | -                       | (1)   | (18)                     | -                              | -                   | (251)                                      | (270)                     | -                               | (270)            |
| Of which:  | -   | -                       | -   | -                        | -                              | -                   | -  | -                         | -                               | -                |
| Acquisition of the free allotment rights                                 | -   | -                       | -   | -                        | -                              | -                   | (251)                                      | (251)                     | -                               | (251)            |
| Balances as of December 31, 2012   | 2,670   | 20,968                  | 7,049   | 43                       | (41)                           | 1,428               | (1,334)                                    | 30,783                    | (977)                           | 29,806           |

(\*) Presented for comparison purposes only (nota 1.3).

The accompanying Notes 1 to 54 and Appendices I to XV are an integral part of the statement of changes in equity for the year ended December 31, 2013.



## BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

### Statements of cash flows for the years ended December 31, 2013 and 2012.

|   |           | Millions of Euros |                |
|---|-----------|-------------------|----------------|
|   | Notes     | 2013              | 2012(*)        |
| <b>CASH FLOW FROM OPERATING ACTIVITIES (1)</b>                              | <b>47</b> | <b>3,912</b>      | <b>1,464</b>   |
| Net income for the year   |           | 1,406             | 1,428          |
| Adjustments to obtain the cash flow from operating activities:              |           | 3,885             | 1,378          |
| Depreciation and amortization   |           | 502               | 380            |
| Other adjustments   |           | 3,383             | 998            |
| <b>Net increase/decrease in operating assets</b>                            |           | <b>(13,658)</b>   | <b>(8,147)</b> |
| Financial assets held for trading   |           | (7,139)           | 7,233          |
| Other financial assets designated at fair value through profit or loss      |           | -                 | -              |
| Available-for-sale financial assets   |           | 10,203            | 7,691          |
| Loans and receivables   |           | (6,506)           | (25,893)       |
| Other operating assets  |           | (10,216)          | 2,822          |
| <b>Net increase/decrease in operating liabilities</b>                       |           | <b>(14,063)</b>   | <b>(8,738)</b> |
| Financial liabilities held for trading                                      |           | (9,835)           | 4,468          |
| Other financial liabilities designated at fair value through profit or loss |           | -                 | -              |
| Financial liabilities at amortized cost                                     |           | (4,592)           | (12,931)       |
| Other operating liabilities   |           | 364               | (275)          |
| <b>Collection/Payments for income tax</b>                                   |           | <b>(974)</b>      | <b>(751)</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES (2)</b>                             | <b>47</b> | <b>(3,101)</b>    | <b>(239)</b>   |
| <b>Investment</b>   |           | <b>6,957</b>      | <b>1,811</b>   |
| Tangible assets   |           | 517               | 167            |
| Intangible assets   |           | 498               | 353            |
| Investments   |           | 4,895             | 77             |
| Other business units  |           | -                 | -              |
| Non-current assets held for sale and associated liabilities                 |           | 1,047             | 1,154          |
| Held-to-maturity investments  |           | -                 | 60             |
| Other settlements related to investing activities                           |           | -                 | -              |
| <b>Divestments</b>  |           | <b>3,856</b>      | <b>1,572</b>   |
| Tangible assets   |           | 28                | 12             |
| Intangible assets   |           | -                 | -              |
| Investments   |           | 1,359             | 67             |
| Subsidiaries and other business units                                       |           | -                 | -              |
| Non-current assets held for sale and associated liabilities                 |           | 2,030             | 640            |
| Held-to-maturity investments  |           | 439               | 853            |
| Other collections related to investing activities                           |           | -                 | -              |

(\*) Presented for comparison purposes only (nota 1.3).

The accompanying Notes 1 to 54 and Appendices I to XV are an integral part of the statement of cash flows for the year ended December 31, 2013.

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRS for banks. See Note 54). This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.



## BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

### Statements of cash flows for the years ended December 31, 2013 and 2012.

|  |           | Millions of Euros |                |
|--|-----------|-------------------|----------------|
| (Continued)  | Notes     | 2013              | 2012(*)        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES (3)</b>                    | <b>47</b> | <b>168</b>        | <b>(3,774)</b> |
| <b>Investment</b>  |           | <b>3,735</b>      | <b>6,348</b>   |
| Dividends  |           | 1,313             | 1,279          |
| Subordinated liabilities   |           | 88                | 2,360          |
| Common stock amortization  |           | -                 | -              |
| Treasury stock acquisition   |           | 2,325             | 2,573          |
| Other items relating to financing activities                       |           | 9                 | 136            |
| <b>Divestments</b>   |           | <b>3,903</b>      | <b>2,574</b>   |
| Subordinated liabilities   |           | 1,559             | -              |
| Common stock increase  |           | -                 | -              |
| Treasury stock disposal  |           | 2,344             | 2,574          |
| Other items relating to financing activities                       |           | -                 | -              |
| <b>EFFECT OF EXCHANGE RATE CHANGES (4)</b>                         |           | <b>27</b>         | <b>(1)</b>     |
| <b>NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)</b> |           | <b>1,006</b>      | <b>(2,550)</b> |
| <b>CASH OR CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>           |           | <b>11,079</b>     | <b>13,629</b>  |
| <b>CASH OR CASH EQUIVALENTS AT END OF THE YEAR</b>                 |           | <b>12,085</b>     | <b>11,079</b>  |

|  |          | Millions of Euros |               |
|--|----------|-------------------|---------------|
| COMPONENTS OF CASH AND EQUIVALENT AT END OF THE YEAR     | Notes    | 2013              | 2012(*)       |
| Cash   |          | 659               | 587           |
| Balance of cash equivalent in central banks              |          | 11,426            | 10,492        |
| Other financial assets                                   |          | -                 | -             |
| Less: Bank overdraft refundable on demand                |          | -                 | -             |
| <b>TOTAL CASH OR CASH EQUIVALENTS AT END OF THE YEAR</b> | <b>7</b> | <b>12,085</b>     | <b>11,079</b> |

(\*) Presented for comparison purposes only (nota 1.3).

The accompanying Notes 1 to 54 and Appendices I to XV are an integral part of the statement of cash flows for the year ended December 31, 2013.





## **BANCO BILBAO VIZCAYA ARGENTARIA, S.A.**

### **Notes to the financial statements for the year ended December 31, 2013.**

#### **1. Introduction, basis for presentation of the financial statements and internal control of financial information**

##### **1.1 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 consultation at the Bank's registered address (Plaza San Nicolás, 4 Bilbao) and on its official website: [www.bbva.com](http://www.bbva.com).

In addition to the transactions it carries out directly, the Bank heads a group of subsidiaries, jointly controlled 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 individual financial statements, the Bank is therefore obliged to prepare the Group's consolidated financial statements.

The Bank's financial statements for the year ended December 31, 2012 were approved by the shareholders at the Bank's Annual General Meeting ("AGM") held on March 15, 2013.

The Bank's financial statements for the year ended December 31, 2013 are pending approval by the Annual General Meeting. However, the Bank's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

##### **1.2 Basis for the presentation of the financial statements**

The Bank's financial statements for 2013 are presented in accordance with Bank of Spain Circular 4/2004, dated December 22, and its subsequent amendments, and with any other legislation governing financial reporting applicable to the Bank. Circular 4/2004 implements and adapts the International Financial Reporting Standards (EU-IFRS) to Spanish credit institutions, following stipulations established under Regulation 1606/2002 of the European Parliament and of the Council, dated July 19, 2002, relating to the application of the International Accounting Standards.

The Bank's financial statements for the year ended December 31, 2013 have been prepared by the Bank's directors (at the Board of Directors meeting held on January 30, 2014) by applying the accounting policies and valuation criteria described in Note 2, so that they present fairly the Bank's equity and financial position as of December 31, 2013, together with the results of its operations and cash flows generated during the year ended on that date.

All obligatory accounting standards and valuation criteria with a significant effect in the financial statements were applied in their preparation.

The amounts reflected in the accompanying financial statements are presented in millions of euros, unless it is more convenient to use smaller units. Some items that appear without a total in these financial statements do so because of the size of the units used. Also, in presenting amounts in millions of euros, the accounting balances have been rounded up or down. It is therefore possible that the amounts appearing in some tables are not the exact arithmetical sum of their component figures.

The percentage changes in amounts have been calculated using figures expressed in thousands of euros.

### 1.3 Comparative information

The information contained in these financial statements for 2012 is presented solely for the purpose of comparison with information relating to December 31, 2013. It does not constitute the Bank's financial statements for 2012.

### 1.4 Seasonal nature of income and expenses

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

### 1.5 Responsibility for the information and for the estimates made

The information contained in the Bank's financial statements is the responsibility of the Bank's Directors.

Estimates have to be made at times when preparing these financial statements in order to calculate the registered amount of some assets, liabilities, income, expenses and commitments. These estimates relate mainly to the following:

- Impairment on certain financial assets (see Notes 5, 6, 10, 11, 12 and 15).
- The assumptions used to quantify certain provisions (see Note 21) for the actuarial calculation of post-employment benefit liabilities and commitments (see Note 22).
- The useful life and impairment losses of tangible and intangible assets (see Notes 14, 16 and 17).
- The fair value of certain unlisted financial assets and liabilities in organized markets (see Notes 5, 6, 8, 9, 10 and 13).

Although these estimates were made on the basis of the best information available as of December 31, 2013 on the events analyzed, future events may make it necessary to modify them (either up or down). This would be done in accordance with applicable regulations and prospectively, recording the effects of changes in the estimates in the corresponding income statement.

### 1.6 Control of the BBVA Group's financial reporting

The description of the BBVA Group's Internal Financial Reporting Control model is described in the management report accompanying the Financial Statements for 2013.

### 1.7 Deposit guarantee fund

The Bank is part of the "Fondo de Garantía de Depósitos" (Deposit Guarantee Fund). The expense incurred by the contributions made to this Agency in 2013 and 2012 amounted to €312 million and €180 million, respectively. These amounts are registered under the heading "Other operating expenses" of the accompanying income statement (see Note 39).

In addition, the Royal Decree-Law 6/2013 establishes a special contribution to the Deposit Guarantee Fund, applicable once, of a 3 per thousand of eligible deposits. The first contribution (40%) amounted to 120 million euros. The remaining 60% from 2014 and within a maximum of 7 years, according to the payment schedule established by the Management Committee of the Deposit Guarantee Fund.

### 1.8 Consolidated financial statements

The consolidated financial statements of the BBVA Group for the year ended December 31, 2013 have been prepared by the Bank's Directors (at the Board of Directors meeting held on January 30, 2014) in accordance with the International Financial Reporting Standards adopted by the European Union and applicable at the close of 2013, taking into account Bank of Spain Circular 4/2004, dated December 22, and subsequent amendments, and with any other legislation governing financial reporting applicable to the Group.

The management of the Group's operations is carried out on a consolidated basis, independently of the individual allocation of the corresponding equity changes and their related results. Consequently, the Bank's annual financial statements have to be considered within the context of the Group, due to the fact that they do not reflect the financial and equity changes that result from the application of the consolidation policies (full consolidation or proportionate consolidation methods) or the equity method.

These changes are reflected in the consolidated financial statements of the BBVA Group for the year 2013, which the Bank's Board of Directors has also prepared. Appendix I includes the Group's consolidated financial statements. In accordance with the content of these consolidated financial statements prepared following the International Financial Reporting Standards adopted by the European Union, the total amount of the BBVA Group's assets and consolidated equity at the close of 2013 amounted to €582,575 million and €44,850 million, respectively, while the consolidated net profit attributed to the parent company totaled €2,228 million.

## 2. Accounting policies and valuation criteria applied

Appendix XV. The Glossary includes the definition of some of the financial and economic terms used in Note 2 and subsequent Notes.

The accounting standards and policies and valuation criteria used in preparing these financial statements are as follows:

### 2.1 Financial instruments

#### Measurement of financial instruments and recognition of changes in subsequent fair value

All financial instruments are initially accounted for at fair value which, unless there is evidence to the contrary, shall be the transaction price.

All the changes in the value of financial instruments, except in trading derivatives, arising from the accrual of interests and similar items are recognized under the headings "Interest and similar income" or "Interest and similar expenses", as appropriate, in the accompanying income statement for the year in which the accrual took place (see Note 34). The dividends paid from other companies are recognized under the heading "Dividend income" in the accompanying income statement for the year in which the right to receive them arises (see Note 35).

The changes in fair value after the initial recognition, for reasons other than those mentioned in the preceding paragraph, are treated as described below, according to the categories of financial assets and liabilities:

- **"Financial assets held for trading" and "Other financial assets and liabilities designated at fair value through profit or loss"**

The assets and liabilities recognized in these chapters of the balance sheets are measured at fair value, and changes in value (gains or losses) are recognized as their net value under the heading "Net gains (losses) on financial assets and liabilities" in the accompanying income statements (see Note 38). However, changes resulting from variations in foreign exchange rates are recognized under the heading "Exchange differences (net)" in the accompanying income statements.

- **"Available-for-sale financial assets"**

Assets recognized under this heading in the balance sheets are measured at their fair value. Subsequent changes in this measurement (gains or losses) are recognized temporarily for their amount net of tax effect under the heading "Valuation adjustments - Available-for-sale financial assets" in the balance sheets (see Note 27).

Changes in the value of non-monetary items resulting from changes in foreign exchange rates are recognized temporarily under the heading "Valuation adjustments - Exchange differences" in the accompanying balance sheets. Changes in foreign exchange rates resulting from monetary items are recognized under the heading "Exchange differences (net)" in the accompanying income statements.

The amounts recognized under the headings "Valuation adjustments - Available-for-sale financial assets" and "Valuation adjustments - Exchange differences" continue to form part of the Bank's equity until the asset is derecognized from the balance sheet or until an impairment loss is recognized in the financial instrument in

question. If these assets are sold, these amounts are derecognized and entered under the headings "Net gains (losses) on financial assets and liabilities" or "Exchange differences (net)", as appropriate, in the income statement for the year in which they are derecognized (see Note 38).

In the specific case of the sale of equity instruments considered strategic investments and recognized under the heading "Available-for-sale financial assets", the gains or losses generated are recognized under the heading "Gains (losses) in non-current assets held-for-sale not classified as discontinued operations" in the income statement, even if they had not been classified in a previous balance sheet as non-current assets held for sale, as indicated in Rule 56 of Circular 4/2004 and its subsequent amendments (see Note 46).

The net impairment losses in "Available-for-sale financial assets" over the year are recognized under the heading "Impairment losses on financial assets (net) – Other financial instruments not at fair value through profit or loss" in the income statement for that year (see Note 43).

- **"Loans and receivables", "Held-to-maturity investments" and "Financial liabilities at amortized cost"**

Assets and liabilities recognized under these headings in the accompanying balance sheets are measured at "amortized cost" using the "effective interest rate" method. This is because the Bank intends to hold such financial instruments to maturity.

Net impairment losses of assets recognized under these headings arising in a particular year are recognized under the heading "Impairment losses on financial assets (net) – Loans and receivables" or "Impairment losses on financial assets (net) – Other financial instruments not valued at fair value through profit or loss" in the income statement for that year (see Note 43).

- **"Hedging derivatives" and "Fair value changes of the hedged items in portfolio hedges of interest-rate risk"**

Assets and liabilities recognized under these headings in the accompanying balance sheets are measured at fair value.

Changes that take place subsequent to the designation of the hedging relationship in the measurement of financial instruments designated as hedged items as well as financial instruments designated as hedge accounting instruments are recognized as follows:

- In fair value hedges, the changes in the fair value of the derivative and the hedged item attributable to the hedged risk are recognized under the heading "Net gains (losses) on financial assets and liabilities" in the income statement (see Note 38), with a balancing item under the headings of the balance sheet where hedging items ("Hedging derivatives") or the hedged items are recognized, as applicable.

In fair value hedges of interest rate risk of a portfolio of financial instruments (portfolio-hedges), the gains or losses that arise in the measurement of the hedging instrument are recognized in the income statement, and those that arise from the change in the fair value of the hedged item (attributable to the hedged risk) are recognized in the income statement, using, as a balancing item, the headings "Fair value changes of the hedged items in portfolio hedges of interest rate risk" in the balance sheets, as applicable.

- In cash flow hedges, the gain or loss on the hedging instruments relating to the effective portion are recognized temporarily under the heading "Valuation adjustments – Cash flow hedging" in the balance sheets. These differences are recognized in the accompanying income statement at the time when the gain or loss in the hedged instrument affects profit or loss, when the forecast transaction is executed or at the maturity date of the hedged item. Almost all of the hedges used by the Bank are for interest-rate risks. Therefore, the valuation changes are recognized under the headings "Interest and similar income" or "Interest and similar expenses" in the accompanying income statement (see Note 34).

Differences in the measurement of the hedging items corresponding to the ineffective portions of cash flow hedges are recognized directly under the heading "Net gains (losses) on financial assets and liabilities" in the income statement (see Note 38).

- In hedges of net investments in foreign operations, the differences in the effective portions of hedging items are recognized temporarily under the heading "Valuation adjustments – Hedging of net investments in foreign transactions" in the balance sheets. These differences in valuation are recognized under the heading "Exchange differences (net)" in the income statement when the investment in a foreign operation is disposed of or derecognized.

## • Other financial instruments

The following exceptions are applicable with respect to the above general criteria:

- Equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying asset and are settled by delivery of those instruments remain in the balance sheet at acquisition cost; this may be adjusted, where appropriate, for any impairment loss.
- Valuation adjustments arising from financial instruments classified at balance sheet date as non-current assets held for sale are recognized with a balancing entry under the heading "Valuation adjustments - Non-current assets held for sale" in the accompanying balance sheets.

## Impairment losses on financial assets

### Definition of impaired financial assets

A financial asset is considered to be impaired – and therefore its carrying amount is adjusted to reflect the effect of the impairment – when there is objective evidence that events have occurred which:

- In the case of debt instruments (loans and debt securities), give rise to an adverse impact on the future cash flows that were estimated at the time the transaction was arranged. So they are considered impaired when there are reasonable doubts that the balances will be recovered in full and/or the related interest will be collected for the amounts and on the dates initially agreed.
- In the case of equity instruments, it means that their carrying amount may not be fully recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the income statement for the year in which the impairment becomes known, and the recoveries of previously recognized impairment losses are recognized in the income statement for the year in which the impairment is reversed or reduced. Any recovery of previously recognized impairment losses for an investment in an equity instrument classified as financial assets available for sale is not recognized in the income statement, but under the heading "Valuation Adjustments - Available-for-sale financial assets" (see Note 27) in the balance sheet.

In general, amounts collected in relation to impaired loans and receivables are used to recognize the related accrued interest and any excess amount is used to reduce the principal not yet paid.

When the recovery of any recognized amount is considered to be remote, this amount is written-off on the balance sheet, without prejudice to any actions that may be taken in order to collect the amount until the rights extinguish in full either because it is time-barred debt, the debt is forgiven, or for other reasons.

In the case of particularly significant financial assets, and assets that cannot be classified within similar groups of instruments in terms of risk, the amounts recognized are measured individually. In the case of financial assets for lower amounts that can be classified in standard groups, this measurement is carried out as a group.

According to the Bank's established policy, the recovery of a recognized amount is considered to be remote and, therefore, removed from the balance sheet in the following cases:

- Any loan (except for those carrying an effective guarantee) of a company in bankruptcy and/or in the last phases of a "concurso de acreedores" (the Spanish equivalent of a Chapter 11 bankruptcy proceeding), and
- Financial assets (bonds, debentures, etc.) whose issuer's solvency has undergone a notable and irreversible deterioration.

Additionally, loans classified as non-performing secured loans are written off in the balance sheet within a maximum period of four years from the date on which they are classified as non-performing, while non-performing unsecured loans (such as commercial and consumer loans, credit cards, etc.) are written off within two years of their classification as non-performing.

## Calculation of impairment on financial assets

The impairment on financial assets is determined by type of instrument and other circumstances that could affect it, taking into account the guarantees received by the owners of the financial instruments to assure (in part or in full) the performance of transactions. The Bank recognizes impairment charges directly against the impaired asset when

the likelihood of recovery is deemed remote, and uses offsetting or allowance accounts when it registers non-performing loan provisions to cover the estimated loss.

### **Impairment of debt securities measured at amortized cost**

The amount of impairment losses of debt securities at amortized cost is measured depending on whether the impairment losses are determined individually or collectively.

- **Impairment losses determined individually**

The amount of the impairment losses incurred on these instruments relates to the positive difference between their respective carrying amounts and the present values of their expected future cash flows. These cash flows are discounted using the original effective interest rate. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective rate determined under the contract.

As an exception to the rule described above, the market value of quoted debt instruments is deemed to be a fair estimate of the present value of their future cash flows.

The following is to be taken into consideration when estimating the future cash flows of debt instruments:

- All the amounts that are expected to be recovered over the residual life of the instrument; including, where appropriate, those which may result from the collateral and other credit enhancements provided for the instrument (after deducting the costs required for foreclosure and subsequent sale). Impairment losses include an estimate for the possibility of collecting accrued, past-due and uncollected interest.
- The various types of risk to which each instrument is subject.
- The circumstances in which collections will foreseeably be made.

In respect to impairment losses resulting from the materialization of insolvency risk of the obligors (credit risk), a debt instrument is impaired:

- When there is evidence of a reduction in the obligor's capacity to pay, whether manifestly by default or for other reasons; and/or
- For these purposes, country risk is understood to refer to risk with respect to debtors resident in a particular country and resulting from factors other than normal commercial risk: sovereign risk, transfer risk or risks derived from international financial activity.

The Bank has developed policies, methods and procedures to calculate the losses that it may incur as a result of its credit risks, attributable both to the insolvency of counterparties and to country risk. These policies, methods and procedures are applied to the arrangement, study and documentation of debt instruments, contingent risks and commitments, as well as the detection of their deterioration and in the calculation of the amounts needed to cover the estimated losses.

- **Impairment losses determined collectively**

Impairment losses are calculated collectively, both in the case of certain assets classified as impaired that are not individually significant and are therefore not determined on an individual basis (impaired portfolio), and for asset portfolios that are currently not impaired but that represent a potential loss ("inherent loss") (non-impaired portfolio).

Inherent losses are losses incurred on the date of preparing the financial statements that are still pending allocation to specific transactions. They are therefore estimated using statistical procedures.

The Bank calculates the inherent loss in relation to the credit risk assumed by Spanish banking institutions by applying the parameters set out in Annex IX to Bank of Spain Circular 4/2004, which are based on the Bank of Spain's experience of the Spanish banking sector. For the specific case of the real-estate risk provisions existing as of December 31, 2011, the Bank applies the parameters set out in section V of Appendix IX to the Circular, which are a transposition of the provisions of Royal Decree-Law 2/2012, dated February 3, on the restructuring of the financial sector and of Act 8/2012, dated October 30, on the restructuring and sale of real-estate assets in the financial sector.



Following is a description of the methodology used to estimate the collective loss of credit risk corresponding to operations with residents in Spain:

1. **Impaired financial assets:** As a general rule, provided that impaired debt instruments do not have any of the guarantees mentioned below, they are provisioned by applying the percentages indicated to the amount of the outstanding risk, according to the oldest past-due amount, or the date on which the assets are classified as impaired, if earlier:

| Age of the Past-due Amount        | Allowance Percentage |
|-----------------------------------|----------------------|
| Up to 6 months                    | 25%                  |
| Over 6 months and up to 9 months  | 50%                  |
| Over 9 months and up to 12 months | 75%                  |
| Over 12 months                    | 100%                 |

The impairment of debt instruments that have one or more of the guarantees indicated below is calculated by applying the above percentages to the amount of the outstanding risk that exceeds the value of the guarantees, in accordance with the following criteria:

**1.1 Transactions secured by real estate:** For the purposes of calculating impairment of financial assets classified as impaired, the value of the real rights received as security will be calculated according to the type of asset secured by the real right, using the following criteria, provided they are first-call and duly constituted and registered in favor of the bank:

- a) Completed home that is the primary residence of the borrower: Includes homes with a current certificate of habitability or occupancy, issued by the corresponding administrative authority, in which the borrower usually lives and feels more attached to.

The calculation of the value of the rights received as collateral shall be 80% of the cost of the completed home and the appraisal value of its current state, whichever is lower. For these purposes, the cost will be the purchase price declared by the borrower in the public deed. If the deed is manifestly old, the cost may be obtained by adjusting the original cost by an indicator that accurately reflects the average change in price of existing homes between the date of the deed and the calculation date.

- b) Rural buildings in use, and completed offices, premises and multi-purpose buildings: Includes land not declared as urbanized, and on which construction is not authorized for uses other than agricultural, forest or livestock, as appropriate; as well as multi-purpose buildings, whether or not they are linked to an economic use, that do not include construction or legal characteristics or elements that limit or make difficult their multi-purpose use and thus their easy conversion into cash.

The calculation of the value of the rights received as collateral shall be 70% of the cost of the completed property or multi-purpose buildings and the appraisal value of its current state, whichever is lower. For these purposes, the cost will be the purchase price declared by the borrower in the public deed. If the property was constructed by the borrower himself, the cost shall be calculated by using the price of acquisition of the land declared in the public deed plus the value of work certificates, and including any other necessary expenses and accrued taxes, but excluding financial and business expenses.

- c) Finished homes (rest): Includes finished homes that, on the date referred to by the financial statements, have the corresponding current certificate of habitability or occupancy issued by the corresponding administrative authority, but that do not qualify for consideration under section a) above.

The value of the rights received as collateral shall be 60% of the cost of the completed home and the appraisal value of its current state, whichever is lower. The cost will be the purchase price declared by the borrower in the public deed.

In the case of finance for real estate construction, the cost will include the amount declared on the purchase deed for the land, together with any necessary expenses actually paid for its development, excluding commercial and financial expenses, plus the sum of the costs of construction as shown in partial work certificates issued by experts with appropriate professional qualifications, including that corresponding to work completion. In the case of groups of homes that form part of developments partially sold to third parties, the cost shall be that which can be rationally assigned to the homes making up the collateral.

- d) Land, lots and other real estate assets: The value of the rights received as collateral shall be 50% of the cost of the lot or real-estate asset affected and the appraisal value of its current state, whichever is lower. For these purposes, the cost is made up of the purchase price declared by in the public deed, plus the necessary expenses that have actually been incurred by the borrower for the consideration of the land or lot in question as urban land, as well as those stipulated in section c) above.

**1.2 Transactions secured by other collateral (not real estate):** Transactions that have as collateral any of the pledges indicated below shall be hedged by applying the following criteria:

- Partial cash guarantees: Transactions that have partial cash guarantees shall be hedged by applying the hedging percentages stipulated as general criteria to the difference between the amount for which they are registered in the asset and the current value of the deposits.
- Partial pledges: Transactions that have partial pledges on shares in monetary financial institutions or debt securities issued by the government or credit institutions rated in the "negligible risk" class, or other financial instruments traded on active markets, shall be hedged by applying the hedging percentages stipulated as a general rule to the difference between the amount for which they are registered in the asset and 90% of the fair value of these financial instruments.

2. **Non-impaired portfolio:** Debt instruments, whoever the obligor and whatever the guarantee or collateral, that are not considered impaired are assessed collectively, including the assets in a group with similar credit risk characteristics, including sector of activity of the debtor or the type of guarantee. The applicable hedging percentages are as follows:

| Risk             | Allowance Range |       |
|------------------|-----------------|-------|
| Negligible risk  | 0%              | 0%    |
| Low risk         | 0.06%           | 0.75% |
| Medium-low risk  | 0.15%           | 1.88% |
| Medium risk      | 0.18%           | 2.25% |
| Medium-high risk | 0.2%            | 2.50% |
| High risk        | 0.25%           | 3.13% |

3. **Country risk allowance or provision:** On the basis of the countries' economic performance, political situation, regulatory and institutional framework, and payment capacity and record, the Bank classifies all the transactions into different groups, assigning to each group the insolvency provision percentages derived from those analyses.

However, due to the dimension of the Bank and to the proactive management of its country risk exposure, the allowances recognized in this connection are not material with respect to the credit loss allowances recognized (as of December 31, 2013, these country risk allowances represent 0.33% of the credit loss allowances recognized of the Bank).

### Impairment of other debt instruments

The impairment losses on debt securities included in the "Available-for-sale financial asset" portfolio are equal to the positive difference between their acquisition cost (net of any principal repayment), after deducting any impairment loss previously recognized in the income statement, and their fair value.

When there is objective evidence that the negative differences arising on measurement of these assets are due to impairment, they are no longer considered as “Valuation adjustments - Available-for-sale financial assets” and are recognized in the income statement.

If all or part of the impairment losses are subsequently recovered, the amount is recognized in the income statement for the year in which the recovery occurred, up to the limit of the amount recognized previously in earnings.

### **Impairment of equity instruments**

The amount of the impairment in the equity instruments is determined by the category where they are recognized:

- *Equity instruments measured at fair value:* The criteria for quantifying and recognizing impairment losses on equity instruments are similar to those for “Debt instruments”, with the exception that any recovery of previously recognized impairment losses for an investment in an equity instrument classified as available for sale is not recognized in the income statement but under the heading “Valuation adjustments – Available-for-sale financial assets” in the balance sheet (see Note 27).

The Bank considers that there is objective evidence of impairment on equity instruments classified as available-for-sale when significant unrealized losses have existed over a sustained period of time due to a price reduction of at least 40% or over a period of more than 18 months.

When applying this evidence of impairment, the Bank takes into account the volatility in the price of each individual security to determine whether it is a percentage that can be recovered through its sale on the market; other different thresholds may exist for certain securities or specific sectors.

In addition, for individually significant investments, the Bank compares the valuation of the most significant securities against valuations performed by independent experts.

- *Equity instruments measured at cost:* The impairment losses on equity instruments measured at acquisition cost are equal to the difference between their carrying amount and the present value of expected future cash flows discounted at the market rate of return for similar securities. These impairment losses are determined taking into account the equity of the investee (except for valuation adjustments due to cash flow hedges) for the last approved balance sheet, adjusted for the unrealized gains on the measurement date.

Impairment losses are recognized in the income statement for the year in which they arise as a direct reduction of the cost of the instrument. These losses may only be reversed subsequently in the event of the sale of these assets.

### **Impairment of holdings in subsidiaries, associates or jointly controlled entities**

When evidence of impairment exists in the holdings in subsidiaries, associates or jointly controlled entities, the entity will estimate the amount of the impairment losses by comparing their recoverable amount, which is the fair value minus the necessary sale costs or their value in use, whichever is greater, with their carrying amount. Impairment losses are recognized immediately under the heading “Impairment losses on other assets (net)” in the income statement (see Note 44). Recoveries subsequent to impairment losses recognized previously are recognized under the same heading in the income statement for the period.

## **2.2 Transfers and derecognition of financial assets and liabilities**

The accounting treatment of transfers of financial assets is determined by the way in which risks and benefits associated with the assets involved are transferred to third parties. Thus, the financial assets are only derecognized from the balance sheet when the cash flows that they generate are extinguished, or when their implicit risks and benefits have been substantially transferred to third parties. In the latter case, the financial asset transferred is derecognized from the balance sheet, and any right or obligation retained or created as a result of the transfer is simultaneously recognized.

Similarly, financial liabilities are derecognized from the balance sheet only if their obligations are extinguished or acquired (with a view to subsequent cancellation or renewed placement).

The Bank is considered to have transferred substantially all the risks and benefits if such risks and benefits account for the majority of the risks and benefits involved in ownership of the transferred assets. If substantially all the risks and benefits associated with the transferred financial asset are retained:

- The transferred financial asset is not derecognized from the balance sheet and continues to be measured using the same criteria as those used before the transfer.
- A financial liability is recognized at an amount equal to the amount received, which is subsequently measured at amortized cost.

In the specific case of securitizations, this liability is recognized under the heading “Financial liabilities at amortized cost – Customer deposits” in the balance sheets (see Note 20). As these liabilities do not constitute a current obligation, when measuring such a financial liability the Bank deducts those financial instruments owned by it which constitute financing for the entity to which the financial assets have been transferred, to the extent that these instruments are deemed specifically to finance the transferred assets.

- Both the income generated on the transferred (but not derecognized) financial asset and the expenses associated with the new financial liability continue to be recognized.

The criteria followed with respect to the most common transactions of this type made by the Bank are as follows:

- **Purchase and sale commitments:** Financial instruments sold with a repurchase agreement are not derecognized from the balance sheets and the amount received from the sale is considered to be financing from third parties.

Financial instruments acquired with an agreement to subsequently resell them are not recognized in the balance sheets and the amount paid for the purchase is considered to be credit given to third parties.

- **Securitization:** The Bank has applied the most stringent criteria for determining whether or not it retains substantially all the risk and rewards on such assets for all securitizations performed since January 1, 2004. As a result of this analysis, the Bank has concluded that none of the securitizations undertaken since that date meet the prerequisites for derecognizing the securitized assets from the balance sheets (see Note 11 and Appendix VI), as the Bank retains substantially all the expected credit risks and possible changes in net cash flows, while retaining the subordinated loans and lines of credit extended to these securitization funds.

## 2.3 Financial guarantees

Financial guarantees are considered to be those contracts that require their issuer to make specific payments to reimburse the holder for a loss incurred when a specific borrower breaches its payment obligations on the terms – whether original or subsequently modified – of a debt instrument, irrespective of the legal form it may take. Financial guarantees may take the form of a deposit, financial guarantee, insurance contract or credit derivative, among others.

In their initial recognition, financial guarantees provided on the liability side of the balance sheet at fair value, which is generally the present value of the fees, commissions and interest receivable from these contracts over the term thereof, and we simultaneously recognize a credit on the asset side of the balance sheet for the amount of the fees and commissions received at the inception of the transactions and the amounts receivable at the present value of the fees, commissions and interest outstanding.

Financial guarantees, irrespective of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required for them. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments measured at amortized cost (see Note 2.1).

The provisions made for financial guarantees considered impaired are recognized under the heading “Provisions - Provisions for contingent risks and commitments” on the liability side in the balance sheets (see Note 21). These provisions are recognized and reversed with a charge or credit, respectively, to “Provisions (net)” in the income statements (see Note 42).

Income from guarantee instruments is registered under the heading “Fee and commission income” in the income statement and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee (see Note 36).

## 2.4 Non-current assets held for sale and liabilities associated with non-current assets held for sale

The heading “Non-current assets held-for-sale” in the balance sheets includes the carrying amount of financial or non-financial assets that are not part of the Bank’s operating activities. The recovery of this carrying amount is expected to take place through the price obtained on its disposal (see Note 14).

This heading includes individual items and groups of items (“disposal groups”) that form part of a major operating segment and are being held for sale as part of a disposal plan (“discontinued transactions”). The individual items include the assets received by the Bank from their debtors in full or partial settlement of the debtors’ payment obligations (assets foreclosed or in lieu of repayment of debt and recovery of lease finance transactions), unless the Bank has decided to make continued use of these assets. The Bank has units that specialize in real estate management and the sale of this type of asset.

Symmetrically, the heading “Liabilities associated with non-current assets held for sale” in the balance sheets reflects the balances payable arising from disposal groups and discontinued operations.

Non-current assets held for sale are generally measured at fair value less sale costs, or their carrying amount, calculated on the date of their classification within this category, whichever is lower. Non-current assets held for sale are not depreciated while included under this heading.

The fair value of the non-current assets held for sale from foreclosures or recoveries is mainly based on appraisals or valuations made by independent experts and not more than one year old, or less if there are indications of impairment. The Bank applies the rule that these appraisals may not be older than one year, and their age is reduced if there is an indication of deterioration in the assets.

The Spanish entities mainly use the services of the following valuation and appraisal companies. None of them is linked to the BBVA Group and all are entered in the official Bank of Spain register: Sociedad de Tasación, S.A., Valtecnic, S.A., Krata, S.A., Gesvalt, S.A., Alia Tasaciones, S.A., Tasvalor, S.A., Tinsa, S.A., Ibertasa, S.A., Valmesa, S.A., Arco Valoraciones, S.A. and Tecnicasa, S.A.

Gains and losses generated on the disposal of assets and liabilities classified as non-current held for sale, and related impairment losses and subsequent recoveries, where pertinent, are recognized under the heading “Gains (losses) on non-current assets held for sale not classified as discontinued transactions” in the income statements (see Note 46). The remaining income and expense items associated with these assets and liabilities are classified within the relevant income statement headings.

Income and expenses for discontinued operations, whatever their nature, generated during the year, even if they have occurred before their classification as discontinued operations, are presented net of the tax effect as a single amount under the heading “Income from discontinued transactions” in the income statement, whether the business remains on the balance sheet or is derecognized from the balance sheet. This heading includes the earnings from their sale or other disposal.

## 2.5 Tangible assets

### Property, plants and equipment for own use

This heading includes the assets under ownership or acquired under lease finance, intended for future or current use by the Bank and that it expects to hold for more than one year. It also includes tangible assets received by the Bank in full or part settlement of financial assets representing receivables from third parties and those assets expected to be held for continuing use.

Property, plants and equipment for own use is recognized in the balance sheets at acquisition cost, less any accumulated depreciation and, where appropriate, any estimated impairment losses resulting from comparing the net carrying amount of each item with its corresponding recoverable value.

Depreciation is calculated using the straight-line method, on the basis of the acquisition cost of the assets less their residual value; the land on which the buildings and other structures stand is considered to have an indefinite life and is therefore not depreciated.

The tangible asset depreciation charges are recognized in the accompanying income statements under the heading "Depreciation and amortization" (see Note 41) and are based on the application of the following depreciation rates (determined on the basis of the average years of estimated useful life of the different assets):

| Tangible Assets                     | Annual Percentage |
|-------------------------------------|-------------------|
| Buildings for own use               | 1% - 4%           |
| Furniture                           | 8% - 10%          |
| Fixtures                            | 6% - 12%          |
| Office supplies and computerization | 8% - 25%          |

The Bank's criteria for determining the recoverable amount of these assets, in particular the buildings for own use, is based on up-to-date independent appraisals that are no more than 3-5 years old at most, unless there are indications of impairment.

At each accounting close, the Bank analyzes whether there are internal or external indicators that a tangible asset may be impaired. When there is evidence of impairment, the entity then analyzes whether this impairment actually exists by comparing the asset's net carrying amount with its recoverable amount. When the carrying amount exceeds the recoverable amount, the carrying amount is written down to the recoverable amount and future depreciation charges are adjusted to reflect the asset's remaining useful life.

Similarly, if there is any indication that the value of a tangible asset has been recovered, the entities will estimate the recoverable amounts of the asset and recognize it in the income statement, registering the reversal of the impairment loss registered in previous years and thus adjusting future depreciation charges. Under no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognized in prior years.

Upkeep and maintenance expenses relating to tangible assets held for own use are recognized as an expense in the year they are incurred and recognized in the income statements under the heading "Administration costs - General and administrative expenses - Property, fixtures and equipment" (see Note 40.2).

### Other assets leased out under an operating lease

The criteria used to recognize the acquisition cost of assets leased out under operating leases, to calculate their depreciation and their respective estimated useful lives and to register the impairment losses on them, are the same as those described in relation to tangible assets for own use.

### Investment properties

The heading "Tangible assets - Investment properties" in the balance sheets reflects the net values (purchase cost minus the corresponding accumulated depreciation and, if appropriate, estimated impairment losses) of the land, buildings and other structures that are held either to earn rentals or for capital appreciation through sale and that are neither expected to be sold off in the ordinary course of business nor are destined for own use (see Note 16).

The criteria used to recognize the acquisition cost of investment properties, calculate their depreciation and their respective estimated useful lives and register the impairment losses on them, are the same as those described in relation to tangible assets held for own use.

The Bank's criteria for determining the recoverable amount of these assets is based on up-to-date independent appraisals that are no more than one year old at most, unless there are indications of impairment.

## 2.6 Intangible assets

These assets may have an indefinite useful life if, based on an analysis of all relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the Bank. In all other cases they have a finite useful life.



Intangible assets with a finite useful life are amortized according to the duration of this useful life, using methods similar to those used to depreciate tangible assets. The depreciation charge for these assets is recognized in the accompanying income statements under the heading "Depreciation and amortization" (see Note 41).

The Bank recognizes any impairment loss on the carrying amount of these assets with charge to the heading "Impairment losses on other assets (net) - Goodwill and other intangible assets" in the accompanying income statements (see Note 44). The criteria used to recognize the impairment losses on these assets and, where applicable, the recovery of impairment losses recognized in prior years, are similar to those used for tangible assets.

## 2.7 Tax assets and liabilities

Expenses on corporation tax applicable to Spanish companies are recognized in the income statement, except when they result from transactions on which the profits or losses are recognized directly in equity, in which case the related tax effect is also recognized in equity.

The total corporate income tax expense is calculated by aggregating the current tax arising from the application of the corresponding tax rate to the tax for the year (after deducting the tax credits allowable for tax purposes) and the change in deferred tax assets and liabilities recognized in the income statement.

Deferred tax assets and liabilities include temporary differences, defined as at the amounts to be payable or recoverable in future fiscal years arising from the differences between the carrying amount of assets and liabilities and their tax bases (the "tax value"), and the tax loss and tax credit carry forwards. These amounts are registered by applying to each temporary difference the tax rates that are expected to apply when the asset is realized or the liability settled (see Note 18).

Deferred tax liabilities in relation to taxable temporary differences associated with investments in subsidiaries, associates or jointly controlled entities are recognized for accounting purposes, except where the Bank can control the timing of the reversal of the temporary difference and it is also unlikely that it will reverse in the foreseeable future.

Deferred tax assets are only recognized if it is considered probable that they will have sufficient tax gains in the future against which they can be made effective.

The deferred tax assets and liabilities recognized are reassessed by the Bank at the close of each accounting period in order to ascertain whether they are still current, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

The income and expenses directly recognized in equity that do not increase or decrease taxable income are accounted for as temporary differences.

## 2.8 Provisions, contingent assets and contingent liabilities

The heading "Provisions" in the balance sheets includes amounts recognized to cover the Bank's current obligations arising as a result of past events. These are certain in terms of nature but uncertain in terms of amount and/or extinguishment date. The settlement of these obligations by the Bank is deemed likely to entail an outflow of resources embodying economic benefits (see Note 21). The obligations may arise in connection with legal or contractual provisions, valid expectations formed by Bank companies relative to third parties in relation to the assumption of certain responsibilities or through virtually certain developments of particular aspects of the regulations applicable to the operation of the entities; and, specifically, future legislation to which the Bank will certainly be subject.

The provisions are recognized in the balance sheets when each and every one of the following requirements is met:

- They represent a current obligation that has arisen from a past event;
- At the date referred to by the financial statements, there is more probability that the obligation will have to be met than that it will not;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- The amount of the obligation can be reasonably estimated.

Among other items, these provisions include the commitments made to employees (mentioned in section 2.9), as well as provisions for tax and legal litigation.

Contingent assets are possible assets that arise from past events and whose existence is conditional on, and will be confirmed only by, the occurrence or non-occurrence of events beyond the control of the Bank. Contingent assets are not recognized in the balance sheet or in the income statement; however, they are disclosed in the Notes to the financial statements, provided that it is probable that these assets will give rise to an increase in resources embodying economic benefits (see Note 31).

Contingent liabilities are possible obligations of the Bank that arise from past events and whose existence is conditional on the occurrence or non-occurrence of one or more future events beyond the control of the entity. They also include the existing obligations of the entity when it is not probable that an outflow of resources embodying economic benefits will be required to settle them; or when, in extremely rare cases, their amount cannot be measured with sufficient reliability.

## 2.9 Pensions and other post-employment commitments

Below is a description of the most significant accounting criteria relating to the commitments to employees, in terms of post-employment benefits and other long term commitments assumed by the Bank's companies in Spain and abroad (see Note 22).

### Commitments' valuation: assumptions and actuarial gains/losses recognition

The present values of the commitments are quantified based on an individual member data. Costs are calculated using the projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit/commitment and measures each unit separately to build up the final obligation.

The actuarial assumptions should take into account that:

- They are unbiased, in that they are not unduly aggressive nor excessively conservative.
- They are compatible with each other and adequately reflect the existing economic relations between factors such as inflation, foreseeable wage increases, discount rates and the expected return on plan assets, etc. The expected return on plan assets is calculated by taking into account both market expectations and the particular nature of the assets involved.
- The rate used to discount the commitments is determined by reference to market yields at the date referred to by the financial statements on high quality bonds.

The Bank recognizes actuarial differences originating in the commitments assumed with staff taking early retirement, benefits awarded for seniority and other similar items under the heading "Provisions (net)" of the income statement for the period (see Note 42) in which these differences occur. The Bank recognizes the actuarial gains or losses arising on all other defined-benefit post-employment commitments directly under the heading "Valuation adjustments" of equity in the accompanying consolidated balance sheets (see Note 27).

### Post-employment benefit commitments

#### Pensions

The Bank's post-employment benefit commitments are either defined-contribution or defined-benefit.

- *Defined-contribution commitments:* The amounts of these commitments are established as a percentage of certain remuneration items and/or as a fixed pre-established amount. The contributions made in each period by the Bank's companies for these commitments are recognized with a charge to the heading "Personnel expenses - Defined-contribution plan expense" in the consolidated income statements (see Note 40).
- *Defined-benefit commitments:* The Bank has defined-benefit commitments for permanent disability and death for certain current employees and early retirees, and defined-benefit retirement commitments applicable only to certain groups of serving employees, or early retired employees and retired employees. These commitments are either funded by insurance contracts or registered as internal provisions.

The amounts recognized under the heading "Provisions – Provisions for pensions and similar obligations" (see Note 21) are the differences, at the date of the financial statements, between the present values of the defined-benefit commitments, adjusted by the past service cost, and the fair value of plan assets.

## Early retirement

The Bank has offered certain employees in Spain the possibility of taking early retirement before the age stipulated in the collective labor agreement in force and has put into place the corresponding provisions to cover the cost of the commitments acquired for this item. The present values paid for early retirement are quantified based on an individual member data and are recognized under the heading “Provisions – Provisions for pensions and similar obligations” in the accompanying balance sheets (see Note 21).

The early retirement commitments in Spain include the compensation and indemnities and contributions to external pension funds payable during the period of early retirement. The commitments relating to this group of employees after they have reached normal retirement age are dealt with in the same way as pensions.

## Other post-employment welfare benefits

The Bank has welfare benefit commitments whose effects extend beyond the retirement of the employees entitled to the benefits. These commitments relate to certain current employees and retirees, depending on the employee group they belong to.

The present values of post-employment welfare benefits are quantified based on an individual member data and are recognized under the heading “Provisions – Provisions for pensions and similar obligations” in the consolidated balance sheets (see Note 21).

## Other long-term commitments to employees

The Bank is required to provide certain goods and services to groups of employees. The most significant of these, in terms of the type of remuneration and the event giving rise to the commitments, are as follows: loans to employees, life insurance, study assistance and long-service awards.

Some of these commitments are measured using actuarial studies, so that the present values of the vested obligations for commitments with personnel are quantified based on an individual member data. They are recognized under the heading “Provisions – Other provisions” in the balance sheets (see Note 21).

The cost of these benefits provided by the Bank's Spanish companies to active employees are recognized under the heading “Personnel expenses - Other personnel expenses” in the consolidated income statements (see Note 40).

Other commitments for current employees accrue and are settled on a yearly basis, so it is not necessary to register a provision in this regard.

## 2.10 Equity-settled share-based payment transactions

Provided they constitute the delivery of such instruments following the completion of a specific period of services, equity-settled share-based payment transactions are recognized as an expense for services being provided by employees, by way of a balancing entry under the heading “Stockholders' equity – Other equity instruments” in the balance sheet. These services are measured at fair value, unless this value cannot be calculated reliably. In this case, they are measured by reference to the fair value of the equity instruments committed, taking into account the date on which the commitments were assumed and the terms and other conditions included in the commitments.

When the initial compensation agreement includes what may be considered market conditions among its terms, any changes in these conditions will not be reflected in the income statement, as these have already been accounted for in calculating the initial fair value of the equity instruments. Non-market vesting conditions are not taken into account when estimating the initial fair value of instruments, but they are taken into consideration when determining the number of instruments to be granted. This will be recognized on the income statement with the corresponding increase in equity.

## 2.11 Termination benefits

Termination benefits are recognized in the accounts when the Bank agrees to terminate employment contracts with its employees and has established a detailed plan to do so.

## 2.12 Treasury stock

The value of the equity instruments (basically, shares and derivatives over the Bank's shares held by some Group companies that comply with the requirements for recognition as equity instruments) is recognized under the heading "Stockholders' funds - Treasury stock" in the balance sheets (see Note 26).

These financial assets are recognized at acquisition cost, and the gains or losses arising on their disposal are credited or debited, as appropriate, under the heading "Stockholders' funds - Reserves" in the balance sheets (see Note 25).

## 2.13 Foreign-currency transactions

### Assets, liabilities and futures transactions

The assets and liabilities in foreign currencies, including those of branches abroad, and the unmatured hedging forward foreign currency purchase and sale transactions, are converted to euros at the average exchange rates on the Spanish spot currency market (or based on the price of the U.S. dollar on local markets for the currencies not listed on this market) at the end of each period, with the exception of:

- Non-current investments in securities denominated in foreign currencies and financed in euros or in a currency other than the investment currency, which are converted at historical exchange rates.
- Unmatured non-hedging forward foreign currency purchase and sale transactions, which are converted at the exchange rates on the forward currency market at the end of each period as published by the Bank of Spain for this purpose.

The exchange differences that arise when converting these foreign-currency assets and liabilities (including those of the branches) into euros are recognized under the heading "Exchange differences (net)" in the income statement, except for those differences that arise in non-monetary items classified as available for sale.

The breakdown of the main balances in foreign currencies as of December 31, 2013 and 2012, with reference to the most significant foreign currencies, is set forth in Appendix VIII.

### Structural currency positions

As a general policy, the Bank's investments in foreign subsidiaries and the endowment funds provided to branches abroad are financed in the same currency as the investment in order to eliminate the future currency risk arising from these transactions. However, the investments made in countries whose currencies do not have a market which permits the obtainment of unlimited, lasting and stable long-term financing are financed in another currency.

## 2.14 Recognition of income and expenses

The most significant criteria used by the Bank to recognize its income and expenses are as follows.

- **Interest income and expenses and similar items:** As a general rule, interest income and expenses and similar items are recognized on the basis of their period of accrual using the effective interest rate method. The financial fees and commissions that arise on the arrangement of loans (basically origination and analysis fees) must be deferred and recognized in the income statement over the expected life of the loan. The direct costs incurred in arranging these transactions can be deducted from the amount thus recognized. These fees are part of the effective rate for loans. Also dividends received from other companies are recognized as income when the companies' right to receive them arises.

However, when a debt instrument is deemed to be impaired individually or is included in the category of instruments that are impaired because of amounts more than three months past-due, the recognition of accrued interest in the income statement is interrupted. This interest is recognized for accounting purposes as income, as soon as it is received.

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- **Commissions, fees and similar items:** Income and expenses relating to commissions and similar fees are recognized in the income statement using criteria that vary according to the nature of such items. The most significant items in this connection are:
  - Those relating to financial assets and liabilities measured at fair value through profit or loss, which are recognized when collected/paid.
  - Those arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services.
  - Those relating to single acts, which are recognized when this single act is carried out.
- **Non-financial income and expenses:** These are recognized for accounting purposes on an accrual basis.
- **Deferred collections and payments:** These are recognized for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

## 2.15 Sales and income from the provision of non-financial services

The heading "Other operating income – Sales and income from the provision of non-financial services" in the income statement includes the amount of sales of goods and revenue from the provision of non-financial services (see Note 39).

## 2.16 Leases

Lease contracts are classified as finance from the start of the transaction, if they substantially transfer all the risks and rewards incidental to ownership of the asset forming the subject-matter of the contract. Leases other than finance leases are classified as operating leases.

When the Bank acts as the lessor of an asset in finance leases, the aggregate present values of the lease payments receivable from the lessee plus the guaranteed residual value (usually the exercise price of the lessee's purchase option on expiration of the lease agreement) are recognized as financing provided to third parties and, therefore, are included under the heading "Loans and receivables" in the balance sheets.

When the Bank acts as lessor of an asset in operating leases, the acquisition cost of the leased assets is recognized under "Tangible assets – Property, plants and equipment – Other assets leased out under an operating lease" in the balance sheets (see Note 16). These assets are depreciated in line with the criteria adopted for items of tangible assets for own use, while the income arising from the lease arrangements is recognized in the income statements on a straight-line basis under the headings "Other operating income - Rest of other operating income" and "Other operating expenses" (see Note 39).

In the case of a fair value sale and leaseback, the profit or loss generated by the sale is recognized in the income statement at the time of sale. If such a transaction gives rise to a finance lease, the corresponding gains or losses are amortized over the lease period.

## 2.17 Entities and branches located in countries with hyperinflationary economies

None of the functional currencies of the branches located abroad relate to hyperinflationary economies as defined by Circular 4/2004 and subsequent amendments. Accordingly, as of December 31, 2013 and 2012 it was not necessary to adjust the financial statements of any branch to correct for the effect of inflation.

## 2.18 Statements of recognized income and expenses

The statements of recognized income and expenses reflect the income and expenses generated each year. They distinguish between income and expenses recognized as results in the income statements and "Other recognized income (expenses)" recognized directly in equity. "Other recognized income (expenses)" include the changes that have taken place in the year in the "Valuation adjustments" broken down by item.

The sum of the changes to the heading "Valuation adjustments" of the total equity and the net income of the year forms the "Total recognized income/expenses of the year".

## 2.19 Statements of changes in equity

The statements of changes in equity reflect all the movements generated in each year in each of the headings of the equity, including those from transactions undertaken with shareholders when they act as such, and those due to changes in accounting criteria or corrections of errors, if any.

The applicable regulations establish that certain categories of assets and liabilities are recognized at their fair value with a charge to equity. These charges, known as "Valuation adjustments" (see Note 27), are included in the Bank's total equity net of tax effect, which has been recognized as deferred tax assets or liabilities, as appropriate.

## 2.20 Statements of cash flows

The indirect method has been used for the preparation of the statement of cash flows. This method starts from the Bank's net income and adjusts its amount for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with cash flows classified as investment or finance. As well as cash, short-term, highly liquid investments subject to a low risk of changes in value, such as cash and deposits in central banks, are classified as cash and cash equivalents.

When preparing these financial statements the following definitions have been used:

- Cash flows: Inflows and outflows of cash and cash equivalents.
- Operating activities: The typical activities of credit institutions and other activities that cannot be classified as investment or financing activities.
- Investing activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents or in operating activities.
- Financing activities: Activities that result in changes in the size and composition of the Bank's equity and of liabilities that do not form part of operating activities.

## 3. System of shareholder remuneration

### Shareholder remuneration system

A shareholder remuneration system called the "Dividend Option" was introduced in 2011 and 2012. The Bank's Shareholders' Annual General Meeting held on March 15, 2013 once more approved the establishment of the "Dividend Option" program for 2013 under point four of the Agenda, through two common stock increases charged to voluntary reserves, under similar conditions to those established in 2011 and 2012. Under this remuneration scheme, BBVA offered its shareholders the chance to receive part of their remuneration in the form of free shares; however, they can still choose to receive it in cash by selling the rights assigned to them in each common stock increase either to BBVA (by the Bank exercising its commitment to purchase the free assignment rights) or on the market.

In April 2013, the Executive Committee approved the execution of the first of the capital increases charged to reserves as agreed by the AGM held on March 15, 2013 to implement the Dividend Option. As a result of this increase, the Bank's common stock increased by €40,862,919.86, (83,393,714 shares at a €0.49 par value each). 85.71% of shareholders opted to receive their remuneration in the form of shares (see Note 23). The other 14.29% of the right owners opted to sell the rights assigned to them to BBVA, and as a result, BBVA acquired 778,801,510 rights for a total amount of €94,234,982.71; said shareholders were rewarded in cash form.

In October 2013, the Executive Committee approved the execution of the first of the capital increases charged to reserves as agreed by the AGM held on March 15, 2013 to implement the Dividend Option. As a result of this increase, the Bank's common stock increased by €30,197,696.48, (61,627,952 shares at a €0.49 par value each). 88.28% of shareholders opted to receive their remuneration in the form of shares (see Note 23). The other 11.72% of the right owners opted to sell the rights assigned to them to BBVA, and as a result, BBVA acquired 670,834,333 rights for a total amount of €66,412,598.97; said shareholders were rewarded in cash form.



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## Dividends.

At its meeting of June 24, 2013, the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. approved the payment of an interim dividend against 2013 earnings of €0.10 gross (€0.079 net) per outstanding share. This amount was paid on July 10, 2013.

The provisional financial statement prepared in accordance with legal requirements evidenced the existence of sufficient liquidity for the distribution of the amount to the interim dividend, as follows:

| <b>Millions of Euros</b>  |                     |
|---|---------------------|
| <b>Available amount for interim dividend payments</b>                         | <b>May 31, 2013</b> |
| Profit at each of the dates indicated, after the provision for income tax     | 1,639               |
| Less -  |                     |
| Estimated provision for Legal Reserve   | (8)                 |
| Acquisition by the bank of the free allotment rights in 2013 capital increase | (94)                |
| <b>Maximum amount distributable</b>   | <b>1,537</b>        |
| <b>Amount of proposed interim dividend</b>                                    | <b>553</b>          |
| <b>BBVA cash balance available to the date</b>                                | <b>1,129</b>        |

The first amount of the interim dividend which was paid to the shareholders on July 10, 2013, including the shares issued in July 3 for the common stock increase described in Note 23, amounted to €572 million.

The table below shows the allocation of the Bank's earnings for 2013 that the Board of Directors will submit for approval by the General Shareholders' Meeting:

| <b>Millions of euros</b>   |              |
|--|--------------|
| <b>Application of Earnings</b>   | <b>2013</b>  |
| <b>Net income for year</b>   | <b>1,406</b> |
| <b>Distribution:</b>   |              |
| Interim dividends  | 572          |
| Acquisition by the bank of the free allotment rights(*)  | 161          |
| Cantidad distribuida como cupón de la emisión de valores perpetuos convertibles en acciones BBVA | 35           |
| Legal reserve  | 33           |
| Voluntary reserves   | 605          |

(\*) Concerning to the remuneration to shareholders who chose to be paid in cash through the "Dividend Option".

## 4. Earnings per share

According to the criteria established by IAS 33:

- Basic earnings per share are determined by dividing the "Net income attributed to Parent Company" by the weighted average number of shares outstanding throughout the year, excluding the average number of treasury shares held over the year.
- Diluted earnings per share are calculated by using a method similar to that used to calculate basic earnings per share; the weighted average number of shares outstanding, and the net income attributed to the parent company, if appropriate, is adjusted to take into account the potential dilutive effect of certain financial instruments that could generate the issue of new Bank shares (share option commitments with employees, warrants on parent company shares, convertible debt instruments, etc.).

The following transactions have been carried out in 2013 and 2012 with an impact on the calculation of basic and diluted earnings per share:

- The Bank carried out several common stock increases in 2013 (see Note 23). According to IAS 33, when calculating the basic and diluted earnings per share, all the years prior to the exercise of the rights must be taken into account, and a corrective factor applied to the denominator (the weighted average number of shares outstanding) only in the case of common stock increases other than those for conversion of securities into shares. This corrective factor is the result of dividing the fair value per share immediately before the exercise of rights by the theoretical ex-rights fair value per share. The basic and diluted earnings per share for 2012 has been recalculated on this basis.
- In the year 2013, the bank agreed to carry out an issue of contingent convertible perpetual securities into ordinary shares of BBVA, without pre-emption rights, for a total amount of 1.5 billion US dollars. Since the conversion of these perpetual securities will be made if certain conditions are met these shares will be considered to be in circulation for purposes of earnings per basic share calculations only after all applicable conditions have been met. Until that point, they will be considered only for purposes of earnings per diluted share calculations.

The calculation of earnings per share of the BBVA Group is as follows:

| <b>Basic and Diluted Earnings per Share</b>  | <b>2013</b>  | <b>2012 (*)</b> |
|--|--------------|-----------------|
| <b>Numerator for basic and diluted earnings per share (millions of euros)</b>              |              |                 |
| Profit attributable to parent company  | 2,228        | 1,676           |
| Adjustment: Mandatory convertible bonds interest expenses                                  | -            | 95              |
| <b>Profit adjusted (millions of euros) (A)</b>   | <b>2,228</b> | <b>1,771</b>    |
| <b>Profit from discontinued operations (net of non-controlling interest) (B)</b>           | <b>1,819</b> | <b>319</b>      |
| <b>Denominator for basic earnings per share (number of shares outstanding)</b>             |              |                 |
| Weighted average number of shares outstanding (1)  | 5,597        | 5,148           |
| Weighted average number of shares outstanding x corrective factor (2)                      | 5,597        | 5,307           |
| Adjustment: Average number of estimated shares to be converted                             | -            | 315             |
| <b>Adjusted number of shares - Basic earning per share (C)</b>                             | <b>5,597</b> | <b>5,622</b>    |
| Adjustment: Average number of estimated shares to be converted due to perpetual securities | 95           | -               |
| <b>Adjusted number of shares - diluted earning per share (D)</b>                           | <b>5,692</b> | <b>5,622</b>    |
| <b>Basic earnings per share from continued operations (Euros per share) A-B/C</b>          | <b>0.07</b>  | <b>0.27</b>     |
| <b>Diluted earnings per share from continued operations (Euros per share) A-B/D</b>        | <b>0.07</b>  | <b>0.27</b>     |
| <b>Basic earnings per share from discontinued operations (Euros per share) B/C</b>         | <b>0.33</b>  | <b>0.06</b>     |
| <b>Diluted earnings per share from discontinued operations (Euros per share) B/D</b>       | <b>0.32</b>  | <b>0.06</b>     |

(1) Financial costs of convertible bonds that have been converted in June 2013.

(2) Weighted average number of shares outstanding (millions of euros), excluded weighted average of treasury shares during the period.

(3) Corrective factor, due to the capital increase with pre-emptive subscription right, applied for the previous years.

(\*) Data recalculated due to the mentioned corrective factor.

As of December 31, 2013 and 2012, except for the aforementioned convertible bonds, there were no other financial instruments or share option commitments with employees that could potentially affect the calculation of the diluted earnings per share for the years presented.

## 5. Risk management

BBVA understands the risk management function as one of the essential and differentiating elements of its competitive strategy. In this context, the aim of the Global Risk Management (GRM) Corporate Area is to preserve the BBVA solvency, help define its strategy with respect to risk and assume and facilitate the development of its businesses. Its activity is governed by the following principles:

- The risk management function is single, independent and global.
- The risks assumed by BBVA must be compatible with the capital adequacy target and must be identified, measured and assessed. Risk monitoring and management procedures and sound mechanisms of control and mitigation systems must likewise be in place.

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- All risks must be managed integrally during their life cycle, and be treated differently depending on their nature and with active portfolio management based on a common measure (economic capital).
- It is each operating segment's responsibility to propose and maintain its own risk profile, within its autonomy in the corporate action framework (defined as the set of risk control policies and procedures defined by the BBVA), using an appropriate risk infrastructure to control their risks.
- The infrastructures created for risk control must be equipped with means (in terms of people, tools, databases, information systems and procedures) that are sufficient for their purpose, so that there is a clear definition of roles and responsibilities, thus ensuring efficient allocation of resources among the corporate area and the risk units in operating segments.

In the light of these principles, Integrated risk management is structured around five main components:

- A governance and organizational system for the risk function, which considers:
  - Definition of roles and responsibilities for different functions and areas
  - Organizational structure of the GRM Corporate Area and Risk Units of the operating segments, including relationship and codependency mechanisms
  - Committee Schemes at a Corporate and operating segment levels
  - Structure delegation of functions and risks
  - Internal control system consistent with the nature and extent of the risks
- A general risk framework, where the Group's risk profile objective is defined and where the tolerance levels that the Group is willing to assume is clearly defined in order to carry out its strategic plan without relevant deviations, even in stress situations.
- A risk management corporate governance scheme which includes:
  - a regulatory body of policies and procedures,
  - annual risk planning scheme whereby Risk Appetite is incorporated into the Group's business decision making process
  - ongoing management of financial and non-financial risks
- A Framework for Identification, Assessment, Monitoring and Reporting of risks assumed in base and stress scenarios, allowing prospective and dynamic risk assessment
- An infrastructure that encompasses the set of tools, methodologies and risk culture that is the basis on which the differentiated risk management scheme is founded.

## Corporate governance system

BBVA has developed a corporate governance system in line with the best international practices, which adapts to the regulatory requirements of the countries where its operating segments carry out their business.

The Board of Directors is, in accordance with the Regulations of the Board, the body responsible for approving the policy control and risk management, as well as performing the periodic monitoring of internal information and control systems. Based on the general policies established by the Board of Directors, the Executive Committee (EC) sets corporate policies that previously been approved by the Board of Directors and the bank's risk limits by geographies, sectors and portfolios composing all the corporate action framework on risk. In this context, and for the adequate performance of its functions, the EC has a key role in developing the Risk Committee of the Board which, among other functions, analyzes and evaluates proposals on these issues that are risen to the EC for approval, performing a continuous monitoring of risk evolution and approving transactions that are considered relevant for qualitative or quantitative reasons.

Risk management in BBVA from a corporate action framework set by the governing bodies of the Bank is carried out by corporate risk management units and the operating segments themselves. Thus, the risk function in the Group (Global Risk Management, hereinafter GRM), is distributed among the risk units of the operating segments and the GRM corporate area, the latter being responsible for ensuring compliance with policies and global strategies. The risk units of the operating segments advise and manage risk profiles within their autonomy, though they always respect the corporate framework for action.

The Corporate GRM Area combines a vision by risk type with a global vision. It is divided into six units, as follows:

- Corporate Risk Management and Risk Portfolio Management: Responsible for management and control of the BBVA's financial risks. In addition, this area focuses on fiduciary risk management, insurance, Asset Management and monitors the retail banking business from a cross functional point of view.
- Operational and Control Risk: Manages operational risk, internal risk area control and the internal validation of the measurement models and the acceptance of new risks.
- Technology & Methodologies: Responsible for the management of the technological and methodological developments required for risk management in the Bank.
- Technical Secretariat: Undertakes the contrast of the proposals made to the Risk Management Committee and the Risk Committee.
- Planning, Monitoring & Reporting: Responsible for the development of the ERM framework and the definition and monitoring of risk appetite. It also prepares reporting requirements, both internal and regulatory, for those risks the Bank is exposed to.
- GRM South America: Responsible for credit risk management and monitoring in South America.

The head of the GRM Department is the Chief Risk Officer, and, among his responsibilities, ensures that the Bank's risks are managed according to the defined policy, relying on the GRM corporate area units and the risk units of the operating segments. In turn, the risk managers of the operating segments maintain a hierarchical reporting line with the head of their operating segment and a functional reporting to the Group Chief Risk Officer. This structure ensures the independence of the role of local risk and alignment with the policies and objectives of the Bank. This structure gives the Corporate GRM Area reasonable comfort with respect to:

- integration, control and management of all the Bank's risks;
- the application throughout BBVA of standard principles, policies and metrics; and
- the necessary knowledge of each geographical area and each business.

This organizational scheme is complemented by various committees, which include the following:

- The Global Risk Management Committee: This committee is made up of the risk managers from the risk units located in the operating segments and the managers of the GRM Corporate Area units. This committee meets on a monthly basis and among its responsibilities are the following:
  - establishing BBVA's risk strategy and presenting its proposal to the appropriate governing bodies, and in particular to the Board of Directors, for their approval,
  - monitoring the management and control of risks in the Bank, and
  - adopting any necessary actions.
- The Risk Management Committee: Its permanent members are the Global Risk Management director, the Corporate Risk Management director and the Technical Secretariat. The other committee members propose the operations that are analyzed in its working sessions. The committee analyzes and, if appropriate, authorizes financial programs and operations within its scope and submits the proposals whose amounts exceed the set limits to the Risks Committee, when its opinion on them is favorable.
- The Assets and Liabilities Committee (ALCO): The committee is responsible for actively managing structural interest rate and foreign exchange risk positions, global liquidity and the BBVA's capital base.

- The Technology and Methodologies Committee: The committee decides on the effectiveness of the models and infrastructures developed to manage and control risks that are integrated in the operating segments, within the framework of the operational model of Global Risk Management.
- The New Businesses and Products Committees: Their functions are to analyze and, where appropriate, give technical approval to and implement new businesses, products and services prior to their marketing; to undertake subsequent control and monitoring of new authorized products; and to foster orderly business operations to ensure they develop in a controlled environment.
- The Global Corporate Assurance Committee: Its task is to undertake a review at both Bank and operating segment level of the control environment and the effectiveness of the operational risk internal control and management systems, as well as to monitor and analyze the main operational risks the Bank is subject to, including those that are cross-cutting in nature.

## Internal control system

The BBVA's internal control system is based on the best practices developed in "Enterprise Risk Management - Integrated Framework" by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as well as in "Framework for Internal Control Systems in Banking Organizations" by the Bank for International Settlements (BIS). The Group's system for internal control is therefore part of the Integral Risk Management Framework.

The system of internal control of the Bank reaches all areas of the organization and is designed to identify and manage the risks that the Bank is facing and ensuring that the corporate objectives are met.

The control model has a three-line defense system:

- The first line is formed by the Bank's operating segments, which are responsible for the control within their scope and implementation of the measures set by higher authorities.
- The second line are the specialists control units ( Compliance , Global Accounting & Informational Management / Financial Internal Control , Risk Internal Control, IT Risk , Fraud & Security, Operational Control and production director support units , such as Human Resources , Legal , etc ...). This line supervises the control of the different units from a horizontal hierarchy stand point. Also, reporting to this line is the operational risk corporate management unit, which provides a common methodology and management tools.
- The third line is the Internal Audit unit, which conducts an independent review of the model, verifying compliance and effectiveness of corporate policies and providing independent information on the control model.

Find following list shows the main principles that support the internal control system:

- Its core element is the "process."
- The form in which the risks are identified, assessed and mitigated must be unique for each process; and the systems, tools and information flows that support the internal control and operational risk activities must be unique, or at least be administered fully by a single unit.
- The responsibility for internal control lies with the BBVA's operating segments. These units, along with the specialized units mentioned above, are responsible for the implementation of the system of control within its scope of responsibility and managing the existing risk by proposing any improvements to processes it considers appropriate.
- Given that some operating segments have a global scope of responsibility, there are cross-cutting control functions which supplement the control mechanisms mentioned earlier.
- The Operational Risk Management Committee in each operating segment is responsible for approving suitable mitigation plans for each existing risk or weakness. This committee structure culminates at the Bank's Global Corporate Assurance Committee.

Within the GRM area, BBVA has set up a unit of Internal Risk Control and Risk Validation that is independent from the units that develop models , manage processes and execute controls , and provide expert resources for the management of the different types of risks. Its objectives are:

- Ensure that there is a policy, process and measures identified for each risk relevant to the Bank.
- Ensure that these are implemented and applied in the manner in which they were defined.
- Control and communication any identified deficiencies and setting goals for improvement.
- Internal validation of models, independent from the model development process.

Both units report their activities and report their working plans to the Risk Committee of the Board.

The Internal Risk Control is built into the second line of defense. It has a global scope, both geographically and in terms of type of risk, reaching to all those risk types managed by the Corporate Risk Area. For the development of its function, the unit has a team structure at the corporate level and at the geography level in the case of the most important geographies in which the Bank operates. As in the Corporate Area, the local units are maintained independent from the operating segment processes and from those units that execute controls. It maintains however a functional dependency to the Internal Risk control unit. The lines of action of this unit are set at a Group level, adapting and executing at a local level as well as reporting the most relevant aspects.

## **Risk Appetite Framework**

The Bank Risk policy is aimed towards a moderate risk profile through conservative management and a global banking business model diversified by geographical area, type of assets, portfolios and customers. The Group has a large international presence, both in emerging and developed countries, maintaining a medium/low risk profile in each geography while seeking sustainable growth over time.

In order to achieve the above, a number of key metrics have been established that characterize the objective of the entity behavior and are enforced across the organization. These metrics are related to the solvency, liquidity and recurrence of results; and depending on the circumstances prevailing in each case, determine the risk in the Bank and allow to reach the desired objectives. Tolerance levels for key metrics are proposed by the GRM and approved by the Executive Committee. These metrics define the risks that BBVA is willing to assume. They defined the Bank's Risk Appetite and therefore are considered permanent save for exceptions.

Also, on an annual basis, the Executive Committee establishes, after a proposal from GRM and favorable report of the Risk Committee, limits for the main types of risks present in the Bank, such as credit, liquidity, funding and market. The compliance with these limits is monitored periodically through Risk committees. For credit risk, limits are defined at portfolio and/or sector level for each operating segment. In credit risk limits defined portfolio level and / or sector and for each operating segment. These thresholds are the maximum exposure to lending for BBVA for a time horizon of one year.

The Bank's objective is not to eliminate all risks, but to take a prudent level of risk that will generate results while maintaining adequate levels of capital and funding in order to generate recurring profits.

## **Corporate Scheme of Risk Management**

Corporate Scheme of Risk Management includes macro processes as detailed below:

- Regulatory enhancement process for the Risk area. GRM has established a set of principles, policies and procedures that serve as foundation to the regulatory structure of the risk function. The objectives are:
  - Consistency of all policies of the Bank, with the guiding principles of risk appetite and within themselves.
  - Uniformity between the operating segments in the implementation of risk policies, avoiding disparities in the risks taken based on the operating segment.
  - Framework of action, establishing the general lines of action for the operating segments, respecting the autonomy of these units.

- Annual Planning Process: Planning is done taking into account the risk appetite and establishes a series of limits by type of asset that ensure consistency with the global objective profile of the Bank's risk.
- Management of the main risks which are faced by the Bank are the following:

- **Credit risk:**

This arises from the probability that one party to a financial instrument will fail to meet its contractual obligations for reasons of insolvency or inability to pay and cause a financial loss for the other party. This includes management of counterparty risk, issuer credit risk, liquidation risk and country risk.

Management of credit risk covers the analytic process before decisions have been taken, decision making, instrumentation, monitoring formalized and recovery operations, as well as the entire process of control and reporting at customer level, segment, industry, operating segment or subsidiary. The main principles on which decision-making should be supported within credit risk are: a sufficient customer generation of resources and capital solvency and the existence of adequate and effective collateral. The management of credit risk in the Bank has a comprehensive structure that allows all functions making decisions objectively and independently throughout the life cycle risk.

- **Market risk**

This is originated by the likelihood of losses in the value of the positions held as a result of changes in the market prices of financial instruments. BBVA manages this risk in terms of probability of VaR (Value at Risk). It includes three types of risks:

- *Interest-rate risk:* This arises from variations in market interest rates.
- *Exchange Rate risk:* This is the risk resulting from variations in foreign-currency exchange rates.
- *Price risk:* This is the risk resulting from variations in market prices, either due to factors specific to the instrument itself, or alternatively to factors which affect all the instruments traded on a specific market.

- **Liquidity risk**

Control, monitoring and management of liquidity risk and funding aims in the short term, ensuring compliance with payment obligations of the Bank in the time and manner provided, without the need to obtain funds under unfavorable conditions. In the mid-term it aims to ensure the adequacy of the Bank's financial structure and its evolution in the context of the economic, market and regulatory changes.

- **Structural risk**, includes the following:

- *Interest rate structural risk:* The management of this kind of risk seeks to maintain exposure levels for BBVA in line with its strategy and risk profile to address changes in market interest rates. For this aim, ALCO carries out an active balance sheet management through operations intended to optimize the level of risk in relation to the expected results and with respect to the maximum tolerable risk levels. The activity of the ALCO uses the interest rate risk measurements performed by the Corporate Area GRM.
- *Exchange rate structural risk:* This risk arises primarily from exposure to changes in exchange rates arising from foreign companies to the BBVA Group and endowment funds to branches abroad financed in a different currency the investment. Managing this risk is based on a simulation model of scenarios to quantify the changes in value that can be produced with a given confidence level and a horizon predetermined, and ALCO is the responsible for arranging hedging transactions, to restrict the equity impact due to the changes in exchange rates according to their projected trend.
- *Structural equity risk:* This risk arises due to the possible negative impact due to the impairment value of its investments in Industrial and Financial entities with medium and long horizons. The Corporate area GRM is responsible for measurement and effective monitoring of the structural risk of equity, estimating for this reason the sensitivity and the capital required to cover any unexpected losses arising from changes in value of the companies comprising the investment portfolio of the Bank, with a confidence level in accordance with the target entity rating, taking into account liquidity positions and the statistical behavior of the assets under consideration.



- **Operational risk:**

This arises from the possibility of human error, inadequate or faulty internal processes, system failures or external events. This definition includes the legal risk and excludes strategic and/or business risk and reputational risk. The operational risk management in the Bank is based on the levers of value that generates advanced AMA (advanced measurement approach): knowledge, identification, prioritization and management of potential and actual risks, supported by indicators to analyze the evolution, define alerts and check the controls.

## **Framework for identifying, analyzing and monitoring risk**

The process of identification, assessment and monitoring / reporting have the following objectives:

- Evaluate the performance of risk appetite in the present moment.
- -Identified and evaluate risk situation that may compromise the performance of the risk appetite.
- -Evaluate the performance of risk appetite to future under basis and stress scenario.

## **Infrastructure: Technology, Culture and Risk Methodologies**

- Technology: assessing the adequacy of information systems and technology necessary for the performance of the functions within the framework of integrated risk management of the Bank.
- BBVA's main activities with respect to the management and control of its risks are as follows:
  - Calculation of exposure to risks of the different portfolios, taking into account any possible mitigating factors (guarantees, balance netting, collaterals, etc.).
  - Calculation of the probabilities of default (hereinafter, "PD").
  - Estimation of the foreseeable losses in each portfolio, assigning a PD to new operations (rating and scoring).
  - Measurement of the risk values of the portfolios in different scenarios through historical simulations.
  - Establishment of limits to potential losses according to the different risks incurred.
  - Determination of the possible impacts of structural risks on the BBVA's consolidated income statement.
  - Identification and quantification of operational risks, by operating segments, to facilitate mitigation through appropriate corrective actions.
- Risk Culture

In accordance with best practice and in line with recent regulatory recommendations, BBVA has implemented a robust risk culture that spreads all levels of the organization so that principles of risk management could be unique, and known throughout the Bank.

Global Risk Management Risk Culture diffuses as a value and as a fundamental part of its management model, with the aim to strengthening the direction of the risk management, emphasizing that this culture could be communicated, understood, accepted and controlled throughout the organization.

Risk Culture has opted for three different areas:

- Communication, which aims to spread understanding of the Risk Management Framework of the Bank consistently and integrated throughout the organization through the most appropriate channels of communication.
- Training, in which specific formats have been developed to raise awareness of risks in the organization and ensure certain standards in skills and knowledge of Risk Management
- Compensation, area where it is intended that the financial and non-financial incentives could support the values and culture of risk at all levels and for which they have been established mechanisms based on the risk management, in accordance with the objectives established by the Bank.

It has been established continuously monitored to verify proper implementation of these areas and their development.

## 5.1 Credit risk

### 5.1.1 Maximum credit risk exposure

BBVA maximum credit risk exposure by headings in the balance sheet as of December 31, 2013 and 2012 is provided below. It does not consider the availability of collateral or other credit enhancements to guarantee compliance with payment obligations. The details are broken down by financial instruments and counterparties.

|   |       | Millions of Euros |                |
|---|-------|-------------------|----------------|
| Maximum Credit Risk Exposure  | Notes | 2013              | 2012           |
| <b>Financial assets held for trading</b>                                      | 8     | <b>13,425</b>     | <b>12,437</b>  |
| Debt securities   |       | 13,425            | 12,437         |
| <b>Other financial assets designated at fair value through profit or loss</b> | 9     | <b>-</b>          | <b>-</b>       |
| Debt securities   |       | -                 | -              |
| <b>Available-for-sale financial assets</b>                                    | 10    | <b>37,597</b>     | <b>31,071</b>  |
| Debt securities   |       | 37,597            | 31,071         |
| <b>Loans and receivables</b>  | 11    | <b>240,036</b>    | <b>245,491</b> |
| Loans and advances to credit institutions                                     |       | 20,383            | 21,332         |
| Loans and advances to customers   |       | 217,849           | 222,430        |
| Government  |       | 23,695            | 25,957         |
| Agriculture   |       | 1,290             | 1,468          |
| Industry  |       | 20,456            | 23,669         |
| Real estate and construction  |       | 34,230            | 36,575         |
| Trade and finance   |       | 28,826            | 27,718         |
| Loans to individuals  |       | 91,904            | 85,833         |
| Other   |       | 17,448            | 21,210         |
| Debt securities   |       | 1,804             | 1,729          |
| <b>Held-to-maturity investments</b>   | 12    | <b>-</b>          | <b>10,162</b>  |
| <b>Derivatives (trading and hedging)</b>                                      |       | <b>40,837</b>     | <b>55,515</b>  |
| <b>Total financial assets risk</b>  |       | <b>331,895</b>    | <b>354,676</b> |
| Financial guarantees  | 29    | 47,961            | 64,373         |
| Drawable by third parties   | 29    | 47,009            | 43,480         |
| Other contingent commitments  | 29    | 6,403             | 6,722          |
| <b>Total Contingent Risks and Commitments</b>                                 |       | <b>101,373</b>    | <b>114,575</b> |
| <b>Total maximum credit exposure</b>  |       | <b>433,268</b>    | <b>469,252</b> |

In the case of financial assets recognized in the balance sheets, exposure to credit risk is considered equal to its gross accounting value, not including certain valuation adjustments (impairment losses, derivatives and others), with the sole exception of trading and hedging derivatives.

The maximum credit risk exposure on financial guarantees granted is the maximum that the Bank would be liable for if these guarantees were called in, and that is their carrying amount.

Our calculation of risk exposure for derivatives is based on the sum of two factors: the derivatives market value and their potential risk (or "add-on").

The first factor, market value, reflects the difference between original commitments and market values on the reporting date (mark-to-market). As indicated in Note 2.1 to the financial statements, derivatives are accounted for as of each reporting date at fair value.

The second factor, potential risk ('add-on'), is an estimate (using internal models) of the maximum increase to be expected on risk exposure over a derivative at market value (at a given statistical confidence level) as a result of future changes in the fair value over the remaining term of the transactions.

The consideration of the potential risk ("add-on") relates the risk exposure to the exposure level at the time of a customer's default. The exposure level will depend on the customer's credit quality and the type of transaction with such customer. Given the fact that default is an uncertain event which might occur any time during the life of a contract, the BBVA Group has to consider not only the credit exposure of the derivatives on the reporting date, but also the potential changes in exposure during the life of the contract. This is especially important for derivatives, whose valuation changes substantially throughout their terms, depending on the fluctuation of market prices.

### 5.1.2 Mitigation of credit risk, collateralized credit risk and other credit enhancements

In most cases, maximum credit risk exposure is reduced by collateral, credit enhancements and other actions which mitigate the Bank's exposure. BBVA applies a credit risk hedging and mitigation policy deriving from a banking approach focused on relationship banking. The existence of guarantees could be a necessary but not sufficient instrument for accepting risks, as the assumption of risks by the Bank requires prior evaluation of the debtor's capacity for repayment, or that the debtor can generate sufficient resources to allow the amortization of the risk incurred under the agreed terms.

The policy of accepting risks is therefore organized into three different levels in the Bank:

- Analysis of the financial risk of the operation, based on the debtor's capacity for repayment or generation of funds;
- The constitution of guarantees that are adequate, or at any rate generally accepted, for the risk assumed, in any of the generally accepted forms: monetary, secured, personal or hedge guarantees; and finally,
- Assessment of the repayment risk (asset liquidity) of the guarantees received.

The procedures for the management and valuation of collaterals are set out in the Internal Manuals on Credit Risk Management Policies (retail and wholesale), which establish the basic principles for credit risk management, including the management of collaterals assigned in transactions with customers.

The methods used to value the collateral are in line with the best market practices and imply the use of appraisal of real-estate collateral, the market price in market securities, the trading price of shares in mutual funds, etc. All the collaterals assigned must be properly drawn up and entered in the corresponding register. They must also have the approval of the Bank's legal units.

The following is a description of the main types of collateral for each financial instrument class:

- **Financial instruments held for trading:** The guarantees or credit enhancements obtained directly from the issuer or counterparty are implicit in the clauses of the instrument.
- **Trading and hedging derivatives:** In derivatives, credit risk is minimized through contractual netting agreements, where positive- and negative-value derivatives with the same counterparty are offset for their net balance. There may likewise be other kinds of guarantees, depending on counterparty solvency and the nature of the transaction.

The bank has a wide range of credit derivatives. Through these contracts the Bank purchases or sales hedging against a share or an index. The Bank uses credit derivatives to mitigate credit risk in its loan portfolio and other cash positions and to hedge risks assumed in market transactions with other clients and counterparties. Nevertheless, the credit risk originating from the derivatives in which the Bank operates is mitigated through the contractual rights existing for offsetting accounts at the time of their settlement. This has reduced the Bank's exposure to credit risk to €24,522 million as of December 31, 2013 and €42,374 million as of December 31, 2012.

Credit derivatives may follow different settlement and netting agreements, under the rules of the International Swaps and Derivatives Association (ISDA). The most common types of settlement triggers include bankruptcy of the reference credit institution, acceleration of indebtedness, failure to pay, restructuring, repudiation and dissolution of the entity. Since the Group typically confirms over 99% of the credit derivative transactions in the Depository Trust & Clearing Corporation (DTCC), substantially the entire credit derivatives portfolio is registered and matched against BBVA's counterparties.

- **Other financial assets designated at fair value through profit or loss and Available-for-sale financial assets:**  
The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent to the structure of the instrument.
- **Loans and receivables:**
  - Loans and advances to credit institutions: These usually only have the counterparty's personal guarantee.
  - Loans and advances to customers: Most of these operations are backed by personal guarantees extended by the counterparty. There may also be collateral to secure loans and advances to customers (such as mortgages, cash guarantees, pledged securities and other collateral), or to obtain other credit enhancements (financial guaranties, hedging, etc.).
  - Debt securities: The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent to the structure of the instrument.
  - Financial guarantees, other contingent risks and drawable by third parties: These have the counterparty's personal guarantee.

The Bank's collateralized credit risk as of December 31, 2013 and 2012, excluding balances deemed impaired, is broken down in the table below:

| Collateralized Credit Risk            | Millions of Euros |               |
|---------------------------------------|-------------------|---------------|
|                                       | 2013              | 2012          |
| <b>Mortgage loans</b>                 | <b>93,444</b>     | <b>92,401</b> |
| Operating assets mortgage loans       | 1,901             | 1,928         |
| Home mortgages                        | 76,814            | 74,433        |
| Non-home mortgages (1)                | 14,729            | 16,040        |
| <b>Secured loans, except mortgage</b> | <b>2,916</b>      | <b>3,255</b>  |
| Cash guarantees                       | 85                | 16            |
| Secured loan (pledged securities)     | 375               | 844           |
| Rest of secured loans (2)             | 2,456             | 2,395         |
| <b>Total</b>                          | <b>96,360</b>     | <b>95,656</b> |

(1) Loans with mortgage collateral (other than residential mortgage) for property purchase or construction.

(2) Includes loans with cash collateral, other financial assets with partial collateral.

### 5.1.3 Credit quality of financial assets that are neither past due nor impaired

BBVA has tools ("scoring" and "rating") that enable it to rank the credit quality of its operations and customers based on an assessment and its correspondence with the probability of default ("PD") scales. To analyze the performance of PD, the Bank has a series of tracking tools and historical databases that collect the pertinent internally generated information, which can basically be grouped together into scoring and rating models.

#### Scoring

Scoring is a decision-making model that contributes to both the arrangement and management of retail loans: consumer loans, mortgages, credit cards for individuals, etc. Scoring is the tool used to decide to originate a loan, what amount should be originated and what strategies can help establish the price, because it is an algorithm that sorts transactions by their credit quality. This algorithm enables the BBVA Group to assign a score to each transaction requested by a customer, on the basis of a series of objective characteristics that have statistically been shown to discriminate between the quality and risk of this type of transactions. The advantage of scoring lies in its simplicity and homogeneity: all that is needed is a series of objective data for each customer, and this data is analyzed automatically using an algorithm.

There are three types of scoring, based on the information used and on its purpose:

- **Reactive scoring:** measures the risk of a transaction requested by an individual using variables relating to the requested transaction and to the customer's socio-economic data available at the time of the request. The new transaction is approved or rejected depending on the score.

- Behavioral scoring: scores transactions for a given product in an outstanding risk portfolio of the entity, enabling the credit rating to be tracked and the customer's needs to be anticipated. It uses transaction and customer variables available internally. Specifically, variables that refer to the behavior of both the product and the customer.
- Proactive scoring: gives a score at customer level using variables related to the individual's general behavior with the entity, and to his/her payment behavior in all the contracted products. The purpose is to track the customer's credit quality and it is used to pre-grant new transactions.

## Rating

Rating tools, as opposed to scoring tools, do not assess transactions but focus on the rating of customers instead: companies, corporations, SMEs, public authorities, etc. A rating tool is an instrument that, based on a detailed financial study, helps determine a customer's ability to meet his/her financial obligations. The final rating is usually a combination of various factors: on one hand, quantitative factors, and on the other hand, qualitative factors. It is a middle road between an individual analysis and a statistical analysis.

The main difference between ratings and scorings is that the latter are used to assess retail products, while ratings use a wholesale banking customer approach. Moreover, scorings only include objective variables, while ratings add qualitative information. And although both are based on statistical studies, adding a business view, rating tools give more weight to the business criterion compared to scoring tools.

For portfolios where the number of defaults is very low (sovereign risk, corporates, financial entities, etc.) the internal information is supplemented by "benchmarking" of the external rating agencies (Moody's, Standard & Poor's and Fitch). To this end, each year the PDs compiled by the rating agencies at each level of risk rating are compared, and the measurements compiled by the various agencies are mapped against those of the BBVA master rating scale.

Once the probability of default of a transaction or customer has been calculated, a "business cycle adjustment" is carried out. This is a means of establishing a measure of risk that goes beyond the time of its calculation. The aim is to capture representative information of the behavior of portfolios over a complete economic cycle. This probability is linked to the Master Rating Scale prepared by BBVA to enable uniform classification of the Group's various asset risk portfolios.

The table below shows the abridged scale used to classify the Bank's outstanding risk as of December 31, 2013:

| External rating<br>Standard&Poor's List | Internal rating<br>Reduced List (22 groups) | Probability of default<br>(basic points) |                    |         |
|---|---|--|--------------------|---------|
|   |   | Average                                  | Minimum<br>from >= | Maximum |
| AAA                                     | AAA   | 1  | -                  | 2       |
| AA+                                     | AA+   | 2  | 2                  | 3       |
| AA                                      | AA  | 3  | 3                  | 4       |
| AA-                                     | AA-   | 4  | 4                  | 5       |
| A+                                      | A+  | 5  | 5                  | 6       |
| A                                       | A   | 8  | 6                  | 9       |
| A-                                      | A-  | 10                                       | 9                  | 11      |
| BBB+                                    | BBB+  | 14                                       | 11                 | 17      |
| BBB                                     | BBB   | 20                                       | 17                 | 24      |
| BBB-                                    | BBB-  | 31                                       | 24                 | 39      |
| BB+                                     | BB+   | 51                                       | 39                 | 67      |
| BB                                      | BB  | 88                                       | 67                 | 116     |
| BB-                                     | BB-   | 150                                      | 116                | 194     |
| B+                                      | B+  | 255                                      | 194                | 335     |
| B                                       | B   | 441                                      | 335                | 581     |
| B-                                      | B-  | 785                                      | 581                | 1,061   |
| CCC                                     | CCC+  | 1,191                                    | 1,061              | 1,336   |
| CCC                                     | CCC   | 1,500                                    | 1,336              | 1,684   |
| CCC                                     | CCC-  | 1,890                                    | 1,684              | 2,121   |
| CCC                                     | CC+   | 2,381                                    | 2,121              | 2,673   |
| CCC                                     | CC  | 3,000                                    | 2,673              | 3,367   |
| CCC                                     | CC-   | 3,780                                    | 3,367              | 4,243   |

The table below outlines the distribution of exposure, including derivatives, by internal ratings, of the main items in the Bank's risk balance sheet with companies, financial institutions and other institutions (excluding sovereign risk), as of December 31, 2013:

| Credit Risk Distribution by Internal Rating | 2013                       |                |
|---|----------------------------|----------------|
|   | Amount (Millions of Euros) | %              |
| AAA/AA+/AA/AA-                              | 22,952                     | 10.70%         |
| A+/A/A-                                     | 64,184                     | 29.94%         |
| BBB+  | 24,497                     | 11.43%         |
| BBB   | 23,296                     | 10.87%         |
| BBB-  | 27,725                     | 12.93%         |
| BB+   | 17,522                     | 8.17%          |
| BB  | 8,928                      | 4.16%          |
| BB-   | 4,809                      | 2.24%          |
| B+  | 5,277                      | 2.46%          |
| B   | 5,128                      | 2.39%          |
| B-  | 4,347                      | 2.03%          |
| CCC/CC                                      | 5,740                      | 2.68%          |
| <b>Total</b>                                | <b>214,405</b>             | <b>100.00%</b> |

These different levels and their probability of default were calculated by using as a reference the rating scales and default rates provided by the external agencies Standard & Poor's and Moody's. These calculations establish the levels of probability of default for the BBVA's Master Rating Scale. Although this scale is common to the entire Group, the calibrations (mapping scores to PD sections/Master Rating Scale levels) are carried out at tool level.

#### 5.1.4 Policies for preventing excessive risk concentration

In order to prevent the build-up of excessive concentrations of credit risk at the individual, country and sector levels, the Bank maintains maximum permitted risk concentration indices updated at the individual and sector levels, tied to the various observable variables within the field of credit risk management. The limit on the Bank's exposure or financial commitment to a specific customer therefore depends on the customer's credit rating, the nature of the risks involved, and the Bank's presence in a given market, based on the following guidelines:

- The aim is, as far as possible, to combine the customer's credit needs (commercial/financial, short-term/long-term, etc.) with the interests of the Bank.
- Any legal limits that may exist concerning risk concentration are taken into account (relationship between risks with a customer and the capital of the entity that assumes them), the markets, the macroeconomic situation, etc.
- To properly management risk exposures of transactions over 2.5% of the Group's Net Equity any transactions over this threshold will be authorized by the Risk Committee of the Bank's Board of Directors.

#### 5.1.5 Financial assets past due but not impaired

The table below provides details of financial assets past due as of December 31, 2013 and 2012, but not considered to be impaired, listed by their first past-due date:

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRS for banks. See Note 54). This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

| Financial Assets Past Due but Not Impaired | Millions of Euros          |                        |                        |                            |                        |                        |
|--|----------------------------|------------------------|------------------------|----------------------------|------------------------|------------------------|
|  | 2013                       |                        |                        | 2012                       |                        |                        |
|  | Less than 1 Month Past-Due | 1 to 2 Months Past-Due | 2 to 3 Months Past-Due | Less than 1 Month Past-Due | 1 to 2 Months Past-Due | 2 to 3 Months Past-Due |
| Loans and advances to credit institutions  | -                          | -                      | -                      | -                          | -                      | -                      |
| Loans and advances to customers            | 616                        | 92                     | 122                    | 1,196                      | 456                    | 238                    |
| Government                                 | 56                         | 3                      | 6                      | 89                         | 213                    | 7                      |
| Other sectors                              | 560                        | 89                     | 116                    | 1,107                      | 243                    | 231                    |
| Debt securities                            | -                          | -                      | -                      | -                          | -                      | -                      |
| <b>Total</b>                               | <b>616</b>                 | <b>92</b>              | <b>122</b>             | <b>1,196</b>               | <b>456</b>             | <b>238</b>             |

## 5.1.6 Impaired assets and impairment losses

The table below shows the composition of the impaired financial assets and risks as of December 31, 2013 and 2012, broken down by heading in the accompanying balance sheet:

| Impaired Risks.<br>Breakdown by Type of Asset and by Sector | Millions of Euros |               |
|---|-------------------|---------------|
|   | 2013              | 2012          |
| <b>Asset Instruments Impaired</b>                           |                   |               |
| Available for sale financial assets                         | 36                | 94            |
| Debt securities   | 36                | 94            |
| Loans and receivables                                       | 21,929            | 12,795        |
| Loans and advances to credit institutions                   | 29                | 20            |
| Loans and advances to customers                             | 21,896            | 12,765        |
| Debt securities   | 4                 | 10            |
| <b>Total 'Asset Instruments Impaired (1)</b>                | <b>21,965</b>     | <b>12,889</b> |
| <b>Contingent Risks Impaired</b>                            |                   |               |
| Contingent Risks Impaired (2)                               | 393               | 259           |
| <b>Total Impaired Risks (1)+(2)</b>                         | <b>22,358</b>     | <b>13,148</b> |
| Of which:   |                   |               |
| Government  | 161               | 147           |
| Credit institutions   | 48                | 64            |
| Other sectors   | 21,756            | 12,678        |
| Contingent Risks Impaired                                   | 393               | 259           |
| <b>Total impaired risks (1) + (2)</b>                       | <b>22,358</b>     | <b>13,148</b> |

The changes in 2013 and 2011 in the impaired financial assets and contingent risks are as follows:

| Changes in Impaired Financial Assets and Contingent Risks | Millions of Euros |               |
|---|-------------------|---------------|
|   | 2013              | 2012          |
| <b>Balance at the beginning</b>                           | <b>13,148</b>     | <b>11,586</b> |
| Additions (1)   | 10,865            | 8,442         |
| Recoveries (2)  | (4,442)           | (4,624)       |
| <b>Net additions (1)+(2)</b>                              | <b>6,423</b>      | <b>3,818</b>  |
| Transfers to write-off                                    | (1,977)           | (2,251)       |
| Exchange differences and others (*)                       | 4,764             | (5)           |
| <b>Balance at the end</b>                                 | <b>22,358</b>     | <b>13,148</b> |
| <b>Recoveries on entries (%)</b>                          | <b>41</b>         | <b>55</b>     |



Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRS for banks. See Note 54).  
This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

Below are details of the impaired financial assets as of December 31, 2013 and 2012, classified by geographical area and by the time elapsed since their oldest past-due amount or the period since they were deemed impaired:

#### Impaired Assets by Geographic Area and Time

| Millions of Euros |                             |                        |                         |                              |               |
|-------------------|-----------------------------|------------------------|-------------------------|------------------------------|---------------|
| 2013              | Less than 6 Months Past-Due | 6 to 9 Months Past-Due | 9 to 12 Months Past-Due | More than 12 Months Past-Due | Total         |
| Spain             | 9,824                       | 1,862                  | 1,362                   | 8,655                        | 21,703        |
| Rest of Europe    | 44                          | 3                      | 6                       | 182                          | 235           |
| Rest of the world | 18                          | -                      | -                       | 9                            | 27            |
| <b>Total</b>      | <b>9,886</b>                | <b>1,865</b>           | <b>1,368</b>            | <b>8,846</b>                 | <b>21,965</b> |

#### Impaired Assets by Geographic Area and Time

| Millions of Euros |                             |                        |                         |                              |               |
|-------------------|-----------------------------|------------------------|-------------------------|------------------------------|---------------|
| 2012              | Less than 6 Months Past-Due | 6 to 9 Months Past-Due | 9 to 12 Months Past-Due | More than 12 Months Past-Due | Total         |
| Spain             | 5,054                       | 1,457                  | 1,291                   | 4,676                        | 12,478        |
| Rest of Europe    | 107                         | -                      | -                       | 66                           | 173           |
| Rest of the world | 238                         | -                      | -                       | -                            | 238           |
| <b>Total</b>      | <b>5,399</b>                | <b>1,457</b>           | <b>1,291</b>            | <b>4,742</b>                 | <b>12,889</b> |

Below are details of the impaired financial assets as of December 31, 2013 and 2012, classified by type of loan according to its associated guarantee, and by the time elapsed since their oldest past-due amount or the period since they were deemed impaired:

#### Impaired Assets by Guarantee and by the Time since they were Deemed Impaired.

| Millions of Euros   |                             |                        |                         |                              |               |
|---|-----------------------------|------------------------|-------------------------|------------------------------|---------------|
| 2013  | Less than 6 Months Past-Due | 6 to 9 Months Past-Due | 9 to 12 Months Past-Due | More than 12 Months Past-Due | Total         |
| Unsecured loans   | 3,322                       | 408                    | 320                     | 1,450                        | 5,500         |
| Mortgage  | 6,381                       | 1,457                  | 1,048                   | 7,396                        | 16,282        |
| Residential mortgage  | 2,708                       | 312                    | 302                     | 1,974                        | 5,296         |
| Commercial mortgage (rural properties in operation and offices, and industrial buildings) | 1,036                       | 238                    | 150                     | 1,254                        | 2,678         |
| property of the borrower  | 938                         | 225                    | 323                     | 2,029                        | 3,515         |
| Plots and other real state assets   | 1,699                       | 682                    | 273                     | 2,139                        | 4,793         |
| Other partially secured loans   | -                           | -                      | -                       | -                            | -             |
| Others  | 183                         | -                      | -                       | -                            | 183           |
| <b>Total</b>  | <b>9,886</b>                | <b>1,865</b>           | <b>1,368</b>            | <b>8,846</b>                 | <b>21,965</b> |

#### Impaired Assets by Guarantee and by the Time since they were Deemed Impaired.

| Millions of Euros   |                             |                        |                         |                              |               |
|---|-----------------------------|------------------------|-------------------------|------------------------------|---------------|
| 2012  | Less than 6 Months Past-Due | 6 to 9 Months Past-Due | 9 to 12 Months Past-Due | More than 12 Months Past-Due | Total         |
| Unsecured loans   | 2,339                       | 390                    | 330                     | 823                          | 3,882         |
| Mortgage  | 2,895                       | 1,067                  | 961                     | 3,919                        | 8,842         |
| Residential mortgage  | 831                         | 266                    | 202                     | 1,063                        | 2,362         |
| Commercial mortgage (rural properties in operation and offices, and industrial buildings) | 446                         | 184                    | 153                     | 809                          | 1,592         |
| Rest of residential mortgage  | 634                         | 301                    | 281                     | 890                          | 2,106         |
| Plots and other real state assets   | 984                         | 316                    | 325                     | 1,157                        | 2,782         |
| Other partially secured loans   | -                           | -                      | -                       | -                            | -             |
| Others  | 165                         | -                      | -                       | -                            | 165           |
| <b>Total</b>  | <b>5,399</b>                | <b>1,457</b>           | <b>1,291</b>            | <b>4,742</b>                 | <b>12,889</b> |

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Below is the accumulated financial income accrued as of December 31, 2013 and 2012 with origin in the impaired assets that, as mentioned in Note 2.1, are not recognized in the accompanying income statements as there are doubts as to the possibility of collection:

|  | Millions of Euros |              |
|--|-------------------|--------------|
|  | 2013              | 2012         |
| <b>Financial Income from Impaired Assets</b> | <b>2,125</b>      | <b>1,570</b> |

The changes in 2012 and 2011 in financial assets derecognized from the accompanying balance sheet as their recovery is considered unlikely (hereinafter "write-offs") is shown below:

|  | Millions of Euros |               |
|--|-------------------|---------------|
| <b>Changes in Impaired Financial Assets Written-Off from the Balance Sheet</b> | <b>2013</b>       | <b>2012</b>   |
| <b>Balance at the beginning</b>  | <b>11,785</b>     | <b>9,624</b>  |
| <b>Increase:</b>   | <b>4,029</b>      | <b>2,876</b>  |
| Assets of remote collectability  | 1,977             | 2,251         |
| Past-due and not collected income  | 1,418             | 625           |
| Contributions by mergers   | 634               | -             |
| <b>Decrease:</b>   | <b>(1,351)</b>    | <b>(711)</b>  |
| Cash recovery  | (216)             | (172)         |
| Foreclosed assets  | (49)              | (40)          |
| Definitive derecognitions  | (1,086)           | (499)         |
| Cancellation   | (602)             | (434)         |
| Expiry of rights and other causes  | (484)             | (65)          |
| <b>Net exchange differences</b>  | <b>(3)</b>        | <b>(4)</b>    |
| <b>Balance at the end</b>  | <b>14,460</b>     | <b>11,785</b> |

As indicated in Note 2.1, although they have been derecognized from the balance sheet, the Bank continues to attempt to collect on these write-offs, until the rights to receive them are fully extinguished, either because it is time-barred debt, the debt is forgiven, or other reasons.

## 5.1.7 Impairment losses

Below is a breakdown of the provisions registered on the accompanying balance sheets to cover estimated impairment losses as of December 31, 2013 and 2012 in financial assets and contingent risks, according to the different headings under which they are classified in the balance sheet:

|  |       | Millions of Euros |              |
|--|-------|-------------------|--------------|
| Impairment losses and provisions for contingent risks  | Notes | 2013              | 2012         |
| <b>Available-for-sale portfolio</b>                    | 10.1  | <b>20</b>         | <b>57</b>    |
| <b>Loans and receivables</b>                           |       | <b>10,833</b>     | <b>9,182</b> |
| Loans and advances to customers                        | 11.2  | 10,799            | 9,152        |
| Loans and advances to credit institutions              | 11.1  | 30                | 20           |
| Debt securities  | 11.3  | 4                 | 10           |
| <b>Held to maturity investment</b>                     | 12    | <b>-</b>          | <b>1</b>     |
| <b>Impairment losses</b>                               |       | <b>10,853</b>     | <b>9,240</b> |
| <b>Provisions for Contingent Risks and Commitments</b> | 21    | <b>221</b>        | <b>176</b>   |
| <b>Total</b>   |       | <b>11,074</b>     | <b>9,416</b> |
| Of which:  |       |                   |              |
| For impaired portfolio                                 |       | 10,841            | 7,732        |
| For current portfolio non impaired                     |       | 233               | 1,684        |

Below are the changes in 2013 and 2012 in the estimated impairment losses, broken down by the headings in the accompanying balance sheet:

|   |       | Millions of Euros           |                              |                       |                  |               |
|---|-------|-----------------------------|------------------------------|-----------------------|------------------|---------------|
| Changes in the year 2013:<br>Impairment losses provisions (*) | Notes | Held to maturity investment | Available-for-sale portfolio | Loans and receivables | Contingent risks | Total         |
| <b>Balance at the beginning</b>                               |       | <b>1</b>                    | <b>57</b>                    | <b>9,182</b>          | <b>176</b>       | <b>9,416</b>  |
| Increase in impairment losses charged to income               |       | -                           | 15                           | 7,478                 | 59               | 7,552         |
| Decrease in impairment losses credited to income              |       | -                           | (6)                          | (4,038)               | (22)             | (4,066)       |
| <b>Impairment losses (net)</b>                                | 42-43 | <b>-</b>                    | <b>9</b>                     | <b>3,440</b>          | <b>37</b>        | <b>3,486</b>  |
| Transfers to written-off loans                                |       | -                           | (50)                         | (1,927)               | -                | (1,977)       |
| Losses due to merger transactions                             |       | -                           | 5                            | 2,191                 | 10               | 2,206         |
| Exchange differences and other (**)                           |       | (1)                         | (1)                          | (2,053)               | (2)              | (2,057)       |
| <b>Balance at the end</b>                                     |       | <b>-</b>                    | <b>20</b>                    | <b>10,833</b>         | <b>221</b>       | <b>11,074</b> |

(\*) Includes impairment losses on financial assets (Note 49) and the provisions for contingent risks (Note 48).

(\*\*) Includes transfers to "Impairment on Group investments" after the Anida capital increase (Note 15).

|   |       | Millions of Euros           |                              |                       |                  |              |
|---|-------|-----------------------------|------------------------------|-----------------------|------------------|--------------|
| Changes in the year 2012:<br>Impairment losses provisions (*) | Notes | Held to maturity investment | Available-for-sale portfolio | Loans and receivables | Contingent risks | Total        |
| <b>Balance at the beginning</b>                               |       | <b>1</b>                    | <b>83</b>                    | <b>5,732</b>          | <b>159</b>       | <b>5,975</b> |
| Increase in impairment losses charged to income               |       | -                           | 9                            | 7,229                 | 34               | 7,272        |
| Decrease in impairment losses credited to income              |       | -                           | (17)                         | (1,404)               | (17)             | (1,438)      |
| <b>Impairment losses (net)</b>                                | 42-43 | <b>-</b>                    | <b>(8)</b>                   | <b>5,825</b>          | <b>17</b>        | <b>5,834</b> |
| Transfers to written-off loans                                |       | -                           | (18)                         | (2,233)               | -                | (2,251)      |
| Exchange differences and other                                |       | -                           | -                            | (142)                 | -                | (142)        |
| <b>Balance at the end</b>                                     |       | <b>1</b>                    | <b>57</b>                    | <b>9,182</b>          | <b>176</b>       | <b>9,416</b> |

(\*) Includes impairment losses on financial assets (Note 49) and the provisions for contingent risks (Note 48).

## 5.2 Market risk

### Trading portfolio activities

The activity of the trading floors is controlled and monitored by the risk unit. Measurement procedures are established in terms of the possible impact of negative market conditions on the trading portfolio of the Group's Global Markets units, both under ordinary circumstances and in situations of heightened risk factors.

The measurement model used to assess market risk is Value at Risk (VaR), which provides a forecast with a 99% probability of the maximum loss that can be incurred by the market positions of trading portfolios in a one-day horizon, stemming from fluctuations in equity prices, interest rates, foreign-exchange rates and commodity prices. In addition, for some positions, other risks also need to be considered, such as credit spread risk, basis risk, volatility and correlation risk.

BBVA has received approval from the Bank of Spain to use a model developed by the BBVA Group to calculate bank capital requirements for market risk. This model estimates VaR in accordance with the "historical simulation" methodology, which involves estimating the losses or gains that would have been produced in the current portfolio if the changes in market conditions occurring over a specific period of time were repeated. Using this information, it infers the maximum foreseeable loss in the current portfolio with a given level of confidence. It has the advantage of precisely reflecting the historical distribution of the market variables and not requiring any assumption of specific probability distribution. The historical period used in this model is two years.

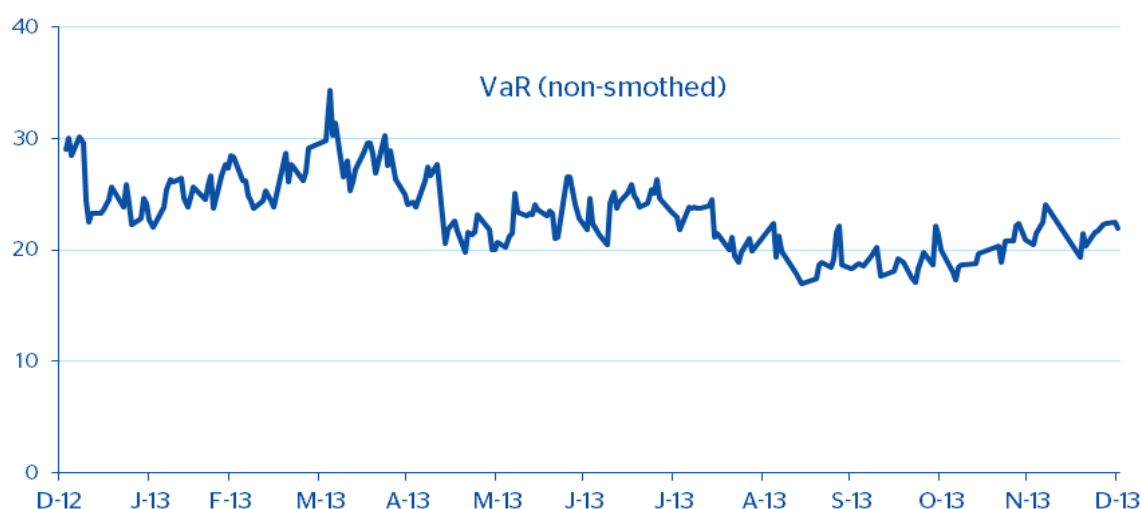
In addition, the Bank follows the guidelines set out by Spanish and European authorities regarding other metrics to meet the Bank of Spain's regulatory requirements. The new measurements of market risk for the trading portfolio include the calculation of stressed VaR (which quantifies the level of risk in extreme historical situations) and the quantification of default risks and downgrading of credit ratings of bonds and credit portfolio derivatives.

The limits structure of the Group's market risk determines a system of VaR and economic capital limits by market risk for each operating segment, with specific ad-hoc sub-limits by type of risk, activity and trading desk.

Validity tests are performed periodically on the risk measurement models used by the Group. They estimate the maximum loss that could have been incurred in the positions assessed with a certain level of probability (backtesting), as well as measurements of the impact of extreme market events on risk positions (stress testing). As an additional control measure, backtesting is conducted at trading desk level in order to enable more specific monitoring of the validity of the measurement models.

#### Trends in market risk

The changes in the BBVA's market risk in 2013, measured as VaR without smoothing, with a 99% confidence level and a 1-day horizon, are as follows:



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This represents a daily average VaR of €11 million in 2013, compared with €14 million in 2012. The number of risk factors currently used to measure portfolio risk is around 3,600. This number is dynamic and varies according to the possibility of doing business with other underlying assets and markets.

As of year-end 2013 and 2012, VaR amounted to €9 million and €19 million, respectively. These figures can be broken down as follows:

| VaR by Risk Factor              | Millions of Euros |           |
|---------------------------------|-------------------|-----------|
|                                 | 2013              | 2012      |
| Interest/Spread risk            | 9                 | 26        |
| Currency risk                   | 1                 | 1         |
| Stock-market risk               | 1                 | 1         |
| Vega/Correlation risk           | 9                 | 6         |
| Diversification effect (*)      | (11)              | (15)      |
| <b>Total</b>                    | <b>9</b>          | <b>19</b> |
| <b>VaR medium in the period</b> | <b>11</b>         | <b>14</b> |
| <b>VaR max in the period</b>    | <b>21</b>         | <b>22</b> |
| <b>VaR min in the period</b>    | <b>7</b>          | <b>8</b>  |

(\*)The diversification effect is the difference between the sum of the average individual risk factors and the total VaR figure that includes the implied correlation between all the variables and scenarios used in the measurement.

## Model validation

The internal market risk model is validated periodically by backtesting.

The aim of backtesting is to validate the quality and precision of the internal model used by the Bank to estimate the maximum daily loss of a portfolio, at a 99% level of confidence and a 250-day time horizon, by comparing BBVA's results and the measurements of risk generated by the model. These tests showed that the internal market risk model of both BBVA, S.A. is adequate and precise.

Two types of backtesting were carried out in 2013:

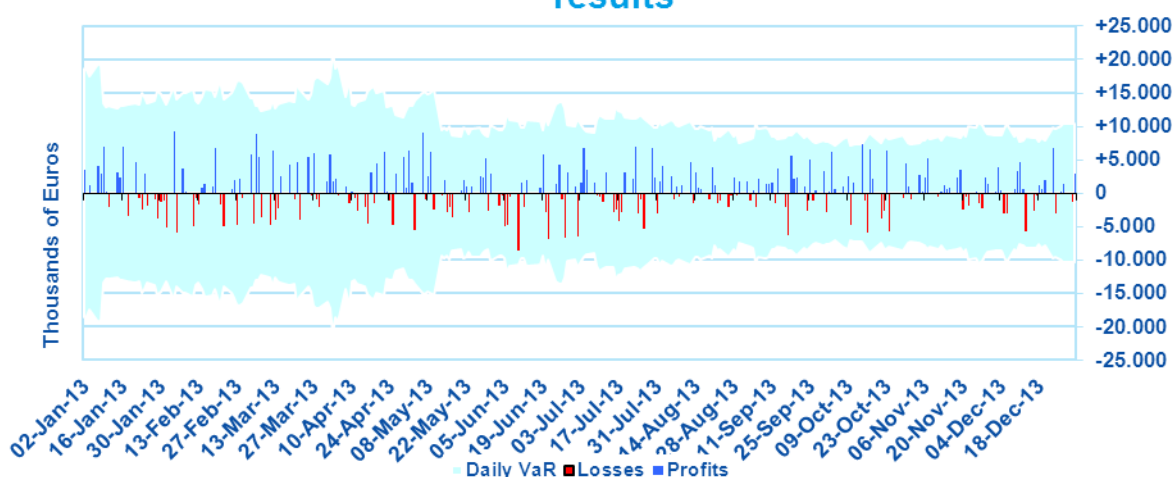
1. *"Hypothetical" backtesting*: the daily VaR is compared with the results obtained, not taking into account the intraday results or the changes in the portfolio positions. This validates the appropriateness of the market risk metrics for the end-of-day position.
2. *"Real" backtesting*: the daily VaR is compared with the total results, including intraday transactions, but discounting the possible minimum charges or fees involved. This type of backtesting includes the intraday risk in portfolios.

In addition, each of these two types of backtesting was carried out at the level of risk factor or business type, thus making a deeper comparison of the results with respect to risk measurements.

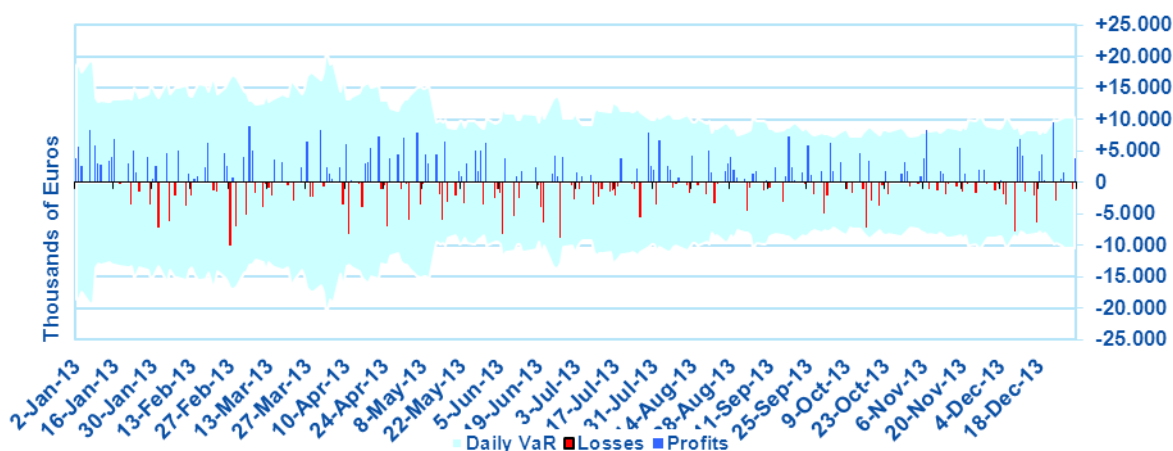
The sovereign debt and Spanish corporate credit spreads continued to narrow during the year and the equity markets have in general moved upward. To sum up, the backtesting carried out in 2013, did not detect any type of anomaly in the VaR calculation model.

## Backtesting of the market risk model for BBVA SA

### Estimated VaR without smoothing versus daily results



### Real VaR without smoothing versus daily results



## Stress test analysis

A number of stress tests are carried out on the BBVA's trading portfolios. First, global and local historical scenarios are used that replicate the behavior of an extreme past event, such as for example the collapse of Lehman Brothers. These stress tests are complemented with simulated scenarios, where the aim is to generate scenarios that have a significant impact on the different portfolios, but without being anchored to any specific historical scenario. Finally, for some portfolios or positions, fixed stress tests are also carried out that have a significant impact on the market variables affecting these positions.

## Historical scenarios

The historical benchmark stress scenario for the Bank is Lehman Brothers, whose sudden collapse in September 2008 led to a significant impact on the behavior of financial markets at a global level. The following are the most relevant effects of this historical scenario:

- Credit shock: reflected mainly in the increase of credit spreads and downgrades in credit ratings.
- Increased volatility in most of the financial markets (giving rise to a great deal of variation in the prices of different assets (currency, equity, debt)).
- Liquidity shock in the financial systems, reflected by a major movement in interbank curves, particularly in the shortest sections of the euro and dollar curves.

## Simulated scenarios

Unlike the historical scenarios, which are fixed and thus do not adapt to the composition of portfolio risks at any one time, the scenario used to carry out the economic stress tests are based on a resampling methodology. This methodology uses dynamic scenarios that are recalculated regularly according to the main risks in the trading portfolios at any time. A simulation exercise is carried out on a window of data that is sufficiently extensive to include different periods of stress (data are taken from January 1, 2008 through to today), using a resampling of the historical observations. This generates a distribution of losses and gains that provides an analysis of the most extreme events occurred within the selected historical window. The advantage of this methodology is that the stress period is not pre-established, but rather a function of the portfolio held at any time. As it makes a high number of simulations (10,000) it can analyze the expected shortfall with greater richness of information than that available in the scenarios included in the VaR calculation.

The main characteristics of this methodology are the following:

- The simulations generated respect the data correlation structure.
- There is flexibility in terms of inclusion of new risk factors.
- It allows a great deal of variability to be introduced into the simulations (desirable for considering extreme events).

### 5.2.1 Structural interest-rate risk

The aim of on-balance-sheet interest-rate risk management is to maintain the Bank's exposure to market interest-rate fluctuations at levels in keeping with its risk strategy and profile. In pursuance of this, BBVA undertakes active balance-sheet management through operations intended to optimize the levels of risk assumed against expected earnings and respect the maximum levels of accepted risk.

The Asset and Liabilities Committee (ALCO) is the body that makes the decisions to act according to the proposals of the Balance-Sheet Management unit, which designs and executes the strategies to be implemented, using internal risk metrics in accordance with the corporate model.

The Corporate Risk Management (CRM) area acts as an independent unit responsible for monitoring and analyzing risks, standardizing risk management metrics and providing tools that can anticipate potential deviations from targets. In addition, it monitors the level of compliance with the risk limits established by the Executive Committee, reporting regularly to the Risk Management Committee (RMC), the Board's Risk Committee and the Executive Committee, in particular in case of significant levels of risk assumed, in accordance with current corporate policy.

The interest-rate risk metrics designed by the CRM area periodically quantify the impact that a variation of 100 basis points in market interest rates would have on the Bank's net interest income and economic value.

This is complemented with metrics in probabilistic terms; "economic capital" (maximum estimated loss in economic value) and the "risk margin" (the maximum estimated loss in net interest income). In all cases, the metrics are calculated as originated by the structural interest-rate risk of banking activity (excluding trading floor activity), based on simulation models of interest-rate curves. With the same frequency, the Bank performs stress tests and scenario analyses to complement its assessment of its interest-rate risk profile.

All these risk measurements are subsequently analyzed and monitored. The levels of risk assumed and the degree of compliance with the limits authorized by the Executive Committee are reported to the various managing bodies of the Bank.



The BBVA's corporate risk model allows hypotheses to be established on the behavior of certain products, particularly those without explicit or contractual expiry. These assumptions are based on studies that calculate the relationship between the return on these products and market rates. They enable specific balances to be disaggregated into "trend-based" (long-term) and "seasonal or volatile" balances (short-term residual maturity).

In 2013, the weakness of the economic recovery, together with the fiscal adjustments and risks of deflation, have maintained interest rates in Europe and the U.S. at all-time lows. At the same time, the growth of emerging markets has slowed as a result of the fall in commodity prices and tougher financing conditions, leading to more expansive policies by central banks. In this interest-rate situation, the BBVA's structural interest-rate risk has remained under control, within the limits established by the Executive Committee. The current levels of the euro and US dollar, which are exceptionally low, also constitute a barrier to the Bank's exposure, which has a favorable position with respect to rises in market rates.

## Structural currency risk

Structural currency risk is basically caused by exposure to variations in foreign-currency exchange rates that arise in the Bank's foreign subsidiaries and the provision of funds to foreign branches financed in a different currency to that of the investment.

Structural exchange-rate risk management in BBVA aims to minimize the potential negative impact from fluctuations in exchange rates on the capital ratios and on the contribution to earnings of international investments maintained on a long-term basis by the Bank.

The Asset and Liabilities Committee (ALCO) is the body that makes the decisions to act according to the proposals of the Balance-Sheet Management unit, which designs and executes the strategies to be implemented, using internal risk metrics in accordance with the corporate model.

The Corporate Risk Management (CRM) area acts as an independent unit responsible for monitoring and analyzing risks, standardizing risk management metrics and providing tools that can anticipate potential deviations from targets. In addition, it monitors the level of compliance with the risk limits established by the Executive Committee, reporting regularly to the Risk Management Committee (RMC), the Board's Risk Committee and the Executive Committee, in particular in case of significant levels of risk assumed, in accordance with current corporate policy.

The corporate measurement model is based on the simulation of exchange-rate scenarios, using their historical change and evaluating impacts in three core management areas: capital ratio, equity and the Group's income statement. The risk mitigation measures aimed at reducing exchange-rate risk exposures are considered in calculating risk estimates. The diversification resulting from investment in different geographical areas is also taken into account. In addition, in order to complement the metrics in the three core management areas, the risk measurements are complemented with analyses of scenarios, stress testing and backtesting, thus giving a more complete overview of the Bank's exposure.

In 2013, in an environment characterized by uncertainty and volatility in currency markets, the risk mitigation level of the carrying value of BBVA's holdings in foreign currency.

## 5.2.4 Structural equity risk

The BBVA's exposure to structural equity risk is basically derived from investments in industrial and financial companies with medium- and long-term investment horizons. This exposure is mitigated through net short positions held in derivatives of their underlying assets, used to limit portfolio sensitivity to potential falls in prices.

The Corporate Risk Management (CRM) area acts as an independent unit responsible for monitoring and analyzing risks, standardizing risk management metrics and providing tools that can anticipate potential deviations from targets. In addition, it monitors the level of compliance with the risk limits established by the Executive Committee, reporting regularly to the Risk Management Committee (RMC), the Board's Risk Committee and the Executive Committee, in particular in case of significant levels of risk assumed, in accordance with current corporate policy.

The structural equity risk metrics designed by CRM according to the corporate model contribute to the effective monitoring of risk by estimating the sensitivity figures and the capital necessary to cover possible unexpected losses due to variations in the value of the companies making up the Bank's equity portfolio, at a confidence level that corresponds to the institution's target rating, and taking into account the liquidity of the positions and the statistical performance of the assets under consideration. These figures are supplemented by periodic stress tests, backtesting and scenario analyses.

## 5.3 Liquidity risk

The aim of liquidity risk management, tracking and control is to ensure, in the short term, that the payment commitments of the BBVA Group entities can be duly met without having to resort to borrowing funds under burdensome terms, or damaging the image and reputation of the entities. In the medium term the aim is to ensure that the Group's financing structure is ideal and that it is moving in the right direction with respect to the economic situation, the markets and regulatory changes.

Management of liquidity and structural finance within the BBVA Group is based on the principle of the financial autonomy of the entities that make it up. This approach helps prevent and limit liquidity risk by reducing the Group's vulnerability in periods of high risk. This decentralized management avoids possible contagion due to a crisis that could affect only one or various BBVA Group balances, which must cover their liquidity needs independently in the markets where they operate. Liquidity Management Units have been set up for this reason in the geographical areas where the main foreign subsidiaries operate, and also for the parent BBVA S.A.

The Bank's principal source of funds is the customer deposit base, which consists primarily of demand, savings and time deposit accounts. In addition to relying on customer deposits, the Group also accesses the interbank market (overnight and time deposits) and domestic and international capital markets for our additional liquidity requirements. To access the capital markets, a series of domestic and international programs are in place for the issuance of commercial paper and medium- and long-term debt. A diversified liquidity pool of liquid assets and securitized assets are also generally maintained at an individual entity level. Another source of liquidity is generation of cash flow from operations. Finally, funding requirements are supplemented with borrowings from the Bank of Spain and the European Central Bank (ECB) or the respective central banks of the countries where the subsidiaries are located.

The table below shows the types and number of securities included in the Bank's liquidity pool:

| 2013  | BBVA<br>Eurozone (1) |
|---|----------------------|
| Cash and balances with central banks            | 10,826               |
| Assets for credit operations with central banks | 32,261               |
| Central governments issues                      | 16,500               |
| Of Which: Spanish government securities         | 14,341               |
| Other issues                                    | 15,761               |
| Loans   | -                    |
| Other non-eligible liquid assets                | 4,735                |
| <b>ACCUMULATED AVAILABLE BALANCE</b>            | <b>47,822</b>        |

(1) Includes Banco Bilbao Vizcaya Argentaria, S.A. and Banco Bilbao Vizcaya Argentaria (Portugal), S.A.

The Asset and Liabilities Committee (ALCO) is the body that makes the decisions to act according to the proposals of the Balance-Sheet Management unit, which designs and executes the strategies to be implemented, using internal risk metrics in accordance with the corporate model. Both the evaluation and execution of actions in each of the Liquidity Management Units are carried out by ALCO and the management unit corresponding to these Liquidity Management Units.

The Corporate Risk Management (CRM) area acts as an independent unit responsible for monitoring and analyzing risks, standardizing risk management metrics and providing tools that can anticipate potential deviations from targets. In addition, it monitors the level of compliance with the risk limits established by the Executive Committee, reporting regularly to the Risk Management Committee (RMC), the Board's Risk Committee and the Executive Committee, in particular in case of significant levels of risk assumed, in accordance with current corporate policy.

The liquidity and funding risk metrics designed by CRM maintain an adequate risk profile for the BBVA Group's Liquidity and Funding Risk Appetite Framework, in accordance with the retail model on which its business activity is

based. The objectives included in the decision-making process for managing liquidity and funding risk are specified for this purpose. Among the metrics, the loan-to-stable-customer-deposit ratio is one of the core management tools. It ensures that there are adequate levels of self-funding for lending on the balance sheet at all times. Once the levels of self-funding of the balance sheet have been established, the second core element is the correct diversification of the structure of wholesale funding, to avoid the excessive dependence on short-term funding. In addition, the internal metrics promote the short-term resistance of the liquidity risk profile, guaranteeing that each Liquidity Management Unit has sufficient collateral to face the risk of an unexpected change in the behavior of markets or wholesale counterparties that prevents access to funding or forces access at unreasonable prices.

In addition, the stress analyses are a fundamental element in the scheme of tracking liquidity risk and funding, as they anticipate deviations from the liquidity targets and limits established by the Risk Appetite Framework. They also play a key role in the design of the Liquidity Contingency Plan and in defining the measures for action that would be adopted to realign the risk profile should this be necessary. The stress scenarios cover a whole range of events and levels of severity, with the aim of revealing the vulnerability of the funding structure in the event of a comprehensive test on the whole of the balance sheet.

These stress results carried out regularly by CRM reveal that BBVA has a sufficient buffer of liquid assets to face the estimated liquidity shocks in a scenario such as a combination of a systemic crisis and an internal crisis with a major downgrade in the entity's rating (up to three notches).

In 2013, one of the most significant aspects has been a steady improvement in the stability of the wholesale funding markets in Europe as a result of the positive trend in sovereign risk premiums, in an environment of improving growth expectations for the Eurozone and high market liquidity. In this context, BBVA has managed to strengthen its liquidity position and improve its funding structure based on the growth of self-funding from stable customer funds.

With respect to the new regulatory framework, the BBVA Group has continued to develop an orderly plan to adapt to the regulatory ratios so as to allow it to adopt best practices and the most effective and strict criteria for their implementation sufficiently in advance. In January 2013 some of the aspects of the document published by the Banking Supervisory Committee published in December 2010 on the Liquidity Coverage Ratio (LCR) were updated and made more flexible. They include incorporating the ratio as a regulatory requirement on January 1, 2015, with a 60% demand for compliance, to be increased to 100% by January 2019.

In addition, the Bank Supervisory Committee has initiated once more the review of the "Net Stable Funding Ratio" (NSFR), which aims to increase the weight of medium- and long-term funding on the banks' balance sheets. It will be under review until mid-2016 and become a regulatory requirement starting on January 1, 2018.

BBVA has continued to develop a plan to adapt to the regulatory ratios so as to allow it to adopt best practices and the most effective and strict criteria for their implementation sufficiently in advance.

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## 5.4 Residual maturity

Below is a breakdown by contractual maturity of the balances of certain headings in the accompanying balance sheets, disregarding any valuation adjustments or impairment losses:

| Millions of Euros                         |        |               |               |                |              |              |         |
|---|--------|---------------|---------------|----------------|--------------|--------------|---------|
| 2013                                      | Demand | Up to 1 Month | 1 to 3 Months | 3 to 12 Months | 1 to 5 Years | Over 5 Years | Total   |
| <b>ASSETS -</b>                           |        |               |               |                |              |              |         |
| Cash and balances with central banks      | 12,085 | -             | -             | -              | -            | -            | 12,085  |
| Loans and advances to credit institutions | 2,476  | 10,501        | 1,865         | 1,089          | 2,488        | 1,964        | 20,383  |
| Loans and advances to customers           | 25,619 | 20,978        | 13,645        | 24,945         | 48,346       | 84,316       | 217,849 |
| Debt securities                           | 19     | 1,388         | 1,002         | 7,424          | 28,402       | 14,742       | 52,977  |
| OTC derivatives                           | -      | 878           | 1,451         | 3,745          | 12,565       | 22,569       | 41,208  |
| <b>LIABILITIES-</b>                       |        |               |               |                |              |              |         |
| Deposits from central banks               | 2      | 8,438         | 1,350         | 1,015          | 14,490       | -            | 25,295  |
| Deposits from credit institutions         | 1,142  | 15,810        | 9,657         | 5,417          | 8,353        | 2,392        | 42,771  |
| Deposits from customers                   | 64,279 | 35,444        | 9,342         | 40,758         | 34,987       | 3,143        | 187,953 |
| Debt certificates (including bonds)       | -      | 1,749         | 133           | 6,932          | 15,109       | 7,694        | 31,617  |
| Subordinated liabilities                  | -      | -             | -             | -              | 386          | 4,670        | 5,056   |
| Short positions                           | 5,068  | -             | -             | -              | -            | -            | 5,068   |
| Other financial liabilities               | 369    | 4,906         | 51            | 54             | 21           | 2            | 5,403   |
| OTC derivatives                           | -      | 781           | 1,455         | 3,816          | 12,096       | 21,862       | 40,010  |
| <b>CONTINGENT LIABILITIES</b>             |        |               |               |                |              |              |         |
| Financial guarantees                      | 2,799  | 5,422         | 793           | 5,705          | 11,372       | 1,468        | 27,559  |

| Millions of Euros                         |        |               |               |                |              |              |         |
|---|--------|---------------|---------------|----------------|--------------|--------------|---------|
| 2012                                      | Demand | Up to 1 Month | 1 to 3 Months | 3 to 12 Months | 1 to 5 Years | Over 5 Years | Total   |
| <b>ASSETS -</b>                           |        |               |               |                |              |              |         |
| Cash and balances with central banks      | 10,970 | 109           | -             | -              | -            | -            | 11,079  |
| Loans and advances to credit institutions | 1,904  | 11,402        | 833           | 1,690          | 3,290        | 2,213        | 21,332  |
| Loans and advances to customers           | 18,127 | 21,384        | 15,670        | 28,604         | 50,292       | 88,353       | 222,430 |
| Debt securities                           | 11     | 1,979         | 2,437         | 7,224          | 26,289       | 15,492       | 53,432  |
| OTC derivatives                           | -      | 1,031         | 1,142         | 3,832          | 14,681       | 31,921       | 52,607  |
| <b>LIABILITIES-</b>                       |        |               |               |                |              |              |         |
| Deposits from central banks               | 1      | 8,085         | 3,232         | -              | 29,000       | -            | 40,318  |
| Deposits from credit institutions         | 2,150  | 17,783        | 4,256         | 13,340         | 8,165        | 2,984        | 48,678  |
| Deposits from customers                   | 56,177 | 34,582        | 8,585         | 39,508         | 22,946       | 867          | 162,665 |
| Debt certificates (including bonds)       | -      | 3,154         | 22            | 6,494          | 22,577       | 6,584        | 38,831  |
| Subordinated liabilities                  | -      | -             | -             | 1,238          | 1,319        | 2,299        | 4,856   |
| Short positions                           | 4,585  | -             | -             | -              | -            | -            | 4,585   |
| Other financial liabilities               | 5,105  | 238           | 8             | 33             | 15           | 7            | 5,406   |
| OTC derivatives                           | -      | 925           | 1,114         | 3,822          | 14,217       | 31,352       | 51,430  |

## 6. Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is therefore a market-based measurement and not specific to each entity.

If there is no market price for a given financial asset or liability, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments or, in the absence thereof, by using mathematical measurement models that are sufficiently tried and trusted by the international financial community. The estimates used in such models take into consideration the specific features of the asset or liability to be measured and, in particular, the various types of risk associated with the asset or liability. However, the limitations inherent in the measurement models and possible inaccuracies in the assumptions and parameters required by these models may mean that the estimated fair value of an asset or liability does not exactly match the price for which the asset or liability could be exchanged or settled on the date of its measurement.

The fair value of the financial derivatives included in the held-for-trading portfolios is assimilated to their daily quoted price if there is an active market for these financial instruments. If for any reason their quoted price cannot be established on a given date, these derivatives are measured using methods similar to those used in over-the-counter (OTC) markets.

The fair value of OTC derivatives ("present value" or "theoretical price") is equal to the sum of future cash flows arising from the instrument, discounted at the measurement date; these derivatives are valued using methods recognized by international financial markets: the "net present value" (NPV) method, option price calculation models, etc.

Below is a comparison of the carrying amount of the Bank's financial assets and liabilities in the accompanying balance sheets and their respective fair values. Not all assets and liabilities are registered at fair value. The following items are registered at their amortized cost: "Cash and balances with central banks", "Loans and receivables", "Held to maturity investments" and financial liabilities at amortized cost:

|   |       | Millions of Euros |            |                 |            |
|---|-------|-------------------|------------|-----------------|------------|
| Fair Value and Carrying Amount  | Notes | 2013              |            | 2012            |            |
|   |       | Carrying Amount   | Fair Value | Carrying Amount | Fair Value |
| <b>ASSETS-</b>  |       |                   |            |                 |            |
| Cash and balances with central banks  | 7     | 12,085            | 12,085     | 11,079          | 11,079     |
| Financial assets held for trading   | 8     | 56,631            | 56,631     | 63,771          | 63,771     |
| Available-for-sale financial assets   | 10    | 43,301            | 43,301     | 33,098          | 32,985     |
| Loans and receivables   | 11    | 230,523           | 230,788    | 237,029         | 237,893    |
| Held-to-maturity investments  | 12    | -                 | -          | 10,162          | 9,805      |
| Fair value changes of the hedges items in portfolio hedges of interes rate risk | 13    | 99                | 99         | 226             | 226        |
| Hedging derivatives   | 13    | 2,307             | 2,307      | 3,708           | 3,708      |
| <b>LIABILITIES-</b>   |       |                   |            |                 |            |
| Financial assets held for trading   | 8     | 43,599            | 43,599     | 53,434          | 53,434     |
| Financial liabilities at amortized cost   | 20    | 300,716           | 299,618    | 305,917         | 304,692    |
| Fair value changes of the hedges items in portfolio hedges of interes rate risk | 13    | -                 | -          | -               | -          |
| Hedging derivatives   | 13    | 1,507             | 1,507      | 2,586           | 2,586      |

For financial instruments whose carrying amount is equivalent to their fair value, the measurement processes used are set forth below:

- *Level 1:* Measurement using market observable quoted prices for the financial instrument in question, secured from independent sources and referred to active markets. This level includes listed debt securities, listed equity instruments, some derivatives and mutual funds.
- *Level 2:* Measurement that applies techniques using inputs drawn from observable market data.
- *Level 3:* Measurement using techniques where some of the inputs are not taken from market observable data. As of December 31, 2013, the affected instruments accounted for approximately 0.23% of financial assets and 0.04% of the Bank's financial liabilities. Model selection and validation is undertaken by control areas outside the market units.

## Fair value of certain financial instruments registered at fair value using valuation criteria

The following table shows the main financial instruments carried at fair value in the accompanying balance sheets, broken down by the measurement technique used to determine their fair value:

|  |       | Millions of Euros |         |         |         |         |         |
|--|-------|-------------------|---------|---------|---------|---------|---------|
| Fair Value by Levels                   | Notes | 2013              |         |         | 2012    |         |         |
|  |       | Level 1           | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| <b>ASSETS-</b>                         |       |                   |         |         |         |         |         |
| Financial assets held for trading      | 8     | 18,080            | 38,315  | 236     | 14,479  | 48,891  | 401     |
| Debt securities                        |       | 12,858            | 446     | 121     | 11,541  | 611     | 285     |
| Other equity instruments               |       | 4,068             | 21      | 58      | 2,104   | 25      | 70      |
| Trading derivatives                    |       | 1,154             | 37,848  | 57      | 834     | 48,255  | 46      |
| Available-for-sale financial assets    | 10    | 40,511            | 2,650   | -       | 28,304  | 4,640   | 41      |
| Debt securities                        |       | 35,514            | 2,637   | -       | 25,418  | 4,625   | 41      |
| Other equity instruments               |       | 4,997             | 13      | -       | 2,886   | 15      | -       |
| Hedging derivatives                    | 13    | -                 | 2,307   | -       | -       | 3,708   | -       |
| <b>LIABILITIES-</b>                    |       |                   |         |         |         |         |         |
| Financial liabilities held for trading | 8     | 5,988             | 37,594  | 17      | 5,370   | 48,035  | 29      |
| Trading derivatives                    |       | 920               | 37,594  | 17      | 785     | 48,035  | 29      |
| Short positions                        |       | 5,068             | -       | -       | 4,585   | -       | -       |
| Hedging derivatives                    | 13    | -                 | 1,507   | -       | -       | 2,586   | -       |

The heading "Available-for-sale-financial assets" in the accompanying balance sheet as of December 31, 2013 and 2012 additionally includes €140 million and €114 million, respectively, accounted for at cost, as indicated in the section of this Note entitled "Financial instruments at cost".

## Process of determining the fair value established in the entity

To ensure that trading portfolio assets are properly valued, BBVA has established, at a geographic level, a structure of New Product Committees responsible for validating and approving new products or types of assets and liabilities before being contracted. The members of these Committees, responsible for valuation, are independent from the business.

These areas are required to ensure, prior to the approval stage, the existence of not only technical and human resources, but also adequate informational sources to measure these assets and liabilities, in accordance with the rules established by the Global Valuation Area and using models that have been validated and approved by the Department of Technology and Methodologies that reports to GRM (see Note 5).

Additionally, for assets that show significant uncertainty in inputs or model parameters used for assessment, criteria is established to measure said uncertainty and activity limits are set based on these.

Finally, these measurements are compared, as much as possible, against other sources such as the measurements obtained by the business teams or those obtained by other market participants.

The following table sets forth the main measurement techniques, hypothesis and inputs used in the estimation of fair value of the financial instruments classified under Levels 2 and 3, based on the type of financial asset and liability and the corresponding balances as of December 31, 2013:

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| Financial Instruments<br>Level 2   | Fair Value<br>(Millions of euros) | Main Measurement techniques  | Main inputs used                   |
|--|-----------------------------------|--|------------------------------------|
| <b>Valores representativos de deuda</b>  |                                   | <b>Present value Method</b>  |                                    |
| Trading portfolio  | 446                               | Determining the present-value of financial instrument as the current value of future cash flow s (discounted at market interest rates), taking into account:   | - Risk premiums                    |
| Other financial assets at fair value through profit and loss                           | -                                 |  | - Observable market interest rates |
| Available-for-sale financial assets  | 2,637                             | <ul style="list-style-type: none"> <li>the estimate of prepayment rates;</li> <li>the issuer credit risk; and</li> <li>current market interest rates.</li> </ul>   |                                    |
| <b>Equity Instruments</b>  |                                   |  |                                    |
| Trading portfolio  | 21                                |  |                                    |
| Available-for-sale financial assets  | 13                                |  |                                    |
|  |                                   |  |                                    |
| <b>Other financial liabilities</b>   |                                   |  |                                    |
| Other financial liabilities designated at fair value through profit or loss            | -                                 |  |                                    |
|  |                                   |  |                                    |
| <b>Trading derivatives</b>   |                                   | <ul style="list-style-type: none"> <li>Commodities: Discounted cash flow s and moment adjustment</li> <li>Credit products: Default model, Gaussian copula and Black Derman Toy</li> <li>Exchange rate products: Discounted cash flow s and Black Scholes</li> </ul>  |                                    |
| Asset  | 37,848                            |  |                                    |
| Liability  | 37,594                            | <ul style="list-style-type: none"> <li>Fixed income products: Discounted cash flow s</li> <li>Equity instruments: Local-Vol, Black and Discounted cash flow s</li> </ul>   |                                    |
| <b>Hedging derivatives</b>   |                                   | <ul style="list-style-type: none"> <li>Interest rate products: <ul style="list-style-type: none"> <li>Interest rate sw aps, Call money Sw aps y FRA: Discounted cash flow s</li> <li>Caps/Floors , bond options and Sw aptions: Black</li> <li>Interest rate options: Hull-White y SABR</li> </ul> </li> </ul> | Observable market data             |
| Asset  | 2,307                             |  |                                    |
| Liability  | 1,507                             |  |                                    |
| <b>Fair value change of the hedged items in portfolio hedges of interest rate risk</b> | -                                 |  |                                    |
|  |                                   |  |                                    |

| Financial Instruments<br>Level 3    | Fair Value<br>(Millions of euros) | Main Measurement techniques  | Main inputs used   |
|-------------------------------------|-----------------------------------|--|--|
| <b>Debt securities</b>              |                                   | <b>CDO: Time Default Model</b><br>(Probability of default measure) | Correlación de impagos extrapolada de varios tramos de índices (ITRA00 y CDX) con la cartera subyacente de nuestros CDOs             |
| Trading portfolio                   | 121                               |  |  |
| Available-for-sale financial assets | -                                 |  |  |
| <b>Equity Instruments</b>           |                                   | <b>Present-value method</b><br>(Discounted future cash flow s)     | - Prepayment Rates<br>- Default Correlation<br>- Credit Spread<br>NAV supplied by the fund administrator or issuer of the securities |
| Trading portfolio                   | 58                                |  |  |
| Available-for-sale financial assets | -                                 |  |  |
| <b>Trading derivatives</b>          |                                   | • Credit Option: Gaussian Copula and Libor Market Model            |  |
| Asset                               | 57                                |  |  |
| Liability                           | 17                                | • Equity OTC Options : Heston                                      | - Non directly observable market data  |
| <b>Hedging derivatives</b>          |                                   | • Interest rate options: Libor Market Model                        | - Historical Series  |
| Asset                               | -                                 |  |  |
| Liability                           | -                                 |  |  |



## Adjustments to the valuation for risk of default

The credit valuation adjustments ("CVA") and debit valuation adjustments ("DVA") are a part of derivative valuations, both assets and liabilities, to reflect the impact in the fair value of the credit risk of the counterparty and its own, respectively.

These adjustments are calculated by estimating Exposure At Default, Probability of Default and Loss Given Default, for all derivative products on any instrument at the legal entity level (all counterparties under a same ISDA / CMOF) in which BBVA has exposure.

As a general rule, the calculation of CVA is done through simulations of market and credit variables to calculate the expected positive exposure, given the Exposure at Default and multiplying the result by the Loss Given Default of the counterparty. Consequently, the DVA is calculated as the result of the expected negative exposure given the Exposure at Default and multiplying the result by the Loss Given Default of the counterparty. Both calculations are performed throughout the entire period of potential exposure.

The information needed to calculate the exposure at default and the loss given default come from the credit markets (Credit Default Swaps or iTraxx Indexes ), save for cases where an internal rating is available. For those cases where the information is not available, BBVA implements a mapping process based on the sector, rating and geography to assign probabilities of both probability of default and loss given default, calibrated directly to market or with an adjustment market factor for the probability of default and the historical expected loss.

The impact recorded under "Net gains (losses) on financial asset and liabilities" in the BBVA income statement for the year ended December 31, 2013 corresponding to the credit risk assessment of the active derivative positions as "Credit Valuation Adjustment" (CVA) and passive derivative position as "Debit Valuation Adjustment" (DVA), was not significant.

## Financial assets and liabilities classified as Level 3

The changes in the balance of Level 3 financial assets and liabilities included in the accompanying balance sheets are as follows:

|  | Millions of Euros |             |              |             |
|--|-------------------|-------------|--------------|-------------|
|  | 2013              |             | 2012         |             |
|  | Assets            | Liabilities | Assets       | Liabilities |
| <b>Financial Assets Level 3</b>                              |                   |             |              |             |
| <b>Changes in the Period</b>                                 |                   |             |              |             |
| <b>Balance at the beginning</b>                              | <b>442</b>        | <b>29</b>   | <b>1,240</b> | <b>23</b>   |
| Valuation adjustments recognized in the income statement (*) | 7                 | (2)         | 50           | 1           |
| Valuation adjustments not recognized in the income statement | (1)               | -           | -            | -           |
| Acquisitions, disposals and liquidations                     | (202)             | (10)        | (340)        | 5           |
| Net transfers to level 3                                     | (10)              | -           | (148)        | -           |
| Exchange differences and others                              | -                 | -           | (360)        | -           |
| <b>Balance at the end</b>                                    | <b>236</b>        | <b>17</b>   | <b>442</b>   | <b>29</b>   |

(\*) Profit or loss that are attributable to gains or losses relating to those assets and liabilities held at the end of the reporting period

As of December 31, 2013, the profit/loss on sales of financial instruments classified as level 3 recognized in the accompanying income statement was not material.

The Global Valuation Area, in collaboration with the Technology and Methodology Area, has established the rules for a proper trading portfolio asset classification according to the fair value hierarchy defined by international accounting standards.

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On a monthly basis, any new assets registered in the portfolio are classified, according to this criterion, by the generating subsidiary. Then, there is a quarterly review of the portfolio in order to analyze the need for a change in classification of any of these assets.

The financial instruments transferred between the different levels of measurement in 2013 are at the following amounts in the accompanying balance sheet as of December 31, 2013:

| Millions of Euros                      |       |         |         |         |         |         |         |
|--|-------|---------|---------|---------|---------|---------|---------|
| Transfer between levels                | From: | Level 1 |         | Level 2 |         | Level 3 |         |
|  | To:   | Level 2 | Level 3 | Level 1 | Level 3 | Level 1 | Level 2 |
| <b>ASSETS</b>                          |       |         |         |         |         |         |         |
| Financial assets held for trading      |       | -       | 5       | 18      | 2       | -       | 3       |
| Available-for-sale financial assets    |       | 7       | -       | 172     | -       | 5       | 9       |
| Hedging derivatives                    |       | -       | -       | -       | -       | -       | -       |
| <b>LIABILITIES-</b>                    |       |         |         |         |         |         |         |
| Financial liabilities held for trading |       | -       | -       | -       | -       | -       | -       |
| Hedging derivatives                    |       | -       | -       | -       | -       | -       | -       |

## Sensitivity Analysis

Sensitivity analysis is performed on products with significant unobservable inputs; that is, for products included in level 3, so that a reasonable range of possible alternative valuations is obtained. The techniques applied take into account the nature of the valuation methods used and the reliability and availability of the proxy and historical data used and the possible impact of the use of alternative valuation methods.

As of December 31, 2013, the effect on earnings and equity of changing the main hypotheses used for the measurement of Level 3 financial instruments for other reasonably possible models, taking the highest (most favorable hypotheses) or lowest (least favorable) value of the range deemed probable, would be as follows:

| Millions of Euros                                |                                      |                               |                                  |                               |
|--|--------------------------------------|-------------------------------|----------------------------------|-------------------------------|
| Financial Assets Level 3<br>Sensitivity Analysis | Potential Impact on Income Statement |                               | Potential Impact on Total Equity |                               |
|  | Most Favorable<br>Hypotheses         | Least Favorable<br>Hypotheses | Most Favorable<br>Hypotheses     | Least Favorable<br>Hypotheses |
| <b>ASSETS</b>                                    |                                      |                               |                                  |                               |
| Financial assets held for trading                | 16                                   | (13)                          | -                                | -                             |
| Available-for-sale financial assets              | -                                    | -                             | -                                | -                             |
| Hedging derivatives                              | -                                    | -                             | -                                | -                             |
| <b>LIABILITIES-</b>                              |                                      |                               |                                  |                               |
| Financial liabilities held for trading           | 1                                    | (1)                           | -                                | -                             |
| <b>Total</b>                                     | <b>17</b>                            | <b>(14)</b>                   | <b>-</b>                         | <b>-</b>                      |

## Fair value of financial instruments carried at cost using valuation criteria

The valuation methods used to calculate the fair value of financial assets and liabilities carried at cost are presented below:

- The fair value of "Cash and balances with central banks" has been assimilated to their book value, as it is mainly short-term balances.
- The fair value of the "Loans and advances to customers" and "financial liabilities at amortized cost" was estimated using the method of discounted expected future cash flows using market interest rates at the end of each year.

The following table presents key financial instruments carried at amortized cost in the accompanying consolidated balance sheets, broken down according to the method of valuation used to estimate their fair value:

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| Millions of Euros                       |         |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|
| Fair Value by Levels                    | 2013    |         |         | 2012    |         |         |
|   | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| <b>ASSETS-</b>                          |         |         |         |         |         |         |
| Cash and balances with central banks    | 12.085  | -       | -       | 11.079  | -       | -       |
| Loans and receivables                   | -       | 1.369   | 229.419 | -       | 1.456   | 236.437 |
| Held-to-maturity investments            | -       | -       | -       | 9.805   | -       | -       |
| <b>LIABILITIES-</b>                     |         |         |         |         |         |         |
| Financial liabilities at amortized cost | -       | -       | 299.618 | -       | -       | 304.692 |

The main valuation methods, hypotheses and inputs used to estimate the fair value of financial instruments accounted for at cost and classified in level 2 and level 3 are shown below. These are broken down by type of financial instrument and the balances correspond to those at December 31, 2013:

| Financial Instruments<br>Level 2 | Fair Value<br>(Millions of euros) | Main Measurement techniques    | Main inputs used                         |
|----------------------------------|-----------------------------------|--------------------------------|--|
| <b>Debt securities</b>           |                                   | <b>Present-value method</b>    |  |
| Loans and receivables            | <b>1,369</b>                      | (Discounted future cash flows) | - Default correlation<br>- Credit spread |

| Financial Instrument<br>Level 3                | Fair Value<br>(Millions of euros) | Main Measurement techniques | Main inputs used   |
|--|-----------------------------------|-----------------------------|--|
| <b>Deposit from credit institutions</b>        |                                   |                             |  |
| Loans and receivables                          | <b>20,687</b>                     |                             |  |
| <b>Loan and advances to customers</b>          |                                   |                             |  |
| Loans and receivables                          | <b>208,732</b>                    | <b>Present-value method</b> | - Prepayment rates<br>- Default correlation<br>- Credit spread |
| <b>Financial liabilities at amortized cost</b> | <b>299,618</b>                    |                             | - Market interest rate   |

## Loans and financial liabilities at fair value through profit or loss

As of December 31, 2013, and 2012, there were no loans or financial liabilities at fair value other than those recognized under the headings "Other financial assets designated at fair value through profit or loss" and "Other financial liabilities designated at fair value through profit or loss" in the accompanying balance sheets.

## Financial instruments at cost

As of December 31, 2013 and 2012, equity instruments, derivatives with these equity instruments as underlying assets, and certain discretionary profit-sharing arrangements in some companies, are recognized at cost in the balance sheets because their fair value could not be reliably determined, as they are not traded in organized markets and, thus, their unobservable inputs are significant. On the above dates, the balance of these financial instruments recognized in the portfolio of available-for-sale financial assets amounted to €140 million and €114 million, respectively.

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The table below outlines the financial assets and liabilities carried at cost that were sold in 2013 and 2012:

| Sales of financial instruments at cost | Millions of Euros |      |
|--|-------------------|------|
|  | 2013              | 2012 |
| Amount of Sale                         | 22                | 28   |
| Carrying Amount at Sale Date           | 9                 | 4    |
| Gains/Losses                           | 13                | 24   |

## 7. Cash and balances with central banks

The breakdown of the balance under the headings "Cash and balances with central banks" and "Financial liabilities at amortized cost – deposits from central banks" in the accompanying balance sheets is as follows:

| Cash and Balances with Central Banks | Notes | Millions of Euros |               |
|--------------------------------------|-------|-------------------|---------------|
|                                      |       | 2013              | 2012          |
| Cash                                 |       | 659               | 587           |
| Balances at the Central Banks        |       | 11,426            | 10,383        |
| Reverse repurchase agreements        | 32    | -                 | 109           |
| <b>Subtotal</b>                      |       | <b>12,085</b>     | <b>11,079</b> |
| Accrued interests                    |       | -                 | -             |
| <b>Total</b>                         |       | <b>12,085</b>     | <b>11,079</b> |

| Deposits from Central Banks       | Notes     | Millions of Euros |               |
|-----------------------------------|-----------|-------------------|---------------|
|                                   |           | 2013              | 2012          |
| Deposits from Central Banks       |           | 24,933            | 40,209        |
| Repurchase agreements             | 32        | 362               | 109           |
| Accrued interest until expiration |           | 192               | 239           |
| <b>Total</b>                      | <b>20</b> | <b>25,487</b>     | <b>40,557</b> |

## 8. Financial assets and liabilities held for trading

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

| Millions of Euros                                 |               |               |
|---|---------------|---------------|
| Financial Assets and Liabilities Held-for-Trading | 2013          | 2012          |
| <b>ASSETS-</b>                                    |               |               |
| Loans and advances to credit institutions         | -             | -             |
| Loans and advances to customers                   | -             | -             |
| Debt securities                                   | 13,425        | 12,437        |
| Equity instruments                                | 4,148         | 2,199         |
| Trading derivatives                               | 39,058        | 49,135        |
| <b>Total</b>                                      | <b>56,631</b> | <b>63,771</b> |
| <b>LIABILITIES-</b>                               |               |               |
| Deposits from central banks                       | -             | -             |
| Deposits from credit institutions                 | -             | -             |
| Customer deposits                                 | -             | -             |
| Debt certificates                                 | -             | -             |
| Trading derivatives                               | 38,531        | 48,849        |
| Short positions                                   | 5,068         | 4,585         |
| Other financial liabilities                       | -             | -             |
| <b>Total</b>                                      | <b>43,599</b> | <b>53,434</b> |

### 8.1 Debt securities

The breakdown by type of instrument of the balance under this heading in the accompanying balance sheets is as follows:

| Millions of Euros   |               |               |
|---|---------------|---------------|
| Debt Securities Held-for-Trading<br>Breakdown by type of issuer | 2013          | 2012          |
| Issued by Central Banks   | -             | 25            |
| Spanish government bonds  | 5,251         | 4,968         |
| Foreign government bonds  | 4,930         | 4,513         |
| Issued by Spanish financial institutions                        | 596           | 455           |
| Issued by foreign financial institutions                        | 969           | 524           |
| Other debt securities   | 1,679         | 1,952         |
| <b>Total</b>  | <b>13,425</b> | <b>12,437</b> |

The debt securities included under Financial Assets Held for Trading earned average annual interest of 1.727% in 2013 (2.565% in 2012).

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## 8.2 Equity instruments

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

| Equity Instruments Held-for-Trading<br>Breakdown by Issuer | Millions of Euros |              |
|--|-------------------|--------------|
|  | 2013              | 2012         |
| <b>Shares of Spanish companies</b>                         |                   |              |
| Credit institutions  | 497               | 162          |
| Other sectors  | 2,234             | 1,088        |
| <b>Subtotal</b>  | <b>2,731</b>      | <b>1,250</b> |
| <b>Shares of foreign companies</b>                         |                   |              |
| Credit institutions  | 106               | 78           |
| Other sectors  | 1,171             | 720          |
| <b>Subtotal</b>  | <b>1,277</b>      | <b>798</b>   |
| <b>Shares in the net assets of mutual funds</b>            | <b>140</b>        | <b>151</b>   |
| <b>Total</b>   | <b>4,148</b>      | <b>2,199</b> |

## 8.3 Trading derivatives

The trading derivatives portfolio arises from the Bank's need to manage the risks incurred by it in the course of normal business activity. As of December 31, 2013 and 2012, trading derivatives are principally contracted in over-the-counter (OTC) markets, with credit entities not resident in Spain as the main counterparties, and related to foreign-exchange, interest-rate and equity risk.

Below is a breakdown of the net positions by transaction type of the fair value of outstanding financial trading derivatives recognized in the accompanying balance sheets, divided into organized and OTC markets:

| 2013   | Millions of Euros |                    |                   |                      |                  |              |             | Total           |
|--|-------------------|--------------------|-------------------|----------------------|------------------|--------------|-------------|-----------------|
|  | Currency Risk     | Interest Rate Risk | Equity Price Risk | Precious Metals Risk | Commodities Risk | Credit Risk  | Other Risks |                 |
| <b>Organized markets</b>                       |                   |                    |                   |                      |                  |              |             |                 |
| Financial futures                              | -                 | -                  | -                 | -                    | -                | -            | -           | -               |
| Options  | 2                 | -                  | 232               | -                    | -                | -            | -           | 234             |
| Other products                                 | -                 | -                  | -                 | -                    | -                | -            | -           | -               |
| <b>Subtotal</b>                                | <b>2</b>          | <b>-</b>           | <b>232</b>        | <b>-</b>             | <b>-</b>         | <b>-</b>     | <b>-</b>    | <b>234</b>      |
| <b>OTC markets</b>                             |                   |                    |                   |                      |                  |              |             |                 |
| <b>Credit institutions</b>                     |                   |                    |                   |                      |                  |              |             |                 |
| Forward transactions                           | (512)             | -                  | -                 | -                    | -                | -            | -           | (512)           |
| Future rate agreements (FRAs)                  | -                 | -                  | -                 | -                    | -                | -            | -           | -               |
| Swaps  | -                 | (1,342)            | 9                 | -                    | 2                | -            | -           | (1,331)         |
| Options  | 179               | (68)               | (388)             | -                    | (2)              | -            | -           | (279)           |
| Other products                                 | -                 | -                  | -                 | -                    | -                | (45)         | -           | (45)            |
| <b>Subtotal</b>                                | <b>(333)</b>      | <b>(1,410)</b>     | <b>(379)</b>      | <b>-</b>             | <b>-</b>         | <b>(45)</b>  | <b>-</b>    | <b>(2,167)</b>  |
| <b>Other financial institutions</b>            |                   |                    |                   |                      |                  |              |             |                 |
| Forward transactions                           | (139)             | -                  | -                 | -                    | -                | -            | -           | (139)           |
| Future rate agreements (FRAs)                  | -                 | -                  | -                 | -                    | -                | -            | -           | -               |
| Swaps  | -                 | 1,117              | 11                | -                    | -                | -            | -           | 1,128           |
| Options  | 29                | (108)              | (350)             | -                    | -                | -            | -           | (429)           |
| Other products                                 | -                 | -                  | -                 | -                    | -                | 40           | -           | 40              |
| <b>Subtotal</b>                                | <b>(110)</b>      | <b>1,009</b>       | <b>(339)</b>      | <b>-</b>             | <b>-</b>         | <b>40</b>    | <b>-</b>    | <b>600</b>      |
| <b>Other sectors</b>                           |                   |                    |                   |                      |                  |              |             |                 |
| Forward transactions                           | 154               | -                  | -                 | -                    | -                | -            | -           | 154             |
| Future rate agreements (FRAs)                  | -                 | -                  | -                 | -                    | -                | -            | -           | -               |
| Swaps  | -                 | 1,359              | 28                | -                    | 1                | -            | -           | 1,388           |
| Options  | (26)              | 21                 | 323               | -                    | -                | -            | -           | 318             |
| Other products                                 | -                 | -                  | -                 | -                    | -                | -            | -           | -               |
| <b>Subtotal</b>                                | <b>128</b>        | <b>1,380</b>       | <b>351</b>        | <b>-</b>             | <b>1</b>         | <b>-</b>     | <b>-</b>    | <b>1,860</b>    |
| <b>Subtotal</b>                                | <b>(315)</b>      | <b>979</b>         | <b>(367)</b>      | <b>-</b>             | <b>1</b>         | <b>(5)</b>   | <b>-</b>    | <b>293</b>      |
| <b>Total</b>                                   | <b>(313)</b>      | <b>979</b>         | <b>(135)</b>      | <b>-</b>             | <b>1</b>         | <b>(5)</b>   | <b>-</b>    | <b>527</b>      |
| <b>of which: Asset Trading Derivatives</b>     | <b>4,696</b>      | <b>30,370</b>      | <b>3,556</b>      | <b>1</b>             | <b>5</b>         | <b>430</b>   | <b>-</b>    | <b>39,058</b>   |
| <b>of which: Liability Trading Derivatives</b> | <b>(5,009)</b>    | <b>(29,391)</b>    | <b>(3,691)</b>    | <b>(1)</b>           | <b>(4)</b>       | <b>(435)</b> | <b>-</b>    | <b>(38,531)</b> |

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| 2012   | Millions of Euros |                    |                   |                      |                  |              |             | Total           |
|--|-------------------|--------------------|-------------------|----------------------|------------------|--------------|-------------|-----------------|
|  | Currency Risk     | Interest Rate Risk | Equity Price Risk | Precious Metals Risk | Commodities Risk | Credit Risk  | Other Risks |                 |
| <b>Organized markets</b>                       |                   |                    |                   |                      |                  |              |             |                 |
| Financial futures                              | -                 | -                  | -                 | -                    | -                | -            | -           | -               |
| Options  | (4)               | -                  | 51                | 2                    | 1                | -            | -           | 50              |
| Other products                                 | -                 | -                  | -                 | -                    | -                | -            | -           | -               |
| <b>Subtotal</b>                                | <b>(4)</b>        | <b>-</b>           | <b>51</b>         | <b>2</b>             | <b>1</b>         | <b>-</b>     | <b>-</b>    | <b>50</b>       |
| <b>OTC markets</b>                             |                   |                    |                   |                      |                  |              |             |                 |
| <b>Credit institutions</b>                     |                   |                    |                   |                      |                  |              |             |                 |
| Forward transactions                           | (1,112)           | -                  | -                 | -                    | -                | -            | -           | (1,112)         |
| Future rate agreements (FRAs)                  | -                 | (4)                | -                 | -                    | -                | -            | -           | (4)             |
| Swaps  | -                 | (2,715)            | 84                | -                    | 1                | -            | -           | (2,630)         |
| Options  | 8                 | 236                | 108               | -                    | (6)              | -            | -           | 346             |
| Other products                                 | -                 | -                  | -                 | -                    | -                | (92)         | -           | (92)            |
| <b>Subtotal</b>                                | <b>(1,104)</b>    | <b>(2,483)</b>     | <b>192</b>        | <b>-</b>             | <b>(5)</b>       | <b>(92)</b>  | <b>-</b>    | <b>(3,492)</b>  |
| <b>Other financial institutions</b>            |                   |                    |                   |                      |                  |              |             |                 |
| Forward transactions                           | (18)              | -                  | -                 | -                    | -                | -            | -           | (18)            |
| Future rate agreements (FRAs)                  | -                 | (11)               | -                 | -                    | -                | -            | -           | (11)            |
| Swaps  | -                 | 842                | (20)              | -                    | -                | -            | -           | 822             |
| Options  | -                 | (174)              | (163)             | -                    | -                | -            | -           | (337)           |
| Other products                                 | -                 | -                  | -                 | -                    | -                | 108          | -           | 108             |
| <b>Subtotal</b>                                | <b>(18)</b>       | <b>657</b>         | <b>(183)</b>      | <b>-</b>             | <b>-</b>         | <b>108</b>   | <b>-</b>    | <b>564</b>      |
| <b>Other sectors</b>                           |                   |                    |                   |                      |                  |              |             |                 |
| Forward transactions                           | 237               | -                  | -                 | -                    | -                | -            | -           | 237             |
| Future rate agreements (FRAs)                  | -                 | -                  | -                 | -                    | -                | -            | -           | -               |
| Swaps  | -                 | 2,494              | 152               | -                    | 7                | -            | -           | 2,653           |
| Options  | (60)              | 85                 | 249               | -                    | -                | -            | -           | 274             |
| Other products                                 | -                 | -                  | -                 | -                    | -                | -            | -           | -               |
| <b>Subtotal</b>                                | <b>177</b>        | <b>2,579</b>       | <b>401</b>        | <b>-</b>             | <b>7</b>         | <b>-</b>     | <b>-</b>    | <b>3,164</b>    |
| <b>Subtotal</b>                                | <b>(945)</b>      | <b>753</b>         | <b>410</b>        | <b>-</b>             | <b>2</b>         | <b>16</b>    | <b>-</b>    | <b>236</b>      |
| <b>Total</b>                                   | <b>(949)</b>      | <b>753</b>         | <b>461</b>        | <b>2</b>             | <b>3</b>         | <b>16</b>    | <b>-</b>    | <b>286</b>      |
| <b>of which: Asset Trading Derivatives</b>     | <b>4,198</b>      | <b>40,681</b>      | <b>3,684</b>      | <b>6</b>             | <b>35</b>        | <b>531</b>   | <b>-</b>    | <b>49,135</b>   |
| <b>of which: Liability Trading Derivatives</b> | <b>(5,147)</b>    | <b>(39,928)</b>    | <b>(3,223)</b>    | <b>(4)</b>           | <b>(32)</b>      | <b>(515)</b> | <b>-</b>    | <b>(48,849)</b> |

## 9. Other financial assets and liabilities at fair value through profit or loss

As of December 31, 2013 and 2012, this heading of the accompanying balance sheets had no balances.

## 10. Available-for-sale financial assets

### 10.1 Breakdown of the balance

The breakdown of the balance by the main financial instruments in the accompanying balance sheets is as follows:

| Available-for-Sale (AFS) Financial Assets | Millions of Euros |               |
|---|-------------------|---------------|
|   | 2013              | 2012          |
| Debt securities                           | 38,171            | 30,140        |
| Impairment losses                         | (20)              | (57)          |
| <b>Subtotal</b>                           | <b>38,151</b>     | <b>30,083</b> |
| Equity instruments                        | 5,224             | 3,064         |
| Impairment losses                         | (74)              | (49)          |
| <b>Subtotal</b>                           | <b>5,150</b>      | <b>3,015</b>  |
| <b>Total</b>                              | <b>43,301</b>     | <b>33,098</b> |

The increase in this line item is mainly due to:

- On September 4, 2013 the held to maturity investment portfolio was reclassified to financial assets available for sale (see Note 12). This reclassification is a result of a change in the business model used to manage these portfolios, which will not be considered a permanent investment and may be subject of sale.



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- €9,722 million were reclassified with an unrealized gain due to the change in classification of €25 million, registered in the Equity line "Valuation adjustments - Financial assets available for sale". The impact in interest margin during 2013 is not material. As mentioned in note 15, BBVA reclassified the participation on CNCB from "Investments" to "financial assets available for sale". The reclassified balance was €2,409 million and depreciation generated by the partial sale amounted to €303 million, recorded in the "Profit-Loss on derecognized assets not classified as not-current assets held for sale" in the income statements for 2013.

## 10.2 Debt securities

The breakdown of the balance under the heading "Debt securities", broken down by the nature of the financial instruments, is as follows:

| Debt Securities Available-for-Sale by Type of Financial Instrument |               |                  |                   |               |
|--|---------------|------------------|-------------------|---------------|
| Millions of Euros  |               |                  |                   |               |
| 2013   | Cost          | Unrealized Gains | Unrealized Losses | Fair Value    |
| <b>Domestic Debt Securities</b>                                    |               |                  |                   |               |
| Spanish Government and other government agency debt securities     | 23,715        | 624              | (70)              | 24,269        |
| Other debt securities  | 6,434         | 148              | (17)              | 6,565         |
| Issue by Central Banks   | -             | -                | -                 | -             |
| Issue by credit institutions                                       | 4,547         | 105              | (2)               | 4,650         |
| Issue by other issuers   | 1,887         | 43               | (15)              | 1,915         |
| <b>Subtotal</b>  | <b>30,149</b> | <b>772</b>       | <b>(87)</b>       | <b>30,834</b> |
| <b>Foreign Debt Securities</b>                                     |               |                  |                   |               |
| <b>Mexico</b>  |               |                  |                   |               |
| Mexican Government and other government agency debt securities     | 142           | 4                | -                 | 146           |
| Other debt securities  | -             | -                | -                 | -             |
| Issue by Central Banks   | 142           | 4                | -                 | 146           |
| Issue by credit institutions                                       | -             | -                | -                 | -             |
| Issue by other issuers   | -             | -                | -                 | -             |
| <b>The United States</b>   | <b>142</b>    | <b>4</b>         | <b>-</b>          | <b>146</b>    |
| Government securities  | 500           | 3                | (8)               | 495           |
| US Treasury and other US Government agencies                       | 51            | -                | (1)               | 50            |
| States and political subdivisions                                  | 33            | -                | -                 | 33            |
| Other debt securities  | 18            | -                | (1)               | 17            |
| Issue by Central Banks   | 449           | 3                | (7)               | 445           |
| Issue by credit institutions                                       | -             | -                | -                 | -             |
| Issue by other issuers   | 10            | -                | (1)               | 9             |
| <b>Other countries</b>   | <b>439</b>    | <b>3</b>         | <b>(6)</b>        | <b>436</b>    |
| securities   | 6,806         | 73               | (203)             | 6,676         |
| Other debt securities  | 3,438         | 40               | (197)             | 3,281         |
| Issue by Central Banks   | 3,368         | 33               | (6)               | 3,395         |
| Issue by credit institutions                                       | -             | -                | -                 | -             |
| Issue by other issuers   | 1,558         | 9                | (3)               | 1,564         |
| <b>Subtotal</b>  | <b>1,810</b>  | <b>24</b>        | <b>(3)</b>        | <b>1,831</b>  |
| <b>Total</b>   | <b>7,448</b>  | <b>80</b>        | <b>(211)</b>      | <b>7,317</b>  |
| <b>Total</b>   | <b>37,597</b> | <b>852</b>       | <b>(298)</b>      | <b>38,151</b> |

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**Debt Securities Available-for-Sale by Type of Financial Instrument**

| 2012   | Millions of Euros |                  |                   |            |
|--|-------------------|------------------|-------------------|------------|
|  | Cost              | Unrealized Gains | Unrealized Losses | Fair Value |
| <b>Domestic Debt Securities</b>                                |                   |                  |                   |            |
| Spanish Government and other government agency debt securities | 18,777            | 119              | (667)             | 18,229     |
| Other debt securities  | 7,484             | 51               | (80)              | 7,455      |
| Issue by Central Banks   | -                 | -                | -                 | -          |
| Issue by credit institutions                                   | 6,397             | 37               | (51)              | 6,383      |
| Issue by other issuers   | 1,087             | 14               | (29)              | 1,072      |
| Subtotal   | 26,261            | 170              | (747)             | 25,684     |
| <b>Foreign Debt Securities</b>                                 |                   |                  |                   |            |
| <b>Mexico</b>  |                   |                  |                   |            |
| Mexican Government and other government agency debt securities | -                 | -                | -                 | -          |
| Other debt securities  | -                 | -                | -                 | -          |
| Issue by Central Banks   | -                 | -                | -                 | -          |
| Issue by credit institutions                                   | -                 | -                | -                 | -          |
| Issue by other issuers   | -                 | -                | -                 | -          |
| <b>The United States</b>                                       |                   |                  |                   |            |
| Government securities  | 302               | 1                | (16)              | 287        |
| US Treasury and other US Government agencies                   | 74                | -                | (7)               | 67         |
| States and political subdivisions                              | 74                | -                | (7)               | 67         |
| Other debt securities  | -                 | -                | -                 | -          |
| Issue by Central Banks   | 228               | 1                | (9)               | 220        |
| Issue by credit institutions                                   | -                 | -                | -                 | -          |
| Issue by other issuers   | 11                | -                | (1)               | 10         |
| Other countries  | 217               | 1                | (8)               | 210        |
| Other foreign governments and other government agency debt     | 4,508             | 27               | (423)             | 4,112      |
| Other debt securities  | 1,559             | 5                | (376)             | 1,188      |
| Issue by Central Banks   | 2,949             | 22               | (47)              | 2,924      |
| Issue by credit institutions                                   | -                 | -                | -                 | -          |
| Issue by other issuers   | 2,053             | 17               | (8)               | 2,062      |
| Subtotal   | 896               | 5                | (39)              | 862        |
| Total  | 4,810             | 28               | (439)             | 4,399      |
|  | 31,071            | 198              | (1,186)           | 30,083     |

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## 10.3 Equity instruments

The breakdown of the balance under the heading "Equity instruments" as of December 31, 2013 and 2012 is as follows:

### AFS-Equity Instruments. Breakdown by Type of Financial Instrument

| Millions of Euros                  |              |                  |                   |              |
|------------------------------------|--------------|------------------|-------------------|--------------|
| 2013                               | Cost         | Unrealized Gains | Unrealized Losses | Fair Value   |
| <b>Equity instruments listed</b>   |              |                  |                   |              |
| Listed Spanish company shares      | 3,127        | 11               | (46)              | 3,092        |
| Credit institutions                | -            | -                | -                 | -            |
| Other entities                     | 3,127        | 11               | (46)              | 3,092        |
| Listed foreign company shares      | 2,511        | 3                | (596)             | 1,918        |
| United States                      | -            | -                | -                 | -            |
| Other countries                    | 2,511        | 3                | (596)             | 1,918        |
| <b>Subtotal</b>                    | <b>5,638</b> | <b>14</b>        | <b>(642)</b>      | <b>5,010</b> |
| <b>Unlisted equity instruments</b> |              |                  |                   |              |
| Unlisted Spanish company shares    | 54           | -                | -                 | 54           |
| Credit institutions                | 4            | -                | -                 | 4            |
| Other entities                     | 50           | -                | -                 | 50           |
| Unlisted foreign companies shares  | 86           | -                | -                 | 86           |
| United States                      | 61           | -                | -                 | 61           |
| Other countries                    | 25           | -                | -                 | 25           |
| <b>Subtotal</b>                    | <b>140</b>   | <b>-</b>         | <b>-</b>          | <b>140</b>   |
| <b>Total</b>                       | <b>5,778</b> | <b>14</b>        | <b>(642)</b>      | <b>5,150</b> |

### AFS-Equity Instruments. Breakdown by Type of Financial Instrument

| Millions of Euros                  |              |                  |                   |              |
|------------------------------------|--------------|------------------|-------------------|--------------|
| 2012                               | Cost         | Unrealized Gains | Unrealized Losses | Fair Value   |
| <b>Equity instruments listed</b>   |              |                  |                   |              |
| Listed Spanish company shares      | 3,035        | 67               | (377)             | 2,725        |
| Credit institutions                | -            | -                | -                 | -            |
| Other entities                     | 3,035        | 67               | (377)             | 2,725        |
| Listed foreign company shares      | 218          | 3                | (45)              | 176          |
| United States                      | 17           | -                | (4)               | 13           |
| Other countries                    | 201          | 3                | (41)              | 163          |
| <b>Subtotal</b>                    | <b>3,253</b> | <b>70</b>        | <b>(422)</b>      | <b>2,901</b> |
| <b>Unlisted equity instruments</b> |              |                  |                   |              |
| Unlisted Spanish company shares    | 21           | -                | -                 | 21           |
| Credit institutions                | 1            | -                | -                 | 1            |
| Other entities                     | 20           | -                | -                 | 20           |
| Unlisted foreign companies shares  | 93           | -                | -                 | 93           |
| United States                      | 66           | -                | -                 | 66           |
| Other countries                    | 27           | -                | -                 | 27           |
| <b>Subtotal</b>                    | <b>114</b>   | <b>-</b>         | <b>-</b>          | <b>114</b>   |
| <b>Total</b>                       | <b>3,367</b> | <b>70</b>        | <b>(422)</b>      | <b>3,015</b> |

## 10.4 Gains/losses

The changes in the gains/losses, net of taxes, recognized under the equity heading "Valuation adjustments – Available-for-sale financial assets" in the accompanying balance sheets are as follows:

| Changes in Valuation Adjustments - Available-for-Sale Financial Assets | Millions of Euros |              |
|--|-------------------|--------------|
|  | 2013              | 2012         |
| <b>Balance at the beginning</b>  | <b>(938)</b>      | <b>(782)</b> |
| Valuation gains and losses   | 1,360             | (343)        |
| Income tax   | (408)             | 20           |
| Amounts transferred to income  | (66)              | 167          |
| <b>Balance at the end</b>  | <b>(52)</b>       | <b>(938)</b> |
| Of which:  |                   |              |
| Debt securities  | 388               | (692)        |
| Equity instruments   | (440)             | (246)        |

The losses recognized under the heading "Valuation adjustments – Available-for-sale financial assets – Debt securities" in the income statement for 2013 correspond mainly to Spanish government debt securities. As of December 31, 2013, 9.175% of the unrealized losses recognized under the heading "Valuation adjustments – Available-for-sale financial assets – Debt securities" and originating in debt securities were generated over more than twelve months. However, no impairment has been estimated, as following an analysis of these unrealized losses it can be concluded that they were temporary due to the following reasons: the interest payment dates of all the fixed-income securities have been satisfied; and because there is no evidence that the issuer will not continue to meet its payment obligations, nor that future payments of both principal and interest will not be sufficient to recover the cost of the debt securities.

The losses recognized under the heading "Valuation adjustments – Available for sale financial assets" in the income statement for 2013 correspond mainly to the market value of the investment in CNBC. As of December 31, 2013, the Bank has analyzed the unrealized losses recognized under the heading "Valuation adjustments – Available-for-sale financial assets – Equity instruments" resulting from equity instruments generated over a period of more than 12 months and with a fall of more 20% in their price, as a first approximation to the existence of possible impairment

The heading "Impairment losses on financial assets (net) – Available-for-sale financial assets" in the accompanying income statements recognizes losses of €30 million and capital gains of €15 million for the years 2013 and 2012, respectively (see Note 43).

## 11. Loans and receivables

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

| Loans and Receivables                     | Notes | Millions of Euros |                |
|---|-------|-------------------|----------------|
|   |       | 2013              | 2012           |
| Loans and advances to credit institutions | 11.1  | 20,410            | 21,366         |
| Loans and advances to customers           | 11.2  | 208,313           | 213,944        |
| Debt securities                           | 11.3  | 1,800             | 1,719          |
| <b>Total</b>                              |       | <b>230,523</b>    | <b>237,029</b> |

### 11.1 Loans and advances to credit institutions

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

| Loans and Advances to Credit Institutions | Notes      | Millions of Euros |               |
|---|------------|-------------------|---------------|
|   |            | 2013              | 2012          |
| Reciprocal accounts                       |            | 68                | 112           |
| Deposits with agreed maturity             |            | 6,414             | 7,954         |
| Demand deposits                           |            | 1,166             | 968           |
| Reverse repurchase agreements             | 32         | 5,788             | 3,624         |
| Other financial assets                    |            | 6,918             | 8,654         |
| Impaired assets                           |            | 29                | 20            |
| <b>Total gross</b>                        | <b>5.1</b> | <b>20,383</b>     | <b>21,332</b> |
| <b>Valuation adjustments</b>              |            | <b>27</b>         | <b>34</b>     |
| Impairment losses                         | 5.1.7      | (30)              | (20)          |
| Accrued interest and fees                 |            | 57                | 54            |
| Hedging derivatives and others            |            | -                 | -             |
| <b>Total</b>                              |            | <b>20,410</b>     | <b>21,366</b> |

## 11.2 Loans and advances to customers

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

|                                 |       | Millions of Euros |                |
|---------------------------------|-------|-------------------|----------------|
| Loans and Advances to Customers | Notas | 2013              | 2012           |
| Mortgage secured loans          |       | 93,444            | 92,401         |
| Other secured loans             |       | 2,916             | 3,256          |
| Other loans                     |       | 65,243            | 74,585         |
| Credit accounts                 |       | 9,426             | 13,000         |
| Commercial credit               |       | 7,887             | 9,777          |
| Receivable on demand and other  |       | 2,282             | 3,311          |
| Credit cards                    |       | 1,413             | 1,282          |
| Finance leases                  |       | 2,954             | 3,466          |
| Reverse repurchase agreements   | 32    | 6,062             | 4,407          |
| Financial paper                 |       | 4,326             | 4,180          |
| Impaired assets                 | 5.1.6 | 21,896            | 12,765         |
| <b>Total gross</b>              | 5.1   | <b>217,849</b>    | <b>222,430</b> |
| <b>Valuation adjustments</b>    |       | <b>(9,536)</b>    | <b>(8,486)</b> |
| Impairment losses               | 5.1.7 | (10,799)          | (9,152)        |
| Accrued interests and fees      |       | 671               | (50)           |
| Hedging derivatives and others  |       | 592               | 716            |
| <b>Total net</b>                |       | <b>208,313</b>    | <b>213,944</b> |

As of December 31, 2013, 11.36% of "Loans and advances to customers" with a maturity greater than one year were concluded with fixed-interest rates and 88.64% with variable interest rates.

The heading "Loans and advances to customers" includes financial lease arrangements provided by various entities in the Bank for their customers to finance the purchase of assets, including movable and immovable property. The breakdown of the financial lease arrangements as of December 31, 2013 and 2012 is as follows:

|                              |  | Millions of Euros |       |
|------------------------------|--|-------------------|-------|
| Financial Lease Arrangements |  | 2013              | 2012  |
| Movable property             |  | 1,288             | 1,592 |
| Real Estate                  |  | 1,666             | 1,874 |
| Fixed rate                   |  | 1,267             | 1,297 |
| Floating rate                |  | 1,687             | 2,169 |

The heading "Loans and receivables – Loans and advances to customers" in the accompanying balance sheets also includes certain mortgage loans that, as mentioned in Note 30 and pursuant to the Mortgage Market Act, are considered a suitable guarantee for the issue of long-term mortgage covered bonds (see Appendix X). Additionally, this heading also includes certain loans that have been securitized and that have not been derecognized since the Bank has retained substantially all the related risks or rewards due to the fact that it has granted subordinated debt or other types of credit enhancements that absorb either substantially all expected credit losses on the asset transferred or the probable variation in attendant net cash flows.

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The amounts recognized in the balance sheets corresponding to these securitized loans are as follows:

| Securitized Loans               | Millions of Euros |               |
|---------------------------------|-------------------|---------------|
|                                 | 2013              | 2012          |
| Securitized mortgage assets     | 21,038            | 17,123        |
| Other securitized assets        | 4,611             | 5,735         |
| Commercial and industrial loans | 2,710             | 3,673         |
| Finance leases                  | 277               | 346           |
| Loans to individuals            | 1,624             | 1,716         |
| <b>Total</b>                    | <b>25,649</b>     | <b>22,858</b> |

### 11.3 Debt securities

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

| Debt securities       | Notes        | Millions of Euros |              |
|-----------------------|--------------|-------------------|--------------|
|                       |              | 2013              | 2012         |
| Government            |              | 1,264             | 1,264        |
| Credit institutions   |              | 4                 | 4            |
| Other sectors         |              | 536               | 461          |
| <b>Total gross</b>    | <b>5.1</b>   | <b>1,804</b>      | <b>1,729</b> |
| Valuation adjustments | <b>5.1.7</b> | (4)               | (10)         |
| <b>Total</b>          |              | <b>1,800</b>      | <b>1,719</b> |

## 12. Held-to-maturity investments

As mentioned in Note 10, there has been a reclassification of the entire investments held to maturity portfolio to “available for sale financial assets” during 2013. Therefore, in this note, the breakdown of the balance sheets is only provided as of December, 31 2012. The breakdown of the balance under this heading in the accompanying balance sheets is as follows:

| Held-to-Maturity Investments. Breakdown by Type of Financial Instrument |                   |                  |                   |              |
|---|-------------------|------------------|-------------------|--------------|
| 2012  | Millions of Euros |                  |                   |              |
|   | Amortized Cost    | Unrealized Gains | Unrealized Losses | Fair Value   |
| <b>Domestic Debt Securities</b>   |                   |                  |                   |              |
| Spanish Government and other government agency debt securities          | 6,469             | 3                | (407)             | 6,065        |
| Other domestic debt securities  | 810               | 2                | (27)              | 785          |
| Issue by credit institutions  | 250               | 2                | (3)               | 249          |
| Issue by other issuers  | 560               | -                | (24)              | 536          |
| <b>Subtotal</b>   | <b>7,279</b>      | <b>5</b>         | <b>(434)</b>      | <b>6,850</b> |
| <b>Foreign Debt Securities</b>  |                   |                  |                   |              |
| Government and other government agency debt securities                  | 2,741             | 121              | -                 | 2,862        |
| Issue by credit institutions  | 142               | 6                | -                 | 148          |
| <b>Subtotal</b>   | <b>2,883</b>      | <b>127</b>       | <b>-</b>          | <b>3,010</b> |
| <b>Total</b>  | <b>10,162</b>     | <b>132</b>       | <b>(434)</b>      | <b>9,860</b> |



The foreign securities held by the Bank as of December 31, 2012 in the held-to-maturity investments portfolio correspond mainly to European issuers.

### 13. Hedging derivatives (receivable and payable) and Fair-value changes of the hedged items in portfolio hedges of interest-rate risk

The balance of these headings in the accompanying balance sheets is as follows:

| Hedging derivatives and Fair value changes of the hedged items in portfolio hedges of interest rate risk | Millions of Euros |       |
|--|-------------------|-------|
|  | 2013              | 2012  |
| <b>ASSETS-</b>   |                   |       |
| Fair value changes of the hedged items in portfolio hedges of  | 99                | 226   |
| Hedging derivatives  | 2,307             | 3,708 |
| <b>LIABILITIES-</b>  |                   |       |
| interest rate risk   | -                 | -     |
| Hedging derivatives  | 1,507             | 2,586 |

As of December 31, 2013 and 2012, the main positions hedged by the Bank and the derivatives assigned to hedge those positions were:

- **Fair value hedging:**

- Available-for-sale fixed-interest debt securities: This risk is hedged using interest-rate derivatives (fixed-variable swaps).
- Long-term fixed-interest debt securities issued by the Bank: This risk is hedged using interest-rate derivatives (fixed-variable swaps).
- Available-for-sale equity instruments: This risk is hedged using equity swaps and OTC options ("Over the counter").
- Fixed-interest loans: This risk is hedged using interest-rate derivatives (fixed-variable swaps).
- Fixed-interest deposit portfolio hedges: This risk is hedged using fixed-variable swaps and interest-rate options. The valuation of the deposit hedges corresponding to interest-rate risk is recognized under the heading "Fair value changes of the hedged items in the portfolio hedges of interest-rate risk."

- **Cash-flow hedges:** Most of the hedged items are floating interest-rate loans. This risk is hedged using foreign-exchange and interest-rate swaps, and FRA's ("Forward Rate Agreement").
- **Net foreign-currency investment hedges:** The risks hedged are foreign-currency investments in the Bank's subsidiaries based abroad. This risk is hedged mainly with foreign-exchange options and forward currency purchases.

Note 5 analyzes the Bank's main risks that are hedged using these financial instruments.

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The details of the net positions by hedged risk of the fair value of the hedging derivatives recognized in the accompanying balance sheets are as follows:

| Millions of Euros                           |               |                    |                   |             |         |
|---|---------------|--------------------|-------------------|-------------|---------|
| 2013  | Currency Risk | Interest Rate Risk | Equity Price Risk | Other Risks | Total   |
| <b>OTC markets</b>                          |               |                    |                   |             |         |
| <b>Credit institutions</b>                  |               |                    |                   |             |         |
| Fair value hedge                            | -             | 758                | -                 | (1)         | 757     |
| Of which: Macro hedge                       | -             | (253)              | -                 | -           | (253)   |
| Cash flow hedge                             | -             | (61)               | -                 | -           | (61)    |
| Net investment in a foreign operation hedge | -             | -                  | -                 | -           | -       |
| <b>Subtotal</b>                             | -             | 697                | -                 | (1)         | 696     |
| <b>Other financial Institutions</b>         |               |                    |                   |             |         |
| Fair value hedge                            | -             | 119                | -                 | -           | 119     |
| Of which: Macro hedge                       | -             | (71)               | -                 | -           | (71)    |
| Cash flow hedge                             | -             | (3)                | -                 | -           | (3)     |
| Net investment in a foreign operation hedge | -             | -                  | -                 | -           | -       |
| <b>Subtotal</b>                             | -             | 116                | -                 | -           | 116     |
| <b>Other sectors</b>                        |               |                    |                   |             |         |
| Fair value hedge                            | -             | (12)               | -                 | -           | (12)    |
| Of which: Macro hedge                       | -             | (6)                | -                 | -           | (6)     |
| Cash flow hedge                             | -             | -                  | -                 | -           | -       |
| Net investment in a foreign operation hedge | -             | -                  | -                 | -           | -       |
| <b>Subtotal</b>                             | -             | (12)               | -                 | -           | (12)    |
| <b>Total</b>                                | -             | 801                | -                 | (1)         | 800     |
| Of which:                                   |               |                    |                   |             |         |
| <b>Asset Hedging Derivatives</b>            | -             | 2,306              | -                 | 1           | 2,307   |
| <b>Liability Hedging Derivatives</b>        | -             | (1,505)            | -                 | (2)         | (1,507) |

| Millions of Euros                           |               |                    |                   |             |         |
|---|---------------|--------------------|-------------------|-------------|---------|
| 2012  | Currency Risk | Interest Rate Risk | Equity Price Risk | Other Risks | Total   |
| <b>OTC markets</b>                          |               |                    |                   |             |         |
| <b>Credit institutions</b>                  |               |                    |                   |             |         |
| Fair value hedge                            | -             | 982                | -                 | (1)         | 981     |
| Of which: Macro hedge                       | -             | (365)              | -                 | -           | (365)   |
| Cash flow hedge                             | 20            | (56)               | -                 | -           | (36)    |
| Net investment in a foreign operation hedge | -             | -                  | -                 | -           | -       |
| <b>Subtotal</b>                             | 20            | 926                | -                 | (1)         | 945     |
| <b>Other financial Institutions</b>         |               |                    |                   |             |         |
| Fair value hedge                            | -             | 191                | -                 | -           | 191     |
| Of which: Macro hedge                       | -             | (117)              | -                 | -           | (117)   |
| Cash flow hedge                             | 6             | -                  | -                 | -           | 6       |
| Net investment in a foreign operation hedge | -             | -                  | -                 | -           | -       |
| <b>Subtotal</b>                             | 6             | 191                | -                 | -           | 197     |
| <b>Other sectors</b>                        |               |                    |                   |             |         |
| Fair value hedge                            | -             | (20)               | -                 | -           | (20)    |
| Of which: Macro hedge                       | -             | (15)               | -                 | -           | (15)    |
| Cash flow hedge                             | -             | -                  | -                 | -           | -       |
| Net investment in a foreign operation hedge | -             | -                  | -                 | -           | -       |
| <b>Subtotal</b>                             | -             | (20)               | -                 | -           | (20)    |
| <b>Total</b>                                | 26            | 1,097              | -                 | (1)         | 1,122   |
| Of which:                                   |               |                    |                   |             |         |
| <b>Asset Hedging Derivatives</b>            | 36            | 3,672              | -                 | -           | 3,708   |
| <b>Liability Hedging Derivatives</b>        | (10)          | (2,575)            | -                 | (1)         | (2,586) |

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The cash flows forecasts for the coming years for cash flow hedging recognized on the accompanying balance sheet as of December 31, 2013 are:

| Cash Flows of Hedging Instruments | Millions of Euros |                         |                   |                   |       |
|-----------------------------------|-------------------|-------------------------|-------------------|-------------------|-------|
|                                   | 3 Months or Less  | From 3 Months to 1 Year | From 1 to 5 Years | More than 5 Years | Total |
| Receivable cash inflows           | 17                | 50                      | 68                | 65                | 200   |
| Payable cash outflows             | 3                 | 10                      | 54                | 93                | 160   |

The above cash flows will have an effect on the income statements until the year 2025.

In 2013, the amount recognized previously as equity from cash flow hedges that had been reclassified in the income statements, either under the heading "Net gains (losses) on financial assets and liabilities", or under the heading "Exchange differences (net)", amounted to a €1 million loss.

In 2012, there was no reclassification in the accompanying income statements of any amount corresponding to cash flow hedges that were previously recognized as equity.

As of December 31, 2013 and 2012 there was no hedge accounting that did not pass the effectiveness test.

## 14. Non-current assets held for sale

The composition of the balance under the heading "Non-current assets held for sale" in the accompanying balance sheets, broken down by the origin of the assets, is as follows:

| Non-Current Assets Held-for-Sale<br>Breakdown by type of Asset | Millions of Euros |              |
|--|-------------------|--------------|
|  | 2013              | 2012         |
| Business sale agreement - Assets (note 15)                     | -                 | 210          |
| Other assets from:   |                   |              |
| Tangible fixed assets (net)                                    | 217               | 81           |
| For own use  | 217               | 81           |
| Assets leased out under an operating lease                     | -                 | -            |
| Foreclosures or recoveries (net)                               | 2,440             | 1,931        |
| Foreclosures   | 2,305             | 1,818        |
| Recoveries from financial leases                               | 135               | 113          |
| Accrued amortization (*)                                       | (26)              | (22)         |
| Impairment losses  | (436)             | (232)        |
| <b>Total Non-Current Assets Held-for-Sale</b>                  | <b>2,195</b>      | <b>1,968</b> |

(\*) Until classified as non-current assets held for sale

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The changes in the balances under this heading in 2013 and 2012 are as follows:

| Millions of Euros                      |              |                                       |                         |            |              |
|--|--------------|---------------------------------------|-------------------------|------------|--------------|
| 2013                                   | Foreclosed   | Recovered Assets from Operating Lease | From Own Use Assets (*) | Other (**) | Total        |
| <b>Cost-</b>                           |              |                                       |                         |            |              |
| Balance at the beginning               | 1,818        | 113                                   | 59                      | 210        | 2,200        |
| Additions (Purchases) (***)            | 710          | 57                                    | -                       | -          | 767          |
| Contributions from merger transactions | 477          | 2                                     | -                       | -          | 479          |
| Retirements (Sales)                    | (700)        | (34)                                  | (40)                    | (297)      | (1,071)      |
| Transfers                              | -            | (3)                                   | 172                     | 87         | 256          |
| Balance at the end                     | 2,305        | 135                                   | 191                     | -          | 2,631        |
| <b>Impairment-</b>                     |              |                                       |                         |            |              |
| Balance at the beginning               | 195          | 28                                    | 9                       | -          | 232          |
| Additions                              | 496          | 21                                    | 2                       | -          | 519          |
| Contributions from merger transactions | 198          | -                                     | -                       | -          | 198          |
| Retirements (Sales)                    | (187)        | (9)                                   | (14)                    | -          | (210)        |
| Transfers                              | (393)        | (8)                                   | 98                      | -          | (303)        |
| Balance at the end                     | 309          | 32                                    | 95                      | -          | 436          |
| <b>Total</b>                           | <b>1,996</b> | <b>103</b>                            | <b>96</b>               | <b>-</b>   | <b>2,195</b> |

(\*) Until classified as non-current assets held for sale

(\*\*) Business sale agreement (Note 15)

(\*\*\*) Corresponds to the initial cost of the asset received.

| Millions of Euros                      |              |                                       |                         |            |              |
|--|--------------|---------------------------------------|-------------------------|------------|--------------|
| 2012                                   | Foreclosed   | Recovered Assets from Operating Lease | From Own Use Assets (*) | Other (**) | Total        |
| <b>Cost-</b>                           |              |                                       |                         |            |              |
| Balance at the beginning               | 1,430        | 90                                    | 69                      | -          | 1,589        |
| Additions (Purchases) (***)            | 730          | 51                                    | -                       | -          | 781          |
| Contributions from merger transactions | -            | -                                     | -                       | -          | -            |
| Retirements (Sales)                    | (342)        | (28)                                  | (12)                    | (352)      | (734)        |
| Transfers                              | -            | -                                     | 2                       | 562        | 564          |
| Balance at the end                     | 1,818        | 113                                   | 59                      | 210        | 2,200        |
| <b>Impairment-</b>                     |              |                                       |                         |            |              |
| Balance at the beginning               | 101          | 17                                    | 9                       | -          | 127          |
| Additions                              | 441          | 12                                    | 2                       | -          | 455          |
| Retirements (Sales)                    | (53)         | (12)                                  | (2)                     | (2)        | (69)         |
| Transfers                              | (294)        | 11                                    | -                       | 2          | (281)        |
| Balance at the end                     | 195          | 28                                    | 9                       | -          | 232          |
| <b>Total</b>                           | <b>1,623</b> | <b>85</b>                             | <b>50</b>               | <b>210</b> | <b>1,968</b> |

(\*) Until classified as non-current assets held for sale

(\*\*) Business sale agreement (Note 15)

(\*\*\*) Corresponds to the initial cost of the asset received.

As of December 31, 2013 and 2012, the balance under the heading "Non-current assets held for sale - Foreclosures or recoveries" was made up of €1,801 million and €1,502 million of assets for residential use, €270 million and €186 million of assets for tertiary use (industrial, commercial or offices) and €28 million and €20 million of assets for agricultural use, respectively.

The table below shows the length of time for which the main assets from foreclosures or recoveries that were on the balance sheet as of December 31, 2013 and 2012 had been held:

| Non-Current Assets Held for Sale<br>Period of Ownership | Millions of Euros |              |
|---|-------------------|--------------|
|   | 2013              | 2012         |
| Up to one year  | 788               | 783          |
| From 1 to 3 years                                       | 1,067             | 839          |
| From 3 to 5 years                                       | 229               | 81           |
| Over 5 years  | 15                | 5            |
| <b>Total</b>  | <b>2,099</b>      | <b>1,708</b> |

In 2013 and 2012, some of the sales of these assets were financed by the Bank. The amount of the loans granted to the buyers of these assets in those years totaled €112 million and €160 million, respectively, with a mean percentage financed of 90% and 92%, respectively, of the price of sale. The total nominal amount of these loans, which are recognized under "Loans and receivables", is €782 million and €669 million, as of December 31, 2013 and 2012, respectively.

As of December 31, 2013 and 2012, the gains from the sale of assets financed by the Bank (and, therefore, not recognized in the income statement), amounted to €23 million and €28 million, respectively.

## 15. Investments in entities

### 15.1 Associates

The breakdown, by currency and listing status, of this heading in the accompanying balance sheets is as follows:

| Associates Entities   | Millions of Euros |              |
|-----------------------|-------------------|--------------|
|                       | 2013              | 2012         |
| <b>By currency:</b>   |                   |              |
| In euros              | 414               | 417          |
| In foreign currencies | 480               | 4,114        |
| <b>Total</b>          | <b>894</b>        | <b>4,531</b> |
| <b>By share price</b> |                   |              |
| Listed                | 6                 | 3,990        |
| Unlisted              | 888               | 541          |
| <b>Total</b>          | <b>894</b>        | <b>4,531</b> |
| <b>Less:</b>          |                   |              |
| Impairment losses     | (76)              | (32)         |
| <b>Total</b>          | <b>818</b>        | <b>4,499</b> |

The investments in associates as of December 31, 2013, as well as the most important data related to them, can be seen in Appendix III.

The BBVA Group's investment in the CITIC Group includes the investment in Citic International Financial Holdings Limited (CIFH) and China Citic Bank Corporation Limited (CNCB). As of December 31, 2012, BBVA had a 29.68% stake in CIFH and 15% in CNCB.

As of October 21, 2013, BBVA completed the sale of 5.1% stake in CNCB to Citic Limited for an amount of approximately €944 million. The loss attributable to BBVA at the time of the sale amounted to €303 million, which was recognized under the heading "Gains (losses) on derecognized assets not classified as non-current assets held for sale" in the income statement in 2013. After this sale, the stake of BBVA in CNCB is reduced to the 9.9%. Simultaneously, BBVA and CNCB have agreed to adapt their strategic cooperation agreement to the new situation, removing the exclusivity obligations that affected the activities of BBVA in the PRC, and agreeing to discuss new

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areas of cooperation among both banks, as BBVA's current intention is to remain a key long term financial investor in CNCB.

The new arrangement implies a change in the accounting criteria applied to the participation of BBVA in CNCB, being now a non material financial participation recognized under the heading "Available-for-sale financial assets" (see Note 10). The new situation involves a change in the criteria for the investment of BBVA in CNCB, which happens to be a financial contribution, recorded as "Available for sale financial assets" (see Note 10).

The following is a summary of the gross changes in 2013 and 2012 under this heading in the accompanying balance sheets:

| Associates Entities. Changes in the year | Millions of Euros |              |
|--|-------------------|--------------|
|  | 2013              | 2012         |
| <b>Balance at the beginning</b>          | <b>4,531</b>      | <b>4,159</b> |
| Acquisitions and capital increases       | 22                | -            |
| Losses due to merger transactions        | 14                | -            |
| Disposals and capital reductions         | (1,241)           | (3)          |
| Transfers                                | (2,448)           | 362          |
| Exchange differences and others          | 16                | 13           |
| <b>Balance at the end</b>                | <b>894</b>        | <b>4,531</b> |

The change in 2013 relates mainly to the aforementioned sale of 5.1% of CNBC and to the transfer of the remaining 9.9% stake held by the Group in the CNBC portfolio of "Available for sale financial assets".

The change in 2012 in the entry "Transfers" of the above table corresponds to the reclassification of the stake in Metrovacesa, S.A., which as of December 31, 2011 has been registered under the heading "Available-for-sale financial assets" in the balance sheet.

## 15.2 Investments in jointly controlled entities

The breakdown, by currency and listing status, of this heading in the accompanying balance sheets is as follows:

| Joint ventures        | Millions of Euros |              |
|-----------------------|-------------------|--------------|
|                       | 2013              | 2012         |
| <b>By currency:</b>   |                   |              |
| In euros              | 16                | 14           |
| In foreign currencies | 3,849             | 3,999        |
| <b>Total</b>          | <b>3,865</b>      | <b>4,013</b> |
| <b>By share price</b> |                   |              |
| Listed                | 3,849             | 3,999        |
| Unlisted              | 16                | 14           |
| <b>Total</b>          | <b>3,865</b>      | <b>4,013</b> |
| <b>Less:</b>          |                   |              |
| Impairment losses     | -                 | -            |
| <b>Total</b>          | <b>3,865</b>      | <b>4,013</b> |

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The following is a summary of the changes in 2013 and 2012 under this heading in the accompanying balance sheets:

| Joint ventures. Changes in the year | Millions of Euros |              |
|-------------------------------------|-------------------|--------------|
|                                     | 2013              | 2012         |
| <b>Balance at the beginning</b>     | <b>4,013</b>      | <b>3,933</b> |
| Acquisitions:                       | 352               | -            |
| Losses due to merger transactions   | 146               | -            |
| Transfers                           | (495)             | (1)          |
| Exchange differences and others     | (151)             | 81           |
| <b>Balance at end of year</b>       | <b>3,865</b>      | <b>4,013</b> |

The breakdown of associates and joint ventures as of December 31, 2013 is shown in Appendix III.

### 15.3 Holdings in Group entities

The heading Investments - Group Entities in the accompanying balance sheets includes the carrying amount of the shares of companies forming part of the BBVA Group. The percentages of direct and indirect ownership and other relevant information on these companies are provided in Appendix II.

The breakdown, by currency and listing status, of this heading in the accompanying balance sheets is as follows:

| Subsidiaries.         | Millions of Euros |               |
|-----------------------|-------------------|---------------|
|                       | 2013              | 2012          |
| <b>By currency:</b>   |                   |               |
| In euros              | 9,014             | 4,030         |
| In foreign currencies | 18,740            | 18,891        |
| <b>Total</b>          | <b>27,754</b>     | <b>22,921</b> |
| <b>By share price</b> |                   |               |
| Listed                | 237               | 317           |
| Unlisted              | 27,517            | 22,604        |
| <b>Total</b>          | <b>27,754</b>     | <b>22,921</b> |
| <b>Less:</b>          |                   |               |
| Impairment losses     | (6,835)           | (2,909)       |
| <b>Total</b>          | <b>20,919</b>     | <b>20,012</b> |



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The changes in 2013 and 2012 in the balance under this heading in the balance sheets, disregarding the balance of the impairment losses, are as follows:

| <b>Subsidiaries. Changes in the period.</b> | <b>Millions of Euros</b> |               |
|---|--------------------------|---------------|
|   | <b>2013</b>              | <b>2012</b>   |
| <b>Balance at the beginning</b>             | <b>22,921</b>            | <b>23,368</b> |
| Acquisitions and capital increases          | 4,610                    | 77            |
| Losses due to merger transactions           | 204                      | -             |
| Sales                                       | (303)                    | (61)          |
| Transfers                                   | 453                      | (573)         |
| Exchange differences and other              | (131)                    | 110           |
| <b>Balance at the end</b>                   | <b>27,754</b>            | <b>22,921</b> |

## Changes in the holdings in Group entities

The most notable transactions performed in 2013 and 2012 are as follows:

### Changes in the Group in 2013

#### Purchase of Unnim Vida and Unnim Protecció

On February 1, 2013, Unnim Banc, SA reached an agreement with Aegon Spain Holding B.V. for the acquisition of 50% of Unnim Vida, Inc. Seguros y Reaseguros ("Unnim Vida") for a price of €352 million. Thus, the BBVA Group reached 100% of the stake of "Unnim Vida. This acquisition has caused the reclassification of the investment in this entity from "Investments in jointly-controlled entities" to "Investments in Group entities" in the amount of €495 million and a transfer from "Other provisions" to "Impairment of Group investments" in the amount of €255 million

On February 15, 2013 Unnim Banc, SA formalized with Reale Seguros Generales, SA the acquisition of 50% of Unnim Protecció, SA Insurance and Reinsurance Company ("Unnim Protecció") at a price of €68 million. Thus, BBVA reached 100% stake in Unnim Protecció. This acquisition has caused a transfer from "Other Provisions" to "Impairment on Group investments" for an amount of €60 million. This company was merged with BBVA Seguros, SA Seguros y Reaseguro on October 23, 2013.

#### Capital Increase in Anida Grupo Inmobiliario

On December 27, 2013 BBVA fully subscribed a capital increase in Anida Real Grupo Inmobiliario, SL amounting to €4,000 million. This increase has caused a transfer from "Impairment on Loans and receivables" and "Other Provisions" to "Impairment on Group investments" for a total of €1,883 and €1,554 million respectively.

#### Capital Increase in Unnim Sociedad for Management of Real Estate Assets

BBVA has fully subscribed various capital increases in Unnim Society for Management of Real Estate Asset , SA Unipersonal for a total amount of €248 million, which have caused a transfer for the same amount from "Other provisions" to "Impairment on Group investments"

#### Sale of Seguros Bancomer

On February 22, 2013, the sale of Seguros BBVA Bancomer, SA de CV, Grupo Financiero BBVA Bancomer to Grupo Financiero BBVA Bancomer, SA de C.V. was formalized The gross gain amounted to €131 million recorded in "Gains (losses) on derecognized assets not classified as non-current assets held for sale" in the income statement in 2013.

#### Sale of BBVA Panama

On July 20, BBVA announced that it had reached an agreement with the entity Leasing Bogotá S.A., Panamá, a subsidiary of Grupo Aval Acciones y Valores, S.A., for the sale to the former of all the stake that BBVA holds directly and indirectly in Banco Bilbao Vizcaya Argentaria (Panamá), S.A. ("BBVA Panamá").The aggregate direct and indirect participation of BBVA in BBVA Panamá represents approximately 98.92% of the share capital of the company

On December 19, after having obtained the necessary approvals, BBVA completed the sale.

The total consideration that BBVA obtained pursuant to this sale amounted to approximately USD 353 million (€259 million) after the adjustment of the net income generated by BBVA Panamá from June 1, 2013 up to closing, which amounted a positive adjustment of approximately USD 8 million (€6 million).

BBVA received part of the consideration through the distribution of dividends from BBVA Panamá amounting to USD 77 million prior to closing (such amount has consequently reduced the purchase price to be paid to BBVA on closing). After deducing such distribution of dividends, the gross capital gain amounted to approximately EUR 190 million which was recognized in the section "Gains (losses) in non-current assets held for sale not classified as discontinued operations" in the income statement in 2013.

## **Sale of pension businesses in Latin America**

On May 24, 2012 BBVA announced its decision to conduct a study on strategic alternatives for its pension business in Latin America. The alternatives considered in this process include the total or partial sale of the businesses of the Pension Fund Administrators (AFP) in Chile, Colombia and Peru, and the Retirement Fund Administrator (Afore) in Mexico.

On October 2, 2013, with the sale of "AFP Provida" (Administradora de Fondos de Pensiones AFP Provida de Chile), BBVA finalized the process. Below there is a description of each of the operations that have been carried out during this process:

### **Sale of AFP Provida (Chile)**

On February 1, 2013, BBVA reached an agreement with MetLife, Inc., for the sale of the 64.3% stake that BBVA held in the Chilean Pension Fund manager Administradora de Fondos de Pensiones Provida SA ("AFP Provida") y que representaba el 64.3% de su capital, tanto de forma directa como indirecta.

On October 2, 2013, BBVA completed the sale, generating a capital gain net of taxes amounted to € 480 million which was recognized under the heading "Profit from discontinued operations (Net)" in the income statement in 2013.

### **Sale of BBVA AFP Horizonte S.A. (Peru)**

On April 23, 2013, BBVA executed the transfer of 100% of the share capital of the Peruvian company "AFP Horizonte SA" in favor of "AFP Integra SA" and "Profuturo AFP, SA" who have each acquired 50% of said company.

The capital gain attributable to parent company net of taxes arising from the transaction amounted to approximately €87 million, and was recognized under the heading "Profit from discontinued operations (Net)" in the income statement in 2013.

### **Sale of BBVA AFP Horizonte S.A. (Colombia)**

On December 24, 2012, BBVA reached an agreement with Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir, S.A., a subsidiary of Grupo Aval Acciones y Valores, S.A., for the sale to the former of the total stake that BBVA held directly or indirectly in the Colombian company BBVA Horizonte Sociedad Administradora de Fondos de Pensiones y Cesantías S.A.

On April 18, 2013, after having obtained the necessary approvals, BBVA completed the sale. The capital gain attributable to parent company net of taxes arising from the transaction amounted to approximately €276 million at the moment of the sale, and was recognized under the heading "Profit from discontinued operations (Net)" in the income statement in 2013.

### **Sale of Afore Bancomer (Mexico)**

On November 27, BBVA announced that it had reached an agreement to sell to Afore XXI Banorte, S.A. de C.V. the entire stake that BBVA held directly or indirectly in the Mexican subsidiary Administradora de Fondos para el Retiro Bancomer, S.A. de C.V.

Once the corresponding authorization had been obtained from the competent authorities, the sale was closed on January 9, 2013, at which point the BBVA Group no longer had control over the subsidiary sold. The gain on sale attributable to parent company net of taxes was approximately €118 million and was recognized under the heading "Profit from discontinued operations (Net)" in the income statement in 2013.

## Changes in 2012 -

- **Acquisition of Unnim**

On March 7, 2012, the Governing Board of the Fund for Orderly Bank Restructuring (FROB) awarded BBVA Unnim Banc, S.A. (hereinafter "Unnim") as part of the process for restructuring the bank.

This was done through a share sale purchase agreement between FROB, the Credit Institution Deposit Guarantee Fund (hereinafter "FGD") and BBVA, under which BBVA would purchase 100% of the shares of Unnim for €1.

A Protocol of Financial Support Measures was also concluded for the restructuring of Unnim. This regulates an asset protection scheme (EPA) whereby the FGD will assume 80% of the losses that may be suffered by a portfolio of predetermined Unnim assets for the next 10 years after applying the existing provisions for these assets.

On July 27 2012, following the completion of the transaction, BBVA became the holder of 100% of the capital of Unnim.

On January 31, 2013, the Boards of Directors of Unnim Banc, SA (Sociedad Unipersonal) and Banco Bilbao Vizcaya Argentaria,SA approved the proposed buyout of Unnim by BBVA and subsequently transferred, the equity of Unnim to BBVA, which acquired the rights and obligations of the absorbed entity on 23 May, 2013, being registered in the Mercantile Registry by the deed.

- **Sale of the businesses in Puerto Rico**

On June 28, 2012, BBVA reached an agreement to sell its business in Puerto Rico to Oriental Financial Group Inc.

This agreement included the sale of 100% of the common stock of BBVA Securities of Puerto Rico, Inc. and BBVA PR Holding Corporation, which in turn owns 100% of the common stock of Banco Bilbao Vizcaya Argentaria Puerto Rico and of BBVA Seguros Inc.

Once the corresponding authorization had been obtained from the competent authorities, the sale closed on December 18, 2012, at which point the BBVA Group no longer had control over the businesses.

The sale price was USD 500 million (around €385 million at the exchange rate on the transaction date).

Gross capital gains from the sale are around €34 million, and were recognized under the heading "Gains (losses) on non-current assets held for sale not classified as discontinued operations" in the income statement for 2012.

## 15.4 Notifications about acquisition of holdings

Appendix IV provides notifications on acquisitions and disposals of holdings in associates or jointly-controlled entities, in compliance with Article 155 of the Corporations Act and Article 53 of the Securities Market Act 24/1988.

## 15.5 Impairment

The breakdown of the changes in impairment losses in 2013 and 2012 under this heading is as follows:

| Impairment.                                      | Millions of Euros |              |
|--|-------------------|--------------|
|  | 2013              | 2012         |
| <b>Balance at the beginning</b>                  | <b>2,941</b>      | <b>3,506</b> |
| Increase in impairment losses charged to income  | 332               | 157          |
| Decrease in impairment losses credited to income | (517)             | (707)        |
| Losses due to merger transactions                | 205               | -            |
| Amount used                                      | (60)              | (12)         |
| Transfers  | 4,010             | (3)          |
| <b>Balance at the end</b>                        | <b>6,911</b>      | <b>2,941</b> |

The line item “Transfer” in the table above for 2013, includes transfers under “Impairment Losses on Loans and Receivables” and “Other Provisions” to “Impairment of Group investments” due to the aforementioned operations of purchase of Unnim Vida and Unnim Protecció and the capital increases in Anida Grupo Inmobiliario and Unnim Sociedad para la Gestión de Activos Inmobiliarios.

The most significant amount as of December 31, 2012 for impairment losses in investments in Group entities corresponds to BBVA USA Bancshares, Inc. (the fully-owned United States subsidiary of BBVA S.A., a provider of financial services). In 2012 and 2013, and as a result of the improvement in the future expectations for BBVA USA Bancshares, the difference between the carrying amount and the present value of expected cash flows has been reduced by €689 million and €364 million respectively. This figure has been charged under the heading “Impairment losses on other assets (net)” in the income statement for 2012 and 2013. The changes in impairment include the exchange differences resulting from applying the dollar exchange rate at the close of each year and comparing it with the carrying amount exchange rate (exchange rate at the time of the acquisition).

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## 16. Tangible assets

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

| 2013                                   | Millions of Euros     |                     |  |  |                          |              |
|--|-----------------------|---------------------|--|--|--------------------------|--------------|
|  | For Own Use           |                     |  | Total<br>Tangible<br>Asset of Own<br>Use | Investment<br>Properties | Total        |
|  | Land and<br>Buildings | Work in<br>Progress | Furniture,<br>Fixtures and<br>Vehicles |  |                          |              |
| <b>Revalued cost -</b>                 |                       |                     |  |  |                          |              |
| <b>Balance at the beginning</b>        | <b>589</b>            | <b>74</b>           | <b>3,364</b>                           | <b>4,027</b>                             | <b>1</b>                 | <b>4,028</b> |
| Additions                              | 3                     | 9                   | 174                                    | 186                                      | -                        | 186          |
| Contributions from merger transactions | 413                   | -                   | 231                                    | 644                                      | 84                       | 728          |
| Retirements                            | -                     | -                   | (343)                                  | (343)                                    | -                        | (343)        |
| Transfers                              | (76)                  | -                   | (4)                                    | (80)                                     | (75)                     | (155)        |
| Exchange difference and other          | (9)                   | -                   | (2)                                    | (11)                                     | -                        | (11)         |
| <b>Balance at the end</b>              | <b>920</b>            | <b>83</b>           | <b>3,420</b>                           | <b>4,423</b>                             | <b>10</b>                | <b>4,433</b> |
| <b>Accrued depreciation -</b>          |                       |                     |  |  |                          |              |
| <b>Balance at the beginning</b>        | <b>130</b>            | <b>-</b>            | <b>2,400</b>                           | <b>2,530</b>                             | <b>-</b>                 | <b>2,530</b> |
| Additions                              | 10                    | -                   | 191                                    | 201                                      | -                        | 201          |
| Contributions from merger transactions | 37                    | -                   | 190                                    | 227                                      | 8                        | 235          |
| Retirements                            | -                     | -                   | (315)                                  | (315)                                    | -                        | (315)        |
| Transfers                              | (3)                   | -                   | (10)                                   | (13)                                     | (7)                      | (20)         |
| Exchange difference and other          | (4)                   | -                   | (1)                                    | (5)                                      | -                        | (5)          |
| <b>Balance at the end</b>              | <b>170</b>            | <b>-</b>            | <b>2,455</b>                           | <b>2,625</b>                             | <b>1</b>                 | <b>2,626</b> |
| <b>Impairment -</b>                    |                       |                     |  |  |                          |              |
| <b>Balance at the beginning</b>        | <b>37</b>             | <b>-</b>            | <b>-</b>                               | <b>37</b>                                | <b>-</b>                 | <b>37</b>    |
| Additions                              | 14                    | -                   | 29                                     | 43                                       | -                        | 43           |
| Contributions from merger transactions | 135                   | -                   | -                                      | 135                                      | 27                       | 162          |
| Retirements                            | (3)                   | -                   | -                                      | (3)                                      | -                        | (3)          |
| Transfers                              | (32)                  | -                   | -                                      | (32)                                     | (23)                     | (55)         |
| Exchange difference and other          | 1                     | -                   | (29)                                   | (28)                                     | -                        | (28)         |
| <b>Balance at the end</b>              | <b>152</b>            | <b>-</b>            | <b>-</b>                               | <b>152</b>                               | <b>4</b>                 | <b>156</b>   |
| <b>Net tangible assets -</b>           |                       |                     |  |  |                          |              |
| <b>Balance at the beginning</b>        | <b>422</b>            | <b>74</b>           | <b>964</b>                             | <b>1,460</b>                             | <b>1</b>                 | <b>1,461</b> |
| <b>Balance at the end</b>              | <b>598</b>            | <b>83</b>           | <b>965</b>                             | <b>1,646</b>                             | <b>5</b>                 | <b>1,651</b> |

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| 2012                                   | Millions of Euros  |                  |                                  |                                 |                       |              |
|--|--------------------|------------------|----------------------------------|---------------------------------|-----------------------|--------------|
|  | For Own Use        |                  |                                  | Total Tangible Asset of Own Use | Investment Properties | Total        |
|  | Land and Buildings | Work in Progress | Furniture, Fixtures and Vehicles |                                 |                       |              |
| <b>Revalued cost -</b>                 |                    |                  |                                  |                                 |                       |              |
| <b>Balance at the beginning</b>        | <b>592</b>         | <b>59</b>        | <b>3,253</b>                     | <b>3,904</b>                    | <b>2</b>              | <b>3,906</b> |
| Additions                              | -                  | 24               | 143                              | 167                             | -                     | 167          |
| Contributions from merger transactions | -                  | -                | -                                | -                               | -                     | -            |
| Retirements                            | -                  | -                | (42)                             | (42)                            | -                     | (42)         |
| Transfers                              | (3)                | (9)              | 10                               | (2)                             | (1)                   | (3)          |
| Exchange difference and other          | -                  | -                | -                                | -                               | -                     | -            |
| <b>Balance at the end</b>              | <b>589</b>         | <b>74</b>        | <b>3,364</b>                     | <b>4,027</b>                    | <b>1</b>              | <b>4,028</b> |
| <b>Accrued depreciation -</b>          |                    |                  |                                  |                                 |                       |              |
| <b>Balance at the beginning</b>        | <b>124</b>         | <b>-</b>         | <b>2,246</b>                     | <b>2,370</b>                    | <b>1</b>              | <b>2,371</b> |
| Additions                              | 7                  | -                | 183                              | 190                             | -                     | 190          |
| Contributions from merger transactions | -                  | -                | -                                | -                               | -                     | -            |
| Retirements                            | -                  | -                | (30)                             | (30)                            | -                     | (30)         |
| Transfers                              | (1)                | -                | 1                                | -                               | (1)                   | (1)          |
| Exchange difference and other          | -                  | -                | -                                | -                               | -                     | -            |
| <b>Balance at the end</b>              | <b>130</b>         | <b>-</b>         | <b>2,400</b>                     | <b>2,530</b>                    | <b>-</b>              | <b>2,530</b> |
| <b>Impairment -</b>                    |                    |                  |                                  |                                 |                       |              |
| <b>Balance at the beginning</b>        | <b>31</b>          | <b>-</b>         | <b>-</b>                         | <b>31</b>                       | <b>-</b>              | <b>31</b>    |
| Additions                              | 6                  | -                | 1                                | 7                               | -                     | 7            |
| Retirements                            | -                  | -                | -                                | -                               | -                     | -            |
| Transfers                              | -                  | -                | -                                | -                               | -                     | -            |
| Exchange difference and other          | -                  | -                | (1)                              | (1)                             | -                     | (1)          |
| <b>Balance at the end</b>              | <b>37</b>          | <b>-</b>         | <b>-</b>                         | <b>37</b>                       | <b>-</b>              | <b>37</b>    |
| <b>Net tangible assets -</b>           |                    |                  |                                  |                                 |                       |              |
| <b>Balance at the beginning</b>        | <b>437</b>         | <b>59</b>        | <b>1,007</b>                     | <b>1,503</b>                    | <b>1</b>              | <b>1,504</b> |
| <b>Balance at the end</b>              | <b>422</b>         | <b>74</b>        | <b>964</b>                       | <b>1,460</b>                    | <b>1</b>              | <b>1,461</b> |

As of December 31, 2013 and 2012, the fully depreciated tangible assets still in use amounted to €1,558 million and €1,597 million, respectively.

The main activity of the Bank is carried out through a network of bank branches located geographically as shown in the following table:

| Bank Branches by Geographical Location | Number of Branches |              |
|--|--------------------|--------------|
|  | 2013               | 2012         |
| Spain                                  | 3,229              | 3,011        |
| Rest of the world                      | 18                 | 17           |
| <b>Total</b>                           | <b>3,247</b>       | <b>3,028</b> |

As of December 31, 2013 and 2012, the percentage of branches leased from third parties in Spain was 77.64% and 85.32%, respectively.

## 17. Intangible assets

The breakdown of the balance under this heading in the balance sheets as of December 31, 2013 and 2012 relates mainly to the net balance of the disbursements made on the acquisition of computer software. The average life of the Bank's intangible assets is 5 years.

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The breakdown of the changes in 2013 and 2012 in the balance under this heading in the balance sheets is as follows:

| Other Intangible Assets. Changes Over the Period |    | Millions of Euros |            |
|--|----|-------------------|------------|
|  |    | 2013              | 2012       |
| <b>Balance at the beginning</b>                  |    | <b>729</b>        | <b>567</b> |
| Additions  |    | 331               | 352        |
| Contributions from merger transactions           |    | 168               | -          |
| Retirements                                      |    | -                 | -          |
| Amortization in the year                         | 41 | (301)             | (190)      |
| Exchange differences and other                   |    | -                 | -          |
| Impairment                                       |    | -                 | -          |
| <b>Balance at the end</b>                        |    | <b>927</b>        | <b>729</b> |

"Contributions from merger transactions" in the table above reflects intangible assets of the merged company Unnim Banc, SA.

## 18. Tax assets and liabilities

The balance of the heading "Tax Liabilities" in the accompanying balance sheets contains the liability for applicable taxes, including the provision for corporation tax of each year, net of tax withholdings and prepayments for that period, and the provision for current period corporation tax in the case of companies with a net tax liability. The amount of the tax refunds due to Group companies and the tax withholdings and prepayments for the current period are included under "Tax Assets" in the accompanying balance sheets.

Banco Bilbao Vizcaya Argentaria, S.A. and its tax-consolidable subsidiaries file consolidated tax returns. The subsidiaries of Argentaria, which had been in Tax Group 7/90, were included in Tax Group 2/82 from 2000, since the merger had been carried out under the tax neutrality system provided for in Title VIII, Chapter VIII of Corporation Tax Law 43/1995. On 30 December 2002, the pertinent notification was made to the Ministry of Economy and Finance to extend its taxation under the consolidated taxation regime indefinitely, in accordance with current legislation.

During the year, the Bank has carried out a merger by absorption of Unnim Banc, SA under the special regime for mergers, divisions, transfers of assets and exchanges of securities under Chapter VIII of Title VII of the Corporate Tax Law, approved by Royal Decree 4/2004 as of March 5.

Consequently, pursuant to Article 93 of the Consolidated Text quoted as Annex XIV to these financial statements, the following is attached:

- Balance sheet of the transferor entity as of the date before transfer.
- Fiscal years in which the transferor acquired transferred assets subject to amortization.
- Detail of assets that have been incorporated into the books of the Bank with a different value to that contained in the books Unnim Banc, SA

Unnim Banc is the result of the integration of Caixa d'Estalvis de Manlleu, Caixa d'Estalvis de Sabadell and Caixa d'Estalvis de Terrassa. This integration was carried out on July 1, 2010, under merger creating a new savings bank Caja d'Estalvis Unió de Caixes Manlleu, Sabadell y Terrassa. With effect 1 January 2011, the entity transferred its financial business for a newly created bank, Unnim Banc, SA. Both the merger and the segregation of financial activity conducted under the special regime for mergers, divisions, transfers of assets and exchanges of securities under Chapter VIII of Title VII of the Consolidated Law Tax. The mandatory terms resulting from these restructuring operations are contained in the Annual Report of Caixa d'Estalvis Unió de Caixes Manlleu, Sabadell y Terrassa for the year 2010 and in the Annual Report of Unnim Banc, SA, for the year 2011, respectively. In general, the information requirements relating to the restructuring are included in the financial statements for those years.



In 2011 and 2009, the Bank also participated in corporate restructuring operations subject to the special regime for mergers, splits, transfers of assets and exchanges of securities under Chapter VIII of Title VII of the Amended Corporation Tax Act, as approved by Royal Legislative Decree 4/2004, of 5 March. The reporting requirements under the above legislation are included in the notes to the financial statements of the relevant entities for 2011 and 2009.

Also, in 2003, as in previous years, the Bank performed or participated in corporate restructuring operations under the special system of tax neutrality regulated by Act 29/1991 of December 16 (which adapted certain tax provisions to the Directives and Regulations of the European Communities) and by Title VIII, Chapter VIII of Corporation Tax Act 43/1995 of December 27. The disclosures required under the aforementioned legislation are included in the notes to the financial statements of the relevant entities for the period in which the transactions took place.

## 18.1 Years open for review by the tax authorities

At the date these financial statements were prepared, the Bank had 2007 and subsequent years open for review by the tax authorities for the main taxes applicable to it.

In 2011, as a result of the tax audit conducted by the tax authorities, tax inspection proceedings were initiated against several Group companies for the years up to and including 2006. Some of them were contested. These proceedings became final in 2011.

After considering the temporary nature of certain of the items assessed, the amounts, if any, that might arise from these assessments have been provisioned in full at 2013 year-end.

In view of the varying interpretations that can be made of some applicable tax legislation, the outcome of the tax inspections of the open years that could be conducted by the tax authorities in the future could give rise to contingent tax liabilities which cannot be objectively quantified at the present time. However, the Banks' Board of Directors and its tax advisers consider that the possibility of these contingent liabilities becoming actual liabilities is remote and, in any case, the tax charge which might arise therefore would not materially affect the Bank's financial statements.

## 18.2 Reconciliation

The reconciliation of the corporation tax expense resulting from the application of the standard tax rate to the recognized corporation tax expense is as follows:

| Millions of Euros  |                |              |
|--|----------------|--------------|
| Reconciliation of the Corporate Tax Expense Resulting from the Application of the Standard Rate and the Expense Registered by this Tax | 2013           | 2012         |
| <b>Corporation tax</b>   | <b>130</b>     | <b>203</b>   |
| Decreases due to permanent differences:  |                |              |
| Tax credits and tax relief at consolidated Companies   | (344)          | (306)        |
| Other items net  | (220)          | (105)        |
| Net increases (decreases) due to temporary differences   | 434            | 208          |
| <b>Charge for income tax and other taxes</b>   | <b>-</b>       | <b>-</b>     |
| Deferred tax assets and liabilities recorded (utilized)  | (434)          | (208)        |
| <b>Income tax and other taxes accrued in the period</b>  | <b>(434)</b>   | <b>(208)</b> |
| Adjustments to prior years' income tax and other taxes   | (624)          | (543)        |
| <b>Income tax and other taxes</b>  | <b>(1,058)</b> | <b>(751)</b> |

The item "Other effects" of the above table includes the effect of income derived from the estimates, at closing of the year 2013 of tax liabilities generated from the integration of Unnim.

The Bank avails itself of the tax credits for investments in new fixed assets (in the scope of the Canary Islands tax regime, for a non-material amount), tax relief, R&D tax credits, donation tax credits and double taxation tax credits, in conformity with corporate income tax legislation.

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Up to December 31, 2001, the Bank and certain Group companies have opted to defer corporation tax on the gains on disposals of tangible assets and shares in investees more than 5% owned by them, the breakdown of which by year is as follows:

| Year | Millions of Euros |
|------|-------------------|
| 1996 | 26                |
| 1997 | 150               |
| 1998 | 568               |
| 1999 | 117               |
| 2000 | 75                |
| 2001 | 731               |

Under the regulations in force until December 31, 2001, the amount of the aforementioned gains for each year had to be included in equal parts in the taxable profit of the seven tax years ending from 2000, 2001, 2002, 2003, 2004 and 2005, respectively. Following inclusion of the portion relating to 2001, the amount of the gains not yet included totaled €1,639 million, with respect to which the Bank availed itself of Transitional Provision Three of Act 24/2001 (of 27 December) on Administrative, Tax, Labor and Social Security Measures. Almost all this amount (€1,634 million) was included as a temporary difference in the 2001 taxable profit.

The share acquisitions giving rise to an ownership interest of more than 5%, particularly investments of this kind in Latin America, were assigned to meet reinvestment commitments assumed in order to qualify for the above-mentioned tax deferral.

Caixa d'Estalvis de Manlleu, Caixa d'Estalvis de Sabadell and Caixa d'Estalvis de Terrassa adopted until December 31 2001 the deferral for reinvestment of extraordinary profits. The reinvestment was made in land amounting to €1 million and in buildings amounting to €3 million. As of December 31, 2013, are to incorporate the tax base of €1 million for this item.

Since 2002 the Bank has availed itself of the tax credit for reinvestment of extraordinary income obtained on the transfer for consideration of properties and shares representing ownership interests of more than 5%. The acquisition of shares over the 5% figure in each period was allocated to fulfill the reinvestment commitments which are a requirement of the previously mentioned tax credit.

The amount assumed in order to qualify for the aforementioned tax credit is as follows:

| Year | Millions of Euros |
|------|-------------------|
| 2002 | 276               |
| 2003 | 27                |
| 2004 | 332               |
| 2005 | 80                |
| 2006 | 410               |
| 2007 | 1,047             |
| 2008 | 71                |
| 2009 | 23                |
| 2010 | 35                |
| 2011 | 5                 |
| 2012 | 4                 |

In 2013 income attributable to the deduction for reinvestment amounted to €70 million and the year's investment in the equity elements established by tax regulations was applied to reinvestment.

Additionally, due to the merger of Banc Unnim, the Bank assumes the commitment of maintenance during the time required by the tax legislation of the assets in which Caixa d'Estalvis de Sabadell, Caixa d'Estalvis de Terrassa and

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Caixa d'Estalvis Unió de Caixes Manlleu Sabadell y Terrassa materialized in previous years the reinvestment of extraordinary profits for the implementation of a corresponding deduction. The amount of income qualifying for this deduction indicated is as follows:

| Year | Millions of Euros |
|------|-------------------|
| 2008 | 61                |
| 2009 | 59                |
| 2010 | 202               |

In 2013, following the approval of Law 16/2013, as of October 29, by which certain measures in environmental taxation and other tax and financial measures are adopted, the Bank has not included in its tax base any amount as a result of the change in book value of participations in Group companies, associates and joint ventures. The amount pending to include in the tax base at closure and from the investees amounted to €415 million, not having changed from the previous year as a result of the regulatory amendment referred to above.

|  | Millions of Euros |
|--|-------------------|
|  | 2013              |
| Pending addition to taxable income as of December 31, 2012 | 415               |
| Decrease income (included) 2013                            | -                 |
| Pending addition to taxable income as of December 31, 2013 | 415               |

### 18.3 Tax recognized in equity

In addition to the income tax registered in the income statements, in 2013 and 2012 the Bank recognized the following amounts in equity:

|                                | Millions of Euros |            |
|--------------------------------|-------------------|------------|
| Tax Recognized in Total Equity | 2013              | 2012       |
| <b>Charges to total equity</b> |                   |            |
| Debt securities                | (166)             | -          |
| Equity instruments             | -                 | -          |
| Rest                           | -                 | (8)        |
| <b>Subtotal</b>                | <b>(166)</b>      | <b>(8)</b> |
| <b>Credits to total equity</b> |                   |            |
| Debt securities                | -                 | 296        |
| Equity instruments             | 188               | 106        |
| Rest                           | 28                | 25         |
| <b>Subtotal</b>                | <b>216</b>        | <b>427</b> |
| <b>Total</b>                   | <b>50</b>         | <b>419</b> |

### 18.4 Deferred taxes

The balance under the heading "Tax assets" in the accompanying balance sheets includes the tax receivables relating to deferred tax assets. The balance under the "Tax liabilities" heading includes the liabilities relating to the Bank's various deferred tax liabilities. The details of the most important tax assets and liabilities are as follows:

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| Millions of Euros                     |              |              |
|---------------------------------------|--------------|--------------|
| Tax Assets and Liabilities. Breakdown | 2013         | 2012         |
| <b>Tax assets-</b>                    |              |              |
| Current                               | 1,402        | 787          |
| Deferred                              | 7,141        | 4,945        |
| Pensions                              | 1,056        | 1,087        |
| Portfolio                             | 1,028        | 798          |
| Other assets                          | 434          | 42           |
| Impairment losses                     | 803          | 1,061        |
| Rest                                  | 139          | 102          |
| Tax losses                            | 3,681        | 1,855        |
| <b>Total</b>                          | <b>8,543</b> | <b>5,732</b> |
| <b>Tax Liabilities-</b>               |              |              |
| Current                               | -            | -            |
| Deferred                              | 978          | 450          |
| Charge for income tax and other taxes | 978          | 450          |
| <b>Total</b>                          | <b>978</b>   | <b>450</b>   |

## 19. Other assets and liabilities

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

| Millions of Euros                          |              |              |
|--|--------------|--------------|
| Other Assets and Liabilities               | 2013         | 2012         |
| <b>ASSETS-</b>                             |              |              |
| Transactions in transit                    | 19           | 19           |
| Accrued interest                           | 233          | 208          |
| Unaccrued prepaid expenses                 | 17           | 17           |
| Other prepayments and accrued income       | 216          | 191          |
| Other items                                | 826          | 763          |
| <b>Total</b>                               | <b>1,078</b> | <b>990</b>   |
| <b>LIABILITIES-</b>                        |              |              |
| Transactions in transit                    | 36           | 50           |
| Accrued interest                           | 813          | 827          |
| Discounted capital                         | -            | -            |
| Unpaid accrued expenses                    | 562          | 552          |
| Other accrued expenses and deferred income | 251          | 275          |
| Other items                                | 624          | 733          |
| <b>Total</b>                               | <b>1,474</b> | <b>1,610</b> |

## 20. Financial liabilities at amortized cost

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

|   |       | Millions of Euros |                |
|---|-------|-------------------|----------------|
| Financial Liabilities at Amortized Cost | Notes | 2013              | 2012           |
| Deposits from central banks             | 7     | 25,487            | 40,557         |
| Deposits from credit institutions       | 20.1  | 42,920            | 48,962         |
| Customer deposits                       | 20.2  | 188,013           | 163,798        |
| Debt certificates                       | 20.3  | 33,787            | 42,025         |
| Subordinated liabilities                | 20.4  | 5,106             | 5,169          |
| Other financial liabilities             | 20.5  | 5,403             | 5,406          |
| <b>Total</b>                            |       | <b>300,716</b>    | <b>305,917</b> |

### 20.1 Deposits from credit institutions

The breakdown of the balance under this heading in the accompanying balance sheets, according to the nature of the financial instruments, is as follows:

|                                   |       | Millions of Euros |               |
|-----------------------------------|-------|-------------------|---------------|
| Deposits from Credit Institutions | Notas | 2013              | 2012          |
| Reciprocal accounts               | 32    | 101               | 140           |
| Deposits with agreed maturity     |       | 23,705            | 37,440        |
| Other accounts                    |       | 1,035             | 2,010         |
| Repurchase agreements             |       | 17,930            | 9,088         |
| <b>Subtotal</b>                   |       | <b>42,771</b>     | <b>48,678</b> |
| Valuation adjustments (*)         |       | 149               | 284           |
| <b>Total</b>                      |       | <b>42,920</b>     | <b>48,962</b> |

(\*) Includes mainly accrued interest until expiration

The breakdown of this heading by geographical area and the nature of the related instruments in the accompanying balance sheets, disregarding accrued interest pending maturity, is as follows:

| Millions of Euros                         |                    |                                     |               |               |
|---|--------------------|-------------------------------------|---------------|---------------|
| 2013<br>Deposits from Credit Institutions | Demand<br>Deposits | Deposits with<br>Agreed<br>Maturity | Repos         | Total         |
| Spain                                     | 629                | 12,328                              | 562           | 13,519        |
| Rest of Europe                            | 264                | 9,223                               | 17,218        | 26,705        |
| Mexico                                    | 47                 | -                                   | -             | 47            |
| South America                             | 126                | 691                                 | -             | 817           |
| The United States                         | 53                 | 715                                 | -             | 768           |
| Rest of the world                         | 17                 | 748                                 | 150           | 915           |
| <b>Total</b>                              | <b>1,136</b>       | <b>23,705</b>                       | <b>17,930</b> | <b>42,771</b> |

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| Millions of Euros                         |                    |                                     |              |               |
|---|--------------------|-------------------------------------|--------------|---------------|
| 2012<br>Deposits from Credit Institutions | Demand<br>Deposits | Deposits with<br>Agreed<br>Maturity | Repos        | Total         |
| Spain                                     | 1,517              | 23,945                              | 2,266        | 27,728        |
| Rest of Europe                            | 268                | 11,149                              | 6,757        | 18,174        |
| Mexico                                    | 84                 | 1,160                               | -            | 1,244         |
| South America                             | 215                | 707                                 | -            | 922           |
| The United States                         | 35                 | 370                                 | 65           | 470           |
| Rest of the world                         | 31                 | 109                                 | -            | 140           |
| <b>Total</b>                              | <b>2,150</b>       | <b>37,440</b>                       | <b>9,088</b> | <b>48,678</b> |

## 20.2 Customer deposits

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

| Millions of Euros  |           |                |                |
|--|-----------|----------------|----------------|
| Customer Deposits  | Notas     | 2013           | 2012           |
| <b>Government and other government agencies</b>            |           | <b>14,489</b>  | <b>21,845</b>  |
| Spanish  |           | 5,881          | 5,051          |
| Foreign  |           | 87             | 184            |
| Repurchase agreements                                      | 32        | 8,511          | 16,596         |
| Accrued interest   |           | 10             | 14             |
| <b>Other resident sectors</b>                              |           | <b>154,816</b> | <b>128,761</b> |
| Current accounts   |           | 31,698         | 27,934         |
| Savings accounts   |           | 24,296         | 21,456         |
| Fixed-term deposits  |           | 92,312         | 73,516         |
| Reverse repos  | 32        | 5,552          | 4,864          |
| Other accounts   |           | 70             | 193            |
| Accrued interest   |           | 888            | 798            |
| <b>Non-resident sectors</b>                                |           | <b>18,708</b>  | <b>13,192</b>  |
| Current accounts   |           | 2,470          | 1,944          |
| Savings accounts   |           | 457            | 407            |
| Fixed-term deposits  |           | 8,432          | 6,079          |
| Repurchase agreements                                      | 32        | 7,289          | 4,635          |
| Other accounts   |           | 26             | 103            |
| Accrued interest   |           | 34             | 24             |
| <b>Total</b>   | <b>20</b> | <b>188,013</b> | <b>163,798</b> |
| <i>Of which:</i>   |           |                |                |
| Deposits from other creditors without valuation adjustment |           | 187,081        | 162,962        |
| Accrued interest   |           | 932            | 836            |
| <i>Of which:</i>   |           |                |                |
| In euros   |           | 178,804        | 155,020        |
| In foreign currency  |           | 9,209          | 8,778          |

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The breakdown of this heading in the accompanying balance sheets, by type of instrument and geographical area, disregarding valuation adjustments, is as follows:

| Millions of Euros         |                    |                     |                                     |               |                |
|---------------------------|--------------------|---------------------|-------------------------------------|---------------|----------------|
| 2013<br>Customer Deposits | Demand<br>Deposits | Savings<br>Deposits | Deposits<br>with Agreed<br>Maturity | Repos         | Total          |
| Spain                     | 35,898             | 24,315              | 94,044                              | 14,064        | 168,321        |
| Rest of Europe            | 1,431              | 269                 | 6,377                               | 7,289         | 15,366         |
| Mexico                    | 151                | 18                  | 143                                 | -             | 312            |
| South America             | 583                | 84                  | 905                                 | -             | 1,572          |
| The United States         | 149                | 17                  | 465                                 | -             | 631            |
| Rest of the world         | 256                | 69                  | 554                                 | -             | 879            |
| <b>Total</b>              | <b>38,468</b>      | <b>24,772</b>       | <b>102,488</b>                      | <b>21,353</b> | <b>187,081</b> |

| Millions of Euros         |                    |                     |                                     |               |                |
|---------------------------|--------------------|---------------------|-------------------------------------|---------------|----------------|
| 2012<br>Customer Deposits | Demand<br>Deposits | Savings<br>Deposits | Deposits<br>with Agreed<br>Maturity | Repos         | Total          |
| Spain                     | 31,961             | 21,631              | 74,559                              | 21,460        | 149,611        |
| Rest of Europe            | 1,479              | 255                 | 4,416                               | 4,634         | 10,784         |
| Mexico                    | 72                 | 12                  | 303                                 | -             | 387            |
| South America             | 333                | 77                  | 714                                 | -             | 1,124          |
| The United States         | 127                | 14                  | 311                                 | -             | 452            |
| Rest of the world         | 206                | 50                  | 348                                 | -             | 604            |
| <b>Total</b>              | <b>34,178</b>      | <b>22,039</b>       | <b>80,651</b>                       | <b>26,094</b> | <b>162,962</b> |

## 20.3 Debt certificates (including bonds)

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

| Millions of Euros           |               |               |
|-----------------------------|---------------|---------------|
| Debt Certificates           | 2013          | 2012          |
| Promissory notes and bills  | -             | 832           |
| Bonds and debentures issued | 33,787        | 41,193        |
| <b>Total</b>                | <b>33,787</b> | <b>42,025</b> |

The total cost of the accrued interest under "Debt certificates (including bonds)" in 2013 and 2012 totaled €1,462 million and €1,564 million, respectively (see Note 34.2).

As of December 31, 2013 and 2012 the accrued interest pending payment from promissory notes and bills and bonds and debentures amounted to €802 million and €934 million, respectively.

The changes in 2013 and 2012 under the heading "Debt certificates (including bonds)" are described in Note 52.5.

### 20.3.1 Promissory notes and bills

The breakdown of the balance under this heading, by currency, is as follows:

| Promissory notes and bills | Millions of Euros |            |
|----------------------------|-------------------|------------|
|                            | 2013              | 2012       |
| In euros                   | -                 | 22         |
| In other currencies        | -                 | 810        |
| <b>Total</b>               | <b>-</b>          | <b>832</b> |

As of December 31, 2013 the heading "Promissory notes and bills" included one issue with maturity of less than one year under debt security issue program with an amount of €500 million. Out of this balance, there is less than one million euro yet to amortize.

As of December 31, 2012, the same heading included the balance of several issues with maturity of less than one year under debt security issue programs with a maximum amount of USD 25,000 (around €18,948 million) and €20,000 million.

### 20.3.2 Bonds and debentures issued

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

| Bonds and debentures issued                                     | Millions of Euros |               |
|---|-------------------|---------------|
|   | 2013              | 2012          |
| <b>In euros -</b>   | <b>33,264</b>     | <b>40,625</b> |
| Non-convertible bonds and debentures at floating interest rates | 10,067            | 9,844         |
| Non-convertible bonds and debentures at fixed interest rates    | 4,457             | 4,551         |
| Covered bonds   | 34,836            | 48,344        |
| Treasury stock  | (18,254)          | (25,290)      |
| Accrued interest and others                                     | 2,158             | 3,176         |
| <b>In foreign currency -</b>                                    | <b>523</b>        | <b>568</b>    |
| Covered bonds   | 132               | 150           |
| Other Non-convertible securities at fixed interest rates        | 724               | 757           |
| Treasury stock  | (343)             | (357)         |
| Accrued interest and others                                     | 10                | 18            |
| <b>Total</b>  | <b>33,787</b>     | <b>41,193</b> |

The headings "Nonconvertible bonds and debentures at floating interest rate" and "Non-convertible bonds and debentures at fixed rate" as of December 31, 2013 include several issues, the latest maturing in 2023.

The "Covered Bonds" account as of December 31, 2013 includes issues with various maturities, the latest in 2037.



## 20.4 Subordinated liabilities

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

| Subordinated Liabilities                      | Millions of Euros |              |
|---|-------------------|--------------|
|   | 2013              | 2012         |
| Subordinated debt                             | 2,513             | 2,372        |
| Subordinated deposits                         | 2,529             | 2,484        |
| Preferred Stock (*)                           | 5                 | -            |
| <b>Subtotal</b>                               | <b>5,047</b>      | <b>4,856</b> |
| Valuation adjustments and other concepts (**) | 59                | 313          |
| <b>Total</b>                                  | <b>5,106</b>      | <b>5,169</b> |

(\*) Includes the preferred participation of the merged entity Unnim Banc, S.A.

(\*\*) Accrued interest but pending payment, valuation adjustments and issuance costs included

This heading of the accompanying balance sheets includes those funds which, for debt seniority purposes, rank behind ordinary debt.

The details, interest rates and maturities of the Bank's outstanding subordinated debt issues as of December 31, 2013 and 2012 are shown in Appendix VII.

The heading "Subordinated debt" as of December 31, 2013 and 2012 includes issuances of subordinated debt and accordingly, for debt seniority purposes, they rank behind ordinary debt, but ahead of the Bank's shareholders, without prejudice to any different seniority that may exist between the different types of subordinated debt instruments according to the terms and conditions of each issue. The breakdown of this heading in the accompanying balance sheets, disregarding valuation adjustments, by currency of issuance and interest rate is shown in Appendix VII.

The "Subordinated deposits" account as of December 31, 2013 and 2012 includes the deposits taken relating to the subordinated debt and preference share issues launched by BBVA Global Finance Ltd., BBVA Subordinated Capital S.A.U., BBVA International Preferred S.A.U., BBVA International Ltd. and BBVA Capital Finance, S.A. which are unconditionally and irrevocably secured by the Bank.

The variations of the balance under this heading are mainly the result of the following transactions:

- **Perpetual securities eventually convertible.**

On the year 2013, BBVA carried out an issue of perpetual securities eventually convertible (Contingent Convertible) into ordinary shares of BBVA, without pre-emption rights, for a total amount of 1.5 billion US dollars (€1,088 million as of 31 December, 2013). The issue allowed for the distribution of discretionary coupons recognized in equity. The issuance was targeted only towards qualified and sophisticated foreign investors and in any case would not be made or subscribed in Spain or among Spanish-resident investors. These securities are listed in the Singapore Exchange Securities Trading Limited.

- **Conversion of subordinated bond issues**

At its meeting on November 22, 2011, making use of the powers delegated to it under Point Six of the Agenda of the Bank's Annual General Meeting of Shareholders held on March 14, 2008, the Board of Directors of BBVA agreed to issue convertible bonds in December 2011 (the "Issue" or "Convertible Bonds-December 2011" or the "Bonds") for a maximum amount of €3,475 million, excluding a preemptive subscription right.

This issue was aimed exclusively at holders of preferred securities issued by BBVA Capital Finance, S.A. Unipersonal (series A, B, C and D) or BBVA International Limited (series F), all guaranteed by BBVA, S.A., who accepted BBVA's purchase offer for these preferred securities.

Thus, those who accepted the purchase offer made by BBVA made an unconditional and irrevocable undertaking to subscribe a nominal amount of Convertible Bonds-December 2011 equivalent to 100% of the total nominal or cash amount for the preferred securities they owned and that would be acquired by BBVA.

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On December 30, 2011, when this introductory period had ended, orders were received for the subscription of 34,300,002 Convertible Bonds with a nominal value of €100 each, giving a total of €3,430 million, compared with the initially planned €3,475 million. This means that holders of 98.71% of the preferred securities to be repurchased accepted the repurchase offer made by BBVA. The Convertible Bonds were recognized as financial liabilities since the number of Bank shares to be delivered can vary.

The terms and conditions of the Convertible Bonds established a voluntary conversion mechanism for the holders on March 30, 2012. Following this date, orders were received for the voluntary conversion of a total of €955 million, corresponding to 9,547,559 Convertible Bonds, or 27.84% of the original amount of the issue of Convertible Bonds-December 2011. To pay for this conversion, 157,875,375 new ordinary BBVA shares were issued at a par value of €0.49 each (see Note 23).

Also, in accordance with the terms and conditions of the Convertible Bonds, on June 30, 2012, a partial mandatory conversion took place of 50% of the nominal value of the issue as of December 31, 2011 through a corresponding reduction of the nominal value of each and every one of the Convertible Bonds outstanding on that date, whose value then fell from a nominal €100 to €50. A total of 238,682,213 new ordinary BBVA shares were issued at a par value of €0.49 each to pay for this conversion (see Note 23).

As of December 31, 2012, the nominal amount of outstanding Convertible Bonds is €1,238 million (registered under the heading "Subordinated debt").

Lastly, as of December 31, 2013, maturity date of the issue, the convertible bonds outstanding on that date were subject to mandatory conversion. An increase in the Bank's common stock was carried out to pay for this conversion by the issue and distribution of 192,083,232 ordinary shares at a par value of €0.49 each, amounting to a total of €94,120,783.68, with the share premium being €1,143 million..

The total cost of the accrued interest under "Subordinated liabilities" in 2013 and 2012 totaled €260 million and €398 million, respectively (see Note 34.2).

## 20.5 Other financial liabilities

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

| Other financial liabilities                 | Millions of Euros |              |
|---|-------------------|--------------|
|   | 2013              | 2012         |
| Creditors for other financial liabilities   | 2,737             | 2,286        |
| Collection accounts                         | 1,850             | 1,770        |
| Creditors for other payment obligations (*) | 816               | 1,350        |
| <b>Total</b>                                | <b>5,403</b>      | <b>5,406</b> |

(\*) Includes a interim dividend pending payment as of December 31, 2012.

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As of December 31, 2013 and 2012, there were no significant amounts pending payment to commercial creditors that accumulated a delay greater than the maximum legal time-limit for payment under Act 3/2004, of 29 December, as amended by Act 15/2010, of 5 July.

## 21. Provisions

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

| Provisions.<br>Breakdown by concepts            | Millions of Euros |              |
|---|-------------------|--------------|
|   | 2013              | 2012         |
| Provisions for pensions and similar obligations | 4,878             | 4,998        |
| Provisions for contingent Risks and commitments | 221               | 176          |
| Other provisions                                | 683               | 1,522        |
| <b>Total</b>                                    | <b>5,782</b>      | <b>6,696</b> |

The changes in 2013 and 2012 in the balances under this heading in the accompanying balance sheets are as follows:

| Provisions. Changes over the Period       | Notes | Millions of Euros                              |   |   |
|---|-------|--|---|---|
|   |       | 2013   |   |   |
|   |       | Pension fund and similar obligations (Note 22) | Commitments and contingent risks provisions | Taxes, other legal contingencies and other provisions |
| <b>Balance at the beginning</b>           |       | <b>4,998</b>                                   | <b>176</b>                                  | <b>1,522</b>  |
| <b>Add -</b>                              |       |  |   |   |
| Increase charged to income                |       | 430  | 37  | 360   |
| Interest and similar expenses             | 34.2  | 91   | -   | -   |
| Personnel expenses                        |       | 3  | -   | 1   |
| Provisions (net)                          | 42    | 336  | 37  | 359   |
| Increase charged to retained earnings (*) | 22    | 3  | -   | 712   |
| Increases due to mergers                  |       | 66   | 10  | 501   |
| Other transfers                           |       | 72   | -   | -   |
| Other changes                             |       | -  | -   | -   |
| <b>Less -</b>                             |       |  |   |   |
| Available allowances                      | 42    | (8)  | -   | (15)  |
| Payments to early retirements             |       | (604)  | -   | -   |
| Credited to retained earnings             |       | -  | -   | -   |
| Derecognition of allowances               |       | (22)   | -   | (175)   |
| Other transfers                           |       | -  | -   | (2,217)   |
| Other changes                             |       | (57)   | (2)   | (5)   |
| <b>Balance at the end</b>                 |       | <b>4,878</b>                                   | <b>221</b>                                  | <b>683</b>  |

(\*) Corresponds to actuarial losses (gains) arising from certain welfare benefits (see Note 2.9).

|   |       | Millions of Euros                              |   |   |
|---|-------|--|---|---|
|   |       | 2012   |   |   |
| Provisions. Changes over the Period       | Notes | Pension fund and similar obligations (Note 22) | Commitments and contingent risks provisions | Taxes, other legal contingencies and other provisions |
| <b>Balance at the beginning</b>           |       | <b>4,966</b>                                   | <b>159</b>                                  | <b>1,272</b>  |
| <b>Add -</b>                              |       |  |   |   |
| Increase charged to income                |       | 460  | 17  | 617   |
| Interest and similar expenses             | 34.2  | 121  | -   | 14  |
| Personnel expenses                        |       | 2  | -   | 1   |
| Provisions (net)                          | 42    | 337  | 17  | 602   |
| Increase charged to retained earnings (*) |       | 13   | -   | -   |
| Other changes                             |       | -  | -   | -   |
| <b>Less -</b>                             |       |  |   |   |
| Available allowances                      | 42    | (1)  | -   | (9)   |
| Payments to early retirements             |       | (609)  | -   | -   |
| Credited to retained earnings             |       | -  | -   | -   |
| Derecognition of allowances               |       | (22)   | -   | (340)   |
| Other changes                             |       | 191  | -   | (18)  |
| <b>Balance at the end</b>                 |       | <b>4,998</b>                                   | <b>176</b>                                  | <b>1,522</b>  |

(\*) Corresponds to actuarial losses (gains) arising from certain welfare benefits (see Note 2.9).

## Ongoing legal proceedings and litigation

The Bank is party to certain legal actions in a number of jurisdictions, including, among others, Spain, Mexico and the United States, arising in the ordinary course of business. According to the procedural status of these proceedings and the criteria of the legal counsel, BBVA considers that none of such actions is materia, individually or as a whole, and does not expect any significant impact on the operating results, liquidity or financial situation of the Bank to arise. The Bank's Management believes that adequate provisions have been made in respect of such legal proceedings and considers that the possible contingencies that may arise from such on-going lawsuits are not significant enough to require disclosure to the markets.

## 22. Pensions and other post-employment commitments

The Bank has defined Employee Welfare Systems that include both defined-benefit and defined-contribution post-employment commitments with its employees; the proportion of the latter benefits is gradually increasing, mainly due to new hires and because pre-existing defined-benefit commitments have been mostly closed.

The main Employee Welfare System has been implemented in Spain. Under the collective labor agreement, Spanish banks are required to supplement the social security benefits received by employees or their beneficiary right-holders in the event of retirement (except for those hired after March 8, 1980), permanent disability, death of spouse or death of parent.

The employee welfare system in place at the Bank superseded and improved the terms and conditions of the collective labor agreement for the banking industry; the commitments envisaged in the event of retirement, death and disability cover all employees, including those hired after March 8, 1980. The Bank outsourced all its commitments to serving and retired employees pursuant to Royal Decree 1588/1999, of October 15. These commitments are instrumented in external pension plans, insurance contracts with a non-Group company and insurance contracts with BBVA Seguros, S.A. de Seguros y Reaseguros, which is 99.95% owned by the Banco Bilbao Vizcaya Argentaria Group.

As stated in Note 2.9, the Bank has both defined-benefit and defined-contribution post-employment commitments with employees; the latter are gradually increasing mainly because it is the scheme being applied to new hires and because pre-existing defined-benefit commitments have been mostly closed.

## 22.1 Defined-contribution commitments

The defined-contribution commitments are settled through contributions made by the Bank annually on behalf of the beneficiaries, who are, almost exclusively, active employees in the Bank. These contributions are accrued and charged to the income statement in the corresponding financial year (see Note 2.9). No liability is therefore recognized in the accompanying balance sheets for this purpose.

The amounts registered in the accompanying income statements for contributions to these plans in 2013 and 2012 are €30 million and €29 million, respectively.

## 22.2 Defined-benefit plans and other long-term commitments

Pension commitments in defined-benefit plans correspond mainly to employees who have retired or taken early retirement from the Bank and to certain groups of employees still active in the case of pension benefits, and to most active employees in the case of permanent disability and death benefits. For the latter, BBVA pays the required premiums for full underwriting.

A breakdown of the Bank's total amounts for pension commitments in defined-benefit plans and other post-employment commitments (such as early retirement and welfare benefits) for the last five years can be found in the table below. The commitments are recognized under the heading "Provisions – Provisions for pensions and similar obligations" of the corresponding accompanying balance sheets (see Note 21).

| Millions of Euros  |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|
| Commitments in Defined-Benefit Plans and Other Post-Employment Commitments | 2013         | 2012         | 2011         | 2010         | 2009         |
| Pension and post-employment benefits                                       | 5,335        | 5,464        | 5,414        | 5,657        | 5,924        |
| Assets and insurance contracts coverage                                    | 457          | 466          | 448          | 480          | 498          |
| <b>Total net liabilities</b>   | <b>4,878</b> | <b>4,998</b> | <b>4,966</b> | <b>5,177</b> | <b>5,426</b> |

This information is presented in greater detail in the table below for 2013 and 2012, broken down by beneficiaries from the Bank's companies in Spain and from the branches abroad:

| Pensions and Early-Retirement Commitments and Welfare Benefits: Spain and Abroad | Millions of Euros    |              |                    |            |              |              |
|--|----------------------|--------------|--------------------|------------|--------------|--------------|
|  | Commitments in Spain |              | Commitments Abroad |            | Total        |              |
|  | 2013                 | 2012         | 2013               | 2012       | 2013         | 2012         |
| <b>Post-employment benefits</b>  |                      |              |                    |            |              |              |
| Post-employment benefits   | 2,372                | 2,410        | 109                | 114        | 2,481        | 2,524        |
| Early retirement   | 2,634                | 2,721        | -                  | -          | 2,634        | 2,721        |
| Post-employment welfare benefits   | 220                  | 219          | -                  | -          | 220          | 219          |
| <b>Total post-employment benefits (1)</b>  | <b>5,226</b>         | <b>5,350</b> | <b>109</b>         | <b>114</b> | <b>5,335</b> | <b>5,464</b> |
| <b>Insurance contracts coverage</b>  |                      |              |                    |            |              |              |
| Post-employment benefits   | 383                  | 388          | -                  | -          | 383          | 388          |
| <b>Other plan assets</b>   |                      |              |                    |            |              |              |
| Post-employment benefits   | -                    | -            | 74                 | 78         | 74           | 78           |
| Post-employment welfare benefits   | -                    | -            | -                  | -          | -            | -            |
| <b>Total plan assets and insurance contracts coverage (2)</b>                    | <b>383</b>           | <b>388</b>   | <b>74</b>          | <b>78</b>  | <b>457</b>   | <b>466</b>   |
| <b>Net commitments (1) - (2)</b>   | <b>4,843</b>         | <b>4,962</b> | <b>35</b>          | <b>36</b>  | <b>4,878</b> | <b>4,998</b> |
| <i>of which:</i>   |                      |              |                    |            |              |              |
| With contracts to related companies  | 1,989                | 2,022        | -                  | -          | 1,989        | 2,022        |

The balance under the heading "Provisions - Provisions for pensions and similar obligations" of the accompanying balance sheet as of December 31, 2013 includes €241 million for commitments for post-employment benefits maintained with previous members of the Board of Directors and the Bank's Management Committee.

In addition to the aforementioned commitments to employees, the Bank has other less relevant commitments. These include long-service awards granted to certain groups of employees when they complete a given number of years of effective service. The Bank has offered these employees the option of an early payment of their awards. As of December 31, 2013 and 2012, the actuarial liabilities for outstanding awards amounted to €11 million in each case. The above commitments are recognized under the heading "Other provisions" of the accompanying balance sheets (see Note 21).

## 22.2.1 Commitments in Spain

The most significant actuarial assumptions used as of December 31, 2013 and 2012 to quantify these commitments with employees in Spain are as follows:

| Actuarial Assumptions<br>Commitments with employees in Spain | 2013  | 2012         |
|--|---|--------------|
| Mortality tables   | PERMF 2000P.  | PERMF 2000P. |
| Discount rate (cumulative annual)                            | 3.5%  | 3.5%         |
| Consumer price index (cumulative annual)                     | 2%  | 2%           |
| Salary growth rate (cumulative annual)                       | At least 3%   | At least 3%  |
| Retirement age   | First date at which the employees are entitled to retire or contractually agreed at the individual level in the case of early retirements |              |

(\*) The interest rate used to discount the commitments has been determined by reference to high-quality corporate bonds (Note 2.9).

Changes in the main assumptions can affect the calculation of the commitments. Should the discount interest rate have increased or decreased by 50 basis points, an impact on equity for the commitments in Spain would have been registered for approximately €32 million net of tax.

The breakdown of the various commitments to employees in Spain is as follows:

### Pension commitments in Spain

Pension commitments in defined-benefit plans correspond mainly to employees who have retired or taken early retirement from the Bank and to certain groups of employees still active in the Bank in the case of pension benefits, and to the majority of active employees in the case of permanent incapacity and death benefits. These commitments are hedged through insurance contracts and internal funds.

The breakdown of pension commitments in defined-benefit plans as of December 31, 2013 and 2012 is as follows:

| Pension commitments in defined-benefits plans        | Millions of Euros |              |
|--|-------------------|--------------|
|  | 2013              | 2012         |
| Pension commitments to retired employees             | 2,210             | 2,274        |
| Vested contingencies in respect of current employees | 162               | 136          |
| <b>Total</b>   | <b>2,372</b>      | <b>2,410</b> |
| <b>Hedging at the end of the year</b>                |                   |              |
| With insurances contracts to related companies       | 1,989             | 2,022        |
| With insurances contracts to non-related companies   | 383               | 388          |
| <b>Total</b>   | <b>2,372</b>      | <b>2,410</b> |

Insurance contracts have been arranged with insurance companies not related to the Bank to cover some pension commitments in Spain. These commitments are funded by plan assets and therefore are presented in the accompanying balance sheets for the net amount of the commitment less plan assets. As of December 31, 2013 and 2012, the plan assets related to the aforementioned insurance contracts equaled the amount of the commitments covered; therefore, no amount for this item is included in the accompanying balance sheets.

The rest of the pension commitments in Spain include defined-benefit commitments for which insurance has been contracted with BBVA Seguros, S.A. de Seguros y Reaseguros, an insurance company that is 99.95% owned by the Bank. These commitments are recognized under the heading "Provisions - Provisions for pensions and similar obligations" of the accompanying balance sheets (Note 21) and the insurance contract assets are recognized under the heading "Insurance contracts linked to pensions".

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Insurance contracts with insurance companies not linked to the Group and included in the above table reflect the amount of insurance contract coverage in these contracts. As of December 31, 2013 and 2012, the amount of the plan assets to the aforementioned insurance contracts equaled the amount of the commitments covered.

The current contributions made by the Bank in relation to defined-benefit retirement commitments are recorded with a charge to the "Personnel Expenses – Contributions to external pension funds" account of the accompanying income statement and amounted to €17 million and €15 million in 2013 and 2012, respectively.

## Early retirement in Spain

In 2013 and 2012, the Bank offered certain employees the possibility of taking early retirement before the age stipulated in the collective labor agreement in force. This offer was accepted by 1,055 employees (539 in 2012).

The commitments to early retirees include the compensation and indemnities and contributions to external pension funds payable during the period of early retirement. The commitments relating to this group of employees after they have reached the age of effective retirement are included in the employee welfare system.

The early retirement commitments in Spain as of December 31, 2013 and 2012 are recognized under the heading "Provisions – Provisions for pensions and similar obligations" (Note 21) in the accompanying balance sheets for the amount of €2,634 million and €2,721 million, respectively.

The cost of early retirement for the year is recognized under the heading "Provision expense (Net) – Transfers to pension funds and similar obligations" in the accompanying income statements (see Note 42).

The changes in 2013 and 2012 in the present value of the vested obligations for commitments to early retirees in Spain are as follows:

|   | Millions of Euros |              |
|---|-------------------|--------------|
|   | 2013              | 2012         |
| <b>Early retirements commitments</b>                        |                   |              |
| <b>Changes in the year</b>                                  |                   |              |
| <b>Current actuarial value at the beginning of the year</b> | <b>2,721</b>      | <b>2,904</b> |
| + Contributions from merger transactions                    | 37                | -            |
| + Interest costs  | 82                | 110          |
| + Early retirements in the period                           | 336               | 239          |
| - Payments and settlements                                  | (604)             | (609)        |
| +/- Other changes   | 69                | (3)          |
| +/- Remeasurements:   | (7)               | 80           |
| Due to changes in demographic assumptions                   | -                 | -            |
| Due to changes in financial assumptions                     | -                 | -            |
| <b>Current actuarial value at the end of the year</b>       | <b>2,634</b>      | <b>2,721</b> |
| <b>Heading at the end of the year</b>                       |                   |              |
| In internal funds (*)                                       | 2,634             | 2,721        |

(\*) This funds are recognized under the heading "Provisions-Provisions for pension and similar obligation" in the accompanying consolidated balance sheets

## Post-employment welfare benefits in Spain

The Bank signed a Social Benefit Standardization Agreement for its employees in Spain. The agreement standardizes the existing welfare benefits for the different groups of employees and, in some cases when a service is provided, quantifies it as an annual amount in cash. These welfare benefits include post-employment welfare benefits and other commitments with employees.

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The details of these commitments as of December 31, 2013 and 2012 are as follows:

| Post-employment Welfare Benefits Commitments         | Millions of Euros |            |
|--|-------------------|------------|
|  | 2013              | 2012       |
| Commitments to employees                             | 158               | 162        |
| Vested contingencies in respect of current employees | 62                | 57         |
| <b>Total</b>   | <b>220</b>        | <b>219</b> |
| <b>Heaging at the end of the year</b>                |                   |            |
| In internal funds (*)                                | 220               | 219        |

(\*) This funds are recognized under the heading "Provisions-Provisions for pension and similar obligation" in the accompanying consolidated balance sheets

The changes in 2013 and 2012 in the present value of the vested obligation for post-employment welfare benefit commitments are as follows:

| Post-employment Welfare Benefits Commitments<br>Changes in the year | Millions of Euros |            |
|---|-------------------|------------|
|   | 2013              | 2012       |
| <b>Balance at the beginning</b>                                     | <b>219</b>        | <b>204</b> |
| + Contributions from merger transactions                            | 3                 | -          |
| + Interest costs  | 8                 | 9          |
| +Current service cost   | 3                 | 2          |
| - Payments and settlements  | (17)              | (17)       |
| +/- Past service cost   | -                 | -          |
| +/- Other changes   | 5                 | 3          |
| +/- Remeasurements:   | (1)               | 18         |
| <b>Balance at the end</b>   | <b>220</b>        | <b>219</b> |

### Long-service awards

In addition to the aforementioned post-employment welfare benefits, the Bank maintained certain commitments in Spain with some employees, called "Long-service awards". These commitments are for payment of a certain amount in cash and for the allocation of Banco Bilbao Vizcaya Argentaria S.A. shares, when these employees complete a given number of years of effective service.

The aforementioned Benefit Standardization Agreement established that the long-service awards terminated as of December 31, 2007. Employees meeting the seniority conditions established are entitled to receive only the value of the commitment accrued to December 31, 2007.

The following is the breakdown of the commitments recognized as of December 31, 2013 and 2012 under these headings:

| Long-Service Awards             | Millions of Euros |           |
|---------------------------------|-------------------|-----------|
|                                 | 2013              | 2012      |
| Long-service awards (in Cash)   | 9                 | 9         |
| Long-service awards (in Shares) | 2                 | 2         |
| <b>Total</b>                    | <b>11</b>         | <b>11</b> |



## Other commitments with employees

Other benefits for active employees are earned and settled annually, not being necessary to provision them. The total cost of these employee welfare benefits as of December 31, 2013, amounts to €49 million and is recognized with a charge to "Personnel expenses - Other personnel expenses" in the accompanying income statements (Note 40.1) (€46 million in 2012).

## Estimated future payments for commitments with the Bank's employees

The estimated benefit payments in millions of euros over the next 10 years for commitments with employees in Spain are as follows:

| Millions of Euros  |      |      |      |      |      |           |
|--|------|------|------|------|------|-----------|
| Estimated Future Payments for Post-Employment Commitments in Spain | 2014 | 2015 | 2016 | 2017 | 2018 | 2019-2023 |
| Post-employment benefits   | 782  | 713  | 645  | 572  | 491  | 1.490     |
| Of which:  |      |      |      |      |      |           |
| Early retirements  | 590  | 522  | 456  | 383  | 305  | 629       |

### 22.2.2 Commitments abroad

Part of the Bank's foreign network has post-employment defined-benefit commitments to certain current and/or retired employees. Those commitments are not available for new employees. The most relevant data relating to these commitments are as follows:

#### Defined-benefit commitments

The accrued liability for defined-benefit commitments to current and/or retired employees, net, where appropriate, of the specific assets assigned to fund them, amounted to €35 million and €36 million as of 31 December 2013 and 2012, respectively, and is included under "Provisions – Provisions for Pensions and Similar Obligations" in the accompanying balance sheets.

The present values of the vested obligations of the foreign network are quantified based on an individual member data, and the projected unit credit valuation method is used for current employees. As a general rule, the actuarial assumptions used are as follows: the discount rate have been determined by reference to high quality corporate bonds of the appropriate currency; the mortality tables are those applicable in each local market when an insurance contract is arranged; and the inflation and salary growth rates are those applicable in each local market.

The changes in 2013 and 2012 in the foreign network as a whole, in the balances of "Provisions – Pension funds and similar obligations", net of the plan assets, are as follows:

| Millions of Euros                  |           |           |
|------------------------------------|-----------|-----------|
| Net Commitments in Branches Abroad | 2013      | 2012      |
| <b>Changes in the year</b>         |           |           |
| <b>Balance at the beginning</b>    | <b>36</b> | <b>26</b> |
| + Interest costs                   | 1         | 2         |
| + Current service cost             | -         | -         |
| - Payments and settlements         | (5)       | (5)       |
| +/- Other changes                  | 1         | -         |
| +/- Remeasurements:                | 3         | 13        |
| +/- Exchange differences           | (1)       | -         |
| <b>Balance at the end</b>          | <b>35</b> | <b>36</b> |

The contributions to defined-contribution plans and pension commitments through defined-benefit plans in the foreign network recognized under the heading "Personnel expenses" in the accompanying income statements amounted to €5 million each year..

## 22.2.3 Summary of the entries in the income statement and equity

The net charges in the income statements for 2013 and 2012 for all commitments to post-employment remuneration and benefits, both in Spain and the branches abroad, are summarized below:

| Post-employments Benefits (Spain+Branches Abroad)<br>Income Statements and Equity Effects. | Notes | Millions of Euros |            |
|--|-------|-------------------|------------|
|  |       | 2013              | 2012       |
| <b>Interest and similar expenses</b>   |       |                   |            |
| Interest cost of pension funds   | 34.2  | 91                | 121        |
| <b>Personnel expenses</b>  |       |                   |            |
| Contributions and provisions to pensions funds   | 40.1  | 52                | 49         |
| Welfare benefits   |       | 3                 | 2          |
| <b>Provision (net)</b>   |       |                   |            |
| Provisions to fund for pension and similar obligations                                     |       |                   |            |
| Pension funds  |       | (7)               | 80         |
| Early retirements  |       | 336               | 239        |
| Welfare benefits   |       | (1)               | 18         |
| <b>Total Effects in Income Statements</b>  |       | <b>474</b>        | <b>509</b> |
| <b>Total Effects in Retained Earning: Credit (Debit) (*)</b>                               |       | <b>3</b>          | <b>13</b>  |

(\*) Correspond to actuarial losses (gains) arising from pension commitments and certain welfare benefits recognized in "Valuation Adjustments". For early retirements are recognized in the Income Statements (see Note 2.9).

## 23. Common stock

As of December 31, 2013, BBVA's share capital amounted to €2,835,117,677, divided into 5,785,954,443 fully subscribed and paid-up registered shares, all of the same class and series, at €0.49 par value each, represented through book-entry accounts. All of the Bank shares carry the same voting and dividend rights, and no single stockholder enjoys special voting rights. There are no shares that do not represent an interest in the Bank's common stock.

The Bank's shares are traded on the on the Spanish stock market, as well as on the London and Mexico stock markets. BBVA American Depositary Shares (ADSs) traded on the New York Stock Exchange are also traded on the Lima Stock Exchange (Peru), under an exchange agreement between these two markets.

Also, as of December 31, 2012, the shares of BBVA Banco Continental, S.A., Banco Provincial, S.A., BBVA Colombia, S.A., BBVA Chile, S.A. and BBVA Banco Francés, S.A. are listed on their respective local stock markets. BBVA Banco Francés, S.A. is also listed on the Latin American market of the Madrid Stock Exchange and on the New York Stock Exchange.

As of December 31, 2013, State Street Bank and Trust Co., Chase Nominees Ltd., The Bank of New York Mellon, SA NV and Caceis Bank, in their capacity as international custodian/depositary banks, held 10.875%, 6.561%, 5.028% and 3.074% of BBVA common stock, respectively. Of said positions held by the custodian banks, BBVA is not aware of any individual shareholders with direct or indirect holdings greater than or equal to 3% of BBVA common stock.

On February 4, 2010, Blackrock, Inc. reported to the Spanish Securities and Exchange Commission (CNMV) that, as a result of the acquisition (on December 1, 2009) of the Barclays Global Investors (BGI) company, it had an indirect holding of BBVA common stock totaling 4.453% through the Blackrock Investment Management Company.

BBVA is not aware of any direct or indirect interests through which control of the Bank may be exercised. BBVA has not received any information on stockholder agreements including the regulation of the exercise of voting rights at its annual general meetings or restricting or placing conditions on the free transferability of BBVA shares. No agreement is known that could give rise to changes in the control of the Bank.

The changes in the heading "Common Stock" of the accompanying balance sheets are due to the following common stock increases:

| Capital Increase                         | Number of Shares     | Common Stock (Millions of Euros) |
|--|----------------------|----------------------------------|
| <b>As of December 31, 2012</b>           | <b>5,448,849,545</b> | <b>2,670</b>                     |
| Dividend option - April 2013             | 83,393,714           | 41                               |
| Convertible bonds conversion - July 2013 | 192,083,232          | 94                               |
| Dividend option - October 2013           | 61,627,952           | 30                               |
| <b>As of December 31, 2013</b>           | <b>5,785,954,443</b> | <b>2,835</b>                     |

## Year 2013

- **"Dividend Option" Program:** The AGM held on March 15, 2013, under Point Four of the Agenda, resolved to perform two common stock increases, charged to voluntary reserves, to once again implement the program called the "Dividend Option" (see Note 3). This confers authority on the Board of Directors, pursuant to article 297.1 a) of the Corporations Act, to indicate the date on which said common stock increases should be carried out, within one year of the date on which the agreements are made.

At its meeting on April 3, 2013, BBVA's Board of Directors agreed to carry out the first common stock increase charged to reserves as agreed by the AGM. As a result of this increase, the Bank's common stock increased by €40,862,919.86, through the issue and circulation of 83,393,714 shares with a €0.49 par value each. Likewise, BBVA's Board of Directors, at its meeting on September 25, 2013, agreed to carry out the second common stock increase under the heading of reserves, in accordance with the terms and conditions agreed upon by the AGM of March 15, 2013. As a result of this increase, the Bank's common stock increased by €30,197,696.48 through the issue and circulation of 61,627,952 shares with a €0.49 par value each.

- **Convertible Bonds-December 2011:** On December 31, 2013, the maturity date of the issue, there was a mandatory conversion of the outstanding Convertible Bonds as of that date. An increase in the Bank's common stock was carried out to satisfy the shares to be issued upon conversion by the issue and distribution of 192,083,232 ordinary shares at a par value of €0.49 each, amounting to a total of €94,120,783.68, with the share premium being €1,143,279,396.8640 (see Note 24).

## Year 2012

- **"Dividend Option" Program:** The AGM held on March 16, 2012, under Point Four of the Agenda, resolved to perform two common stock increases, charged to voluntary reserves to implement the program called the "Dividend Option" (See Note 3). This confers authority on the Board of Directors, pursuant to article 297.1 a) of the Corporations Act, to indicate the date on which said common stock increases should be carried out, within one year of the date on which the agreements are made.

At its meeting on April 11, 2012, BBVA's Board of Directors agreed to carry out the first common stock increase charged to reserves as agreed by the AGM of March 16, 2012. As a result of this increase, the Bank's common stock increased by €40,348,339.01 through the issue and circulation of 82,343,549 shares with a €0.49 par value each.

Likewise, BBVA's Board of Directors, at its meeting on September 26, 2012, agreed to carry out the second common stock increase under the heading of reserves, in accordance with the terms and conditions agreed upon by the AGM of March 16, 2012. As a result of this increase, the Bank's common stock increased by €32,703,288.45 through the issue and circulation of 66,741,405 shares with a €0.49 par value each.

- **Convertible Bonds-December 2011:** On March 30, 2012 there was a voluntary conversion by holders of Convertible Bonds for a total of €955 million.

An increase in the Bank's common stock was carried out to pay for this conversion by the issue and distribution of 157,875,375 ordinary shares at a par value of €0.49 each, amounting to a total of €77,358,933.75, with the share premium being €877,313,458.8750 (see Note 24).

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In addition, on June 30, 2012 there was a partial mandatory conversion of the outstanding Convertible Bonds as of that date, through a reduction of 50% in their nominal value. Following the execution of these conversions (see Note 20.4), the nominal amount of outstanding Convertible Bonds was €1,238 million.

An increase in the Bank's common stock was carried out to pay for this conversion by the issue and distribution of 238,682,213 ordinary shares at a par value of €0.49 each, amounting to a total of €116,954,284.37, with the share premium being €1,120,469,780.7072 (see Note 24).

## Other resolutions of the General Shareholders Meeting on the issue of shares and other securities

- **Common stock increases:** The Bank's AGM held on March 16, 2012 agreed, in Point Three of the Agenda, to confer authority on the Board of Directors to increase common stock in accordance with Article 297.1b) of the Corporations Act, on one or several occasions, within the legal deadline of five years from the date the resolution takes effect, up to the maximum nominal amount of 50% of the subscribed and paid-up common stock on the date on which the resolution is adopted. Likewise, an agreement was made to enable the Board of Directors to exclude the preemptive subscription right on those common stock increases in line with the terms of Article 506 of the Corporations Act. This authority is limited to 20% of the common stock of the Bank on the date the agreement is adopted.
- **Convertible and/or exchangeable securities:** At the AGM held on March 16, 2012, the shareholders resolved, in Point Five of the Agenda, to delegate to the Board of Directors for a five-year period the right to issue bonds, convertible and/or exchangeable into BBVA shares, for a maximum total of €12,000 million. The powers include the right to establish the different aspects and conditions of each issue; to exclude the pre-emptive subscription right of shareholders in accordance with the Corporations Act; to determine the basis and methods of conversion and/or exchange; and to increase the Bank's common stock as required to address the conversion commitments.
- **Other securities:** The Bank's AGM held on March 11, 2011, in point six of the agenda, agreed to delegate to the Board of Directors, the authority to issue, within the five-year maximum period stipulated by law, on one or several occasions, directly or through subsidiaries, with the full guarantee of the Bank, any type of debt instruments, documented in obligations, bonds of any kind, promissory notes, all type of covered bonds, warrants, mortgage participation, mortgage transfers certificates and preferred securities (that are totally or partially exchangeable for shares already issued by the company itself or by another company, in the market or which can be settled in cash), or any other fixed-income securities, in euros or any other currency, that can be subscribed in cash or in kind, registered or bearer, unsecured or secured by any kind of collateral, including a mortgage guarantee, with or without incorporation of rights to the securities (warrants), subordinate or otherwise, for a limited or indefinite period of time, up to a maximum nominal amount of €250,000 million.

## 24. Share premium

The changes in the balances under this heading in the accompanying balance sheets are due to the common stock increases carried out in 2013 and 2012 (see Note 23), as set out below:

| Millions of Euros                         |               |
|---|---------------|
| Capital Increase                          | Share premium |
| <b>As of December 31, 2011</b>            | <b>18,970</b> |
| Convertible bonds conversion - April 2012 | 878           |
| Convertible bonds conversion - July 2012  | 1,120         |
| <b>As of December 31, 2012</b>            | <b>20,968</b> |
| Convertible bonds conversion - July 2013  | 1,143         |
| <b>As of December 31, 2013</b>            | <b>22,111</b> |

The amended Spanish Corporation Act expressly permits the use of the share premium balance to increase capital and establishes no specific restrictions as to its use.

## 25. Reserves

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

| Millions of Euros                      |              |              |
|--|--------------|--------------|
| Reserves. Breakdown by concepts        | 2013         | 2012         |
| <b>Restricted reserves:</b>            |              |              |
| Legal reserve                          | 534          | 481          |
| Restricted reserve for retired capital | 296          | 387          |
| Revaluation Royal Decree-Law 7/1996    | 26           | 27           |
| <b>Voluntary reserves:</b>             |              |              |
| Voluntary and others                   | 6,528        | 6,154        |
| <b>Total</b>                           | <b>7,384</b> | <b>7,049</b> |

### 25.1 Legal reserve

Under the amended Corporations Act, 10% of any profit made each year must be transferred to the legal reserve. These provisions must be made until the legal reserve reaches 20% of the share capital. This limit will be reached by the Bank once the proposal for the allocation of the 2013 earnings is approved (see Note 3).

The legal reserve can be used to increase the common stock provided that the remaining reserve balance does not fall below 10% of the increased capital. While it does not exceed 20% of the common stock, it can only be allocated to offset losses exclusively in the case that there are not sufficient reserves available.

### 25.2 Restricted reserves

As of December 31, 2013 and 2012, the Bank's restricted reserves are as follows:

| Millions of Euros   |            |            |
|---|------------|------------|
| Restricted Reserves   | 2013       | 2012       |
| Restricted reserve for retired capital                                  | 88         | 88         |
| Restricted reserve for Parent Company shares and loans for those shares | 206        | 297        |
| Restricted reserve for redenomination of capital in Euros               | 2          | 2          |
| <b>Total</b>  | <b>296</b> | <b>387</b> |

The restricted reserve for retired capital originated in the reduction of the nominal par value of the BBVA shares made in April 2000.

The most significant heading corresponds to restricted reserves related to the amount of shares issued by the Bank in its possession at each date, as well as the amount of customer loans outstanding on those dates that were granted for the purchase of, or are secured by, the Bank's shares.

Finally, pursuant to Law 46/1998 on the Introduction of the Euro, a restricted reserve is recognized as a result of the rounding effect of the redenomination of the Bank's common stock in euros.

### 25.3 Revaluation and regularizations of the balance sheet

Prior to the merger, Banco de Bilbao, S.A. and Banco de Vizcaya, S.A. availed themselves of the legal provisions applicable to the regularization and revaluation of balance sheets. Thus, on December 31, 1996, Banco Bilbao Vizcaya, S.A. revalued its tangible assets pursuant to Royal Decree-Law 7/1996 of June 7 by applying the maximum coefficients authorized, up to the limit of the market value arising from the existing valuations. As a result of these updates, the increases in the cost and depreciation of tangible fixed assets were calculated and allocated as follows.

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Following the review of the balance of the "Revaluation reserve pursuant to Royal Decree-Law 7/1996 of June 7" account by the tax authorities in 2000, this balance could only be used, free of tax, to offset recognized losses and to increase share capital until January 1, 2007. From that date, the remaining balance of this account can also be allocated to unrestricted reserves, provided that the surplus has been depreciated or the revalued assets have been transferred or derecognized.

The breakdown of the calculation and movement to voluntary reserves under this heading are:

| Revaluation and Regularization of the Balance Sheet                | Millions of Euros |            |
|--|-------------------|------------|
|  | 2013              | 2012       |
| Legal revaluations and regularizations of tangible assets:         |                   |            |
| Cost   | 187               | 187        |
| Less:  |                   |            |
| Single revaluation tax (3%)  | (6)               | (6)        |
| <b>Balance as of December 31, 1999</b>                             | <b>181</b>        | <b>181</b> |
| Rectification as a result of review by the tax authorities in 2000 | (5)               | (5)        |
| Transfer to voluntary reserves                                     | (150)             | (149)      |
| <b>Total</b>   | <b>26</b>         | <b>27</b>  |

## 26. Treasury stock

In 2013 and 2012 the Group companies performed the following transactions with shares issued by the Bank:

| Treasury Stock  | 2013              |                   | 2012              |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | Number of Shares  | Millions of Euros | Number of Shares  | Millions of Euros |
| <b>Balance at beginning</b>                                       | <b>15,462,936</b> | <b>111</b>        | <b>46,398,183</b> | <b>300</b>        |
| + Purchases   | 488,985,513       | 3,614             | 819,289,736       | 4,831             |
| - Sales and other changes   | (497,571,679)     | (3,658)           | (850,224,983)     | (5,021)           |
| +/- Derivatives over BBVA shares                                  | -                 | -                 | -                 | 1                 |
| <b>Balance at the end</b>   | <b>6,876,770</b>  | <b>67</b>         | <b>15,462,936</b> | <b>111</b>        |
| Of which:   |                   |                   |                   |                   |
| Held by BBVA  | 1,357,669         | 20                | 4,508,380         | 41                |
| Held by Corporación General Financiera, S.A.                      | 5,491,697         | 46                | 10,870,987        | 70                |
| Held by other subsidiaries  | 27,404            | -                 | 83,569            | -                 |
| Average purchase price in euros                                   | 7.39              |                   | 5.90              |                   |
| Average selling price in euros                                    | 7.44              |                   | 6.04              |                   |
| Net gain or losses on transactions (Stockholders' funds-Reserves) |                   | 30                |                   | 81                |

The percentages of treasury stock held by the Group in 2013 and 2012 are as follows:

| Treasury Stock          | 2012          |               | 2011          |               |
|-------------------------|---------------|---------------|---------------|---------------|
|                         | Min           | Max           | Min           | Max           |
| <b>% treasury stock</b> | <b>0.000%</b> | <b>0.693%</b> | <b>0.240%</b> | <b>1.886%</b> |

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The number of BBVA shares accepted by the Bank in pledge as of December 31, 2013 and 2012 is as follows:

| Shares of BBVA Accepted in Pledge | 2013        | 2012        |
|-----------------------------------|-------------|-------------|
| Number of shares in pledge        | 111,627,466 | 132,675,070 |
| Nominal value                     | 0.49        | 0.49        |
| % of share capital                | 1.93%       | 2.43%       |

The number of BBVA shares owned by third parties but managed by a company in the Group as of December 31, 2013 and 2012 is as follows:

| Shares of BBVA Owned by Third Parties but Managed by the Group | 2013        | 2012        |
|--|-------------|-------------|
| Number of shares property of third parties                     | 101,184,985 | 109,348,019 |
| Nominal value  | 0.49        | 0.49        |
| % of share capital   | 1.75%       | 2.01%       |

## 27. Valuation adjustments

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

| Valuation Adjustments                              | Millions of Euros |              |
|--|-------------------|--------------|
|  | 2013              | 2012         |
| Available-for-sale financial assets                | (52)              | (938)        |
| Cash flow hedging                                  | (45)              | (40)         |
| Hedging of net investments in foreign transactions | -                 | -            |
| Exchange differences                               | 1                 | 19           |
| Non-current assets held for sale                   | -                 | -            |
| Other valuation adjustments                        | (20)              | (18)         |
| <b>Total</b>                                       | <b>(116)</b>      | <b>(977)</b> |

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

## 28. Capital base and capital management

### Capital base

Bank of Spain Circular 3/2008, of May 22, 2008, and its subsequent amendments on the calculation and control of minimum capital base requirements, regulate the minimum capital base requirements for Spanish credit institutions –both as individual entities and as consolidated groups– and how to calculate them, as well as the various internal capital adequacy assessment processes they should have in place and the information they should disclose to the market.

The minimum capital base requirements established by Circular 3/2008 are calculated according to the Group's exposure to credit and dilution risk, counterparty and liquidity risk relating to the trading portfolio, exchange-rate risk and operational risk. In addition, the Group must fulfill the risk concentration limits established in said Circular and the internal Corporate Governance obligations.



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Circular 3/2008 implements Spanish regulations on capital base and consolidated supervision of financial institutions, as well as adapting Spanish law to the relevant European Union Capital Requirements Directives (CRD), in compliance with the accords by the Committee on Banking Supervision of the Bank for International Settlements in Basel.

Within the framework of recommendations, in December 2010 the Committee on Banking Supervision published “Basel III: A global regulatory framework for more resilient banks and banking systems”, to assist the financial sector when coping with the effects of financial or economic crises. The European Union worked from this point forward to incorporate the Basel recommendations to a new capital regulation, and after two years of negotiations, “CRD4” was published in the European Union Official Bulletin on June 27, 2013. This regulation replaces 2006/48 and 2006/49 (CRD2 and CRD3) Capital and common regulation (575/2013). This regulation came into effect on January 1, 2014. From this date onwards, any regulation that rules against the European directive will not be effective. To this extent, the Royal Decree-Law 14/2013 was published to adapt Spanish Law to European Union regulation on supervision and solvency of financial institutions.

The BBVA Group is ready to comply with the significant modifications in the capital regulatory framework for financial entities (BIS III according to CRD4), such as those envisioned to affect insurance entities (“Solvency II”), therefore meeting the new and more demanding requirements, showing greater solvency and stability.

As of December 31, 2013 and 2012, nevertheless, Circular 3/2008 was still the current regulation in place and the Bank's capital exceeded by more than 68% the minimum capital base level required by said regulation.

The Group's bank capital according to the aforementioned Circular 3/2008, considering entities scope required by the above regulation, as of December 31, 2013 and 2012 is shown below:

| Millions of Euros                                |                |                |
|--|----------------|----------------|
| Capital Base                                     | 2013<br>(*)    | 2012           |
| <b>Basic equity</b>                              | <b>38,730</b>  | <b>36,393</b>  |
| Common Stock                                     | 2,835          | 2,670          |
| Parent company reserves                          | 41,371         | 38,149         |
| Reserves in consolidated companies               | (3,380)        | 1,042          |
| Non-controlling interests                        | 2,069          | 2,025          |
| Other equity instruments                         | 2,905          | 3,074          |
| Deductions (Goodwill and others)                 | (8,534)        | (10,903)       |
| Attributed net income (less dividends)           | 1,464          | 335            |
| <b>Additional equity</b>                         | <b>4,515</b>   | <b>4,461</b>   |
| <b>Other deductions</b>                          | <b>(1,573)</b> | <b>(5,272)</b> |
| <b>Additional equity due to mixed group (**)</b> | <b>1,857</b>   | <b>1,275</b>   |
| <b>Total Equity</b>                              | <b>43,529</b>  | <b>36,858</b>  |
| <b>Minimum equity required</b>                   | <b>25,888</b>  | <b>26,353</b>  |

(\*)Provisional data

(\*\*) Mainly insurance companies in the Group

The changes in 2013 in basic capital balances shown in the above table are a result of the earnings for the period and the decrease in deductions (mainly CNCB Goodwill), partially offset by the negative impact of exchange rate differences. The decrease in “Other deductions” is mainly driven by the decrease in value of participations that are deducted (also affected by the sale of the CNCB participation).The capital of BBVA S.A., following the same regulatory criteria, is shown below:

| Millions of Euros              |               |               |
|--------------------------------|---------------|---------------|
| Capital Base                   | 2013<br>(*)   | 2012          |
| Core Capital                   | 31,410        | 29,527        |
| Basic equity                   | 34,183        | 32,456        |
| Additional equity              | 2,562         | 2,330         |
| <b>Total Equity</b>            | <b>36,745</b> | <b>34,786</b> |
| <b>Minimum equity required</b> | <b>19,724</b> | <b>21,870</b> |

(\*)Provisional data



In addition to the provisions of Circular 3/2008, Spanish financial groups and entities must comply with the capital requirements set forth by Royal Decree-Law 2/2011 of February 18 reinforcing the Spanish financial system. This standard was issued for the purpose of reinforcing the solvency of the Spanish financial entities. It thus established a new minimum requirement in terms of core capital on risk-weighted assets which is more restrictive than the one set out in the aforementioned Circular, and that must be greater than 9%. As of December 31, 2013, the BBVA Group's ratio exceeded the corresponding minimum requirement by approximately €7,000 million and stood at 11.6% (provisional figure). As of December 31, 2013 the BBVA Group also complied with the recommendations made by the EBA about minimum capital levels calculated based on June 2012 requirements, keeping an excess of €2,886 million over the required limit.

## Capital management

Capital management in the BBVA Group has a twofold aim:

- Maintain a level of capitalization according to the business objectives in all countries in which it operates and, simultaneously.
- Maximize the return on shareholders' funds through the efficient allocation of capital to the different units, a good management of the balance sheet and appropriate use of the various instruments forming the basis of the Group's equity: shares, preferred securities and subordinated debt.

This capital management is carried out in accordance with the criteria of the Bank of Spain Circular 3/2008 and subsequent amendments both in terms of determining the capital base and the solvency ratios. Prudential and minimum capital requirements also have to be met for the subsidiaries subject to prudential supervision in other countries.

The current regulation allows each entity to apply its own internal ratings-based (IRB) approach to risk assessment and capital management, subject to Bank of Spain approval. The BBVA Group carries out an integrated management of these risks in accordance with its internal policies (see Note 5) and its internal capital estimation model has received the Bank of Spain's approval for certain portfolios.

## 29. Contingent risks and commitments

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

| Financial Guarantees and Drawable by Third Parties | Millions of Euros |                |
|--|-------------------|----------------|
|  | 2013              | 2012           |
| <b>Contingent Risks</b>                            |                   |                |
| Collateral, bank guarantees and indemnities        | 27,718            | 20,359         |
| Rediscounts, endorsements and acceptances          | 1,194             | 1,267          |
| Rest   | 19,049            | 42,747         |
| <b>Total Contingent Risks</b>                      | <b>47,961</b>     | <b>64,373</b>  |
| <b>Contingent Commitments</b>                      |                   |                |
| Drawable by third parties                          | 47,009            | 43,480         |
| Credit institutions                                | 1,583             | 1,950          |
| Government and other government agencies           | 4,354             | 1,357          |
| Other resident sectors                             | 23,443            | 18,916         |
| Non-resident sector                                | 17,629            | 21,257         |
| <b>Other commitments</b>                           | 6,403             | 6,722          |
| <b>Total Contingent Commitments</b>                | <b>53,412</b>     | <b>50,202</b>  |
| <b>Total contingent Risks and Commitments</b>      | <b>101,373</b>    | <b>114,575</b> |

Since a significant portion of the amounts above will reach maturity without any payment obligation materializing for the companies, the aggregate balance of these commitments cannot be considered as an actual future requirement for financing or liquidity to be provided by the Bank to third parties.

In 2013 and 2012 no issuances of debt securities carried out by non-Group entities have been guaranteed.

### 30. Assets assigned to other own and third-party obligations

In addition to those mentioned in other Notes to these financial statements (see Notes 11 and 20), as of December 31, 2013 and 2012 the assets held by the Bank that guaranteed their own obligations amounted to €74,601 million and €107,346 million, respectively. These amounts mainly correspond to loans linked to the issue of long-term mortgage-covered bonds (see Note 20.3 and Appendix X) which, pursuant to the Mortgage Market Act, are accepted as collateral for the issue of mortgage-covered bonds (€53,145 million as of December 31, 2013) and to assets allocated as collateral for certain lines of short-term finance assigned to the Bank by central banks (€21,456 million as of December 31, 2013).

As of December 31, 2013 and 2012, there were no other Bank assets linked to any third-party obligations.

### 31. Other contingent assets and liabilities

As of December 31, 2013 and 2012, there were no contingent assets or liabilities for significant amounts other than those registered in these Financial Statements.

### 32. Purchase and sale commitments and future payment obligations

The breakdown of the sale and purchase commitments of the Bank as of December 31, 2013 and 2012 is as follows:

|  |       | Millions of Euros |               |
|--|-------|-------------------|---------------|
| Purchase and Sale Commitments                                  | Notes | 2013              | 2012          |
| <b>Financial instruments sold with repurchase commitments</b>  |       | <b>39,645</b>     | <b>35,292</b> |
| Central Banks  | 7     | 362               | 109           |
| Credit Institutions  | 20.1  | 17,930            | 9,088         |
| Government and other government agencies                       | 20.2  | 8,512             | 16,596        |
| Other resident sectors   | 20.2  | 5,552             | 4,864         |
| Non-resident sectors   | 20.2  | 7,289             | 4,635         |
| <b>Financial instruments purchased with resale commitments</b> |       | <b>11,850</b>     | <b>8,140</b>  |
| Central Banks  | 7     | -                 | 109           |
| Credit Institutions  | 11.1  | 5,788             | 3,624         |
| Government and other government agencies                       | 11.2  | -                 | -             |
| Other resident sectors   | 11.2  | 5,756             | 3,985         |
| Non-resident sectors   | 11.2  | 306               | 422           |

Future payment obligations other than those mentioned in the notes above correspond mainly to long-term (over 5 year) obligations amounting to around €2,530 million for leases payable derived from operating lease contracts.

### 33. Transactions for the account of third parties

As of December 31, 2013 and 2012, the details of the most significant items under this heading are as follows:

| Millions of Euros  |         |         |
|--|---------|---------|
| Transactions on Behalf of Third Parties                        | 2013    | 2012    |
| Financial instruments entrusted by third parties               | 367,442 | 317,814 |
| Conditional bills and other securities received for collection | 2,087   | 2,304   |
| Securities received in credit                                  | 1,696   | 3,856   |

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As of December 31, 2013 and 2012, the off-balance sheet customer funds managed by the Bank are as follows:

| Off-Balance Sheet Customer Funds by Type | Millions of Euros |               |
|--|-------------------|---------------|
|  | 2013              | 2012          |
| Investment companies and mutual funds    | 25,529            | 22,080        |
| Pension funds                            | 16,510            | 17,101        |
| Saving insurance contracts               | 8,978             | 4,307         |
| Managed customers portfolio              | 3,932             | 3,307         |
| <b>Total</b>                             | <b>54,949</b>     | <b>46,795</b> |

## 34. Interest income and expense and similar items

### 34.1 Interest and similar income

The breakdown of the interest and similar income recognized in the accompanying income statement is as follows:

| Interest and Similar Income. Breakdown by Origin.           | Millions of Euros |              |
|---|-------------------|--------------|
|   | 2013              | 2012         |
| Central Banks   | 10                | 12           |
| Loans and advances to credit institutions                   | 191               | 298          |
| Loans and advances to customers                             | 6,182             | 7,409        |
| Government and other government agencies                    | 855               | 915          |
| Resident sector   | 4,906             | 5,897        |
| Non resident sector   | 421               | 597          |
| Debt securities   | 1,627             | 1,599        |
| Trading   | 218               | 283          |
| Investment  | 1,409             | 1,316        |
| Rectification of income as a result of hedging transactions | (342)             | (435)        |
| Other income  | 209               | 216          |
| <b>Total</b>  | <b>7,877</b>      | <b>9,099</b> |

The amounts recognized in equity during both years in connection with hedging derivatives and the amounts derecognized from equity and taken to the income statement during those years are disclosed in the accompanying statements of recognized income and expenses.

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The following table shows the adjustments in income resulting from hedge accounting, broken down by type of hedge:

| Adjustments in Income Resulting from Hedge Accounting | Millions of Euros |              |
|---|-------------------|--------------|
|   | 2013              | 2012         |
| Cash flow hedging                                     | 1                 | -            |
| Fair value hedging                                    | (343)             | (435)        |
| <b>Total</b>  | <b>(342)</b>      | <b>(435)</b> |

## 34.2 Interest and similar expenses

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

| Interest and Similar Expenses. Breakdown by Origin            | Millions of Euros |              |
|---|-------------------|--------------|
|   | 2013              | 2012         |
| Bank of Spain and other central banks                         | 157               | 328          |
| Deposits from credit institutions                             | 695               | 974          |
| Customers deposits  | 3,104             | 2,585        |
| Debt certificates   | 1,462             | 1,564        |
| Subordinated liabilities (Note 20.4)                          | 260               | 398          |
| Rectification of expenses as a result of hedging transactions | (1,201)           | (1,147)      |
| Cost attributable to pension funds (Note 22.2.3)              | 91                | 121          |
| Other charges   | 21                | 52           |
| <b>Total</b>  | <b>4,589</b>      | <b>4,875</b> |

The following table shows the adjustments in expenses resulting from hedge accounting, broken down by type of hedge:

| Adjustments in Expenses Resulting from Hedge Accounting | Millions of Euros |                |
|---|-------------------|----------------|
|   | 2013              | 2012           |
| Cash flow hedging                                       | 4                 | 4              |
| Fair value hedging                                      | (1,205)           | (1,151)        |
| <b>Total</b>  | <b>(1,201)</b>    | <b>(1,147)</b> |

## 35. Dividend income

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

| Dividend Income                            | Millions of Euros |              |
|--|-------------------|--------------|
|  | 2013              | 2012         |
| Investments in associates                  | 135               | 139          |
| Investments in jointly controlled entities | 65                | 68           |
| Investments in group Entities              | 1,880             | 4,577        |
| Other shares and equity instruments        | 177               | 333          |
| <b>Total</b>                               | <b>2,257</b>      | <b>5,117</b> |

## 36. Fee and commission income

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

| Fee and Commission Income                                 | Millions of Euros |              |
|---|-------------------|--------------|
|   | 2013              | 2012         |
| Commitment fees   | 139               | 141          |
| Contingent risks  | 200               | 218          |
| Letters of credit   | 17                | 21           |
| Bank and other guarantees                                 | 183               | 197          |
| Arising from exchange of foreign currencies and banknotes | 2                 | 1            |
| Collection and payment services                           | 550               | 506          |
| Bills receivables   | 8                 | 8            |
| Current accounts  | 111               | 103          |
| Credit and debt cards                                     | 300               | 257          |
| Checks (trading, clearing, return)                        | 8                 | 9            |
| Transfers and others payment orders                       | 64                | 64           |
| Rest  | 59                | 65           |
| Securities services                                       | 231               | 247          |
| Securities underwriting                                   | 61                | 89           |
| Securities dealing  | 63                | 56           |
| Custody securities  | 70                | 70           |
| Investment and pension funds                              | -                 | -            |
| Rest assets management                                    | 37                | 32           |
| Counselling on and management of one-off transactions     | -                 | -            |
| Financial and similar counselling services                | -                 | -            |
| Factoring transactions                                    | 37                | 38           |
| Non-banking financial products sales                      | 398               | 347          |
| Other fees and commissions                                | 218               | 232          |
| <b>Total</b>  | <b>1,775</b>      | <b>1,730</b> |

## 37. Fee and commission expenses

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

| Fee and Commission Expenses                        | Millions of Euros |            |
|--|-------------------|------------|
|  | 2013              | 2012       |
| Brokerage fees on lending and deposit transactions | -                 | 2          |
| Fees and commissions assigned to third parties     | 173               | 157        |
| Credit and debt cards                              | 131               | 117        |
| Transfers and others payment orders                | 3                 | 2          |
| Securities dealing                                 | 26                | 25         |
| Rest   | 13                | 13         |
| Other fees and commissions                         | 159               | 163        |
| <b>Total</b>                                       | <b>332</b>        | <b>322</b> |

### 38. Net gains (losses) on financial assets and liabilities

The breakdown of the balance under this heading, by source of the related items, in the accompanying income statements is as follows:

| Millions of Euros   |              |            |
|---|--------------|------------|
| Net Gains (Losses) on Financial Assets and Liabilities                          | 2013         | 2012       |
| Financial assets held for trading   | 328          | 580        |
| Other financial assets designated at fair value through profit or loss          | -            | -          |
| Other financial instruments not designated at fair value through profit or loss | 797          | 407        |
| Available-for-sale financial assets   | 804          | 544        |
| Loans and receivables   | 84           | -          |
| Rest  | (91)         | (137)      |
| <b>Total</b>  | <b>1,125</b> | <b>987</b> |

The breakdown of the balance under this heading in the accompanying income statements by the nature of the financial instruments is as follows:

| Millions of Euros   |              |            |
|---|--------------|------------|
| Net Gains (Losses) on Financial Assets and Liabilities<br>Breakdown by Nature of the Financial Instrument | 2013         | 2012       |
| Debt instruments  | 859          | 741        |
| Equity instruments  | 710          | (189)      |
| Loans and receivables   | 84           | -          |
| Derivatives   | (488)        | 594        |
| Deposits from customers   | -            | -          |
| Rest  | (40)         | (159)      |
| <b>Total</b>  | <b>1,125</b> | <b>987</b> |

The breakdown of the impact of the derivatives (trading and hedging) in the balance under this heading in the accompanying income statements is as follows:

| Millions of Euros                          |              |            |
|--|--------------|------------|
| Derivatives Trading and Hedging            | 2013         | 2012       |
| <b>Trading derivatives</b>                 |              |            |
| Interest rate agreements                   | 119          | 466        |
| Security agreements                        | (496)        | 160        |
| Commodity agreements                       | (2)          | (12)       |
| Credit derivative agreements               | (59)         | (41)       |
| Other agreements                           | -            | -          |
| <b>Subtotal</b>                            | <b>(438)</b> | <b>573</b> |
| <b>Hedging Derivatives Ineffectiveness</b> |              |            |
| Fair value hedging                         | (50)         | 21         |
| Hedging derivative                         | (866)        | (408)      |
| Hedged item                                | 816          | 429        |
| Cash flow hedging                          | -            | -          |
| <b>Subtotal</b>                            | <b>(50)</b>  | <b>21</b>  |
| <b>Total</b>                               | <b>(488)</b> | <b>594</b> |

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In addition, in 2013 and 2012, under the heading "Exchange differences (net)" of the income statements, net amounts of positive €137 million and negative €373 million, respectively, are registered for transactions with foreign exchange trading derivatives.

## 39. Other operating income and expenses

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

| Millions of Euros                               |            |           |
|---|------------|-----------|
| Other Operating Income. Breakdown by main Items | 2013       | 2012      |
| Real estate income                              | 7          | 4         |
| Financial income from non-financial services    | 68         | 58        |
| Rest of operating income                        | 56         | 31        |
| <b>Total</b>                                    | <b>131</b> | <b>93</b> |

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

| Millions of Euros                                |            |            |
|--|------------|------------|
| Other Operating Expenses. Breakdown by main Item | 2013       | 2012       |
| Other operating expenses                         | 437        | 272        |
| Of which:  |            |            |
| Contributions to guaranteed banks deposits funds | 312        | 180        |
| Real estate agencies                             | 75         | 54         |
| <b>Total</b>                                     | <b>437</b> | <b>272</b> |

## 40. Administration costs

### 40.1 Personnel expenses

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

| Millions of Euros                              |        |              |              |
|--|--------|--------------|--------------|
| Personnel Expenses. Breakdown by main Concepts | Notes  | 2013         | 2012         |
| Wages and salaries                             |        | 1,762        | 1,716        |
| Social security costs                          |        | 361          | 322          |
| Transfers to internal pension provisions       | 22.2.3 | 2            | -            |
| Contributions to external pension funds        | 22.2.3 | 50           | 49           |
| Other personnel expenses                       |        | 177          | 177          |
| <b>Total</b>                                   |        | <b>2,352</b> | <b>2,264</b> |

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The breakdown of the number of employees in the Bank as of December 31, 2013 and 2012, by categories and gender, is as follows:

| Number of Employees at the end of year<br>Professional Category and Gender | 2013          |               | 2012          |               |
|--|---------------|---------------|---------------|---------------|
|  | Male          | Female        | Male          | Female        |
| Executive managers   | 911           | 209           | 911           | 202           |
| Other line personnel   | 11,803        | 10,053        | 11,665        | 9,337         |
| Clerical staff   | 2,051         | 1,915         | 2,065         | 1,643         |
| General Services   | 10            | 1             | 15            | 3             |
| Branches abroad  | 473           | 296           | 531           | 321           |
| <b>Total</b>   | <b>15,248</b> | <b>12,474</b> | <b>15,187</b> | <b>11,506</b> |

#### 40.1.1 Share-based employee remuneration

The amounts registered under the heading "Personnel expenses - Other personnel expenses" in the income statements for the years 2013 and 2012, corresponding to the plans for remuneration based on equity instruments in force in each year, amounted to €40 million and €44 million, respectively. These amounts have been registered with a balancing entry under the heading "Stockholders' funds – Other equity instruments" in the accompanying balance sheets, net of tax effect.

The specifications of the Bank's remuneration plans based on equity instruments are described below.

##### Variable Share-based Remuneration System

BBVA's AGM held on March 11, 2011 approved a system of variable remuneration in shares for the BBVA Management Team, including the executive directors and members of the Management Committee (the "System of Variable Remuneration in Shares for the Management Team" or the "System"), whose conditions for 2013 were approved by the BBVA General Meeting, held on March 15, 2013.

This system is based on a specific incentive for members of the Management Team (the "Incentive") comprising the annual allocation to each beneficiary of a number of units that provide the basis for determining the number of shares to which, where applicable, they will be entitled when the Incentive is settled. These depend on the level of delivery against indicators established each year by the General Meeting, taking into account the performance of Total Shareholder Return (TSR); the Group Economic Profit without one-offs; and the Group Attributable Profit without one-offs.

This incentive, plus the ordinary variable remuneration in cash to which each manager is entitled, comprises their annual variable remuneration (the "Annual Variable Remuneration").

After each financial year-end, the number of units allocated is divided into three parts indexed to each one of the indicators as a function of the weightings established at any time and each one of these parts is multiplied by a coefficient of between 0 and 2 as a function of the scale defined for each indicator every year.

The shares resulting from this calculation are subject to the following withholding criteria:

- 40% of the shares received will be freely transferrable by the beneficiaries from the time of their vesting;
- 30% of the shares received will become transferrable after one year has elapsed from the incentive settlement date; and
- The remaining 30% will become transferrable after two years have elapsed from the incentive settlement date.

Apart from this, the Bank also has a specific system for settlement and payment of the variable remuneration applicable to employees and managers, including the executive directors and members of the Management Committee, performing professional activities that may have a significant impact on the risk profile of the entity or perform control duties (hereinafter, the "Identified staff").

The specific rules for settlement and payment of the Annual Variable Remuneration of executive directors and members of the Management Committee are described in Note 50, while the rules listed below are applicable to the rest of the Identified staff:

- At least 50% of the total Annual Variable Remuneration of the members of the management team in the Identified staff will be paid in BBVA shares.



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- Those in the Identified staff who are not members of the management team will receive 50% of their ordinary variable remuneration in BBVA shares.
- The payment of 40% of their variable remuneration, both in cash and in shares, will be deferred in time. The deferred amount will be paid one third a year over the following three years.
- All the shares delivered to these beneficiaries pursuant to the rules explained in the previous paragraph will be unavailable during one year after they have vested. This withholding will be applied against the net amount of the shares, after discounting the part needed to pay the tax accruing on the shares received. A prohibition has also been established against hedging with unavailable vested shares and shares pending reception.
- Moreover, circumstances have been defined in which the payment of the deferred Annual Variable Remuneration payable may be capped or impeded (“malus” clauses), and the adjustment to update these deferred parts has also been determined.

When the term of the Incentive ended on 31st December 2013, the multiplier applicable to the units allocated to each beneficiary was 0.4675. This resulted in a total number of 1,938,510 shares for the Management Team as a whole. This figure may vary in application of the settlement and payment system described above for the members of the Identified staff, which requires that at least 50% of their Annual Variable Remuneration should be paid in BBVA shares and that the necessary part of their ordinary variable remuneration be turned into shares in order to reach this percentage.

..

#### 2010-2011 Multi-year Variable Share Remuneration Programme

When the term of the Multi-Year Variable Share Remuneration Programme for 2010-2011 (hereinafter the “Programme” or the “LTI 2010-2011”) approved by the General Meeting, 12th March 2010, ended on 31st December 2011, it was settled in application of the conditions established when it began.

However, with respect to those Programme beneficiaries who are members of the Identified staff described above, the Bank’s General Meeting, 16th March 2012, approved the modification of the settlement and payment system for the LTI 2010-2011 in order to align it with the special rules applicable to employees performing professional activities that may have a significant impact on the risk profile of the entity or perform control duties, including executive directors and members of the Management Committee, such that:

- The payment of 40% of the shares resulting from settlement of the Programme (50% in the case of executive directors and other members of the Management Committee) was deferred to vest in thirds in 2013, 2014 and 2015.
- The shares paid will not be available during a period of one year as of their vesting date. This withholding is applicable to the net amount of the shares, after discounting the part needed to pay taxes on the shares received.
- The vesting of the deferred shares will be subject to the application of the circumstances limiting or impeding payment of the variable remuneration (malus clauses) established by the Board of Directors; and
- The deferred shares will be adjusted to reflect their updated value.

Thus, under the conditions established in the Programme, in the first quarter of 2013 the Identified staff vested a total of 351,905 shares, equivalent to the first third of the deferred part of the shares resulting from settlement of the Programme, plus €146,744 as an adjustment for the updated value of the shares vested.

The payment of the remaining two thirds of the deferred shares resulting from the settlement of the Programme was deferred until the first quarter of 2014 and 2015.

The settlement and payment of the shares arising from this Programme for the executive directors and members of the Management Committee was carried out according to the scheme defined for such purpose, as described in Note 50.

## 40.2 General and administrative expenses

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

| Millions of Euros  |              |              |
|--|--------------|--------------|
| General and Administrative Expenses.<br>Breakdown by main concepts | 2013         | 2012         |
| Technology and systems   | 386          | 340          |
| Communications   | 69           | 63           |
| Advertising  | 164          | 151          |
| Property, fixtures and materials                                   | 434          | 389          |
| Of which: Rent expenses (*)  | 308          | 293          |
| Taxes  | 30           | 58           |
| Other administration expenses                                      | 442          | 403          |
| <b>Total</b>   | <b>1,525</b> | <b>1,404</b> |

(\*) The Bank does not expect to terminate the lease contracts early.

## 41. Depreciation and amortization

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

| Millions of Euros             |       |            |            |
|-------------------------------|-------|------------|------------|
| Depreciation and Amortization | Notes | 2013       | 2012       |
| Tangible assets               | 16    | 201        | 190        |
| For own use                   |       | 191        | 183        |
| Investment properties         |       | 10         | 7          |
| Operating lease               |       | -          | -          |
| Other Intangible assets       | 17    | 301        | 190        |
| <b>Total</b>                  |       | <b>502</b> | <b>380</b> |

## 42. Provisions (net)

In 2013 and 2012, the net allowances charged to the income statement under the headings "Provisions for pensions and similar obligations", "Provisions for contingent risks and commitments" "Provisions for taxes and other legal contingencies" and "Other provisions" in the accompanying income statements are as follows:

| Millions of Euros                               |       |            |            |
|---|-------|------------|------------|
| Provisions (Net)                                | Notes | 2013       | 2012       |
| Provisions for pensions and similar obligations |       | 349        | 359        |
| Provisions for contingent Risks and Commitments | 21    | 37         | 17         |
| Other Provisions                                | 21    | 344        | 593        |
| <b>Total</b>                                    |       | <b>730</b> | <b>969</b> |

### 43. Impairment losses on financial assets (net)

The impairment losses on financial assets broken down by the nature of these assets in the accompanying income statements are as follows:

| Millions of Euros                                  |              |              |
|--|--------------|--------------|
| <b>Impairment Losses on Financial Assets (Net)</b> | <b>2013</b>  | <b>2012</b>  |
| <b>Breakdown by main concepts</b>                  |              |              |
| Available-for-sale financial assets                | 30           | 15           |
| Debt securities                                    | 9            | (8)          |
| Other equity instruments                           | 21           | 23           |
| Held-to-maturity investments                       | -            | -            |
| Loans and receivables                              | 3,224        | 5,653        |
| Of which: Recovery of written-off assets           | 216          | 172          |
| <b>Total</b>                                       | <b>3,254</b> | <b>5,668</b> |

### 44. Impairment losses on other assets (net)

The impairment losses on non-financial assets broken down by the nature of these assets in the accompanying income statements is as follows:

| Millions of Euros                              |              |              |
|--|--------------|--------------|
| <b>Impairment Losses on Other Assets (Net)</b> | <b>2013</b>  | <b>2012</b>  |
| Tangible assets                                | 40           | 7            |
| For own use                                    | 40           | 1            |
| Investment properties                          | -            | 6            |
| Rest   | (185)        | (550)        |
| <b>Total</b>                                   | <b>(145)</b> | <b>(543)</b> |

### 45. Gains (losses) on derecognized assets not classified as non-current assets held for sale

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

| Millions of Euros   |              |             |
|---|--------------|-------------|
| <b>Gains and Losses on Derecognized Assets Not Classified as Non-current Assets Held for Sale</b> | <b>2013</b>  | <b>2012</b> |
| <b>Gains</b>  |              |             |
| Disposal of investments in entities   | 177          | 18          |
| Disposal of intangible assets and other   | -            | -           |
| <b>Losses:</b>  |              |             |
| Disposal of investments in entities   | (304)        | (4)         |
| Disposal of intangible assets and other   | -            | -           |
| <b>Total</b>  | <b>(127)</b> | <b>14</b>   |

The heading "Disposal of investments in entities" includes the loss attributable to BBVA for the sale of its 5.1% stake in China Citic Bank Corporation Limited (CNCB).

## 46. Gains (losses) on non-current assets held for sale

### 46.1 Gains (losses) on non-current assets held for sale not classified as discontinued transactions

The main items included in the balance under this heading in the accompanying income statements are as follows:

| Gains and Losses in Non-current Assets Held for Sale | Millions of Euros |              |
|--|-------------------|--------------|
|  | 2013              | 2012         |
| Gains for real estate (Note 14)                      | (51)              | (70)         |
| Of which:  |                   |              |
| Foreclosed   | (73)              | (98)         |
| Sale of buildings for own use                        | 22                | 28           |
| Impairment of non-current assets held for sale       | (519)             | (456)        |
| Gains on sale of available-for-sale financial assets | -                 | -            |
| Other gains and losses                               | 200               | 38           |
| <b>Total</b>   | <b>(370)</b>      | <b>(488)</b> |

### 46.2 Gains (losses) on non-current assets held for sale classified as discontinued operations

The earnings generated by discontinued operations amount to €1,061 million and €43 million as of December 31, 2013 and 2012, respectively, and correspond to the gain on disposal of the Pension Fund Administrators (AFP) in Latin America and the dividends from these companies, (see Note 15).

## 47. Statements of cash flows

Cash flows from operating activities increased in 2013 by €3,912 million (€1,464 million in 2012). The most significant causes of the increase are linked to "Available-for-sale financial assets" and "Financial instruments held for trading".

The most significant variations in cash flows from investment activities in 2013 corresponded to "Non-current assets held for sale" and "Investments".

Cash flows from financing activities increased in 2013 by €168 million (€3,774 million down in 2012), corresponding to the most significant changes in the acquisition and disposal of own equity instruments.

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The table below shows the breakdown of the main cash flows related to investing activities as of December 31, 2013 and 2012:

| Main Cash Flows in Investing Activities<br>2013             | Millions of Euros                   |                 |
|---|-------------------------------------|-----------------|
|   | Cash Flows in Investment Activities |                 |
|   | Investments (-)                     | Divestments (+) |
| Tangible assets   | 517                                 | 28              |
| Intangible assets   | 498                                 | -               |
| Investments   | 4,895                               | 1,359           |
| Subsidiaries and other business units                       | -                                   | -               |
| Non-current assets and liabilities associated held for sale | 1,047                               | 2,030           |
| Held-to-maturity investments                                | -                                   | 439             |
| Other settlements related with investment activities        | -                                   | -               |

| Main Cash Flows in Investing Activities<br>2012             | Millions of Euros                   |                 |
|---|-------------------------------------|-----------------|
|   | Cash Flows in Investment Activities |                 |
|   | Investments (-)                     | Divestments (+) |
| Tangible assets   | 167                                 | 12              |
| Intangible assets   | 353                                 | -               |
| Investments   | 77                                  | 67              |
| Subsidiaries and other business units                       | -                                   | -               |
| Non-current assets and liabilities associated held for sale | 1,154                               | 640             |
| Held-to-maturity investments                                | 60                                  | 853             |
| Other settlements related with investment activities        | -                                   | -               |

The heading "Non-current assets held for sale and associated liabilities" in the above tables includes transactions of a non-cash nature related to the foreclosed assets received as payment for past-due loans.

## 48. Accountant fees and services

The breakdown of the fees for the services provided to the Bank by its auditors in 2013 is as follows:

| Fees for Audits Conducted  | Millions of Euros |
|--|-------------------|
|  | 2013              |
| Audits of the companies audited by firms belonging to the Deloitte worldwide organization and other reports related with the audit (*)   | 8.7               |
| Other reports required pursuant to applicable legislation and tax regulations issued by the national supervisory bodies of the countries in which the Group operates, reviewed by firms belonging to the Deloitte worldwide organization | 0.6               |
| Fees for audits conducted by other firms   | -                 |

(\*) Including fees belonging to annual statutory audits (€6 million)

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In addition, in 2013, the Bank contracted services (other than audits) as follows:

| Accountant Fees. Other Services Contracted                | Millions of Euros |
|---|-------------------|
|   | 2013              |
| Firms belonging to the Deloitte worldwide organization(*) | 1.9               |
| Other firms   | 26.0              |

(\*) Includes €0.2 million relating to fees for tax services

The services provided by our auditors meet the independence requirements established under Act 44/2002, of 22 November 2002, on Measures Reforming the Financial System and under the Sarbanes-Oxley Act of 2002 adopted by the Securities and Exchange Commission (SEC); accordingly they do not include the performance of any work that is incompatible with the auditing function.

## 49. Related-party transactions

As a financial institution, BBVA engages in transactions with related parties in the normal course of business. All of these transactions are of little relevance and are carried out under normal market conditions.

### 49.1 Transactions with significant shareholders

As of December 31, 2013 there were no shareholders considered significant (see Note 23).

### 49.2 Transactions with BBVA Group entities

The balances of the main aggregates in the accompanying balance sheets arising from the transactions carried out by the Group companies, which consist of ordinary business and financial transactions carried out under normal market conditions, are as follows:

| Balances arising from transactions with Entities of the Group | Millions of Euros |        |
|---|-------------------|--------|
|   | 2013              | 2012   |
| <b>Assets:</b>  |                   |        |
| Loans and advances to credit institutions                     | 2,690             | 4,179  |
| Loans and advances to customers                               | 9,551             | 10,569 |
| Financial assets- Available for sale                          | 554               | 721    |
| <b>Liabilities:</b>   |                   |        |
| Deposits from credit institutions                             | 5,639             | 19,932 |
| Customers deposits  | 17,251            | 20,352 |
| Debt certificates   | -                 | -      |
| <b>Memorandum accounts:</b>                                   |                   |        |
| Contingent Risks  | 22,598            | 36,025 |
| Contingent Commitments  | 4,958             | 1,194  |

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The balances of the main aggregates in the accompanying income statements arising from the transactions carried out by the Bank with Group companies, which consist of ordinary business and financial transactions carried out under normal market conditions, are as follows:

| <b>Balances of Income Statement arising from transactions with Entities of the Group</b> | <b>Millions of Euros</b> |             |
|--|--------------------------|-------------|
|  | <b>2013</b>              | <b>2012</b> |
| <b>Income statement:</b>   |                          |             |
| Financial Incomes  | 1,167                    | 1,049       |
| Financial Costs  | 1,489                    | 1,611       |

There are no other material effects in the financial statements arising from dealings with these companies, other than the effects arising from using the equity method and from the insurance policies to cover pension or similar commitments, which are described in Note 22.

In addition, as part of its normal activity, the Bank has entered into agreements and commitments of various types with shareholders of subsidiaries and associates, which have no material effects on the financial statements.

### 49.3 Transactions with members of the Board of Directors and the Management Committee

The information on the remuneration of the members of the Board of Directors of BBVA and of the Management Committee is included in Note 50.

As of December 31, 2013 the amount disposed of the loans granted by the Group's credit institutions to the members of the Bank's Board of Directors amounted to €141 thousand. As of December 31, 2012 there were no loans granted by the Group's credit institutions to the members of the Bank's Board of Directors. As of December 31, 2013 and 2012 the amount disposed of the loans granted by the Group's entities to the members of the Management Committee (excluding the executive directors) amounted to €6,076 and €7,401 thousand, respectively.

As of December 31, 2013 and 2012, the amount disposed of the loans granted to parties related to the members of the Bank's Board of Directors amounted to €6,939 and €13,152 thousand, respectively. As of these dates, there were no loans granted to parties linked to members of the Bank's Management Committee.

As of December 31, 2013 and 2012, no guarantees had been granted to any member of the Bank's Board of Directors or Management Committee. Management Committee.

As of December 31, 2013 and 2012, the amount disposed for guarantee and commercial loan transactions arranged with parties related to the members of the Bank's Board of Directors and Management Committee totaled €5,192 and €3,327 thousand, respectively.

### 49.4 Transactions with other related parties

In 2013 and 2012, the Bank did not perform any transactions with other related parties that did not belong to the normal course of its business, that were not under normal market conditions or that were relevant for the equity, financial situation or earnings of the Bank.

## 50. Remuneration and other benefits of the Board of Directors and Members of the Bank's Management Committee

### • Remuneration of non-executive directors received in 2013

The cash remuneration paid to the non-executive members of the Board of Directors during 2013 is indicated below. The figures are given individually for each non-executive director and itemised:

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| Thousands of Euros                  |                    |                     |                              |                 |                        |                        |              |
|-------------------------------------|--------------------|---------------------|------------------------------|-----------------|------------------------|------------------------|--------------|
| Non-Executive Director remuneration | Board of Directors | Executive Committee | Audit & Compliance Committee | Risks Committee | Appointments Committee | Remuneration Committee | Total        |
| Tomás Alfaro Drake                  | 129                | -                   | 71                           | -               | 102                    | -                      | 302          |
| Juan Carlos Álvarez Mezquíriz       | 129                | 167                 | -                            | -               | 41                     | -                      | 336          |
| Ramón Bustamante y de la Mora       | 129                | -                   | 71                           | 107             | -                      | -                      | 307          |
| José Antonio Fernández Rivero (1)   | 129                | -                   | -                            | 214             | 41                     | -                      | 383          |
| Ignacio Ferrero Jordi               | 129                | 167                 | -                            | -               | -                      | 43                     | 338          |
| Belén Garijo López                  | 129                | -                   | 71                           | -               | -                      | -                      | 200          |
| Carlos Loring Martínez de Irujo     | 129                | -                   | 71                           | -               | -                      | 107                    | 307          |
| José Maldonado Ramos                | 129                | 167                 | -                            | -               | 41                     | 43                     | 379          |
| José Luis Palao García-Suelto       | 129                | -                   | 179                          | 107             | -                      | -                      | 414          |
| Juan Pi Llorens                     | 129                | -                   | -                            | 107             | -                      | 43                     | 278          |
| Susana Rodríguez Vidarte (2)        | 129                | 42                  | 54                           | -               | 41                     | 43                     | 308          |
| <b>Total (3)</b>                    | <b>1,416</b>       | <b>542</b>          | <b>518</b>                   | <b>534</b>      | <b>265</b>             | <b>278</b>             | <b>3,553</b> |

- (1) José Antonio Fernández Rivero, in addition to the amounts listed in the previous chart, also received a total of €652 thousand in early retirement payments as a former member of the BBVA management.
- (2) Susana Rodríguez Vidarte was appointed member of the Executive Committee on 25th September 2013, ceasing as a member of the Audit & Compliance Committee on that same date.
- (3) Enrique Medina Fernández, who ceased as director on 29th May 2013, received the total amount of €167 thousand as remuneration for his membership of the Board of Directors, the Executive Committee and the Risks Committee.

Moreover, in 2013, €132 thousand were paid in insurance premiums for non-executive members of the Board of Directors.

#### • Remuneration of executive directors received in 2013

The remuneration paid to the executive directors during 2013 is indicated below. The figures are given individually for each executive director and itemised:

| Thousands of Euros                               |                    |   |  |              |  |   |                |
|--|--------------------|---|--|--------------|--|---|----------------|
| Executive Director remuneration                  | Fixed Remuneration | 2012 Annual Variable Remuneration in cash (1) | Deferred Variable Remuneration in cash (2) | Total Cash   | 2012 Annual Variable Remuneration in BBVA Shares | Deferred Variable Remuneration in BBVA Shares (3) | Total Shares   |
| Chairman and CEO                                 | 1,966              | 785   | 379  | 3,130        | 108,489  | 86,826  | 195,315        |
| President and COO                                | 1,748              | 478   | 244  | 2,470        | 66,098   | 62,963  | 129,061        |
| José Manuel González-Páramo Martínez-Murillo (*) | 469                | -   | -  | 469          | -  | -   | -              |
| <b>Total</b>                                     | <b>4,183</b>       | <b>1,263</b>                                  | <b>623</b>                                 | <b>6,069</b> | <b>174,587</b>                                   | <b>149,789</b>                                    | <b>324,376</b> |

(\*) José Manuel González-Páramo Martínez-Murillo was appointed BBVA director under a Board of Directors resolution, 29th May 2013.

- (1) Amounts corresponding to 50% of the 2012 Annual Variable Remuneration in cash, received in 2013.
- (2) Equivalent to the sum of the first deferred third of 50% of the 2011 Annual Variable Remuneration in cash, received in 2013; and the amount of the value adjustments in cash for the first deferred third of 50% of the 2011 Annual Variable Remuneration, and the first deferred third of 50% of the shares of the LTI 2010-2011, received in 2013.
- (3) Equivalent to the sum of the first deferred third of 50% of the 2011 Annual Variable Remuneration, in shares, received in 2013 and of the first deferred third of 50% of the shares of the LTI 2010-2011, received in 2013.

The Annual Variable Remuneration of the executive directors comprises an ordinary variable remuneration in cash and a variable remuneration in shares based on the BBVA Group Management Team Incentive.

Moreover, during 2013 executive directors have received remuneration in kind and other remuneration amounting to a total joint sum of €37 thousand, of which €13 thousand correspond to the Chairman & CEO, €23 thousand to the President & COO and €1 thousand to José Manuel González-Páramo Martínez-Murillo.

During 2013, the executive directors have received the amount of the fixed remuneration corresponding to the year and, in the case of the Chairman & CEO and the President & COO, the variable remuneration for 2012 to which they are entitled under the settlement and payment system resolved by the General Meeting (the "Settlement & Payment System"), which determines that:

- At least 50% of the total Annual Variable Remuneration shall be paid in BBVA shares.
- The payment of 50% of the Annual Variable Remuneration shall be deferred in time, the deferred amount being paid in thirds over the three-year period following its settlement.
- All the shares vesting to these beneficiaries pursuant to the rules explained in the previous paragraph may not be availed during a period of one year after they have vested. This withholding will be applied against



the net amount of the shares, after discounting the necessary part to pay the tax accruing on the shares received.

- Moreover, cases have been established in which the payment of the deferred Annual Variable Remuneration payable may be limited or impeded (*malus* clauses), and
- The deferred parts of the Annual Variable Remuneration will be adjusted to update them in the terms established by the Board of Directors.

Thus, during 2013 the Chairman & CEO and the President & COO have received the following variable remuneration:

#### – Annual Variable Remuneration for year 2012

During 2013 the Chairman & CEO and the President & COO have received 50% of the Annual Variable Remuneration (in cash and in shares) corresponding to 2012, as indicated in the chart above.

The other 50% of the Annual Variable Remuneration for 2012 that has been deferred under the Settlement & Payment System will be paid, subject to the conditions described above, in thirds during the first quarter of 2014, 2015 and 2016, such that under this item the Chairman & CEO will receive €261,676 and 36,163 BBVA shares and the President & COO will receive €159,428 and 22,032 BBVA shares

#### – Deferred parts of the Variable Remuneration from previous years:

During 2013 the Chairman & CEO and the President & COO, in application of the Settlement & Payment System, have received the following variable remuneration:

#### – Annual Variable Remuneration for year 2011

During 2013 the Chairman & CEO and the President & COO, in application of the Settlement & Payment System, have received the first third of the 50% of their Annual Variable Remuneration, both in cash and in shares, corresponding to 2011, which was deferred to be paid during the first quarter of 2013. Under this item, after the corresponding adjustment, the Chairman & CEO received €364,519 and 51,826 shares and the President & COO received €231,847 and 32,963 shares.

The other two thirds of the 50% of the Annual Variable Remuneration corresponding to 2011 will be paid, respectively, during the first quarter of 2014 and 2015, subject to the conditions mentioned above.

#### – Multi-Year Variable Share Remuneration Programme for 2010-2011 ("LTI 2010-2011")

Likewise, in application of the Settlement & Payment System for the LTI 2010-2011 approved by the General Meeting, 12th March 2010, during 2013 the Chairman & CEO and the President & COO have received under this item the first third of the 50% of the shares resulting from the settlement of the LTI 2010-2011 that were deferred, for which the Chairman & CEO received 35,000 shares and the President & COO 30,000 shares; and the cash amount resulting from the adjustment for the updated value of these deferred shares, for which the Chairman & CEO received €14,595 and the President & COO €12,510. The payments, under the aforementioned conditions, of the remaining two thirds resulting from the settlement of the Programme are deferred until the first quarter of 2014 and 2015.

### • Annual Variable Remuneration of executive directors for year 2013

Following year-end 2013, the Annual Variable Remuneration for the executive directors corresponding to that year has been determined, applying the conditions established for that purpose by the General Meeting. Consequently, during the first quarter of 2014 the executive directors will receive 50% of this remuneration, ie, €797,139 and 88,670 BBVA shares for the Chairman & CEO; €495,037 and 55,066 BBVA shares for the President & COO; and €47,683 and 5,304 BBVA shares for José Manuel González-Páramo Martínez-Murillo (\*). The remaining 50% of the Annual Variable Remuneration will be deferred over a three-year period, such that during the first quarter of each year (2015, 2016 and 2017) the Chairman & CEO will receive the amount of €265,713 and 29,557 BBVA shares; the President & COO will receive €165,012 and 18,356 BBVA shares; and José Manuel González-Páramo Martínez-Murillo will receive €15,894 and 1,768 BBVA shares.

(\*) José Manuel González-Páramo Martínez-Murillo was appointed as a BBVA director under a Board of Directors resolution, 29th May 2013. His Annual Variable Remuneration for 2013 is proportional to the number of months during which he has held this position.

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The payment of the deferred parts of the 2013 Annual Variable Remuneration will be subject to the conditions of the Settlement & Payment System established pursuant to the resolutions adopted by the General Meeting.

These amounts are recorded under the item "Other Liabilities - Accrued interest" of the consolidated balance sheet at 31st December 2013.

- **Remuneration of the members of the Management Committee received in 2013**

During 2013, the remuneration paid to the members of the BBVA Management Committee as a whole, excluding the executive directors, amounted to €9,122 thousand corresponding to fixed remuneration plus the variable remuneration indicated below, pursuant to the Settlement & Payment System described above:

- **Annual Variable Remuneration for year 2012**

During 2013, members of the BBVA Management Committee as a whole, excluding the executive directors, received a total amount of €2,597 thousand and 344,460 BBVA shares corresponding to them under the Settlement & Payment System, corresponding to the Annual Variable Remuneration for 2012.

The deferred part of the Annual Variable Remuneration for 2012 will be paid, subject to the conditions described above, in thirds during the first quarter of 2014, 2015 and 2016, such that under this item, this group as a whole will receive the amount of €814 thousand (\*) and 112,437 BBVA shares each year.

(\*) According to the average exchange rate in force at 31st December 2013.

- **Deferred parts of the Variable Remuneration from previous years**

- **Annual Variable Remuneration for 2011**

During 2013, payment was made of the deferred part of the Annual Variable Remuneration corresponding to 2011 to the members of the Management Committee. As a consequence, under this item in 2013, the members of the Management Committee as a whole, after its corresponding adjustment, received the amount of €1,046 thousand and 149,850 BBVA shares.

The remaining Annual Variable Remuneration corresponding to 2011 for this group has been deferred and will be payable in thirds during the first quarter of 2014 and 2015, under the conditions described above.

- **Multi-Year Variable Share Remuneration Programme for 2010-2011 ("LTI 2010-2011").**

Moreover, in application of the Settlement & Payment System, in 2013 the members of the Management Committee as a whole have received the shares resulting from the settlement of the LTI 2010-2011 that were deferred for payment during said year. These amounted to a total of 98,665 shares for the Management Committee as a whole. A further €41 thousand was paid corresponding to the adjustment of these deferred vested shares.

The payment of the remaining two thirds of the deferred shares resulting from the settlement of the Programme corresponding to the members of the Management Committee as a whole has been deferred and will vest in the first quarters of 2014 and 2015, under the conditions described above.

Finally, in 2013 members of the BBVA Management Committee as a whole, excluding executive directors, received remuneration in kind amounting to a total of €799 thousand.

- **System of Remuneration in Shares with Deferred Delivery for non-executive directors**

BBVA has a remuneration system in shares with deferred delivery for its non-executive directors, which was approved by the General Meeting, 18th March 2006 and extended for an additional 5-year period under a resolution of the General Meeting, 11th March 2011.

This System is based on the annual allocation to non-executive directors of a number of "theoretical shares", equivalent to 20% of the total remuneration in cash received by each of them in the previous year, according to the average closing prices of the BBVA share during the sixty trading sessions prior to the Annual General Meeting approving the corresponding financial statements for each year.

These shares, where applicable, will be delivered to each beneficiary on the date they leave the position as director for any reason other than dereliction of duty.

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The number of "theoretical shares" allocated to the non-executive directors in 2013 who are beneficiaries of the system of deferred delivery of shares, corresponding to 20% of the total remuneration in cash received by said directors during 2012, are as follows:

|                                 | Theoretical shares allocated in 2013 | Theoretical shares accumulated at December 31, 2013 |
|---------------------------------|--------------------------------------|---|
| Tomás Alfaro Drake              | 8,107                                | 36,466  |
| Juan Carlos Álvarez Mezquíriz   | 9,028                                | 66,562  |
| Ramón Bustamante y de la Mora   | 8,245                                | 62,705  |
| José Antonio Fernández Rivero   | 10,292                               | 60,516  |
| Ignacio Ferrero Jordi           | 9,085                                | 67,202  |
| Belén Garijo López              | 3,520                                | 3,520   |
| Carlos Loring Martínez de Irujo | 8,251                                | 50,496  |
| José Maldonado Ramos            | 10,178                               | 27,866  |
| Jose Luis Palao García-Suelto   | 11,122                               | 20,477  |
| Juan Pi Llorens                 | 7,479                                | 10,191  |
| Susana Rodríguez Vidarte        | 7,618                                | 47,102  |
| <b>Total (1)</b>                | <b>92,925</b>                        | <b>453,103</b>                                      |

(1) Enrique Medina Fernández, who ceased as director on 29th May 2013, was also allocated 10,806 theoretical shares.

#### • Pension commitments

The provisions recorded at 31st December 2013 to cover pension commitments for executive directors amount to €23,611 thousand in the case of the President & COO and €98 thousand in the case of José Manuel González-Páramo Martínez-Murillo. €1,070 thousand and €131 thousand were set aside in 2013 for the President & COO and for José Manuel González-Páramo Martínez-Murillo, respectively, to cover the contingencies of retirement, disability and death.

There are no other pension obligations in favour of other executive directors.

The provisions charged to 31st December 2013 for pension commitments for the members of the Management Committee, excluding executive directors, amounted to €91,129 thousand, of which, €8,697 thousand were provisioned during 2013.

#### • Extinction of contractual relationship

The Bank does not have any commitments to pay severance indemnity to executive directors other than the commitment in respect of José Manuel González-Páramo Martínez-Murillo who is contractually entitled to receive an indemnity equivalent to twice his fixed remuneration should he cease to hold his position on grounds other than his own will, death, retirement, disability or dereliction of duty.

The contractual conditions of the President & COO determine that should he cease to hold his position for any reason other than his own will, retirement, disability or dereliction of duty, he will be given early retirement with a pension payable, as he chooses, through a lifelong annuity pension, or by payment of a lump sum that will be 75% of his pensionable salary should this occur before he is 55, and 85% should it occur after he has reached said age.

## 51. Detail of the Directors' holdings in companies with similar business activities

Pursuant to article 229.2 of the Corporations Act, as of December 31, 2013 no member of the Board of Directors of BBVA had a direct or indirect ownership interest in companies engaging in an activity that is identical, similar or complementary to the corporate purpose of BBVA, except for Ms. Belén Garijo López, who on that date held a direct holding of 3,350 shares in Bankia, S.A.; Mr. José Luis Palao García-Suelto, who on that date held a direct holding of 4,982 shares in Banco Santander, S.A. and 5,877 shares in Caixabank, S.A. and Mr. Ingnaico Ferrero Jordi,

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who on that date held a direct holding of 6,750 shares in UBS, AG. In addition, no member of the Bank's Board of Directors holds positions or functions in those companies.

Furthermore, as of December 31, 2013, individuals associated with the members of the Bank's Board of Directors were holders of 59,966 shares of Banco Santander, S.A., 4,500 shares of Bank of America Corporation, 2,000 shares of Banco Popular S.A., and 3 shares of Bankinter, S.A.

## 52. Other information

### 52.1 Environmental impact

Given the activities in which it engages, the Bank has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial situation and profits. Consequently, as of December 31, 2013, there is no item in the accompanying financial statements that requires disclosure in an environmental information report pursuant to Ministry of Economy Order JUS/206/2009, dated January 28, implementing new forms for the presentation of financial statements by entities obliged to publish such information, and no specific disclosure of information on environmental matters is included in these statements.

### 52.2 Breakdown of agents of credit institutions

Appendix XIII contains a list of the Bank's agents as required by article 22 of Royal Decree 1245/1995, dated July 14, of the Ministry of Economy and Finance.

### 52.3 Report on the activity of the Customer Care Service and the Customer Ombudsman

The report on the activity of the Customer Care Service and the Customer Ombudsman, required pursuant to Article 17 of Ministry of Economy Order ECO/734/2004 dated March 11, is included in the Management Report accompanying these financial statements.

### 52.4 Mortgage market policies and procedures

The disclosure required by Bank of Spain Circular 5/2011 under the provisions of Spanish Royal Decree 716/2009, of April 24, (implementing certain aspects of Act 2/1981, of March 25, on the regulation of the mortgage market and other mortgage and financial market regulations) is detailed in Appendix X.

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

### Dividends paid in the year

The table below presents the dividends per share paid in cash in 2013 and 2012 (cash basis accounting, regardless of the year in which they are accrued), but not including other shareholder remuneration such as the "Dividend Option". For a complete analysis of all remuneration awarded to shareholders in 2013 ( see Note 3).

| Dividends Paid<br>("Dividend Option" not included) | 2013           |                 |                            | 2012           |                 |                            |
|--|----------------|-----------------|----------------------------|----------------|-----------------|----------------------------|
|  | % Over Nominal | Euros per Share | Amount (Millions of Euros) | % Over Nominal | Euros per Share | Amount (Millions of Euros) |
| Ordinary shares                                    | 41%            | 0.20            | 1,117                      | 41%            | 0.20            | 1,029                      |
| Rest of shares                                     | -              | -               | -                          | -              | -               | -                          |
| <b>Total dividends paid in cash (*)</b>            | <b>41%</b>     | <b>0.20</b>     | <b>1,117</b>               | <b>41%</b>     | <b>0.20</b>     | <b>1,029</b>               |
| Dividends with charge to income                    | 41%            | 0.20            | 1,117                      | 41%            | 0.20            | 1,029                      |
| Dividends with charge to reserve or share premium  | -              | -               | -                          | -              | -               | -                          |
| Dividends in kind                                  | -              | -               | -                          | -              | -               | -                          |

(\*) Only included dividends paid in cash each year (cash-flows criteria), regardless of the year they were accrued in.

### Issuances by market type

Changes in debt certificates (including bonds) and subordinated liabilities (see Notes 20.3 and 20.4) in 2013 and 2012 by the type of market in which they were issued are as follows:

| 2013<br>Debt Certificates and Subordinated Liabilities | Millions of Euros        |              |                          |                                    |                    |
|--|--------------------------|--------------|--------------------------|------------------------------------|--------------------|
|  | Balance at the Beginning | Issuances    | Repurchase or Redemption | Exchange Differences and Other (*) | Balance at the End |
| Debt certificates issued in the European Union         | 44,680                   | 4,908        | (23,091)                 | 9,868                              | 36,365             |
| With information brochure                              | 44,680                   | 4,908        | (23,091)                 | 9,868                              | 36,365             |
| Without information brochure                           | -                        | -            | -                        | -                                  | -                  |
| Subordinated deposits                                  | 2,514                    | -            | -                        | 14                                 | 2,528              |
| <b>Total</b>   | <b>47,194</b>            | <b>4,908</b> | <b>(23,091)</b>          | <b>9,882</b>                       | <b>38,893</b>      |

(\*) Included Unnim.

| 2012<br>Debt Certificates and Subordinated Liabilities | Millions of Euros        |               |                          |                                |                    |
|--|--------------------------|---------------|--------------------------|--------------------------------|--------------------|
|  | Balance at the Beginning | Issuances     | Repurchase or Redemption | Exchange Differences and Other | Balance at the End |
| Debt certificates issued in the European Union         | 51,948                   | 22,220        | (24,319)                 | (5,169)                        | 44,680             |
| With information brochure                              | 51,948                   | 22,220        | (24,319)                 | (5,169)                        | 44,680             |
| Without information brochure                           | -                        | -             | -                        | -                              | -                  |
| Subordinated deposits                                  | 4,506                    | -             | (2,346)                  | 354                            | 2,514              |
| <b>Total</b>   | <b>56,454</b>            | <b>22,220</b> | <b>(26,665)</b>          | <b>(4,815)</b>                 | <b>47,194</b>      |

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## Interest and income by geographical area

The breakdown of the balance under the heading "Interest and Similar Income" in the accompanying income statements by geographical area is as follows:

| Interest and Similar Income.<br>Breakdown by Geographical Area | Millions of Euros |              |
|--|-------------------|--------------|
|  | 2013              | 2012         |
| Domestic market  | 7,545             | 8,583        |
| Foreign market   | 332               | 516          |
| European Union   | 224               | 302          |
| Rest of OECD   | 34                | 58           |
| Rest of countries  | 74                | 156          |
| <b>Total</b>   | <b>7,877</b>      | <b>9,099</b> |

## Average number of employees by gender

The breakdown of the average number of employees in the Bank in 2013 and 2012, by gender, is as follows:

| Average number of employees | 2013          |               | 2012          |               |
|-----------------------------|---------------|---------------|---------------|---------------|
|                             | Male          | Female        | Male          | Female        |
| Executives                  | 916           | 209           | 929           | 200           |
| Other line personnel        | 11,915        | 9,855         | 11,801        | 9,334         |
| Clerical staff              | 2,187         | 1,971         | 2,142         | 1,685         |
| General Services            | 12            | 2             | 17            | 3             |
| Branches abroad             | 492           | 302           | 551           | 335           |
| <b>Total</b>                | <b>15,522</b> | <b>12,339</b> | <b>15,440</b> | <b>11,557</b> |

## 53. Subsequent events

After the year ended December 31, 2013, it is expected that on January 30, 2014, under the powers delegated by the Company's AGM held on March 16, 2012, the same Board of Directors meeting on January 31, 2013 also submit for approval under point five of the agenda, an agreement for the issue of debentures convertible into ordinary BBVA shares, excluding the preemptive subscription right.

Because of the agreement was approved, and for the purposes set out in articles 414, 417 and 511 of the Spanish Corporations Act, the mandatory Directors report explaining the conversion conditions and types will be issued, justifying the proposal for the abolition of the pre-emptive subscription right, to be accompanied, as appropriate, by another report drafted by an auditor other than the company's auditor, appointed for this purpose by the Companies Register.

From January 1, 2014 to the date of preparation of these financial statements, no other subsequent events not mentioned above in these financial statements have taken place that significantly affect the BBVA earnings or its equity position.

## 54. Explanation added for translation to English.

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Bank that conform with accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.



# Appendices

## APPENDIX I. BBVA Group Consolidated Financial Statements

### BBVA Group

#### Consolidated balance sheets as of December 31, 2013, 2012 and 2011

| Millions of Euros   |                |                |                |
|---|----------------|----------------|----------------|
| ASSETS  | 2013           | 2012           | 2011           |
| <b>CASH AND BALANCES WITH CENTRAL BANKS</b>   | <b>34,903</b>  | <b>35,494</b>  | <b>29,841</b>  |
| <b>FINANCIAL ASSETS HELD FOR TRADING</b>  | <b>72,112</b>  | <b>79,829</b>  | <b>70,471</b>  |
| Loans and advances to credit institutions   | -              | -              | -              |
| Loans and advances to customers   | 106            | 244            | -              |
| Debt securities   | 29,602         | 28,020         | 20,946         |
| Equity instruments  | 4,766          | 2,915          | 2,192          |
| Trading derivatives   | 37,638         | 48,650         | 47,333         |
| <b>OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>           | <b>2,413</b>   | <b>2,530</b>   | <b>2,773</b>   |
| Loans and advances to credit institutions   | -              | -              | -              |
| Loans and advances to customers   | -              | -              | -              |
| Debt securities   | 663            | 753            | 708            |
| Equity instruments  | 1,750          | 1,777          | 2,065          |
| <b>AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>  | <b>77,774</b>  | <b>67,500</b>  | <b>54,641</b>  |
| Debt securities   | 71,806         | 63,548         | 49,416         |
| Equity instruments  | 5,968          | 3,952          | 5,225          |
| <b>LOANS AND RECEIVABLES</b>  | <b>350,945</b> | <b>371,347</b> | <b>369,916</b> |
| Loans and advances to credit institutions   | 22,862         | 25,448         | 24,503         |
| Loans and advances to customers   | 323,607        | 342,163        | 342,543        |
| Debt securities   | 4,476          | 3,736          | 2,870          |
| <b>HELD-TO-MATURITY INVESTMENTS</b>   | <b>-</b>       | <b>10,162</b>  | <b>10,955</b>  |
| <b>FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK</b> | <b>98</b>      | <b>226</b>     | <b>146</b>     |
| <b>HEDGING DERIVATIVES</b>  | <b>2,530</b>   | <b>4,894</b>   | <b>4,538</b>   |
| <b>NON-CURRENT ASSETS HELD FOR SALE</b>   | <b>2,880</b>   | <b>4,229</b>   | <b>2,075</b>   |
| <b>INVESTMENTS IN ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD</b>                    | <b>4,742</b>   | <b>10,782</b>  | <b>9,299</b>   |
| Associates  | 1,272          | 6,469          | 5,567          |
| Jointly ventures  | 3,470          | 4,313          | 3,732          |
| <b>INSURANCE CONTRACTS LINKED TO PENSIONS</b>   | <b>-</b>       | <b>7</b>       | <b>-</b>       |
| <b>REINSURANCE ASSETS</b>   | <b>619</b>     | <b>50</b>      | <b>26</b>      |
| <b>TANGIBLE ASSETS</b>  | <b>7,534</b>   | <b>7,572</b>   | <b>7,126</b>   |
| Property, plants and equipment  | 5,841          | 5,702          | 5,536          |
| For own use   | 5,373          | 5,177          | 4,701          |
| Other assets leased out under an operating lease  | 468            | 525            | 835            |
| Investment properties   | 1,693          | 1,870          | 1,590          |
| <b>INTANGIBLE ASSETS</b>  | <b>6,759</b>   | <b>7,132</b>   | <b>6,880</b>   |
| Goodwill  | 5,069          | 5,430          | 5,536          |
| Other intangible assets   | 1,690          | 1,702          | 1,344          |
| <b>TAX ASSETS</b>   | <b>11,582</b>  | <b>11,650</b>  | <b>7,727</b>   |
| Current   | 2,502          | 1,851          | 1,460          |
| Deferred  | 9,080          | 9,799          | 6,267          |
| <b>OTHER ASSETS</b>   | <b>7,684</b>   | <b>7,668</b>   | <b>6,424</b>   |
| Inventories   | 4,636          | 4,223          | 3,994          |
| Rest  | 3,048          | 3,445          | 2,430          |
| <b>TOTAL ASSETS</b>   | <b>582,575</b> | <b>621,072</b> | <b>582,838</b> |



| Millions of Euros   |                |                |                |
|---|----------------|----------------|----------------|
| LIABILITIES AND EQUITY  | 2013           | 2012           | 2011           |
| <b>FINANCIAL LIABILITIES HELD FOR TRADING</b>   | <b>45,648</b>  | <b>55,834</b>  | <b>51,178</b>  |
| Deposits from central banks   | -              | -              | -              |
| Deposits from credit institutions   | -              | -              | -              |
| Customer deposits   | -              | -              | -              |
| Debt certificates   | -              | -              | -              |
| Trading derivatives   | 38,119         | 49,254         | 46,567         |
| Short positions   | 7,529          | 6,580          | 4,611          |
| Other financial liabilities   | -              | -              | -              |
| <b>OTHER FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>      | <b>2,467</b>   | <b>2,216</b>   | <b>1,621</b>   |
| Deposits from central banks   | -              | -              | -              |
| Deposits from credit institutions   | -              | -              | -              |
| Customer deposits   | -              | -              | -              |
| Debt certificates   | -              | -              | -              |
| Subordinated liabilities  | -              | -              | -              |
| Other financial liabilities   | 2,467          | 2,216          | 1,621          |
| <b>FINANCIAL LIABILITIES AT AMORTIZED COST</b>  | <b>464,141</b> | <b>490,605</b> | <b>465,717</b> |
| Deposits from central banks   | 30,893         | 46,475         | 32,877         |
| Deposits from credit institutions   | 52,423         | 55,675         | 56,601         |
| Customer deposits   | 300,490        | 282,795        | 272,402        |
| Debt certificates   | 64,120         | 86,255         | 81,124         |
| Subordinated liabilities  | 10,556         | 11,815         | 15,303         |
| Other financial liabilities   | 5,659          | 7,590          | 7,410          |
| <b>FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK</b> | <b>-</b>       | <b>-</b>       | <b>-</b>       |
| <b>HEDGING DERIVATIVES</b>  | <b>1,792</b>   | <b>2,968</b>   | <b>2,709</b>   |
| <b>LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE</b>                     | <b>-</b>       | <b>387</b>     | <b>-</b>       |
| <b>LIABILITIES UNDER INSURANCE CONTRACTS</b>  | <b>9,834</b>   | <b>9,020</b>   | <b>7,729</b>   |
| <b>PROVISIONS</b>   | <b>6,853</b>   | <b>7,834</b>   | <b>7,471</b>   |
| Provisions for pensions and similar obligations   | 5,512          | 5,777          | 5,577          |
| Provisions for taxes and other legal contingencies                                      | 208            | 406            | 349            |
| Provisions for contingent risks and commitments   | 346            | 322            | 266            |
| Other provisions  | 787            | 1,329          | 1,279          |
| <b>TAX LIABILITIES</b>  | <b>2,530</b>   | <b>3,820</b>   | <b>2,147</b>   |
| Current   | 993            | 1,058          | 727            |
| Deferred  | 1,537          | 2,762          | 1,420          |
| <b>OTHER LIABILITIES</b>  | <b>4,460</b>   | <b>4,586</b>   | <b>4,208</b>   |
| <b>TOTAL LIABILITIES</b>  | <b>537,725</b> | <b>577,270</b> | <b>542,780</b> |

## BBVA Group

### Consolidated balance sheets as of December 31, 2013, 2012 and 2011

| Millions of Euros   |                |                |                |
|---|----------------|----------------|----------------|
| LIABILITIES AND EQUITY (Continued)                                  | 2013           | 2012           | 2011           |
| <b>STOCKHOLDERS' FUNDS</b>  | <b>46,310</b>  | <b>43,614</b>  | <b>40,952</b>  |
| <b>Common Stock</b>   | <b>2,835</b>   | <b>2,670</b>   | <b>2,403</b>   |
| Issued  | 2,835          | 2,670          | 2,403          |
| Unpaid and uncalled (-)   | -              | -              | -              |
| <b>Share premium</b>  | <b>22,111</b>  | <b>20,968</b>  | <b>18,970</b>  |
| <b>Reserves</b>   | <b>19,908</b>  | <b>19,672</b>  | <b>17,940</b>  |
| Accumulated reserves (losses)                                       | 19,458         | 18,721         | 17,580         |
| Reserves (losses) of entities accounted for using the equity method | 450            | 951            | 360            |
| <b>Other equity instruments</b>                                     | <b>59</b>      | <b>62</b>      | <b>51</b>      |
| Equity component of compound financial instruments                  | -              | -              | -              |
| Other equity instruments  | 59             | 62             | 51             |
| <b>Less: Treasury stock</b>   | <b>(66)</b>    | <b>(111)</b>   | <b>(300)</b>   |
| <b>Income attributed to the parent company</b>                      | <b>2,228</b>   | <b>1,676</b>   | <b>3,004</b>   |
| <b>Less: Dividends and remuneration</b>                             | <b>(765)</b>   | <b>(1,323)</b> | <b>(1,116)</b> |
| <b>VALUATION ADJUSTMENTS</b>  | <b>(3,831)</b> | <b>(2,184)</b> | <b>(2,787)</b> |
| Available-for-sale financial assets                                 | 851            | (238)          | (628)          |
| Cash flow hedging   | 8              | 36             | 30             |
| Hedging of net investment in foreign transactions                   | (100)          | (243)          | (159)          |
| Exchange differences  | (3,023)        | (1,164)        | (1,623)        |
| Non-current assets held-for-sale                                    | 3              | (104)          | -              |
| Entities accounted for using the equity method                      | (1,130)        | (24)           | (179)          |
| Other valuation adjustments   | (440)          | (447)          | (228)          |
| <b>NON-CONTROLLING INTEREST</b>                                     | <b>2,371</b>   | <b>2,372</b>   | <b>1,893</b>   |
| Valuation adjustments   | 70             | 188            | 36             |
| Rest  | 2,301          | 2,184          | 1,857          |
| <b>TOTAL EQUITY</b>   | <b>44,850</b>  | <b>43,802</b>  | <b>40,058</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                 | <b>582,575</b> | <b>621,072</b> | <b>582,838</b> |

| Millions of Euros             |               |               |               |
|-------------------------------|---------------|---------------|---------------|
| MEMORANDUM ITEM               | 2013          | 2012          | 2011          |
| <b>CONTINGENT RISKS</b>       | <b>33,543</b> | <b>37,019</b> | <b>37,629</b> |
| <b>CONTINGENT COMMITMENTS</b> | <b>94,170</b> | <b>90,142</b> | <b>90,688</b> |

## BBVA Group

### Consolidated income statements for the years ended December 31, 2013, 2012 and 2011

| Millions of Euros   |               |               |               |
|---|---------------|---------------|---------------|
|   | 2013          | 2012          | 2011          |
| INTEREST AND SIMILAR INCOME   | 23,512        | 24,815        | 23,229        |
| INTEREST AND SIMILAR EXPENSES   | (9,612)       | (10,341)      | (10,505)      |
| <b>NET INTEREST INCOME</b>  | <b>13,900</b> | <b>14,474</b> | <b>12,724</b> |
| DIVIDEND INCOME   | 235           | 390           | 562           |
| SHARE OF PROFIT OR LOSS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD | 694           | 1,039         | 787           |
| FEE AND COMMISSION INCOME   | 5,478         | 5,290         | 4,874         |
| FEE AND COMMISSION EXPENSES   | (1,228)       | (1,134)       | (980)         |
| NET GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES                    | 1,608         | 1,636         | 1,070         |
| Financial instruments held for trading                                    | 540           | 653           | 1,003         |
| Other financial instruments at fair value through profit or loss          | 49            | 69            | 17            |
| Other financial instruments not at fair value through profit or loss      | 1,019         | 914           | 50            |
| Rest  | -             | -             | -             |
| EXCHANGE DIFFERENCES (NET)  | 903           | 69            | 410           |
| OTHER OPERATING INCOME  | 4,995         | 4,765         | 4,212         |
| Income on insurance and reinsurance contracts                             | 3,761         | 3,631         | 3,299         |
| Financial income from non-financial services                              | 851           | 807           | 643           |
| Rest of other operating income  | 383           | 327           | 270           |
| OTHER OPERATING EXPENSES  | (5,627)       | (4,705)       | (4,019)       |
| Expenses on insurance and reinsurance contracts                           | (2,831)       | (2,646)       | (2,425)       |
| Changes in inventories  | (495)         | (406)         | (298)         |
| Rest of other operating expenses  | (2,301)       | (1,653)       | (1,296)       |
| <b>GROSS INCOME</b>   | <b>20,958</b> | <b>21,824</b> | <b>19,640</b> |
| ADMINISTRATION COSTS  | (9,701)       | (9,396)       | (8,634)       |
| Personnel expenses  | (5,588)       | (5,467)       | (5,053)       |
| General and administrative expenses                                       | (4,113)       | (3,929)       | (3,581)       |
| DEPRECIATION AND AMORTIZATION   | (1,095)       | (978)         | (810)         |
| PROVISIONS (NET)  | (609)         | (641)         | (503)         |
| IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)                               | (5,612)       | (7,859)       | (4,185)       |
| Loans and receivables   | (5,577)       | (7,817)       | (4,163)       |
| Other financial instruments not at fair value through profit or loss      | (35)          | (42)          | (22)          |
| <b>NET OPERATING INCOME</b>   | <b>3,941</b>  | <b>2,950</b>  | <b>5,508</b>  |

## Consolidated income statements for the years ended December 31, 2013, 2012 and 2011

| Millions of Euros  |              |              |              |
|--|--------------|--------------|--------------|
| (Continued)  | 2013         | 2012         | 2011         |
| <b>NET OPERATING INCOME</b>  | <b>3,941</b> | <b>2,950</b> | <b>5,508</b> |
| IMPAIRMENT LOSSES ON OTHER ASSETS (NET)  | (467)        | (1,123)      | (1,883)      |
| Goodwill and other intangible assets   | (14)         | (54)         | (1,444)      |
| Other assets   | (453)        | (1,069)      | (439)        |
| GAINS (LOSSES) ON DERECOGNIZED ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE     | (1,915)      | 3            | 44           |
| NEGATIVE GOODWILL  | -            | 376          | -            |
| GAINS (LOSSES) IN NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS | (399)        | (624)        | (271)        |
| <b>OPERATING PROFIT BEFORE TAX</b>   | <b>1,160</b> | <b>1,582</b> | <b>3,398</b> |
| INCOME TAX   | (46)         | 352          | (158)        |
| <b>PROFIT FROM CONTINUING OPERATIONS</b>   | <b>1,114</b> | <b>1,934</b> | <b>3,240</b> |
| PROFIT FROM DISCONTINUED OPERATIONS (NET)  | 1,866        | 393          | 245          |
| <b>PROFIT</b>  | <b>2,981</b> | <b>2,327</b> | <b>3,485</b> |
| Profit attributable to parent company  | 2,228        | 1,676        | 3,004        |
| Profit attributable to non-controlling interests   | 753          | 651          | 481          |

| Euros                      |      |      |      |
|----------------------------|------|------|------|
|                            | 2013 | 2012 | 2011 |
| <b>EARNINGS PER SHARE</b>  |      |      |      |
| Basic earnings per share   | 0.40 | 0.32 | 0.62 |
| Diluted earnings per share | 0.39 | 0.32 | 0.62 |

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRS for banks. See Note 54).

This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

## BBVA Group

### Consolidated statements of changes in equity for the years ended December 31, 2013, 2012 and 2011

| 2013   | Millions of Euros                             |               |                               |   |                          |                                |   |                                   |                           |                       |        | Non-controlling Interests | Total Equity |
|--|---|---------------|-------------------------------|---|--------------------------|--------------------------------|---|-----------------------------------|---------------------------|-----------------------|--------|---------------------------|--------------|
|  | Total Equity Attributed to the Parent Company |               |                               |   |                          |                                |   |                                   |                           |                       |        |                           |              |
|  | Common Stock                                  | Share Premium | Reserves                      |   | Other Equity Instruments | Less: Treasury Stock (Note 30) | Profit Attributable to the Parent Company | Less: Dividends and Remunerations | Total Stockholders' Funds | Valuation Adjustments | Total  |                           |              |
|  |   |               | Accumulated Reserves (Losses) | Reserves (Losses) from Entities Accounted for Using the Equity Method |                          |                                |   |                                   |                           |                       |        |                           |              |
| Balances as of January 1, 2013   | 2,670   | 20,968        | 18,721                        | 951   | 62                       | (111)                          | 1,676                                     | (1,323)                           | 43,614                    | (2,184)               | 41,430 | 2,372                     | 43,802       |
| Effect of changes in accounting policies                                 | -   | -             | -                             | -   | -                        | -                              | -   | -                                 | -                         | -                     | -      | -                         | -            |
| Effect of correction of errors   | -   | -             | -                             | -   | -                        | -                              | -   | -                                 | -                         | -                     | -      | -                         | -            |
| Adjusted initial balance   | 2,670   | 20,968        | 18,721                        | 951   | 62                       | (111)                          | 1,676                                     | (1,323)                           | 43,614                    | (2,184)               | 41,430 | 2,372                     | 43,802       |
| Total income/expense recognized  | -   | -             | -                             | -   | -                        | -                              | 2,228                                     | -                                 | 2,228                     | (1,647)               | 581    | 635                       | 1,216        |
| Other changes in equity  | 165   | 1,143         | 737                           | (501)   | (3)                      | 45                             | (1,676)                                   | 558                               | 468                       | -                     | 468    | (636)                     | (168)        |
| Common stock increase  | 71  | -             | (71)                          | -   | -                        | -                              | -   | -                                 | -                         | -                     | -      | -                         | -            |
| Common stock reduction   | -   | -             | -                             | -   | -                        | -                              | -   | -                                 | -                         | -                     | -      | -                         | -            |
| Conversion of financial liabilities into capital                         | 94  | 1,143         | -                             | -   | -                        | -                              | -   | -                                 | 1,237                     | -                     | 1,237  | -                         | 1,237        |
| Increase of other equity instruments                                     | -   | -             | -                             | -   | 33                       | -                              | -   | -                                 | 33                        | -                     | 33     | -                         | 33           |
| Reclassification of financial liabilities to other equity instruments    | -   | -             | -                             | -   | -                        | -                              | -   | -                                 | -                         | -                     | -      | -                         | -            |
| Reclassification of other equity instruments to financial liabilities    | -   | -             | -                             | -   | -                        | -                              | -   | -                                 | -                         | -                     | -      | -                         | -            |
| Dividend distribution  | -   | -             | -                             | -   | -                        | -                              | -   | (605)                             | (605)                     | -                     | (605)  | (482)                     | (1,087)      |
| Transactions including treasury stock and other equity instruments (net) | -   | -             | 30                            | -   | -                        | 45                             | -   | -                                 | 75                        | -                     | 75     | -                         | 75           |
| Transfers between total equity entries                                   | -   | -             | 853                           | (501)   | -                        | -                              | (1,676)                                   | 1,324                             | -                         | -                     | -      | -                         | -            |
| Increase/Reduction due to business combinations                          | -   | -             | -                             | -   | -                        | -                              | -   | -                                 | -                         | -                     | -      | -                         | -            |
| Payments with equity instruments   | -   | -             | 22                            | -   | (36)                     | -                              | -   | -                                 | (14)                      | -                     | (14)   | -                         | (14)         |
| Rest of increases/reductions in total equity                             | -   | -             | (97)                          | -   | -                        | -                              | -   | (161)                             | (258)                     | -                     | (258)  | (154)                     | (412)        |
| Of which:  | -   | -             | -                             | -   | -                        | -                              | -   | -                                 | -                         | -                     | -      | -                         | -            |
| Acquisition of the free allotment rights                                 | -   | -             | -                             | -   | -                        | -                              | -   | (161)                             | (161)                     | -                     | (161)  | -                         | (161)        |
| Balances as of December 31, 2013   | 2,835   | 22,111        | 19,458                        | 450   | 59                       | (66)                           | 2,228                                     | (765)                             | 46,310                    | (3,831)               | 42,479 | 2,371                     | 44,850       |

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRS for banks. See Note 54).

This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

## Consolidated statements of changes in equity for the years ended December 31, 2013, 2012 and 2011

| Millions of Euros  |   |   |          |     |                          |                      |   |                                   |                           |                       |         |                           |              |
|--|---|---|----------|-----|--------------------------|----------------------|---|-----------------------------------|---------------------------|-----------------------|---------|---------------------------|--------------|
| 2012   | Total Equity Attributed to the Parent Company |   |          |     |                          |                      |   |                                   |                           |                       |         | Non-controlling Interests | Total Equity |
|  | Stockholders' Funds                           |   |          |     |                          |                      |   |                                   |                           |                       |         |                           |              |
|  | Common Stock                                  | Share Premium   | Reserves |     | Other Equity Instruments | Less: Treasury Stock | Profit Attributable to the Parent Company | Less: Dividends and Remunerations | Total Stockholders' Funds | Valuation Adjustments | Total   |                           |              |
|  | Accumulated Reserves (Losses)                 | Reserves (Losses) from Entities Accounted for Using the Equity Method |          |     |                          |                      |   |                                   |                           |                       |         |                           |              |
| Balances as of January 1, 2012   | 2,403   | 18,970  | 17,580   | 360 | 51                       | (300)                | 3,004                                     | (1,116)                           | 40,952                    | (2,787)               | 38,165  | 1,893                     | 40,058       |
| Effect of changes in accounting policies                                 | -   | -   | -        | -   | -                        | -                    | -   | -                                 | -                         | -                     | -       | -                         | -            |
| Effect of correction of errors   | -   | -   | -        | -   | -                        | -                    | -   | -                                 | -                         | -                     | -       | -                         | -            |
| Adjusted initial balance   | 2,403   | 18,970  | 17,580   | 360 | 51                       | (300)                | 3,004                                     | (1,116)                           | 40,952                    | (2,787)               | 38,165  | 1,893                     | 40,058       |
| Total income/expense recognized  | -   | -   | -        | -   | -                        | -                    | 1,676                                     | -                                 | 1,676                     | 603                   | 2,279   | 802                       | 3,081        |
| Other changes in equity  | 267   | 1,998   | 1,141    | 591 | 11                       | 189                  | (3,004)                                   | (207)                             | 986                       | -                     | 986     | (323)                     | 663          |
| Common stock increase  | 73  | -   | (73)     | -   | -                        | -                    | -   | -                                 | -                         | -                     | -       | -                         | -            |
| Common stock reduction   | -   | -   | -        | -   | -                        | -                    | -   | -                                 | -                         | -                     | -       | -                         | -            |
| Conversion of financial liabilities into capital                         | 194   | 1,998   | -        | -   | -                        | -                    | -   | -                                 | 2,192                     | -                     | 2,192   | -                         | 2,192        |
| Increase of other equity instruments                                     | -   | -   | -        | -   | 32                       | -                    | -   | -                                 | 32                        | -                     | 32      | -                         | 32           |
| Reclassification of financial liabilities to other equity instruments    | -   | -   | -        | -   | -                        | -                    | -   | -                                 | -                         | -                     | -       | -                         | -            |
| Reclassification of other equity instruments to financial liabilities    | -   | -   | -        | -   | -                        | -                    | -   | -                                 | -                         | -                     | -       | -                         | -            |
| Dividend distribution  | -   | -   | -        | -   | -                        | -                    | -   | (1,073)                           | (1,073)                   | -                     | (1,073) | (357)                     | (1,430)      |
| Transactions including treasury stock and other equity instruments (net) | -   | -   | 81       | -   | -                        | 189                  | -   | -                                 | 270                       | -                     | 270     | -                         | 270          |
| Transfers between total equity entries                                   | -   | -   | 1,291    | 597 | -                        | -                    | (3,004)                                   | 1,116                             | -                         | -                     | -       | -                         | -            |
| Increase/Reduction due to business combinations                          | -   | -   | -        | -   | -                        | -                    | -   | -                                 | -                         | -                     | -       | -                         | -            |
| Payments with equity instruments   | -   | -   | (28)     | -   | (21)                     | -                    | -   | -                                 | (49)                      | -                     | (49)    | -                         | (49)         |
| Rest of increases/reductions in total equity                             | -   | -   | (180)    | (6) | -                        | -                    | -   | (250)                             | (386)                     | -                     | (386)   | 34                        | (352)        |
| Of which:  |   |   |          |     |                          |                      |   |                                   |                           |                       |         |                           |              |
| Acquisition of the free allotment rights                                 | -   | -   | -        | -   | -                        | -                    | -   | (250)                             | (250)                     | -                     | (250)   | -                         | (250)        |
| Balances as of December 31, 2012   | 2,670   | 20,968  | 18,721   | 951 | 62                       | (111)                | 1,676                                     | (1,323)                           | 43,614                    | (2,184)               | 41,430  | 2,372                     | 43,802       |

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRES for banks. See Note 54).

This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

## Consolidated statements of changes in equity for the years ended December 31, 2013, 2012 and 2011

| 2011   | Millions of Euros   |               |          |     |                          |                      |   |                                   |                           |                       |        |       | Non-controlling Interests | Total Equity |
|--|---|---------------|----------|-----|--------------------------|----------------------|---|-----------------------------------|---------------------------|-----------------------|--------|-------|---------------------------|--------------|
|  | Total Equity Attributed to the Parent Company                         |               |          |     |                          |                      |   |                                   |                           |                       |        |       |                           |              |
|  | Stockholders' Funds   |               |          |     |                          |                      |   |                                   |                           |                       | Total  |       |                           |              |
|  | Common Stock  | Share Premium | Reserves |     | Other Equity Instruments | Less: Treasury Stock | Profit Attributable to the Parent Company | Less: Dividends and Remunerations | Total Stockholders' Funds | Valuation Adjustments |        |       |                           |              |
| Accumulated Reserves (Losses)  | Reserves (Losses) from Entities Accounted for Using the Equity Method |               |          |     |                          |                      |   |                                   |                           |                       |        |       |                           |              |
| Balances as of January 1, 2011   | 2,201   | 17,104        | 14,305   | 55  | 37                       | (552)                | 4,606                                     | (1,067)                           | 36,689                    | (770)                 | 35,919 | 1,556 | 37,475                    |              |
| Effect of changes in accounting policies                                 | -   | -             | -        | -   | -                        | -                    | -   | -                                 | -                         | -                     | -      | -     | -                         |              |
| Effect of correction of errors   | -   | -             | -        | -   | -                        | -                    | -   | -                                 | -                         | -                     | -      | -     | -                         |              |
| Adjusted initial balance   | 2,201   | 17,104        | 14,305   | 55  | 37                       | (552)                | 4,606                                     | (1,067)                           | 36,689                    | (770)                 | 35,919 | 1,556 | 37,475                    |              |
| Total income/expense recognized  | -   | -             | -        | -   | -                        | -                    | 3,004                                     | -                                 | 3,004                     | (2,017)               | 987    | 604   | 1,591                     |              |
| Other changes in equity  | 202   | 1,866         | 3,275    | 305 | 14                       | 252                  | (4,606)                                   | (49)                              | 1,259                     | -                     | 1,259  | (267) | 992                       |              |
| Common stock increase  | 68  | -             | (68)     | -   | -                        | -                    | -   | -                                 | -                         | -                     | -      | -     | -                         |              |
| Common stock reduction   | -   | -             | -        | -   | -                        | -                    | -   | -                                 | -                         | -                     | -      | -     | -                         |              |
| Conversion of financial liabilities into capital                         | 134   | 1,866         | -        | -   | -                        | -                    | -   | -                                 | 2,000                     | -                     | 2,000  | -     | 2,000                     |              |
| Increase of other equity instruments                                     | -   | -             | -        | -   | 14                       | -                    | -   | -                                 | 14                        | -                     | 14     | -     | 14                        |              |
| Reclassification of financial liabilities to other equity instruments    | -   | -             | -        | -   | -                        | -                    | -   | -                                 | -                         | -                     | -      | -     | -                         |              |
| Reclassification of other equity instruments to financial liabilities    | -   | -             | -        | -   | -                        | -                    | -   | -                                 | -                         | -                     | -      | -     | -                         |              |
| Dividend distribution  | -   | -             | -        | -   | -                        | -                    | -   | (937)                             | (937)                     | -                     | (937)  | (273) | (1,210)                   |              |
| Transactions including treasury stock and other equity instruments (net) | -   | -             | (14)     | -   | -                        | 252                  | -   | -                                 | 238                       | -                     | 238    | -     | 238                       |              |
| Transfers between total equity entries                                   | -   | -             | 3,239    | 300 | -                        | -                    | (4,606)                                   | 1,067                             | -                         | -                     | -      | -     | -                         |              |
| Increase/Reduction due to business combinations                          | -   | -             | -        | -   | -                        | -                    | -   | -                                 | -                         | -                     | -      | -     | -                         |              |
| Payments with equity instruments   | -   | -             | -        | -   | -                        | -                    | -   | -                                 | -                         | -                     | -      | -     | -                         |              |
| Rest of increases/reductions in total equity                             | -   | -             | 118      | 5   | -                        | -                    | -   | (179)                             | (56)                      | -                     | (56)   | 6     | (50)                      |              |
| Of which:  |   |               |          |     |                          |                      |   |                                   |                           |                       |        |       |                           |              |
| Acquisition of the free allotment rights                                 | -   | -             | -        | -   | -                        | -                    | -   | (179)                             | (179)                     | -                     | (179)  | -     | (179)                     |              |
| Balances as of December 31, 2011   | 2,403   | 18,970        | 17,580   | 360 | 51                       | (300)                | 3,004                                     | (1,116)                           | 40,952                    | (2,787)               | 38,165 | 1,893 | 40,058                    |              |

## BBVA Group

### Consolidated statements of recognized income and expenses for the years ended December 31, 2013, 2012 and 2011

| Millions of Euros  |                |              |                |
|--|----------------|--------------|----------------|
|  | 2013           | 2012         | 2011           |
| <b>PROFIT RECOGNIZED IN INCOME STATEMENT</b>                       | <b>2,981</b>   | <b>2,327</b> | <b>3,485</b>   |
| <b>OTHER RECOGNIZED INCOME (EXPENSES)</b>                          | <b>(1,765)</b> | <b>754</b>   | <b>(1,894)</b> |
| <b>ITEMS NOT SUBJECT TO RECLASSIFICATION TO P&amp;L</b>            | <b>8</b>       | <b>(224)</b> | <b>(228)</b>   |
| Actuarial gains and losses from defined benefit pension plans      | 11             | (316)        | (266)          |
| Non-current assets available for sale                              | -              | -            | -              |
| Entities under the equity method of accounting                     | 1              | (5)          | -              |
| Income tax related to items not subject to reclassification to p&l | (4)            | 97           | 38             |
| <b>ITEMS SUBJECT TO RECLASSIFICATION TO P&amp;L</b>                | <b>(1,773)</b> | <b>978</b>   | <b>(1,666)</b> |
| <b>Available-for-sale financial assets</b>                         | <b>1,659</b>   | <b>679</b>   | <b>(1,167)</b> |
| Valuation gains/(losses)   | 1,737          | 541          | (1,274)        |
| Amounts removed to income statement                                | (140)          | 109          | 85             |
| Reclassifications  | 62             | 29           | 22             |
| <b>Cash flow hedging</b>   | <b>(32)</b>    | <b>7</b>     | <b>(41)</b>    |
| Valuation gains/(losses)   | (31)           | 7            | (69)           |
| Amounts removed to income statement                                | -              | -            | 29             |
| Amounts removed to the initial carrying amount of the hedged items | -              | -            | -              |
| Reclassifications  | (1)            | -            | (1)            |
| <b>Hedging of net investment in foreign transactions</b>           | <b>143</b>     | <b>(84)</b>  | <b>(1)</b>     |
| Valuation gains/(losses)   | 143            | (84)         | (1)            |
| Amounts removed to income statement                                | -              | -            | -              |
| Reclassifications  | -              | -            | -              |
| <b>Exchange differences</b>  | <b>(2,045)</b> | <b>601</b>   | <b>(411)</b>   |
| Valuation gains/(losses)   | (2,026)        | 601          | (414)          |
| Amounts removed to income statement                                | (19)           | -            | 3              |
| Reclassifications  | -              | -            | -              |
| <b>Non-current assets held for sale</b>                            | <b>135</b>     | <b>(103)</b> | <b>-</b>       |
| Valuation gains/(losses)   | -              | (103)        | -              |
| Amounts removed to income statement                                | 135            | -            | -              |
| Reclassifications  | -              | -            | -              |
| <b>Entities accounted for using the equity method</b>              | <b>(1,054)</b> | <b>238</b>   | <b>(148)</b>   |
| Valuation gains/(losses)   | (736)          | 238          | (148)          |
| Amounts removed to income statement                                | (260)          | -            | -              |
| Reclassifications  | (58)           | -            | -              |
| <b>Rest of recognized income and expenses</b>                      | <b>-</b>       | <b>-</b>     | <b>-</b>       |
| <b>Income tax</b>  | <b>(579)</b>   | <b>(360)</b> | <b>102</b>     |
| <b>TOTAL RECOGNIZED INCOME/EXPENSES</b>                            | <b>1,216</b>   | <b>3,081</b> | <b>1,591</b>   |
| Attributable to the parent company                                 | 581            | 2,279        | 987            |
| Attributable to non-controlling interest                           | 635            | 802          | 604            |



## BBVA Group

### Consolidated statements of cash flows for the years ended December 31, 2013, 2012 and 2011

|   | Millions of Euros |                 |                 |
|---|-------------------|-----------------|-----------------|
|   | 2013              | 2012            | 2011            |
| <b>CASH FLOW FROM OPERATING ACTIVITIES (1)</b>                              | <b>(500)</b>      | <b>9,728</b>    | <b>17,182</b>   |
| Profit for the year   | 2,981             | 2,327           | 3,485           |
| <b>Adjustments to obtain the cash flow from operating activities:</b>       | <b>8,260</b>      | <b>10,400</b>   | <b>7,133</b>    |
| Depreciation and amortization   | 1,099             | 978             | 810             |
| Other adjustments   | 7,161             | 9,422           | 6,323           |
| <b>Net increase/decrease in operating assets</b>                            | <b>25,613</b>     | <b>(38,637)</b> | <b>(23,356)</b> |
| Financial assets held for trading   | 7,717             | (9,358)         | (7,188)         |
| Other financial assets designated at fair value through profit or loss      | 117               | 243             | 1               |
| Available-for-sale financial assets   | 1,938             | (12,463)        | (1,604)         |
| Loans and receivables   | 12,704            | (12,073)        | (10,898)        |
| Other operating assets  | 3,137             | (4,986)         | (3,667)         |
| <b>Net increase/decrease in operating liabilities</b>                       | <b>(37,265)</b>   | <b>35,990</b>   | <b>29,761</b>   |
| Financial liabilities held for trading                                      | (10,186)          | 4,656           | 13,966          |
| Other financial liabilities designated at fair value through profit or loss | 251               | 595             | 14              |
| Financial liabilities at amortized cost                                     | (24,660)          | 28,072          | 14,584          |
| Other operating liabilities   | (2,670)           | 2,666           | 1,197           |
| <b>Collection/Payments for income tax</b>                                   | <b>(89)</b>       | <b>(352)</b>    | <b>158</b>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES (2)</b>                             | <b>3,021</b>      | <b>(1,060)</b>  | <b>(5,092)</b>  |
| <b>Investment</b>   | <b>(2,325)</b>    | <b>(2,522)</b>  | <b>(6,995)</b>  |
| Tangible assets   | (1,252)           | (1,685)         | (1,293)         |
| Intangible assets   | (526)             | (777)           | (619)           |
| Investments   | (547)             | -               | (4,838)         |
| Subsidiaries and other business units                                       | -                 | -               | (245)           |
| Non-current assets held for sale and associated liabilities                 | -                 | -               | -               |
| Held-to-maturity investments  | -                 | (60)            | -               |
| Other settlements related to investing activities                           | -                 | -               | -               |
| <b>Divestments</b>  | <b>5,346</b>      | <b>1,462</b>    | <b>1,903</b>    |
| Tangible assets   | 101               | -               | 175             |
| Intangible assets   | -                 | -               | 1               |
| Investments   | 944               | 19              | -               |
| Subsidiaries and other business units                                       | 3,299             | -               | 19              |
| Non-current assets held for sale and associated liabilities                 | 571               | 590             | 870             |
| Held-to-maturity investments  | 431               | 853             | 838             |
| Other collections related to investing activities                           | -                 | -               | -               |

## Consolidated statements of cash flows for the years ended December 31, 2013, 2012 and 2011

| Millions of Euros  |                |                 |                |
|--|----------------|-----------------|----------------|
| (Continued)  | 2013           | 2012            | 2011           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES (3)</b>                    | <b>(1,326)</b> | <b>(3,492)</b>  | <b>(1,269)</b> |
| <b>Investment</b>  | <b>(6,104)</b> | <b>(10,387)</b> | <b>(6,282)</b> |
| Dividends  | (1,275)        | (1,269)         | (1,031)        |
| Subordinated liabilities   | (697)          | (3,930)         | (230)          |
| Common stock amortization  | -              | -               | -              |
| Treasury stock acquisition   | (3,614)        | (4,831)         | (4,825)        |
| Other items relating to financing activities                       | (518)          | (357)           | (196)          |
| <b>Divestments</b>   | <b>4,778</b>   | <b>6,895</b>    | <b>5,013</b>   |
| Subordinated liabilities   | 1,088          | 1,793           | -              |
| Common stock increase  | 2              | -               | -              |
| Treasury stock disposal  | 3,688          | 5,102           | 5,013          |
| Other items relating to financing activities                       | -              | -               | -              |
| <b>EFFECT OF EXCHANGE RATE CHANGES (4)</b>                         | <b>(1,784)</b> | <b>471</b>      | <b>(959)</b>   |
| <b>NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)</b> | <b>(589)</b>   | <b>5,647</b>    | <b>9,862</b>   |
| <b>CASH OR CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>           | <b>35,476</b>  | <b>29,829</b>   | <b>19,967</b>  |
| <b>CASH OR CASH EQUIVALENTS AT END OF THE YEAR</b>                 | <b>34,887</b>  | <b>35,476</b>   | <b>29,829</b>  |

| Millions of Euros   |               |               |               |
|---|---------------|---------------|---------------|
| COMPONENTS OF CASH AND EQUIVALENT AT END OF THE YEAR              | 2013          | 2012          | 2011          |
| Cash  | 5,533         | 5,155         | 4,496         |
| Balance of cash equivalent in central banks                       | 29,354        | 30,321        | 25,333        |
| Other financial assets  | -             | -             | -             |
| Less: Bank overdraft refundable on demand                         | -             | -             | -             |
| <b>TOTAL CASH OR CASH EQUIVALENTS AT END OF THE YEAR</b>          | <b>34,887</b> | <b>35,476</b> | <b>29,829</b> |
| <i>Of which:</i>  |               |               |               |
| Held by consolidated subsidiaries but not available for the Group | -             | -             | -             |

## APPENDIX II.

### Additional information on consolidated subsidiaries composing the BBVA Group

| Company  | Location      | Activity           | % of Voting Rights<br>% Controlled by the Bank |          |        | Millions of Euros(*)      |                    |                         |                    |                              |
|--|---------------|--------------------|--|----------|--------|---------------------------|--------------------|-------------------------|--------------------|------------------------------|
|  |               |                    | Direct   | Indirect | Total  | Affiliate Entity Data     |                    |                         |                    | Profit<br>(Loss)<br>12.31.13 |
|  |               |                    |  |          |        | Net<br>Carrying<br>Amount | Assets<br>12.31.13 | Liabilities<br>12.31.13 | Equity<br>12.31.13 |                              |
| AMERICAN FINANCE GROUP, INC.                               | UNITED STATES | INACTIVE           | -  | 100.00   | 100.00 | 15                        | 15                 | -                       | 15                 | -                            |
| ANIDA DESARROLLOS INMOBILIARIOS, S.L.                      | SPAIN         | REAL ESTATE        | -  | 100.00   | 100.00 | 93                        | 511                | 423                     | 122                | (34)                         |
| ANIDA GERMANIA IMMOBILIEN ONE, GMBH                        | GERMANY       | REAL ESTATE        | -  | 100.00   | 100.00 | 4                         | 7                  | 1                       | 5                  | 2                            |
| ANIDA GRUPO INMOBILIARIO, S.L.                             | SPAIN         | INVESTMENT COMPANY | 100.00   | -        | 100.00 | 422                       | 2,087              | 1,665                   | 1,157              | (735)                        |
| ANIDA INMOBILIARIA, S.A. DE C.V.                           | MEXICO        | INVESTMENT COMPANY | -  | 100.00   | 100.00 | 172                       | 121                | -                       | 155                | (34)                         |
| ANIDA OPERACIONES SINGULARES, S.A.                         | SPAIN         | REAL ESTATE        | -  | 100.00   | 100.00 | 220                       | 4,802              | 4,559                   | 846                | (602)                        |
| ANIDA PROYECTOS INMOBILIARIOS, S.A. DE C.V.                | MEXICO        | REAL ESTATE        | -  | 100.00   | 100.00 | 85                        | 136                | 50                      | 88                 | (2)                          |
| ANIDA SERVICIOS INMOBILIARIOS, S.A. DE C.V.                | MEXICO        | SERVICES           | -  | 100.00   | 100.00 | 1                         | 3                  | 1                       | 1                  | -                            |
| ANIDAPORT INVESTIMENTOS IMOBILIARIOS, UNIPessoal, LTDA(**) | PORTUGAL      | REAL ESTATE        | -  | 100.00   | 100.00 | 32                        | 103                | 80                      | 25                 | (3)                          |
| APLICA SOLUCIONES TECNOLOGICAS CHILE LIMITADA              | CHILE         | SERVICES           | -  | 100.00   | 100.00 | -                         | 1                  | -                       | -                  | -                            |
| APLICA TECNOLOGIA AVANZADA OPERADORA, S.A. DE C.V.         | MEXICO        | SERVICES           | -  | 100.00   | 100.00 | 4                         | 14                 | 10                      | 1                  | 4                            |
| APLICA TECNOLOGIA AVANZADA SERVICIOS, S.A. DE C.V.         | MEXICO        | SERVICES           | -  | 100.00   | 100.00 | -                         | 2                  | 2                       | -                  | -                            |
| APLICA TECNOLOGIA AVANZADA, S.A. DE C.V. - ATA             | MEXICO        | SERVICES           | 100.00   | -        | 100.00 | 105                       | 248                | 114                     | 127                | 7                            |
| ARIZONA FINANCIAL PRODUCTS, INC                            | UNITED STATES | FINANCIAL SERVICES | -  | 100.00   | 100.00 | 707                       | 709                | 2                       | 704                | 3                            |
| ARRAHONA AMBIT, S.L.                                       | SPAIN         | REAL ESTATE        | -  | 100.00   | 100.00 | 1                         | 90                 | 110                     | (4)                | (16)                         |
| ARRAHONA IMMO, S.L.  | SPAIN         | REAL ESTATE        | -  | 100.00   | 100.00 | 30                        | 325                | 251                     | 94                 | (20)                         |
| ARRAHONA NEXUS, S.L.                                       | SPAIN         | REAL ESTATE        | -  | 100.00   | 100.00 | -                         | 246                | 318                     | (23)               | (49)                         |
| ARRAHONA RENT, S.L.U.                                      | SPAIN         | REAL ESTATE        | -  | 100.00   | 100.00 | 8                         | 11                 | -                       | 11                 | -                            |
| ARRELS CT FINSOL, S.A.                                     | SPAIN         | REAL ESTATE        | -  | 100.00   | 100.00 | -                         | 317                | 338                     | 43                 | (64)                         |
| ARRELS CT LLOGUER, S.A.                                    | SPAIN         | REAL ESTATE        | -  | 100.00   | 100.00 | -                         | 41                 | 44                      | (1)                | (2)                          |
| ARRELS CT PATRIMONI I PROECTES, S.A.                       | SPAIN         | REAL ESTATE        | -  | 100.00   | 100.00 | -                         | 155                | 180                     | (11)               | (13)                         |
| ARRELS CT PROMOU, S.A.                                     | SPAIN         | INVESTMENT COMPANY | -  | 100.00   | 100.00 | -                         | 22                 | 33                      | (12)               | 1                            |
| AUMERAVILLA, S.L.  | SPAIN         | REAL ESTATE        | -  | 100.00   | 100.00 | 2                         | 2                  | -                       | 2                  | -                            |
| BAHIA SUR RESORT, S.C.                                     | SPAIN         | INACTIVE           | 99.95  | -        | 99.95  | 1                         | 1                  | -                       | 1                  | -                            |
| BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S.A.           | PORTUGAL      | BANKING            | 52.20  | 47.80    | 100.00 | 207                       | 5,471              | 5,192                   | 381                | (102)                        |
| BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.                | CHILE         | BANKING            | -  | 68.18    | 68.18  | 643                       | 13,903             | 12,960                  | 867                | 77                           |
| BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY, S.A.              | URUGUAY       | BANKING            | 100.00   | -        | 100.00 | 110                       | 2,133              | 1,989                   | 122                | 22                           |
| BANCO CONTINENTAL, S.A. (1)                                | PERU          | BANKING            | -  | 46.12    | 46.12  | 1,171                     | 14,804             | 13,535                  | 906                | 363                          |
| BANCO DE PROMOCION DE NEGOCIOS, S.A.                       | SPAIN         | BANKING            | -  | 99.86    | 99.86  | 15                        | 19                 | -                       | 19                 | -                            |
| BANCO DEPOSITARIO BBVA, S.A.                               | SPAIN         | BANKING            | -  | 100.00   | 100.00 | 2                         | 1,805              | 1,767                   | 21                 | 17                           |
| BANCO INDUSTRIAL DE BILBAO, S.A.                           | SPAIN         | BANKING            | -  | 99.93    | 99.93  | 95                        | 95                 | 1                       | 93                 | 2                            |
| BANCO OCCIDENTAL, S.A.                                     | SPAIN         | BANKING            | 49.43  | 50.57    | 100.00 | 17                        | 18                 | -                       | 18                 | -                            |
| BANCO PROVINCIAL OVERSEAS N.V.                             | CURAÇAO       | BANKING            | -  | 48.00    | 48.00  | 57                        | 344                | 286                     | 56                 | 2                            |
| BANCO PROVINCIAL S.A. - BANCO UNIVERSAL                    | VENEZUELA     | BANKING            | 1.46   | 53.75    | 55.21  | 493                       | 22,932             | 20,721                  | 1,566              | 645                          |
| BANCOMER FINANCIAL SERVICES INC.                           | UNITED STATES | FINANCIAL SERVICES | -  | 100.00   | 100.00 | 2                         | 2                  | -                       | 2                  | -                            |
| BANCOMER FOREIGN EXCHANGE INC.                             | UNITED STATES | FINANCIAL SERVICES | -  | 100.00   | 100.00 | 8                         | 27                 | 19                      | 5                  | 3                            |
| BANCOMER PAYMENT SERVICES INC.                             | UNITED STATES | FINANCIAL SERVICES | -  | 100.00   | 100.00 | -                         | -                  | -                       | -                  | -                            |
| BANCOMER TRANSFER SERVICES, INC.                           | UNITED STATES | FINANCIAL SERVICES | -  | 100.00   | 100.00 | 33                        | 62                 | 29                      | 24                 | 9                            |
| BBV AMERICA, S.L.  | SPAIN         | INVESTMENT COMPANY | 100.00   | -        | 100.00 | 479                       | 1,784              | 1                       | 1,736              | 47                           |
| BBVA ASESORIAS FINANCIERAS, S.A.                           | CHILE         | FINANCIAL SERVICES | -  | 100.00   | 100.00 | 2                         | 2                  | -                       | 1                  | 1                            |

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(\*) Information on foreign companies at exchange rate on December 31 2013

(\*\*) This company has an equity loan from ANIDA OPERACIONES SINGULARES, S.A.

(1) Full consolidation method is used according to accounting rules (see Glossary)

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRES for banks. See Note 54).

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| Additional Information on Consolidated Subsidiaries composing the BBVA Group (Continued)        |                |                            |  |          |        | Millions of Euros(*)      |                    |                         |                    |                              |
|---|----------------|----------------------------|--|----------|--------|---------------------------|--------------------|-------------------------|--------------------|------------------------------|
| Company   | Location       | Activity                   | % of Voting Rights<br>% Controlled by the Bank |          |        | Affiliate Entity Data     |                    |                         |                    |                              |
|   |                |                            | Direct   | Indirect | Total  | Net<br>Carrying<br>Amount | Assets<br>12.31.13 | Liabilities<br>12.31.13 | Equity<br>12.31.13 | Profit<br>(Loss)<br>12.31.13 |
| BBVA ASSET MANAGEMENT ADMINISTRADORA GENERAL DE FONDOS S.A.                                     | CHILE          | FINANCIAL SERVICES         | -  | 100.00   | 100.00 | 12                        | 14                 | 2                       | 8                  | 4                            |
| BBVA ASSET MANAGEMENT CONTINENTAL S.A. SAF (1)  | PERU           | FINANCIAL SERVICES         | -  | 46.12    | 46.12  | 13                        | 17                 | 4                       | 9                  | 4                            |
| BBVA ASSET MANAGEMENT, S.A. SOCIEDAD FIDUCIARIA (BBVA FIDUCIARIA)                               | COLOMBIA       | FINANCIAL SERVICES         | -  | 100.00   | 100.00 | 32                        | 35                 | 3                       | 27                 | 6                            |
| BBVA ASSET MANAGEMENT, S.A., SGIC   | SPAIN          | OTHER INVESTMENT COMPANIES | 17.00  | 83.00    | 100.00 | 11                        | 120                | 72                      | 27                 | 22                           |
| BBVA AUTO ENTIDAD DE DESARROLLO A LA PEQUEÑA Y MICRO EMPRESA, EDPYME, S.A. (BBVA AUTO - EDPYME) | PERU           | FINANCIAL SERVICES         | -  | 84.32    | 84.32  | -                         | -                  | -                       | -                  | -                            |
| BBVA AUTOMERCANTIL, COMERCIO E ALUGER DE VEICULOS AUTOMOVEIS,LDA.                               | PORTUGAL       | FINANCIAL SERVICES         | 100.00   | -        | 100.00 | 5                         | 26                 | 20                      | 6                  | (1)                          |
| BBVA AUTORENTING, S.A.  | SPAIN          | SERVICES                   | 100.00   | -        | 100.00 | 69                        | 410                | 370                     | 34                 | 6                            |
| BBVA BANCO DE FINANCIACION S.A.   | SPAIN          | BANKING                    | -  | 100.00   | 100.00 | 64                        | 3,347              | 3,273                   | 74                 | -                            |
| BBVA BANCO FRANCES, S.A.  | ARGENTINA      | BANKING                    | 45.61  | 30.35    | 75.96  | 157                       | 6,349              | 5,553                   | 518                | 278                          |
| BBVA BANCOER GESTION, S.A. DE C.V.  | MEXICO         | FINANCIAL SERVICES         | -  | 100.00   | 100.00 | 28                        | 44                 | 16                      | 10                 | 18                           |
| BBVA BANCOER OPERADORA, S.A. DE C.V.  | MEXICO         | SERVICES                   | -  | 100.00   | 100.00 | 108                       | 403                | 296                     | 62                 | 45                           |
| BBVA BANCOER SEGUROS SALUD, S.A. DE C.V.  | MEXICO         | INSURANCES SERVICES        | -  | 100.00   | 100.00 | 18                        | 28                 | 11                      | 16                 | 2                            |
| BBVA BANCOER SERVICIOS ADMINISTRATIVOS, S.A. DE C.V.  | MEXICO         | SERVICES                   | -  | 100.00   | 100.00 | 11                        | 71                 | 60                      | 6                  | 5                            |
| BBVA BANCOER USA, INC.  | UNITED STATES  | INVESTMENT COMPANY         | -  | 100.00   | 100.00 | 47                        | 45                 | (2)                     | 36                 | 11                           |
| BBVA BANCOER, S.A., INSTITUCION DE BANCA MULTIPLE, GRUPO FINANCIERO                             | MEXICO         | BANKING                    | -  | 100.00   | 100.00 | 6,966                     | 75,330             | 68,386                  | 5,117              | 1,827                        |
| BBVA BRASIL BANCO DE INVESTIMENTO, S.A.   | BRASIL         | BANKING                    | 100.00   | -        | 100.00 | 16                        | 35                 | 4                       | 31                 | -                            |
| BBVA BROKER, CORREDURIA DE SEGUROS Y REASEGUROS, S.A.   | SPAIN          | FINANCIAL SERVICES         | 99.94  | 0.06     | 100.00 | -                         | 26                 | 7                       | 13                 | 6                            |
| BBVA CAPITAL FINANCE, S.A.  | SPAIN          | FINANCIAL SERVICES         | 100.00   | -        | 100.00 | -                         | 37                 | 37                      | -                  | -                            |
| BBVA CARTERA DE INVERSIONES, SICAV, S.A.  | SPAIN          | VARIABLE CAPITAL           | 10.10  | 89.89    | 99.99  | 37                        | 13                 | 9                       | 2                  | 1                            |
| BBVA COLOMBIA, S.A.   | COLOMBIA       | BANKING                    | 76.20  | 19.23    | 95.43  | 377                       | 13,114             | 11,895                  | 1,007              | 212                          |
| BBVA COMERCIALIZADORA LTDA.   | CHILE          | FINANCIAL SERVICES         | -  | 100.00   | 100.00 | 3                         | 6                  | 2                       | 2                  | 2                            |
| BBVA COMPASS BANCSHARES, INC  | UNITED STATES  | INVESTMENT COMPANY         | 100.00   | -        | 100.00 | 8,984                     | 8,397              | 88                      | 7,994              | 315                          |
| BBVA COMPASS FINANCIAL CORPORATION  | UNITED STATES  | FINANCIAL SERVICES         | -  | 100.00   | 100.00 | 189                       | 237                | 48                      | 190                | (1)                          |
| BBVA COMPASS INSURANCE AGENCY, INC  | UNITED STATES  | FINANCIAL SERVICES         | -  | 100.00   | 100.00 | 110                       | 112                | 2                       | 105                | 6                            |
| BBVA CONSOLIDAR SEGUROS, S.A.   | ARGENTINA      | INSURANCES SERVICES        | 87.78  | 12.22    | 100.00 | 8                         | 90                 | 63                      | 16                 | 10                           |
| BBVA CONSULTING ( BEIJING) LIMITED  | CHINA          | FINANCIAL SERVICES         | -  | 100.00   | 100.00 | -                         | 1                  | -                       | 1                  | -                            |
| BBVA CONSULTORIA, S.A.  | SPAIN          | SERVICES                   | -  | 100.00   | 100.00 | 4                         | 6                  | 1                       | 4                  | -                            |
| BBVA CORREDORA TECNICA DE SEGUROS LIMITADA  | CHILE          | FINANCIAL SERVICES         | -  | 100.00   | 100.00 | 8                         | 12                 | 4                       | (1)                | 9                            |
| BBVA CORREDORES DE BOLSA LIMITADA   | CHILE          | #N/A                       | -  | 100.00   | 100.00 | 45                        | 472                | 426                     | 40                 | 5                            |
| BBVA DINERO EXPRESS, S.A.U  | SPAIN          | FINANCIAL SERVICES         | 100.00   | -        | 100.00 | 2                         | 5                  | 1                       | 4                  | -                            |
| BBVA DISTRIBUIDORA DE SEGUROS S.R.L.  | URUGUAY        | FINANCIAL SERVICES         | -  | 100.00   | 100.00 | 1                         | 2                  | -                       | -                  | 1                            |
| BBVA ELCANO EMPRESARIAL II, S.C.R., S.A.  | SPAIN          | VENTURE CAPITAL            | 45.00  | -        | 45.00  | 17                        | 53                 | 9                       | 32                 | 12                           |
| BBVA ELCANO EMPRESARIAL, S.C.R., S.A.   | SPAIN          | VENTURE CAPITAL            | 45.00  | -        | 45.00  | 17                        | 53                 | 9                       | 32                 | 12                           |
| BBVA FACTORING LIMITADA (CHILE)   | CHILE          | FINANCIAL SERVICES         | -  | 100.00   | 100.00 | 8                         | 58                 | 50                      | 6                  | 2                            |
| BBVA FINANCE (UK), LTD.   | UNITED KINGDOM | FINANCIAL SERVICES         | -  | 100.00   | 100.00 | 3                         | 12                 | -                       | 12                 | -                            |
| BBVA FINANZIA, S.p.A  | ITALY          | FINANCIAL SERVICES         | 100.00   | -        | 100.00 | 31                        | 579                | 556                     | 26                 | (4)                          |
| BBVA FRANCES ASSET MANAGEMENT S.A. SOCIEDAD GERENTE DE FONDOS COMUNES DE INVERSIÓN.             | ARGENTINA      | FINANCIAL SERVICES         | -  | 100.00   | 100.00 | 8                         | 12                 | 4                       | 7                  | 1                            |
| BBVA FRANCES VALORES SOCIEDAD DE BOLSA, S.A.  | ARGENTINA      | FINANCIAL SERVICES         | -  | 100.00   | 100.00 | 2                         | 3                  | 1                       | 2                  | -                            |
| BBVA FUNDOS, S.Gestora Fundos Pensoes,S.A.  | PORTUGAL       | PENSION FUNDS MANAGEMENT   | -  | 100.00   | 100.00 | 1                         | 13                 | 1                       | 11                 | 1                            |
| BBVA GEST, S.G.DE FUNDOS DE INVESTIMENTO MOBILIARIO, S.A.                                       | PORTUGAL       | #N/A                       | -  | 100.00   | 100.00 | 1                         | 8                  | -                       | 7                  | -                            |

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(†) Full consolidation method is used according to accounting rules (see Glossary)

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**Additional Information on Consolidated Subsidiaries composing the BBVA Group (Continued)**

| Company  | Location       | Activity                        | % of Voting Rights<br>% Controlled by the Bank |          |        | Millions of Euros (*)<br>Affiliate Entity Data |                    |                         |                    |                              |
|--|----------------|---------------------------------|--|----------|--------|--|--------------------|-------------------------|--------------------|------------------------------|
|  |                |                                 | Direct   | Indirect | Total  | Net<br>Carrying<br>Amount                      | Assets<br>12.31.13 | Liabilities<br>12.31.13 | Equity<br>12.31.13 | Profit<br>(Loss)<br>12.31.13 |
| BBVA GLOBAL FINANCE LTD.                                       | CAYMAN ISLANDS | FINANCIAL SERVICES              | 100.00   | -        | 100.00 | -  | 375                | 371                     | 4                  | -                            |
| BBVA GLOBAL MARKETS B.V.                                       | NETHERLANDS    | FINANCIAL SERVICES              | 100.00   | -        | 100.00 | -  | 456                | 456                     | -                  | -                            |
| BBVA INMOBILIARIA E INVERSIONES, S.A.                          | CHILE          | REAL ESTATE                     | -  | 68.11    | 68.11  | 4  | 38                 | 32                      | 7                  | -                            |
| BBVA INSTITUÇÃO FINANCEIRA DE CREDITO, S.A.                    | PORTUGAL       | FINANCIAL SERVICES              | 49.90  | 50.10    | 100.00 | 39   | 300                | 255                     | 44                 | 2                            |
| BBVA INTERNATIONAL LIMITED                                     | CAYMAN ISLANDS | FINANCIAL SERVICES              | 100.00   | -        | 100.00 | -  | 12                 | 9                       | 2                  | -                            |
| BBVA INTERNATIONAL PREFERRED, S.A.U.                           | SPAIN          | FINANCIAL SERVICES              | 100.00   | -        | 100.00 | -  | 1,694              | 1,694                   | 1                  | -                            |
| BBVA INVERSIONES CHILE, S.A.                                   | CHILE          | INVESTMENT COMPANY              | 61.22  | 38.78    | 100.00 | 483  | 1,263              | 4                       | 1,134              | 125                          |
| BBVA IRELAND PLC   | IRELAND        | FINANCIAL SERVICES              | 100.00   | -        | 100.00 | 180  | 391                | 193                     | 191                | 7                            |
| BBVA LEASIMO - SOCIEDADE DE LOCAÇÃO FINANCEIRA, S.A.           | PORTUGAL       | FINANCIAL SERVICES              | -  | 100.00   | 100.00 | 9  | 17                 | 8                       | 9                  | -                            |
| BBVA LUXINVEST, S.A.   | LUXEMBOURG     | INVESTMENT COMPANY              | 36.00  | 64.00    | 100.00 | 256  | 431                | 6                       | 263                | 163                          |
| BBVA MEDIACION OPERADOR DE BANCA-SEGUROS VINCULADO, S.A.       | SPAIN          | FINANCIAL SERVICES              | -  | 100.00   | 100.00 | 3  | 145                | 130                     | 9                  | 5                            |
| BBVA NOMINEES LIMITED  | UNITED KINGDOM | SERVICES                        | 95.00  | -        | 95.00  | -  | -                  | -                       | -                  | -                            |
| BBVA PARAGUAY, S.A.  | PARAGUAY       | BANKING                         | 100.00   | -        | 100.00 | 23   | 1,322              | 1,199                   | 101                | 23                           |
| BBVA PARTICIPACIONES MEJICANAS, S.L.                           | SPAIN          | INVESTMENT COMPANY              | 99.00  | 1.00     | 100.00 | -  | -                  | -                       | -                  | -                            |
| BBVA PENSIONES, SA, ENTIDAD GESTORA DE FONDOS DE PENSIONES     | SPAIN          | PENSION FUNDS MANAGEMENT        | 100.00   | -        | 100.00 | 13   | 74                 | 42                      | 16                 | 16                           |
| BBVA PLANIFICACION PATRIMONIAL, S.L.                           | SPAIN          | FINANCIAL SERVICES              | 80.00  | 20.00    | 100.00 | -  | 1                  | -                       | 1                  | -                            |
| BBVA PREVISIÓN AFP S.A. ADM.DE FONDOS DE PENSIONES             | BOLIVIA        | PENSION FUNDS MANAGEMENT        | 75.00  | 5.00     | 80.00  | 2  | 12                 | 5                       | 4                  | 3                            |
| BBVA PROPIEDAD, S.A.   | SPAIN          | REAL ESTATE INVESTMENT COMPANY  | -  | 100.00   | 100.00 | 1,236  | 1,262              | 14                      | 1,320              | (73)                         |
| BBVA RE LIMITED  | IRELAND        | INSURANCES SERVICES             | -  | 100.00   | 100.00 | 1  | 76                 | 42                      | 25                 | 9                            |
| BBVA REAL ESTATE MEXICO, S.A. DE C.V.                          | MEXICO         | FINANCIAL SERVICES              | -  | 100.00   | 100.00 | -  | -                  | 2                       | -                  | (1)                          |
| BBVA RENTAS E INVERSIONES LIMITADA                             | CHILE          | INVESTMENT COMPANY              | -  | 100.00   | 100.00 | 178  | 178                | -                       | 139                | 39                           |
| BBVA RENTING, S.A.   | SPAIN          | FINANCIAL SERVICES              | 5.94   | 94.06    | 100.00 | 21   | 726                | 654                     | 65                 | 6                            |
| BBVA SECURITIES INC.   | UNITED STATES  | FINANCIAL SERVICES              | -  | 100.00   | 100.00 | 106  | 149                | 43                      | 111                | (5)                          |
| BBVA SEGUROS COLOMBIA, S.A.                                    | COLOMBIA       | INSURANCES SERVICES             | 94.00  | 6.00     | 100.00 | 10   | 59                 | 43                      | 13                 | 2                            |
| BBVA SEGUROS DE VIDA COLOMBIA, S.A.                            | COLOMBIA       | INSURANCES SERVICES             | 94.00  | 6.00     | 100.00 | 14   | 425                | 334                     | 65                 | 26                           |
| BBVA SEGUROS DE VIDA, S.A.                                     | CHILE          | INSURANCES SERVICES             | -  | 100.00   | 100.00 | 64   | 226                | 161                     | 49                 | 15                           |
| BBVA SEGUROS, S.A., DE SEGUROS Y REASEGUROS                    | SPAIN          | INSURANCES SERVICES             | 94.35  | 5.60     | 99.95  | 431  | 16,243             | 14,932                  | 655                | 656                          |
| BBVA SENIOR FINANCE, S.A.U.                                    | SPAIN          | FINANCIAL SERVICES              | 100.00   | -        | 100.00 | -  | 11,168             | 11,167                  | 1                  | -                            |
| BBVA SERVICIOS CORPORATIVOS LIMITADA                           | CHILE          | SERVICES                        | -  | 100.00   | 100.00 | 7  | 13                 | 6                       | 5                  | 2                            |
| BBVA SERVICIOS, S.A.   | SPAIN          | COMERCIAL                       | -  | 100.00   | 100.00 | -  | 11                 | 2                       | 7                  | 2                            |
| BBVA SOCIEDAD DE LEASING INMOBILIARIO, S.A.                    | CHILE          | FINANCIAL SERVICES              | -  | 97.49    | 97.49  | 20   | 62                 | 41                      | 18                 | 3                            |
| BBVA SOLUCIONES AVANZADAS DE ASESORAMIENTO Y GESTION, S.L.(**) | SPAIN          | SERVICES                        | -  | 100.00   | 100.00 | 2  | 4                  | 1                       | 4                  | (1)                          |
| BBVA SUBORDINATED CAPITAL S.A.U.                               | SPAIN          | FINANCIAL SERVICES              | 100.00   | -        | 100.00 | -  | 287                | 286                     | 1                  | -                            |
| BBVA SUIZA, S.A. (BBVA SWITZERLAND)                            | SWITZERLAND    | BANKING                         | 39.72  | 60.28    | 100.00 | 67   | 1,356              | 890                     | 449                | 17                           |
| BBVA TRADE, S.A.   | SPAIN          | INVESTMENT COMPANY              | -  | 100.00   | 100.00 | 6  | 24                 | 11                      | 13                 | -                            |
| BBVA U.S. SENIOR S.A.U.  | SPAIN          | FINANCIAL SERVICES              | 100.00   | -        | 100.00 | -  | 2,642              | 2,642                   | -                  | -                            |
| BBVA VALORES COLOMBIA, S.A. COMISIONISTA DE BOLSA              | COLOMBIA       | SECURITIES DEALER (REAL ESTATE) | -  | 100.00   | 100.00 | 4  | 5                  | 1                       | 4                  | 1                            |
| BBVA WEALTH SOLUTIONS, INC.                                    | UNITED STATES  | FINANCIAL SERVICES              | -  | 100.00   | 100.00 | 5  | 6                  | -                       | 6                  | -                            |
| BILBAO VIZCAYA HOLDING, S.A.                                   | SPAIN          | INVESTMENT COMPANY              | 89.00  | 11.00    | 100.00 | 35   | 156                | 35                      | 110                | 11                           |
| BLUE INDICO INVESTMENTS, S.L.                                  | SPAIN          | INVESTMENT COMPANY              | 100.00   | -        | 100.00 | 3  | 17                 | 17                      | 3                  | (3)                          |

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(\*\*) This company has an equity loan from Blue Indico Investments, S.L.

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**Additional Information on Consolidated Subsidiaries composing the BBVA Group (Continued)**

| Company  | Location      | Activity           | % of Voting Rights<br>% Controlled by the Bank |          |        | Millions of Euros(*)      |                    |                         |                    |                              |
|--|---------------|--------------------|--|----------|--------|---------------------------|--------------------|-------------------------|--------------------|------------------------------|
|  |               |                    | Direct   | Indirect | Total  | Affiliate Entity Data     |                    |                         |                    | Profit<br>(Loss)<br>12.31.13 |
|  |               |                    |  |          |        | Net<br>Carrying<br>Amount | Assets<br>12.31.13 | Liabilities<br>12.31.13 | Equity<br>12.31.13 |                              |
| C B TRANSPORT ,INC.  | UNITED STATES | SERVICES           | -  | 100.00   | 100.00 | 13                        | 14                 | 1                       | 12                 | 1                            |
| CAIXA DE MANLLEU PREFERENTS, S.A.                            | SPAIN         | FINANCIAL SERVICES | 100.00   | -        | 100.00 | -                         | -                  | -                       | -                  | -                            |
| CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS, S.A.U. | SPAIN         | FINANCIAL SERVICES | 100.00   | -        | 100.00 | 1                         | 76                 | 75                      | 2                  | -                            |
| CAIXASABADELL PREFERENTS, S.A.                               | SPAIN         | FINANCIAL SERVICES | 100.00   | -        | 100.00 | -                         | 92                 | 91                      | 1                  | -                            |
| CAIXASABADELL TINELIA, S.L.                                  | SPAIN         | INVESTMENT COMPANY | 100.00   | -        | 100.00 | 41                        | 41                 | -                       | 41                 | -                            |
| CAPITAL INVESTMENT COUNSEL, INC.                             | UNITED STATES | FINANCIAL SERVICES | -  | 100.00   | 100.00 | 9                         | 11                 | 2                       | 7                  | 2                            |
| CARTERA E INVERSIONES S.A., CIA DE                           | SPAIN         | INVESTMENT COMPANY | 100.00   | -        | 100.00 | 92                        | 90                 | 56                      | 36                 | (2)                          |
| CASA DE BOLSA BBVA BANCOER, S.A. DE C.V.                     | MEXICO        | FINANCIAL SERVICES | -  | 100.00   | 100.00 | 89                        | 130                | 41                      | 27                 | 61                           |
| CATALONIA GEBIRA, S.L.(**)                                   | SPAIN         | REAL ESTATE        | -  | 81.66    | 81.66  | -                         | 45                 | 51                      | -                  | (7)                          |
| CATALONIA PROMODIS 4, S.A.                                   | SPAIN         | REAL ESTATE        | -  | 100.00   | 100.00 | 2                         | 36                 | 30                      | 9                  | (4)                          |
| CDD GESTION, S.R.L.  | ITALY         | REAL ESTATE        | 100.00   | -        | 100.00 | 5                         | 6                  | -                       | 6                  | -                            |
| CIA. GLOBAL DE MANDATOS Y REPRESENTACIONES, S.A.             | URUGUAY       | IN LIQUIDATION     | -  | 100.00   | 100.00 | -                         | -                  | -                       | -                  | -                            |
| CIDESSA DOS, S.L.  | SPAIN         | INVESTMENT COMPANY | -  | 100.00   | 100.00 | 15                        | 15                 | -                       | 15                 | -                            |
| CIDESSA UNO, S.L.  | SPAIN         | INVESTMENT COMPANY | -  | 100.00   | 100.00 | 5                         | 229                | 172                     | 19                 | 39                           |
| CIERVANA, S.L.   | SPAIN         | INVESTMENT COMPANY | 100.00   | -        | 100.00 | 53                        | 56                 | 3                       | 50                 | 3                            |
| COMERCIALIZADORA CORPORATIVA SAC (1)                         | PERU          | FINANCIAL SERVICES | -  | 49.99    | 49.99  | -                         | 1                  | 1                       | -                  | -                            |
| COMERCIALIZADORA DE SERVICIOS FINANCIEROS, S.A.              | COLOMBIA      | SERVICES           | -  | 100.00   | 100.00 | 1                         | 3                  | 2                       | 1                  | -                            |
| COMPANIA CHILENA DE INVERSIONES, S.L.                        | SPAIN         | INVESTMENT COMPANY | 100.00   | -        | 100.00 | 580                       | 883                | 25                      | 546                | 312                          |
| COMPASS ASSET ACCEPTANCE COMPANY, LLC                        | UNITED STATES | FINANCIAL SERVICES | -  | 100.00   | 100.00 | 354                       | 354                | -                       | 354                | -                            |
| COMPASS AUTO RECEIVABLES CORPORATION                         | UNITED STATES | INACTIVE           | -  | 100.00   | 100.00 | 3                         | 3                  | -                       | 3                  | -                            |
| COMPASS BANK   | UNITED STATES | BANKING            | -  | 100.00   | 100.00 | 8,161                     | 56,106             | 47,945                  | 7,835              | 325                          |
| COMPASS CAPITAL MARKETS, INC.                                | UNITED STATES | INVESTMENT COMPANY | -  | 100.00   | 100.00 | 5,660                     | 5,660              | -                       | 5,607              | 54                           |
| COMPASS CUSTODIAL SERVICES, INC.                             | UNITED STATES | INACTIVE           | -  | 100.00   | 100.00 | -                         | -                  | -                       | -                  | -                            |
| COMPASS GP, INC.   | UNITED STATES | INVESTMENT COMPANY | -  | 100.00   | 100.00 | 35                        | 43                 | 9                       | 35                 | -                            |
| COMPASS INVESTMENTS, INC.                                    | UNITED STATES | INACTIVE           | -  | 100.00   | 100.00 | -                         | -                  | -                       | -                  | -                            |
| COMPASS LIMITED PARTNER, INC.                                | UNITED STATES | INVESTMENT COMPANY | -  | 100.00   | 100.00 | 4,919                     | 4,920              | 1                       | 4,868              | 51                           |
| COMPASS LOAN HOLDINGS TRS, INC.                              | UNITED STATES | FINANCIAL SERVICES | -  | 100.00   | 100.00 | 58                        | 58                 | -                       | 58                 | -                            |
| COMPASS MORTGAGE CORPORATION                                 | UNITED STATES | FINANCIAL SERVICES | -  | 100.00   | 100.00 | 2,159                     | 2,179              | 19                      | 2,131              | 28                           |
| COMPASS MORTGAGE FINANCING, INC.                             | UNITED STATES | FINANCIAL SERVICES | -  | 100.00   | 100.00 | -                         | -                  | -                       | -                  | -                            |
| COMPASS MULTISTATE SERVICES CORPORATION                      | UNITED STATES | INACTIVE           | -  | 100.00   | 100.00 | 3                         | 4                  | 1                       | 3                  | -                            |
| COMPASS SOUTHWEST, LP  | UNITED STATES | FINANCIAL SERVICES | -  | 100.00   | 100.00 | 4,048                     | 4,060              | 12                      | 4,002              | 45                           |
| COMPASS TEXAS ACQUISITION CORPORATION                        | UNITED STATES | INACTIVE           | -  | 100.00   | 100.00 | 2                         | 2                  | -                       | 2                  | -                            |
| COMPASS TEXAS MORTGAGE FINANCING, INC                        | UNITED STATES | FINANCIAL SERVICES | -  | 100.00   | 100.00 | -                         | -                  | -                       | -                  | -                            |
| COMPASS TRUST II   | UNITED STATES | INACTIVE           | -  | 100.00   | 100.00 | -                         | -                  | -                       | -                  | -                            |
| COMPLEMENTOS INNOVACIÓN Y MODA, S.L.(***)                    | SPAIN         | IN LIQUIDATION     | -  | 100.00   | 100.00 | -                         | -                  | -                       | -                  | -                            |
| CONSOLIDAR A.F.J.P., S.A.                                    | ARGENTINA     | IN LIQUIDATION     | 46.11  | 53.89    | 100.00 | 1                         | 11                 | 9                       | 2                  | -                            |
| CONSORCIO DE CASAS MEXICANAS, S.A.P.I. DE C.V.               | MEXICO        | REAL ESTATE        | -  | 99.81    | 99.81  | -                         | 26                 | 13                      | 13                 | -                            |
| CONTENTS AREA, S.L.  | SPAIN         | SERVICES           | -  | 100.00   | 100.00 | 6                         | 7                  | 1                       | 5                  | -                            |

Impairment losses due to property, real estate and stocks, of Spanish Real Estate companies, according to Royal Decree-Law 10/2008 and successive, are not counted for purposes of Article 363 of the Companies Act Capital.

(\*) Information on foreign companies at exchange rate on December 31, 2013

(\*\*) This company has an equity loan from ARRELS CT PATRIMONI I PROYECTES, S.A.

(\*\*\*) This company has an equity loan from BBVA ELCANO EMPRESARIAL, S.C.R.S.A. and BBVA ELCANO EMPRESARIAL II, S.C.R.S.A.

(§) Full consolidation method is used according to accounting rules (see Glossary)

**Additional Information on Consolidated Subsidiaries composing the BBVA Group (Continued)**

| Company  | Location       | Activity                        | % of Voting Rights<br>% Controlled by the Bank |          |        | Millions of Euros(*)      |                    |                         |                    |                              |
|--|----------------|---------------------------------|--|----------|--------|---------------------------|--------------------|-------------------------|--------------------|------------------------------|
|  |                |                                 | Direct   | Indirect | Total  | Affiliate Entity Data     |                    |                         |                    |                              |
|  |                |                                 |  |          |        | Net<br>Carrying<br>Amount | Assets<br>12.31.13 | Liabilities<br>12.31.13 | Equity<br>12.31.13 | Profit<br>(Loss)<br>12.31.13 |
| CONTINENTAL BOLSA, SDAD. A GENTE DE BOLSA, S.A. (1)            | PERU           | SECURITIES DEALER (REAL ESTATE) | -  | 46.12    | 46.12  | 7                         | 18                 | 10                      | 5                  | 3                            |
| CONTINENTAL DFR FINANCE COMPANY                                | CAYMAN ISLANDS | FINANCIAL SERVICES              | -  | 46.12    | 46.12  | -                         | 358                | 358                     | -                  | -                            |
| CONTINENTAL SOCIEDAD TITULIZADORA, S.A. (1)                    | PERU           | FINANCIAL SERVICES              | -  | 46.12    | 46.12  | -                         | 1                  | -                       | -                  | -                            |
| CONTRATACION DE PERSONAL, S.A. DE C.V.                         | MEXICO         | SERVICES                        | -  | 100.00   | 100.00 | 4                         | 6                  | 2                       | 4                  | 1                            |
| COPROMED S.A. DE C.V.  | MEXICO         | SERVICES                        | -  | 100.00   | 100.00 | -                         | -                  | -                       | -                  | -                            |
| CORPORACION GENERAL FINANCIERA, S.A.                           | SPAIN          | INVESTMENT COMPANY              | 100.00   | -        | 100.00 | 510                       | 959                | 2                       | 878                | 79                           |
| DESARROLLO URBANISTICO DE CHAMARTIN, S.A.                      | SPAIN          | REAL ESTATE                     | -  | 72.50    | 72.50  | 59                        | 102                | 21                      | 83                 | (1)                          |
| DESITEL TECNOLOGIA Y SISTEMAS, S.A. DE C.V.                    | MEXICO         | SERVICES                        | -  | 100.00   | 100.00 | 2                         | 2                  | -                       | 2                  | -                            |
| ECASA, S.A.  | CHILE          | FINANCIAL SERVICES              | -  | 100.00   | 100.00 | 10                        | 12                 | 2                       | 2                  | 8                            |
| ECOARENY S, S.L.(**)   | SPAIN          | REAL ESTATE                     | -  | 50.00    | 50.00  | -                         | 19                 | 53                      | (26)               | (9)                          |
| EL ENCINAR METROPOLITANO, S.A.                                 | SPAIN          | REAL ESTATE                     | -  | 99.05    | 99.05  | 6                         | 8                  | 2                       | 6                  | -                            |
| EL MILANILLO, S.A.   | SPAIN          | REAL ESTATE                     | -  | 100.00   | 100.00 | 12                        | 8                  | -                       | 7                  | -                            |
| EL OASIS DE LAS RAMBLAS, S.L.                                  | SPAIN          | REAL ESTATE                     | -  | 70.00    | 70.00  | -                         | -                  | -                       | -                  | -                            |
| EMPRENDIMIENTOS DE VALOR S.A.                                  | URUGUAY        | FINANCIAL SERVICES              | -  | 100.00   | 100.00 | 3                         | 10                 | 7                       | 2                  | 1                            |
| ENTRE2 SERVICIOS FINANCIEROS, E.F.C., S.A.                     | SPAIN          | FINANCIAL SERVICES              | -  | 100.00   | 100.00 | 9                         | 9                  | 0                       | 9                  | -                            |
| ESPAIS SABADELL PROMOCIONS INMOBILIARIES, S.A.                 | SPAIN          | REAL ESTATE                     | -  | 100.00   | 100.00 | 5                         | 12                 | 6                       | 6                  | -                            |
| ESPAÑOLA COMERCIAL E SERVIÇOS, LTDA.                           | BRASIL         | FINANCIAL SERVICES              | 100.00   | -        | 100.00 | -                         | -                  | -                       | 1                  | (1)                          |
| ESTACION DE AUTOBUSES CHAMARTIN, S.A.                          | SPAIN          | SERVICES                        | -  | 51.00    | 51.00  | -                         | -                  | -                       | -                  | -                            |
| EUROPEA DE TITULIZACION, S.A., S.G.F.T.                        | SPAIN          | FINANCIAL SERVICES              | 87.50  | -        | 87.50  | 2                         | 46                 | 13                      | 29                 | 4                            |
| F/11032604 FRACCIONAMIENTO LOARCA TERCERA SECCION              | MEXICO         | REAL ESTATE                     | -  | 60.05    | 60.05  | 1                         | 2                  | -                       | 2                  | -                            |
| F/253863 EL DESEO RESIDENCIAL                                  | MEXICO         | REAL ESTATE                     | -  | 65.00    | 65.00  | -                         | 1                  | -                       | 1                  | -                            |
| F/403035-9 BBVA HORIZONTES RESIDENCIAL                         | MEXICO         | REAL ESTATE                     | -  | 65.00    | 65.00  | 2                         | 3                  | -                       | 3                  | -                            |
| FACILEASING EQUIPMENT, S.A. DE C.V.                            | MEXICO         | FINANCIAL SERVICES              | -  | 100.00   | 100.00 | 51                        | 518                | 453                     | 54                 | 10                           |
| FACILEASING S.A. DE C.V.                                       | MEXICO         | SERVICES                        | -  | 100.00   | 100.00 | 60                        | 482                | 431                     | 44                 | 7                            |
| FIDEICOMISO 28991-8 TRADING EN LOS MCADOS FINANCIEROS          | MEXICO         | FINANCIAL SERVICES              | -  | 100.00   | 100.00 | 3                         | 3                  | -                       | 2                  | -                            |
| FINANCIERAS DERIVADAS  | MEXICO         | FINANCIAL SERVICES              | -  | 100.00   | 100.00 | 49                        | 50                 | 1                       | 47                 | 2                            |
| FIDEICOMISO HARES BBVA BANCOMER F/ 47997-2                     | MEXICO         | REAL ESTATE                     | -  | 100.00   | 100.00 | 36                        | 35                 | 3                       | 32                 | -                            |
| INSTITUCION DE BANCA MULTIPLE, FIDUCIARIO (FIDEIC.00989 6      | MEXICO         | FINANCIAL SERVICES              | -  | 100.00   | 100.00 | 4                         | 235                | 231                     | -                  | 4                            |
| MULTIPLE, INVEX GRUPO FINANCIERO, FIDUCIARIO (FIDEIC. INVEX 1ª | MEXICO         | FINANCIAL SERVICES              | -  | 100.00   | 100.00 | -                         | 60                 | 59                      | 2                  | (1)                          |
| MULTIPLE, INVEX GRUPO FINANCIERO, FIDUCIARIO (FIDEIC. INVEX 2ª | MEXICO         | FINANCIAL SERVICES              | -  | 100.00   | 100.00 | -                         | 30                 | 29                      | -                  | -                            |
| FIDEICOMISO Nº 781, EN BANCO INVEX, S.A., INSTITUCION DE BANCA |                |                                 |  |          |        |                           |                    |                         |                    |                              |
| MULTIPLE, INVEX GRUPO FINANCIERO, FIDUCIARIO (FIDEIC. INVEX 3ª |                |                                 |  |          |        |                           |                    |                         |                    |                              |
| EMISION)   | MEXICO         | FINANCIAL SERVICES              | -  | 100.00   | 100.00 | -                         | 188                | 139                     | 35                 | 14                           |
| MULTIPLE, INVEX GRUPO FINANCIERO, FIDUCIARIO (FIDEIC. INVEX 4ª | MEXICO         | FINANCIAL SERVICES              | -  | 100.00   | 100.00 | -                         | 152                | 153                     | -                  | -                            |
| FIDEICOMISO Nº.402900-5 ADMINISTRACION DE INMUEBLES            | MEXICO         | FINANCIAL SERVICES              | -  | 100.00   | 100.00 | 2                         | 3                  | -                       | 2                  | -                            |
| FINANCEIRA DO COMERCIO EXTERIOR S.A.R.                         | PORTUGAL       | INACTIVE                        | 100.00   | -        | 100.00 | -                         | -                  | -                       | -                  | -                            |
| FINANCIERA AYUDAMOS S.A. DE C.V., SOFOMER                      | MEXICO         | FINANCIAL SERVICES              | -  | 100.00   | 100.00 | 7                         | 24                 | 17                      | 8                  | (1)                          |
| FORUM COMERCIALIZADORA DEL PERU, S.A.                          | PERU           | SERVICES                        | -  | 84.32    | 84.32  | 20                        | 40                 | 20                      | 20                 | -                            |
| FORUM DISTRIBUIDORA DEL PERU, S.A.                             | PERU           | FINANCIAL SERVICES              | -  | 84.32    | 84.32  | 5                         | 7                  | 1                       | 6                  | -                            |
| FORUM DISTRIBUIDORA, S.A.                                      | CHILE          | FINANCIAL SERVICES              | -  | 75.52    | 75.52  | 15                        | 113                | 96                      | 14                 | 3                            |
| FORUM SERVICIOS FINANCIEROS, S.A.                              | CHILE          | FINANCIAL SERVICES              | -  | 75.50    | 75.50  | 122                       | 962                | 819                     | 94                 | 50                           |
| FUTURO FAMILIAR, S.A. DE C.V.                                  | MEXICO         | SERVICES                        | -  | 100.00   | 100    | 1                         | 2                  | 1                       | 1                  | -                            |

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(\*) Information on foreign companies at exchange rate on December 31, 2013

(\*\*) This company has an equity loan from PROMOTORA DEL VALLES, S.L.

(†) Full consolidation method is used according to accounting rules (see Glossary)

**Additional Information on Consolidated Subsidiaries composing the BBVA Group (Continued)**

| Company  | Location      | Activity                 | % of Voting Rights<br>% Controlled by the Bank |          |        | Millions of Euros(*)      |                    |                         |                    |                              |
|--|---------------|--------------------------|--|----------|--------|---------------------------|--------------------|-------------------------|--------------------|------------------------------|
|  |               |                          | Direct   | Indirect | Total  | Affiliate Entity Data     |                    |                         |                    |                              |
|  |               |                          |  |          |        | Net<br>Carrying<br>Amount | Assets<br>12.31.13 | Liabilities<br>12.31.13 | Equity<br>12.31.13 | Profit<br>(Loss)<br>12.31.13 |
| GESTION DE PREVISION Y PENSIONES, S.A.                         | SPAIN         | PENSION FUNDS MANAGEMENT | 60.00  | -        | 60.00  | 9                         | 30                 | 3                       | 21                 | 6                            |
| GESTION Y ADMINISTRACION DE RECIBOS, S.A. - GARS               | SPAIN         | SERVICES                 | -  | 100.00   | 100.00 | 1                         | 1                  | -                       | 1                  | -                            |
| GOBERNALIA GLOBAL NET, S.A.                                    | SPAIN         | SERVICES                 | -  | 100.00   | 100.00 | 1                         | 7                  | 3                       | 3                  | 1                            |
| GRAN JORGE JUAN, S.A.(**)                                      | SPAIN         | REAL ESTATE              | 100.00   | -        | 100.00 | 294                       | 840                | 588                     | 257                | (4)                          |
| GRANFIDUCIARIA   | COLOMBIA      | IN LIQUIDATION           | -  | 90.00    | 90.00  | -                         | -                  | -                       | -                  | -                            |
| GRUPO FINANCIERO BBVA BANCOMER, S.A. DE C.V.                   | MEXICO        | FINANCIAL SERVICES       | 99.97  | -        | 99.97  | 6,677                     | 8,694              | 1                       | 6,438              | 2,254                        |
| GRUPO PROFESIONAL PLANEACION Y PROYECTOS, S.A. DE C.V.         | MEXICO        | SERVICES                 | -  | 72.06    | 72.06  | 5                         | 16                 | 11                      | 4                  | -                            |
| GUARANTY BUSINESS CREDIT CORPORATION                           | UNITED STATES | FINANCIAL SERVICES       | -  | 100.00   | 100.00 | 27                        | 26                 | -                       | 27                 | -                            |
| GUARANTY PLUS HOLDING COMPANY                                  | UNITED STATES | COMERCIAL                | -  | 100.00   | 100.00 | (28)                      | 46                 | 74                      | (26)               | (1)                          |
| GUARANTY PLUS PROPERTIES LLC-2                                 | UNITED STATES | FINANCIAL SERVICES       | -  | 100.00   | 100.00 | 34                        | 34                 | -                       | 34                 | -                            |
| GUARANTY PLUS PROPERTIES, INC-1                                | UNITED STATES | FINANCIAL SERVICES       | -  | 100.00   | 100.00 | 9                         | 9                  | -                       | 9                  | -                            |
| HABITATGES INVERCAP, S.L.(***)                                 | SPAIN         | REAL ESTATE              | -  | 100.00   | 100.00 | -                         | -                  | 1                       | (1)                | -                            |
| HABITATGES INVERVIC, S.L.(***)                                 | SPAIN         | REAL ESTATE              | -  | 35.00    | 35.00  | -                         | 1                  | 10                      | (7)                | (2)                          |
| HIPOTECARIA NACIONAL MEXICANA INCORPORATED                     | UNITED STATES | REAL ESTATE              | -  | 100.00   | 100.00 | -                         | -                  | -                       | 0                  | -                            |
| HIPOTECARIA NACIONAL, S.A. DE C.V.                             | MEXICO        | FINANCIAL SERVICES       | -  | 100.00   | 100.00 | 11                        | 18                 | 7                       | 8                  | 3                            |
| HOLDING CONTINENTAL, S.A.                                      | PERU          | INVESTMENT COMPANY       | 50.00  | -        | 50.00  | 124                       | 1,219              | 22                      | 722                | 476                          |
| HOMEOWNERS LOAN CORPORATION                                    | UNITED STATES | INACTIVE                 | -  | 100.00   | 100.00 | 7                         | 7                  | -                       | 7                  | -                            |
| HUMAN RESOURCES PROVIDER, INC                                  | UNITED STATES | SERVICES                 | -  | 100.00   | 100.00 | 581                       | 583                | 2                       | 574                | 7                            |
| HUMAN RESOURCES SUPPORT, INC                                   | UNITED STATES | SERVICES                 | -  | 100.00   | 100.00 | 578                       | 578                | -                       | 572                | 6                            |
| IBERNEGOCIO DE TRADE, S.L.                                     | SPAIN         | COMERCIAL                | -  | 100.00   | 100.00 | 5                         | 17                 | -                       | 15                 | 2                            |
| IMOBILIARIA DUQUE DE AVILA, S.A.                               | PORTUGAL      | REAL ESTATE              | -  | 100.00   | 100.00 | 7                         | 20                 | 14                      | 9                  | (3)                          |
| INMESP DESARROLLADORA, S.A. DE C.V.                            | MEXICO        | REAL ESTATE              | -  | 100.00   | 100.00 | 35                        | 41                 | 6                       | 35                 | -                            |
| INMUEBLES Y RECUPERACIONES CONTINENTAL S.A (1)                 | PERU          | REAL ESTATE              | -  | 46.12    | 46.12  | 2                         | 7                  | 5                       | -                  | 2                            |
| INNOVATION 4 SECURITY, S.L.                                    | SPAIN         | SERVICES                 | -  | 100.00   | 100.00 | -                         | 3                  | 2                       | -                  | -                            |
| INVERAHHORROR, S.L.(**)  | SPAIN         | INVESTMENT COMPANY       | 100.00   | -        | 100.00 | -                         | 65                 | 69                      | (2)                | (1)                          |
| INVERPRO DESENVOLUPAMENT, S.L.                                 | SPAIN         | INVESTMENT COMPANY       | -  | 100.00   | 100.00 | -                         | 28                 | 25                      | 6                  | (3)                          |
| INVERSIONES ALDAMA, C.A.                                       | VENEZUELA     | IN LIQUIDATION           | -  | 100.00   | 100.00 | -                         | -                  | -                       | -                  | -                            |
| INVERSIONES BANPRO INTERNATIONAL INC. N.V.                     | CURACAO       | IN LIQUIDATION           | 48.00  | -        | 48.00  | 11                        | 60                 | 2                       | 57                 | 2                            |
| INVERSIONES BAPROBA, C.A.                                      | VENEZUELA     | FINANCIAL SERVICES       | 100.00   | -        | 100.00 | 1                         | 1                  | -                       | 1                  | -                            |
| INVERSIONES DE INNOVACION EN SERVICIOS FINANCIEROS, S.L.(****) | SPAIN         | INVESTMENT COMPANY       | -  | 100.00   | 100.00 | -                         | 14                 | 14                      | -                  | -                            |
| INVERSIONES P.H.R.4, C.A.                                      | VENEZUELA     | INACTIVE                 | -  | 60.46    | 60.46  | -                         | -                  | -                       | -                  | -                            |
| INVESCO MANAGEMENT N° 1, S.A.                                  | LUXEMBOURG    | FINANCIAL SERVICES       | -  | 100.00   | 100.00 | 8                         | 8                  | -                       | 9                  | -                            |
| INVESCO MANAGEMENT N° 2, S.A.                                  | LUXEMBOURG    | FINANCIAL SERVICES       | -  | 100.00   | 100.00 | -                         | 6                  | 18                      | (12)               | (1)                          |
| L'EIX IMMOBLES, S.L.(*****)                                    | SPAIN         | REAL ESTATE              | -  | 90.00    | 90.00  | -                         | 21                 | 25                      | (2)                | (1)                          |
| LIQUIDITY ADVISORS, L.P  | UNITED STATES | FINANCIAL SERVICES       | -  | 100.00   | 100.00 | 901                       | 901                | -                       | 897                | 4                            |
| MISAPRE, S.A. DE C.V.  | MEXICO        | FINANCIAL SERVICES       | -  | 100.00   | 100.00 | 7                         | 5                  | 1                       | 7                  | (2)                          |
| MOMENTUM SOCIAL INVESTMENT 2011, S.L.                          | SPAIN         | FINANCIAL SERVICES       | -  | 100.00   | 100.00 | 3                         | 3                  | -                       | 3                  | -                            |
| MOMENTUM SOCIAL INVESTMENT 2012, S.L.                          | SPAIN         | FINANCIAL SERVICES       | -  | 100.00   | 100.00 | 2                         | 2                  | -                       | 2                  | -                            |
| MULTIASISTENCIA OPERADORA S.A. DE C.V.                         | MEXICO        | INSURANCES SERVICES      | -  | 100.00   | 100.00 | -                         | 2                  | 2                       | -                  | -                            |
| MULTIASISTENCIA SERVICIOS S.A. DE C.V.                         | MEXICO        | INSURANCES SERVICES      | -  | 100.00   | 100.00 | 1                         | 2                  | 2                       | -                  | -                            |

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(\*) Information on foreign companies at exchange rate on December 31, 2013

(\*\*) This company has an equity loan from BBVA, S.A.

(\*\*\*) These companies has an equity loan from Inverpro Desenvolupament, S.L.

(\*\*\*\*) This company has an equity loan from BILBAO VIZCAYA HOLDING, S.A.

(\*\*\*\*\*) This company has an equity loan from PROMOTORA DEL VALLES, S.L.

(†) Full consolidation method is used according to accounting rules (see Glossary)



**Additional Information on Consolidated Subsidiaries composing the BBVA Group (Continued)**

| Company   | Location      | Activity                   | % of Voting Rights<br>% Controlled by the Bank |          |        | Millions of Euros(*)      |                    |                         |                    |                              |
|---|---------------|----------------------------|--|----------|--------|---------------------------|--------------------|-------------------------|--------------------|------------------------------|
|   |               |                            | Direct   | Indirect | Total  | Affiliate Entity Data     |                    |                         |                    |                              |
|   |               |                            |  |          |        | Net<br>Carrying<br>Amount | Assets<br>12.31.13 | Liabilities<br>12.31.13 | Equity<br>12.31.13 | Profit<br>(Loss)<br>12.31.13 |
| MULTIASISTENCIA, S.A. DE C.V.                             | MEXICO        | INSURANCES SERVICES        | -  | 100.00   | 100.00 | 25                        | 33                 | 8                       | 22                 | 4                            |
| OPCION VOLCAN, S.A.                                       | MEXICO        | REAL ESTATE                | -  | 100.00   | 100.00 | 53                        | 56                 | 2                       | 49                 | 4                            |
| OPPLUS OPERACIONES Y SERVICIOS, S.A.                      | SPAIN         | SERVICES                   | 100.00   | -        | 100.00 | 1                         | 25                 | 17                      | 4                  | 4                            |
| OPPLUS S.A.C  | PERU          | SERVICES                   | -  | 100.00   | 100.00 | 1                         | 1                  | -                       | 1                  | -                            |
| PARCSUD PLANNER, S.L.                                     | SPAIN         | REAL ESTATE                | -  | 100.00   | 100.00 | -                         | 7                  | 8                       | (1)                | -                            |
| PARTICIPACIONES ARENAL, S.L.                              | SPAIN         | INACTIVE                   | -  | 100.00   | 100.00 | 8                         | 8                  | -                       | 8                  | -                            |
| PECRI INVERSION S.A                                       | SPAIN         | OTHER INVESTMENT COMPANIES | 100.00   | -        | 100.00 | 95                        | 95                 | -                       | 93                 | 2                            |
| PENSIONES BANCOMER, S.A. DE C.V.                          | MEXICO        | INSURANCES SERVICES        | -  | 100.00   | 100.00 | 238                       | 3,576              | 3,337                   | 204                | 34                           |
| PHOENIX LOAN HOLDINGS, INC.                               | UNITED STATES | FINANCIAL SERVICES         | -  | 100.00   | 100.00 | 417                       | 435                | 18                      | 410                | 7                            |
| PI HOLDINGS NO. 1, INC.                                   | UNITED STATES | FINANCIAL SERVICES         | -  | 100.00   | 100.00 | 69                        | 69                 | -                       | 68                 | -                            |
| PI HOLDINGS NO. 3, INC.                                   | UNITED STATES | FINANCIAL SERVICES         | -  | 100.00   | 100.00 | 21                        | 21                 | -                       | 21                 | -                            |
| PROMOCION EMPRESARIAL XX, S.A.(**)                        | SPAIN         | INVESTMENT COMPANY         | 100.00   | -        | 100.00 | 1                         | 9                  | 10                      | 1                  | (2)                          |
| PROMOTORA DE RECURSOS AGRARIOS, S.A.                      | SPAIN         | COMERCIAL                  | 100.00   | -        | 100.00 | -                         | -                  | -                       | -                  | -                            |
| PROMOTORA DEL VALLES, S.L.                                | SPAIN         | INVESTMENT COMPANY         | -  | 100.00   | 100.00 | -                         | 192                | 265                     | (59)               | (15)                         |
| PROMOU CT 3AG DELTA, S.L.                                 | SPAIN         | REAL ESTATE                | -  | 100.00   | 100.00 | -                         | 9                  | 10                      | -                  | (1)                          |
| PROMOU CT EX MACIA, S.L.                                  | SPAIN         | REAL ESTATE                | -  | 100.00   | 100.00 | -                         | 13                 | 14                      | (1)                | (1)                          |
| PROMOU CT GEBIRA, S.L.                                    | SPAIN         | REAL ESTATE                | -  | 100.00   | 100.00 | -                         | 9                  | 11                      | (1)                | (1)                          |
| PROMOU CT OPENSEGRE, S.L.                                 | SPAIN         | REAL ESTATE                | -  | 100.00   | 100.00 | -                         | 18                 | 31                      | (7)                | (6)                          |
| PROMOU CT VALLES, S.L.                                    | SPAIN         | REAL ESTATE                | -  | 100.00   | 100.00 | 2                         | 10                 | 8                       | 3                  | (1)                          |
| PROMOU GLOBAL, S.L.(***)                                  | SPAIN         | REAL ESTATE                | -  | 100.00   | 100.00 | -                         | 75                 | 114                     | (27)               | (12)                         |
| PRO-SALUD, C.A.   | VENEZUELA     | INACTIVE                   | -  | 58.86    | 58.86  | -                         | -                  | -                       | -                  | -                            |
| PROVINCIAL DE VALORES CASA DE BOLSA, C.A.                 | VENEZUELA     | FINANCIAL SERVICES         | -  | 49.69    | 49.69  | 1                         | 3                  | 1                       | 1                  | -                            |
| PROVINCIAL SDAD.ADMIN.DE ENTIDADES DE INV.COLECTIVA, C.A. | VENEZUELA     | FINANCIAL SERVICES         | -  | 100.00   | 100.00 | 2                         | 2                  | -                       | 1                  | -                            |
| PROV-INFARRAHONA, S.L.(****)                              | SPAIN         | REAL ESTATE                | -  | 100.00   | 100.00 | -                         | 12                 | 17                      | (3)                | (1)                          |
| PROVIVIENDA ENTIDAD RECAUDADORA Y ADMIN.DE APORTES, S.A.  | BOLIVIA       | PENSION FUNDS MANAGEMENT   | -  | 100.00   | 100.00 | 1                         | 5                  | 4                       | 1                  | -                            |
| PROXIMA ALFA INVESTMENTS (USA) LLC                        | UNITED STATES | IN LIQUIDATION             | -  | 100.00   | 100.00 | 7                         | 1                  | -                       | 1                  | -                            |
| PROXIMA ALFA INVESTMENTS HOLDINGS (USA) II INC.           | UNITED STATES | IN LIQUIDATION             | -  | 100.00   | 100.00 | -                         | -                  | -                       | -                  | -                            |
| PROXIMA ALFA INVESTMENTS HOLDINGS (USA) INC.              | UNITED STATES | IN LIQUIDATION             | 100.00   | -        | 100.00 | -                         | 7                  | 3                       | 4                  | -                            |
| RENTRUCKS, ALQUILER Y SERVICIOS DE TRANSPORTE, S.A.       | SPAIN         | INACTIVE                   | 99.23  | -        | 99.23  | 1                         | 4                  | 3                       | 2                  | -                            |
| RESIDENCIAL CUMBRES DE SANTA FE, S.A. DE C.V.             | MEXICO        | REAL ESTATE                | -  | 100.00   | 100.00 | 9                         | 9                  | 2                       | 7                  | -                            |
| RWVC, INC   | UNITED STATES | FINANCIAL SERVICES         | -  | 100.00   | 100.00 | 552                       | 553                | 1                       | 540                | 12                           |
| SCALDIS FINANCE, S.A.                                     | #N/A          | INVESTMENT COMPANY         | -  | 100.00   | 100.00 | 4                         | 18                 | -                       | 18                 | -                            |
| SEGUROS BANCOMER, S.A. DE C.V.                            | MEXICO        | INSURANCES SERVICES        | -  | 100.00   | 100.00 | 575                       | 3,050              | 2,475                   | 310                | 265                          |
| SEGUROS PROVINCIAL, C.A.                                  | VENEZUELA     | INSURANCES SERVICES        | -  | 100.00   | 100.00 | 47                        | 64                 | 17                      | 44                 | 3                            |
| SERVICIOS CORPORATIVOS BANCOMER, S.A. DE C.V.             | MEXICO        | SERVICES                   | -  | 100.00   | 100.00 | 4                         | 10                 | 6                       | 3                  | -                            |
| SERVICIOS CORPORATIVOS DE SEGUROS, S.A. DE C.V.           | MEXICO        | SERVICES                   | -  | 100.00   | 100.00 | 2                         | 8                  | 6                       | 2                  | -                            |
| SERVICIOS EXTERNOS DE APOYO EMPRESARIAL, S.A DE C.V.      | MEXICO        | SERVICES                   | -  | 100.00   | 100.00 | 5                         | 7                  | 2                       | 4                  | 1                            |
| SERVICIOS TECNOLOGICOS SINGULARES, S.A.                   | SPAIN         | SERVICES                   | -  | 100.00   | 100.00 | 2                         | 11                 | 9                       | 2                  | -                            |
| EMPRESAS Y PARTICULARES, S.L.                             | SPAIN         | SERVICES                   | 100.00   | -        | 100.00 | -                         | 2                  | -                       | 1                  | -                            |
| SOCIEDAD DE ESTUDIOS Y ANALISIS FINANCIERO, S.A.          | SPAIN         | SERVICES                   | 100.00   | -        | 100.00 | 112                       | 112                | -                       | 113                | (1)                          |

Impairment losses due to property, real estate and stocks, of Spanish Real Estate companies, according to Royal Decree-Law 10/2008, are not counted for purposes of Article 363 of the Companies Act Capital.

(\*) Information on foreign companies at exchange rate on December 31, 2013

(\*\*) This company has an equity loan from BBVA, S.A.

(\*\*\*) This company has an equity loan from ARRELS CT PROMOU, S.A.

(\*\*\*\*) This company has an equity loan from PROMOTORA DEL VALLES S.L.

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRES for banks. See Note 54).

This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

**Additional Information on Consolidated Subsidiaries composing the BBVA Group (Continued) and consolidated structured entities**

| Company  | Location      | Activity            | % of Voting Rights<br>% Controlled by the Bank |          |        | Millions of Euros(*)      |                    |                         |                    |                              |
|--|---------------|---------------------|--|----------|--------|---------------------------|--------------------|-------------------------|--------------------|------------------------------|
|  |               |                     | Direct   | Indirect | Total  | Affiliate Entity Data     |                    |                         |                    |                              |
|  |               |                     |  |          |        | Net<br>Carrying<br>Amount | Assets<br>12.31.13 | Liabilities<br>12.31.13 | Equity<br>12.31.13 | Profit<br>(Loss)<br>12.31.13 |
| SOCIEDAD GESTORA DEL FONDO PUBLICO DE REGULACION DEL MERCADO HIPOTECARIO, S.A. | SPAIN         | INACTIVE            | 77.20  | -        | 77.20  | -                         | -                  | -                       | -                  | -                            |
| SOCIETE IMMOBILIERE BBV D'ILBARRIZ   | FRANCE        | REAL ESTATE         | -  | 100.00   | 100.00 | 1                         | 1                  | -                       | 1                  | -                            |
| SPORT CLUB 18, S.A.  | SPAIN         | INVESTMENT COMPANY  | 100.00   | -        | 100.00 | 25                        | 25                 | 5                       | 25                 | (5)                          |
| STATE NATIONAL CAPITAL TRUST I   | UNITED STATES | FINANCIAL SERVICES  | -  | 100.00   | 100.00 | -                         | 11                 | 11                      | -                  | -                            |
| STATE NATIONAL STATUTORY TRUST II  | UNITED STATES | FINANCIAL SERVICES  | -  | 100.00   | 100.00 | -                         | 7                  | 7                       | -                  | -                            |
| TEXAS LOAN SERVICES, LP.   | UNITED STATES | FINANCIAL SERVICES  | -  | 100.00   | 100.00 | 901                       | 902                | -                       | 895                | 6                            |
| TEXAS REGIONAL STATUTORY TRUST I   | UNITED STATES | FINANCIAL SERVICES  | -  | 100.00   | 100.00 | 1                         | 37                 | 36                      | 1                  | -                            |
| TEXASBANC CAPITAL TRUST I  | UNITED STATES | FINANCIAL SERVICES  | -  | 100.00   | 100.00 | 1                         | 19                 | 18                      | 1                  | -                            |
| TEXTIL TEXTURA, S.L.   | SPAIN         | COMERCIAL           | -  | 68.67    | 68.67  | 2                         | -                  | -                       | -                  | -                            |
| TMF HOLDING INC.   | UNITED STATES | INVESTMENT COMPANY  | -  | 100.00   | 100.00 | 9                         | 12                 | 4                       | 8                  | 1                            |
| TUCSON LOAN HOLDINGS, INC.   | UNITED STATES | FINANCIAL SERVICES  | -  | 100.00   | 100.00 | 120                       | 120                | -                       | 118                | 2                            |
| UNIDAD DE AVALUOS MEXICO, S.A. DE CV   | MEXICO        | FINANCIAL SERVICES  | -  | 100.00   | 100.00 | 2                         | 5                  | 2                       | 2                  | -                            |
| UNITARIA GESTION DE PATRIMONIOS INMOBILIARIOS                                  | SPAIN         | REAL ESTATE         | -  | 100.00   | 100.00 | 2                         | 3                  | -                       | 3                  | -                            |
| UNIVERSALIDAD "E5"   | COLOMBIA      | FINANCIAL SERVICES  | -  | 100.00   | 100.00 | -                         | 15                 | 13                      | 2                  | -                            |
| UNIVERSALIDAD TIPS PESOS E-9   | COLOMBIA      | FINANCIAL SERVICES  | -  | 100.00   | 100.00 | -                         | 166                | 140                     | 22                 | 4                            |
| UNINIM SERVEIS DE DEPENDENCIA, S.A.  | SPAIN         | SERVICES            | 100.00   | -        | 100.00 | -                         | 1                  | -                       | 1                  | -                            |
| UNINIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS, S.A.                 | SPAIN         | REAL ESTATE         | 100.00   | -        | 100.00 | -                         | 900                | 853                     | 254                | (206)                        |
| UNINIM VIDA, S.A. DE SEGUROS Y REASEGUROS                                      | SPAIN         | INSURANCES SERVICES | 100.00   | -        | 100.00 | 323                       | 2,264              | 1,938                   | 291                | 35                           |
| UNO-E BANK, S.A.   | SPAIN         | BANKING             | 100.00   | -        | 100.00 | 175                       | 1,329              | 1,152                   | 162                | 15                           |
| URBANIZADORA SANT LLORENC, S.A.  | SPAIN         | INACTIVE            | 60.60  | -        | 60.60  | -                         | -                  | -                       | -                  | -                            |
| VALANZA CAPITAL RIESGO S.G.E.C.R. S.A. UNIPERSONAL                             | SPAIN         | VENTURE CAPITAL     | 100.00   | -        | 100.00 | 1                         | 13                 | 6                       | 7                  | -                            |
| <b>Consolidated Structured entities</b>  |               |                     |  |          |        |                           |                    |                         |                    |                              |
| CID II FINANCE B.V.  | NEDERLANDS    | FINANCIAL SERVICES  |  |          |        |                           | 414                | 414                     |                    |                              |

Impairment losses due to property, real estate and stocks, of Spanish Real Estate companies, according to Royal Decree-Law 10/2008 and successive, are not counted for purposes of Article 363 of the Companies Act Capital.

(\*) Information on foreign companies at exchange rate on December 31, 2013

## APPENDIX III.

Additional information on investments and jointly controlled companies accounted for under the equity method of consolidation in the BBVA Group (includes the most significant companies that together represent 98% of total investments in these companies)

| Company   | Location  | Activity                 | % of Voting Rights<br>Controlled by the Bank |          |       | Millions of Euros      |                    |                         |                    |                              |
|---|-----------|--------------------------|--|----------|-------|------------------------|--------------------|-------------------------|--------------------|------------------------------|
|   |           |                          | Direct                                       | Indirect | Total | Affiliate Entity Data  |                    |                         |                    |                              |
|   |           |                          |  |          |       | Net Carrying<br>Amount | Assets<br>12.31.12 | Liabilities<br>12.31.12 | Equity<br>12.31.12 | Profit<br>(Loss)<br>12.31.12 |
| ACA, S.A. SOCIEDAD DE VALORES                                   | SPAIN     | REAL ESTATE              | 37.50  | -        | 37.50 | 3                      | 160                | 138                     | 22                 | - (1)                        |
| ADQUIRA ESPAÑA, S.A.  | SPAIN     | COMERCIAL                | -  | 40.00    | 40.00 | 3                      | 15                 | 9                       | 6                  | 1                            |
| ALMAGRARIO, S.A.  | COLOMBIA  | SERVICES                 | -  | 35.38    | 35.38 | 5                      | 53                 | 17                      | 33                 | 3                            |
| ALTITUDE SOFTWARE SGPS, S.A.(*)                                 | PORTUGAL  | SERVICES                 | -  | 31.00    | 31.00 | 9                      | 20                 | 16                      | 9                  | (5)                          |
| ALTURA MARKETS, SOCIEDAD DE VALORES, S.A.(*)                    | SPAIN     | REAL ESTATE              | 50.00  | -        | 50.00 | 17                     | 862                | 828                     | 30                 | 3                            |
| ASOCIACION TECNICA CAJAS DE AHORROS, A.I.E. (ATCA, AIE)(*)      | SPAIN     | SERVICES                 | 31.00  | -        | 31.00 | 2                      | 7                  | -                       | 7                  | -                            |
| AUREA, S.A. (CUBA)  | CUBA      | REAL ESTATE              | -  | 49.00    | 49.00 | 3                      | 8                  | -                       | 8                  | -                            |
| BRUNARA, SICAV, S.A.  | SPAIN     | VARIABLE CAPITAL         | 1.64   | 9.39     | 11.03 | 48                     | 141                | 1                       | 131                | 10                           |
| CANCUN SUN & GOLF COUNTRY CLUB, S.A.P.I. DE C.V.                | MEXICO    | REAL ESTATE              | -  | 33.33    | 33.33 | 37                     | 74                 | 14                      | 61                 | (1)                          |
| CITIC INTERNATIONAL FINANCIAL HOLDINGS LIMITED CIFIH            | HONG-KONG | INVESTMENT COMPANY       | 29.68  | -        | 29.68 | 631                    | 17,695             | 15,814                  | 1,734              | 146 (1)                      |
| COMPANIA ESPAÑOLA DE FINANCIACION DEL DESARROLLO S.A.           | SPAIN     | FINANCIAL SERVICES       | 17.82  | -        | 17.82 | 16                     | 88                 | 6                       | 74                 | 8                            |
| COMPANIA MEXICANA DE PROCESAMIENTO, S.A. DE C.V.                | MEXICO    | SERVICES                 | -  | 50.00    | 50.00 | 6                      | 17                 | 5                       | 11                 | 1                            |
| CORPORACION IBV PARTICIPACIONES EMPRESARIALES, S.A.(*)          | SPAIN     | INVESTMENT COMPANY       | -  | 50.00    | 50.00 | 206                    | 443                | 179                     | 257                | 7 (2)                        |
| FERROMOVIL 3000, S.L.(*)  | SPAIN     | SERVICES                 | -  | 20.00    | 20.00 | 6                      | 605                | 575                     | 29                 | 1                            |
| FERROMOVIL 9000, S.L.(*)  | SPAIN     | SERVICES                 | -  | 20.00    | 20.00 | 4                      | 387                | 365                     | 22                 | 1                            |
| FIDEICOMISO F 403853- 5 BBVA-BANCOMER SERVICIOS ZIBATA(*)       | MEXICO    | REAL ESTATE              | -  | 30.00    | 30.00 | 20                     | 111                | 44                      | 69                 | (2)                          |
| FIDEICOMISO F 404015-0 BBVA-BANCOMER LOMAS III                  | MEXICO    | REAL ESTATE              | -  | 25.00    | 25.00 | 3                      | 146                | 135                     | 10                 | 1                            |
| FIDEICOMISO MIRASIERRA BBVA-BANCOMER N° F/70413-0(*)            | MEXICO    | REAL ESTATE              | -  | 38.68    | 38.68 | 12                     | 69                 | 34                      | 33                 | 2                            |
| I+D MEXICO, S.A. DE C.V.(*)                                     | MEXICO    | SERVICES                 | -  | 50.000   | 50.00 | 14                     | 78                 | 39                      | 25                 | 14 (1)                       |
| INVERSIONES PLATCO, C.A.(*)                                     | VENEZUELA | FINANCIAL SERVICES       | -  | 50.00    | 50.00 | 14                     | 46                 | 18                      | 37                 | (8)                          |
| METROVACESA, S.A.   | SPAIN     | REAL ESTATE              | 18.31  | -        | 18.31 | 315                    | 5,795              | 5,539                   | 442                | (186)                        |
| OCCIDENTAL HOTELES MANAGEMENT, S.L.                             | SPAIN     | SERVICES                 | -  | 57.54    | 57.54 | 98                     | 666                | 474                     | 198                | (6) (1)                      |
| PARQUE REFORMA SANTA FE, S.A. de C.V.                           | MEXICO    | REAL ESTATE              | -  | 30.00    | 30.00 | 3                      | 46                 | 35                      | 17                 | (6)                          |
| PSA FINANCE ARGENTINA COMPANIA FINANCIERA, S.A.(*)              | ARGENTINA | FINANCIAL SERVICES       | -  | 50.00    | 50.00 | 19                     | 297                | 263                     | 21                 | 13                           |
| REDSYS SERVICIOS DE PROCESAMIENTO, S.L.                         | SPAIN     | FINANCIAL SERVICES       | 16.75  | 0.22     | 16.97 | 4                      | 83                 | 70                      | 7                  | 6                            |
| ROMBO COMPANIA FINANCIERA, S.A.                                 | ARGENTINA | FINANCIAL SERVICES       | -  | 40.00    | 40.00 | 19                     | 308                | 270                     | 22                 | 16                           |
| SERVICIOS ELECTRONICOS GLOBALES, S.A. DE C.V.                   | MEXICO    | SERVICES                 | -  | 46.14    | 46.14 | 5                      | 23                 | 12                      | 10                 | 1                            |
| SERVICIOS ON LINE PARA USUARIOS MULTIPLES, S.A. (SOLIUM)(*)     | SPAIN     | SERVICES                 | -  | 66.67    | 66.67 | 6                      | 14                 | 9                       | 5                  | 1 (1)                        |
| SERVIRED SOCIEDAD ESPAÑOLA DE MEDIOS DE PAGO, S.A.              | SPAIN     | FINANCIAL SERVICES       | 22.30  | 0.29     | 22.59 | 8                      | 71                 | 39                      | 28                 | 3                            |
| SOCIEDAD ADMINISTRADORA DE FONDOS DE CESANTIA DE CHILE II, S.A. | CHILE     | PENSION FUNDS MANAGEMENT | -  | 48.60    | 48.60 | 9                      | 7                  | -                       | 7                  | -                            |
| TELEFONICA FACTORING ESPAÑA, S.A.                               | SPAIN     | FINANCIAL SERVICES       | 30.00  | -        | 30.00 | 4                      | 165                | 152                     | 7                  | 6                            |
| TUBOS REUNIDOS, S.A.  | SPAIN     | INDUSTRY                 | -  | 22.07    | 22.07 | 53                     | 687                | 443                     | 233                | 11 (1)                       |
| TURKIYE GARANTI BANKASI A.S.(*)                                 | TURKEY    | BANKING                  | 25.01  | -        | 25.01 | 3,245                  | 17,575             | 15,634                  | 1,646              | 295 (3)                      |
| VITAMEDICA ADMINISTRADORA, S.A. DE C.V.(*)                      | MEXICO    | SERVICES                 | -  | 51.00    | 51.00 | 3                      | 14                 | 7                       | 7                  | - (1)                        |
| OTRAS SOCIEDADES  |           |                          | -  | -        | -     | 98                     | -                  | -                       | -                  | -                            |

(\*) Joint venture entities accounted for using the equity method

Information on foreign companies at exchange rate on December 31, 2012

(1) Consolidated data

(2) Non-currents sets held for sale

(3) Information on Garanti Group as of December 31, 2013. Total market capitalization as of December 31, 2013 was €9,874 million. Total received dividends amounted to €63 million.

## APPENDIX IV. Changes and notification of investments and divestments in the BBVA Group in 2013

### Acquisitions or Increases of Interest Ownership in Consolidated Subsidiaries

| Company  | Type of Transaction | Activity            | Millions of Euros   |  | % of Voting Rights                           |   | Effective Date for the Transaction (or Notification Date) |
|--|---------------------|---------------------|---|--|--|---|---|
|  |                     |                     | Price Paid in the Transactions + Expenses directly attributable to the Transactions | Fair Value of Equity Instruments issued for the Transactions | % Participation (net) Acquired in the Period | Total Voting Rights Controlled after the Transactions |   |
| INVERSIONES PREVISIONALES, S.A.  | FOUNDING            | FINANCIAL SERVICES  | 126   | -  | 100.00%                                      | 100.00%   | 28/02/2013  |
| UNNIM PROTECCIO, S.A.  | ACQUISITION         | INSURANCES SERVICES | 68  | -  | 50.00%                                       | 100.00%   | 28/02/2013  |
| UNNIM VIDA, S.A. DE SEGUROS Y REASEGUROS                                   | ACQUISITION         | INSURANCES SERVICES | 353   | -  | 50.00%                                       | 100.00%   | 07/05/2013  |
| MOMENTUM SOCIAL INVESTMENT 2012, S.L.                                      | FOUNDING            | INVESTMENT COMPANY  | 2   | -  | 100.00%                                      | 100.00%   | 30/05/2013  |
| FIDEICOMISO N.989, EN THE BANK OF NEW YORK MELLON, S.A.                    | FOUNDING            | FINANCIAL SERVICES  | -   | -  | 100.00%                                      | 100.00%   | 30/06/2013  |
| INSTITUCION DE BANCA MULTIPLE, FIDUCIARIO (FIDEIC.00989 6 EMISION)         | DILUTION EFFECT     | REAL ESTATE         | -   | -  | 2.21%  | 100.00%   | 31/07/2013  |
| FIDEICOMISO HARES BBVA BANCOMER F/ 47997-2                                 |                     |                     |   |  |  |   |   |
| BBVA AUTO ENTIDAD DE DESARROLLO A LA PEQUEÑA Y MICRO EMPRESA, EDPYME, S.A. | FOUNDING            | FINANCIAL SERVICES  | -   | -  | 84.32%                                       | 84.32%  | 28/11/2013  |
| INMESP DESARROLLADORA, S.A. DE C.V.  | ACQUISITION         | REAL ESTATE         | 67  | -  | 100.00%                                      | 100.00%   | 30/11/2013  |
| CONSORCIO DE CASAS MEXICANAS, S.A.P.I. DE C.V.                             | ACQUISITION         | REAL ESTATE         | -   | -  | 99.81%                                       | 99.81%  | 30/11/2013  |
| F/403035-9 HORIZONTES RESIDENCIAL  | ACQUISITION         | REAL ESTATE         | 2   | -  | 65.00%                                       | 65.00%  | 30/11/2013  |
| F/11032604 FRACCIONAMIENTO LOARCA TERCERA SECCION                          | ACQUISITION         | REAL ESTATE         | 1   | -  | 60.05%                                       | 60.05%  | 30/11/2013  |
| F/253863 EL DESEO RESIDENCIAL  | ACQUISITION         | REAL ESTATE         | 1   | -  | 65.00%                                       | 65.00%  | 30/11/2013  |

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRES for banks. See Note 54).

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| Disposals or Reduction of Interest Ownership in Consolidated Subsidiaries   |                     |                           |                                  |  |                                    |   |   |
|---|---------------------|---------------------------|----------------------------------|--|------------------------------------|---|---|
| Company   | Type of Transaction | Activity                  | Millions of Euros                |  | % of Voting Rights                 |   | Effective Date for the Transaction (or Notification Date) |
|   |                     |                           | Profit (Loss) in the Transaction | Changes in the Equity due to the transaction | % Participation Sold in the Period | Total Voting Rights Controlled after the Disposal |   |
| ADMINISTRADORA DE FONDOS PARA EL RETIRO-BANCOMER, S.A. DE C.V. (*)  | DISPOSAL            | PENSION FUND MANAGEMENT   | 771                              | -  | 100.00%                            | 0.00%   | 09/01/2013  |
| BBVA AUTORENTING SPA  | DISPOSAL            | SERVICES                  | -                                | -  | 100.00%                            | 0.00%   | 27/02/2013  |
| BBVA RENTING, SPA   | DISPOSAL            | SERVICES                  | -                                | -  | 100.00%                            | 0.00%   | 27/02/2013  |
| BBVA HORIZONTE PENSIONES Y CESANTIAS, S.A. (*)  | DISPOSAL            | PENSION FUND MANAGEMENT   | 255                              | -  | 99.96%                             | 0.00%   | 18/04/2013  |
| AFP HORIZONTE, S.A. (*)   | DISPOSAL            | PENSION FUND MANAGEMENT   | 206                              | -  | 100.00%                            | 0.00%   | 23/04/2013  |
| ITINERARI 2002, S.L.  | DISPOSAL            | SERVICES                  | -                                | -  | 52.08%                             | 0.00%   | 30/04/2013  |
| BBVA COMPASS BANCSHARES, INC. (1)   | MERGER              | INVESTMENT COMPANY        | -                                | -  | 100.00%                            | 0.00%   | 14/05/2013  |
| BBVA COMPASS INVESTMENT SOLUTIONS, INC. (2)   | MERGER              | FINANCIAL SERVICES        | -                                | -  | 100.00%                            | 0.00%   | 16/05/2013  |
| UNIMBANC, S.A. (3)  | MERGER              | BANKING                   | -                                | -  | 100.00%                            | 0.00%   | 23/05/2013  |
| VIRTUAL DOC, S.L.   | LIQUIDATION         | SERVICES                  | -                                | -  | 70.00%                             | 0.00%   | 31/05/2013  |
| BBVA BANCO FRANCES, S.A.  | DISPOSAL            | BANKING                   | -                                | -  | 0.02%                              | 75.96%  | 30/06/2013  |
| BBVA & PARTNERS SICAV SIF EQUITY ARBITRAGE MASTER SIF   | DISPOSAL            | VARIABLE CAPITAL          | -                                | -  | 100.00%                            | 0.00%   | 30/06/2013  |
| RIVERWAY HOLDINGS CAPITAL TRUST I   | LIQUIDATION         | FINANCIAL SERVICES        | -                                | -  | 100.00%                            | 0.00%   | 30/06/2013  |
| FORUM COMERCIALIZADORA DEL PERU, S.A.   | DISPOSAL            | SERVICES                  | -                                | -  | 15.68%                             | 84.32%  | 26/07/2013  |
| FORUM DISTRIBUIDORA DEL PERU, S.A.  | DISPOSAL            | FINANCIAL SERVICES        | -                                | -  | 15.68%                             | 84.32%  | 26/07/2013  |
| FIDECOMISO F/29763-0 SOCIO LIQUIDADOR DE OPERACIONES FINANCIERAS DERIVADAS CUENTA PROPIA  | LIQUIDATION         | FINANCIAL SERVICES        | -                                | -  | 100.00%                            | 0.00%   | 31/07/2013  |
| UNICOM TELECOMUNICACIONES S.D.E.R.L. DE C.V.  | LIQUIDATION         | SERVICES                  | -                                | -  | 100.00%                            | 0.00%   | 30/08/2013  |
| UNINIMCAKA OPERADOR DE BANCA D'ASSEGURANCES VINCULAT, S.L.(4)   | MERGER              | FINANCIAL SERVICES        | -                                | -  | 100.00%                            | 0.00%   | 01/10/2013  |
| ADMINISTRADORA DE FONDOS DE PENSIONES PROVIDA, S.A. (AFP PROVIDA) (*)   | DISPOSAL            | PENSION FUND MANAGEMENT   | 500                              | -  | 64.32%                             | 0.00%   | 02/10/2013  |
| AFP GENESIS ADMINISTRADORA DE FONDOS Y FIDECOMISOS, S.A.  | DISPOSAL            | PENSION FUND MANAGEMENT   | -                                | -  | 100.00%                            | 0.00%   | 02/10/2013  |
| INVERSIONES PREVISIONALES, S.A.   | DISPOSAL            | INVESTMENT COMPANY        | -                                | -  | 100.00%                            | 0.00%   | 02/10/2013  |
| PROVIDA INTERNACIONAL, S.A.   | DISPOSAL            | PENSION FUND MANAGEMENT   | -                                | -  | 100.00%                            | 0.00%   | 02/10/2013  |
| UNIM PROTECCIÓ, S.A. (5)  | MERGER              | INSURANCES SERVICES       | -                                | -  | 100.00%                            | 0.00%   | 31/10/2013  |
| BBVA PATRIMONIOS GESTORA SGIC, S.A. (6)   | MERGER              | OTHER INVESTMENT COMPANIE | -                                | -  | 100.00%                            | 0.00%   | 13/11/2013  |
| VISACOM, S.A. DE C.V.   | LIQUIDATION         | SERVICES                  | 1                                | -  | 100.00%                            | 0.00%   | 11/12/2013  |
| PORT ARTHUR ABSTRACT & TITLE COMPANY  | LIQUIDATION         | FINANCIAL SERVICES        | -                                | -  | 100.00%                            | 0.00%   | 19/12/2013  |
| SOUTHEAST TEXAS TITLE COMPANY   | LIQUIDATION         | FINANCIAL SERVICES        | -                                | -  | 100.00%                            | 0.00%   | 19/12/2013  |
| TWOENC, INC   | LIQUIDATION         | FINANCIAL SERVICES        | -                                | -  | 100.00%                            | 0.00%   | 19/12/2013  |
| PI HOLDINGS NO. 4, INC.   | LIQUIDATION         | FINANCIAL SERVICES        | -                                | -  | 100.00%                            | 0.00%   | 19/12/2013  |
| RIVER OAKS BANK BUILDING, INC.  | LIQUIDATION         | INSTRUMENTAL REAL ESTATE  | -                                | -  | 100.00%                            | 0.00%   | 19/12/2013  |
| COMPASS WEALTH MANAGERS COMPANY   | LIQUIDATION         | SERVICES                  | -                                | -  | 100.00%                            | 0.00%   | 19/12/2013  |
| RIVER OAKS TR CORPORATION   | LIQUIDATION         | FINANCIAL SERVICES        | -                                | -  | 100.00%                            | 0.00%   | 19/12/2013  |
| BANCO BILBAO VIZCAYA ARGENTARIA (PANAMA), S.A.  | DISPOSAL            | BANKING                   | 230                              | -  | 98.93%                             | 0.00%   | 19/12/2013  |
| TRANSITORY CO   | DISPOSAL            | INSTRUMENTAL REAL ESTATE  | -                                | -  | 100.00%                            | 0.00%   | 19/12/2013  |
| INGENIERIA EMPRESARIAL MULTIBA, S.A. DE C.V.  | LIQUIDATION         | SERVICES                  | -                                | -  | 99.99%                             | 0.00%   | 31/12/2013  |
| BANCO PROVINCIAL S.A. - BANCO UNIVERSAL   | DISPOSAL            | BANKING                   | -                                | (3)  | 0.39%                              | 55.21%  | 31/12/2013  |
| UNIM GESFONS SGIC, S.A.   | LIQUIDATION         | OTHER INVESTMENT COMPANIE | -                                | -  | 100.00%                            | 0.00%   | 31/12/2013  |
| Structured Entities:  |                     |                           |                                  |  |                                    |   |   |
| BOIRO FINANCE B.V.  | LIQUIDATION         | FINANCIAL SERVICES        | -                                | -  |                                    |   | 31/10/2013  |
| (1) Absorbed by BBVA USA Bancshares Inc.<br>(2) Absorbed by BBVA S.A.<br>(3) Absorbed by BBVA Securities Inc.<br>(4) Absorbed by BBVA Mediación Operador de Banca-Seguros Vinculado, S.A.<br>(5) Absorbed by BBVA Seguros, S.A., De Seguros y Reaseguros<br>(6) Absorbed by BBVA Asset Management, S.A., SGIC<br>(*) Profit refers to net profit attributable |                     |                           |                                  |  |                                    |   |   |

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRES for banks. See Note 54).

This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

| Business Combinations and Other Acquisitions or Increases of Interest Ownership in Associates and Joint-Ventures Accounted for Under the Equity Method |                     |                        |   |  |  |   |   |
|--|---------------------|------------------------|---|--|--|---|---|
| Company  | Type of Transaction | Activity               | Millions of Euros   |  | % of Voting Rights                           |   | Effective Date for the Transaction (or Notification Date) |
|  |                     |                        | Price Paid in the Transactions + Expenses Directly Attributable to the Transactions | Fair Value of Equity Instruments Issued for the Transactions | % Participation (Net) Acquired in the Period | Total Voting Rights Controlled After the Transactions |   |
| OSONA CIPSA, S.L.  | ACQUISITION         | IN LIQUIDATION         | -   | -  | 50.00%                                       | 50.00%  | 31/03/2013  |
| NAVIERA ATTILA, AIE  | ACQUISITION         | SERVICES               | -   | -  | 21.01%                                       | 21.01%  | 30/04/2013  |
| NAVIERA ELECTRA, AIE   | ACQUISITION         | SERVICES               | -   | -  | 21.00%                                       | 21.00%  | 30/04/2013  |
| NAVIERA CABO ESTAY, AIE  | ACQUISITION         | SERVICES               | -   | -  | 16.00%                                       | 16.00%  | 30/04/2013  |
| METROVACESA, S.A. (1)  | ACQUISITION         | REAL ESTATE            | 22  | -  | 0.94%  | 18.31%  | 16/05/2013  |
| VITAMEDICA ADMINISTRADORA S.A. DE C.V.   | FOUNDING            | SERVICES               | 2   | -  | 51.00%                                       | 51.00%  | 01/07/2013  |
| VITAMEDICA S.A. DE C.V.  | DILUTION EFFECT     | INSURANCES SERVICES    | -   | -  | 0.01%  | 51.00%  | 30/09/2013  |
| FIDEICOMISO MIRASIERRA BBVA-BANCOMER N° F/70413-0  | DILUTION EFFECT     | REAL ESTATE            | -   | -  | 1.22%  | 38.68%  | 28/11/2013  |
| CANCUN SUN & GOLF COUNTRY CLUB, S.A.P.I. DE C.V.   | ACQUISITION         | REAL ESTATE            | 39  | -  | 33.33%                                       | 33.33%  | 30/11/2013  |
| FIDEICOMISO 1729 INVEX ENAJENACION DE CARTERA  | FOUNDING            | INSTRUMENTAL REAL ESTA | 63  | -  | 32.25%                                       | 32.25%  | 30/12/2013  |
| RESIDENCIAL SARRIA-BONANOVA, S.L.  | DILUTION EFFECT     | REAL ESTATE            | -   | -  | 1.69%  | 27.22%  | 30/12/2013  |

(1) Unlisted in the Stock Market since May 23, 2013

#### Disposal or Reduction of Interest Ownership in Associates and Joint-Ventures Companies Accounted for Under the Equity Method

| Company  | Type of Transaction | Activity                | Millions of Euros                | % of Voting Rights                 |   | Effective Date for the Transaction (or Notification Date) |
|--|---------------------|-------------------------|----------------------------------|------------------------------------|---|---|
|  |                     |                         | Profit (Loss) in the Transaction | % Participation Sold in the Period | Total Voting Rights Controlled after the Disposal |   |
| GARANTI TEKNOLOJINET ILETISIM HIZ. VE TIC. A.S. (GARANTI TEKNOLOJINET) | LIQUIDATION         | SERVICES                | -                                | 99.99%                             | -   | 28/02/2013  |
| ADMINISTRADORA DE SOLUCIONES INTEGRALES, S.A. (ASI,S.A.)               | DISPOSAL            | FINANCIAL SERVICES      | 3                                | 34.00%                             | -   | 30/03/2013  |
| REDSYS SERVICIOS DE PROCESAMIENTO, S.L.                                | DISPOSAL            | FINANCIAL SERVICES      | -                                | 0.28%                              | 16.97%  | 30/03/2013  |
| ACTIVA CT BADEBAÑO, S.L.   | DISPOSAL            | COMMERCIAL              | -                                | 50.00%                             | -   | 05/04/2013  |
| FIDEICOMISO MIRASIERRA BBVA-BANCOMER N° F/70413-0                      | DILUTION EFFECT     | REAL ESTATE             | -                                | 7.90%                              | 37.45%  | 30/04/2013  |
| VANTOUREIX, S.L.   | DISPOSAL            | REAL ESTATE             | 11                               | 40.72%                             | 0.00%   | 30/07/2013  |
| ADMINISTRADORA DE FONDOS DE CESANTIA DE CHILE, S.A.                    | DISPOSAL            | PENSION FUND MANAGEMENT | -                                | 60.90%                             | 0.00%   | 02/10/2013  |
| INVERSIONES DCV S.A.   | DISPOSAL            | PENSION FUND MANAGEMENT | -                                | 23.14%                             | 4.06%   | 02/10/2013  |
| SERVICIOS DE ADMINISTRACION PREVISIONAL, S.A.                          | DISPOSAL            | PENSION FUND MANAGEMENT | -                                | 37.87%                             | 0.00%   | 02/10/2013  |
| CHINA CITIC BANK CORPORATION LIMITED CNCB                              | DISPOSAL            | BANKING                 | (2,600)                          | 15.00%                             | 0.00%   | 21/10/2013  |
| TUBOS REUNIDOS, S.A.   | DISPOSAL            | INDUSTRY                | 1                                | 0.70%                              | 22.07%  | 14/11/2013  |
| COMPañIA ESPAÑOLA DE FINANCIACION DEL DESARROLLO S.A.                  | DISPOSAL            | FINANCIAL SERVICES      | -                                | 0.99%                              | 17.82%  | 31/12/2013  |

#### Changes in other Companies quoted recognize as Available-For-Sale

| Company  | Type of Transaction | Activity           | % of voting rights                            |                                      | Effective Date for the Transaction (or Notification Date) |
|--|---------------------|--------------------|---|--------------------------------------|---|
|  |                     |                    | % Participation Acquired (Sold) in the Period | Totally Controlled after Transaction |   |
| BOLSAS Y MERCADOS ESPAÑÓLES SDAD.HOLDING MDOS.Y STMAS.FIN., S.A. | DISPOSAL            | FINANCIAL SERVICES | -1.00%  | 4.09%                                | 15/07/2013  |
| COMPANYIA D'AIGUES DE SABADELL SA.                               | DISPOSAL            | SERVICES           | -7.25%  | -                                    | 16/07/2013  |
| BOLSAS Y MERCADOS ESPAÑÓLES SDAD.HOLDING MDOS.Y STMAS.FIN., S.A. | DISPOSAL            | FINANCIAL SERVICES | -0.60%  | 2.53%                                | 14/08/2013  |

## APPENDIX V.

### Fully consolidated subsidiaries with more than 10% owned by non-Group shareholders as of December 31, 2013

| Company   | Activity                 | % of Voting Rights<br>Controlled by the Bank |          |       |
|---|--------------------------|--|----------|-------|
|   |                          | Direct                                       | Indirect | Total |
| BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.   | BANKING                  | -  | 68.18    | 68.18 |
| BANCO PROVINCIAL S.A. - BANCO UNIVERSAL   | BANKING                  | 1.46   | 53.75    | 55.21 |
| BBVA AUTO ENTIDAD DE DESARROLLO A LA PEQUEÑA Y MICRO EMPRESA, EDPYME, S.A. (BBVA AUTO - EDPYME) | FINANCIAL SERVICES       | -  | 84.32    | 84.32 |
| BBVA EL CANO EMPRESARIAL, S.C.R., S.A.  | VENTURE CAPITAL          | 45.00  | -        | 45.00 |
| BBVA INMOBILIARIA E INVERSIONES, S.A.   | REAL ESTATE              | -  | 68.11    | 68.11 |
| CATALONIA GEBIRA, S.L.  | REAL ESTATE              | -  | 81.66    | 81.66 |
| DESARROLLO URBANISTICO DE CHAMARTIN, S.A.   | REAL ESTATE              | -  | 72.50    | 72.50 |
| ECOARENYS, S.L.   | REAL ESTATE              | -  | 50.00    | 50.00 |
| EL OASIS DE LAS RAMBLAS, S.L.   | REAL ESTATE              | -  | 70.00    | 70.00 |
| ESTACION DE AUTOBUSES CHAMARTIN, S.A.   | SERVICES                 | -  | 51.00    | 51.00 |
| F/11032604 FRACCIONAMIENTO LOARCA TERCERA SECCION   | REAL ESTATE              | -  | 60.05    | 60.05 |
| F/253863 EL DESEO RESIDENCIAL   | REAL ESTATE              | -  | 65.00    | 65.00 |
| F/403035-9 BBVA HORIZONTES RESIDENCIAL  | REAL ESTATE              | -  | 65.00    | 65.00 |
| FORUM COMERCIALIZADORA DEL PERU, S.A.   | SERVICES                 | -  | 84.32    | 84.32 |
| FORUM DISTRIBUIDORA DEL PERU, S.A.  | FINANCIAL SERVICES       | -  | 84.32    | 84.32 |
| FORUM DISTRIBUIDORA, S.A.   | FINANCIAL SERVICES       | -  | 75.52    | 75.52 |
| FORUM SERVICIOS FINANCIEROS, S.A.   | FINANCIAL SERVICES       | -  | 75.50    | 75.50 |
| GESTION DE PREVISION Y PENSIONES, S.A.  | PENSION FUNDS MANAGEMENT | 60.00  | -        | 60.00 |
| GRUPO PROFESIONAL PLANEACION Y PROYECTOS, S.A. DE C.V.  | SERVICES                 | -  | 72.06    | 72.06 |
| HABITATGES INVERVIC, S.L.   | REAL ESTATE              | -  | 35.00    | 35.00 |
| HOLDING CONTINENTAL, S.A.   | INVESTMENT COMPANY       | 50.00  | -        | 50.00 |
| INVERSIONES BANPRO INTERNATIONAL INC. N.V.  | IN LIQUIDATION           | 48.00  | -        | 48.00 |
| INVERSIONES P.H.R.4, C.A.   | NO ACTIVITY              | -  | 60.46    | 60.46 |
| PRO-SALUD, C.A.   | NO ACTIVITY              | -  | 58.86    | 58.86 |
| TEXTIL TEXTURA, S.L.  | COMERCIAL                | -  | 68.67    | 68.67 |



## APPENDIX VI.

### BBVA Group's securitization funds

| Securitization Fund (consolidated)    | Company                                     | Origination Date | Millions of Euros                                   |   |
|---------------------------------------|---|------------------|---|---|
|                                       |   |                  | Total Securitized Exposures at the Origination Date | Total Securitized Exposures as of December 31, 2013 |
| FTA IM-1 FTGENCAT                     | BBVA, S.A.                                  | 12/2005          | 320,000   | 35,882  |
| FTA IM TERRASSA MBS-1                 | BBVA, S.A.                                  | 07/2006          | 525,000   | 208,005   |
| GC FTGENCAT CAIXA SABADELL 1, FTA     | BBVA, S.A.                                  | 10/2006          | 304,500   | 85,181  |
| GC FTGENCAT CAIXA SABADELL 2, FTA     | BBVA, S.A.                                  | 12/2008          | 238,000   | 92,608  |
| TDA 20-MIXTO, FTA                     | BBVA, S.A.                                  | 06/2004          | 100,000   | 29,806  |
| FTA TDA-22 MIXTO                      | BBVA, S.A.                                  | 12/2004          | 62,000  | 22,361  |
| AYT HIPOTECARIO MIXTO, FTA            | BBVA, S.A.                                  | 03/2004          | 100,000   | 27,924  |
| FTA AYT CONSUMO III                   | BBVA, S.A.                                  | 08/2004          | 60,000  | 3,034   |
| AYT HIPOTECARIO MIXTO IV, FTA         | BBVA, S.A.                                  | 06/2005          | 100,000   | 37,019  |
| AYT CAIXA SABADELL HIPOTECARIO I, FTA | BBVA, S.A.                                  | 07/2008          | 300,000   | 222,184   |
| FTA TDA-27                            | BBVA, S.A.                                  | 12/2006          | 275,000   | 147,195   |
| FTA TDA-28                            | BBVA, S.A.                                  | 07/2007          | 250,000   | 150,291   |
| FTA GAT FTGENCAT 2007                 | BBVA, S.A.                                  | 11/2007          | 225,000   | 62,539  |
| FTA GAT FTGENCAT 2008                 | BBVA, S.A.                                  | 08/2008          | 350,000   | 143,480   |
| BBVA-3 FTPYME FTA                     | BBVA, S.A.                                  | 11/2004          | 1,000,023   | 23,629  |
| BBVA AUTOS 2 FTA                      | BBVA, S.A.                                  | 12/2005          | 1,000,000   | 57,944  |
| BBVA HIPOTECARIO 3 FTA                | BBVA, S.A.                                  | 06/2005          | 1,450,013   | 115,779   |
| BBVA-4 PYME FTA                       | BBVA, S.A.                                  | 09/2005          | 1,250,025   | 41,264  |
| BBVA CONSUMO 1 FTA                    | BBVA, S.A.                                  | 05/2006          | 1,499,999   | 77,931  |
| BBVA-5 FTPYME FTA                     | BBVA, S.A.                                  | 10/2006          | 1,900,022   | 117,322   |
| BBVA CONSUMO 2 FTA                    | BBVA, S.A.                                  | 11/2006          | 1,500,000   | 105,927   |
| BBVA CONSUMO 3 FTA                    | BBVA, S.A.                                  | 04/2008          | 975,000   | 109,707   |
| BBVA CONSUMO 4 FTA                    | BBVA, S.A.                                  | 12/2009          | 1,100,000   | 265,233   |
| BBVA SECURITISED FUNDING 1.FTA        | BBVA, S.A.                                  | 03/2013          | 847,997   | 831,255   |
| BBVA UNIVERSALIDAD E10                | BBVA COLOMBIA, S.A.                         | 03/2009          | 27,919  | 4,148   |
| BBVA UNIVERSALIDAD E11                | BBVA COLOMBIA, S.A.                         | 05/2009          | 18,431  | 2,618   |
| BBVA UNIVERSALIDAD E12                | BBVA COLOMBIA, S.A.                         | 08/2009          | 29,608  | 3,018   |
| BBVA UNIVERSALIDAD E5                 | BBVA COLOMBIA, S.A.                         | 11/2004          | 131,098   | 998   |
| BBVA UNIVERSALIDAD E9                 | BBVA COLOMBIA, S.A.                         | 12/2008          | 52,940  | 6,693   |
| BBVA EMPRESAS 1 FTA                   | BBVA, S.A.                                  | 11/2007          | 1,450,002   | 125,924   |
| BBVA EMPRESAS 2 FTA                   | BBVA, S.A.                                  | 03/2009          | 2,850,062   | 631,274   |
| BBVA EMPRESAS 3 FTA                   | BBVA, S.A.                                  | 12/2009          | 2,600,011   | 490,552   |
| BBVA EMPRESAS 4 FTA                   | BBVA, S.A.                                  | 07/2010          | 1,700,025   | 421,657   |
| BBVA EMPRESAS 5 FTA                   | BBVA, S.A.                                  | 03/2011          | 1,250,050   | 503,098   |
| BBVA EMPRESAS 6 FTA                   | BBVA, S.A.                                  | 12/2011          | 1,200,154   | 614,678   |
| BACOMCB 07                            | BBVA BANCOMER, S.A.                         | 12/2007          | 146,270   | 58,196  |
| BACOMCB 08                            | BBVA BANCOMER, S.A.                         | 03/2008          | 63,893  | 28,711  |
| BACOMCB 08U                           | BBVA BANCOMER, S.A.                         | 08/2008          | 315,144   | 178,054   |
| BACOMCB 08-2                          | BBVA BANCOMER, S.A.                         | 12/2008          | 322,219   | 150,229   |
| BACOMCB 09                            | BBVA BANCOMER, S.A.                         | 08/2009          | 362,140   | 219,428   |
| BMERCB 13                             | BBVA BANCOMER, S.A.                         | 06/2013          | 599,235   | 222,339   |
| BBVA-FINANZIA AUTOS 1 FTA             | BBVA, S.A.                                  | 04/2007          | 800,000   | 66,753  |
| BBVA RMBS 1 FTA                       | BBVA, S.A.                                  | 02/2007          | 2,500,000   | 1,481,679   |
| BBVA RMBS 2 FTA                       | BBVA, S.A.                                  | 03/2007          | 5,000,000   | 2,874,116   |
| BBVA RMBS 3 FTA                       | BBVA, S.A.                                  | 07/2007          | 3,000,000   | 1,955,757   |
| BBVA RMBS 5 FTA                       | BBVA, S.A.                                  | 05/2008          | 5,000,001   | 3,256,315   |
| BBVA RMBS 9 FTA                       | BBVA, S.A.                                  | 04/2010          | 1,295,101   | 1,101,808   |
| BBVA RMBS 10 FTA                      | BBVA, S.A.                                  | 06/2011          | 1,600,065   | 1,468,662   |
| BBVA RMBS 11 FTA                      | BBVA, S.A.                                  | 06/2012          | 1,400,077   | 1,311,526   |
| BBVA RMBS 12 FTA                      | BBVA, S.A.                                  | 12/2013          | 4,350,000   | 4,335,365   |
| BBVA LEASING 1 FTA                    | BBVA, S.A.                                  | 06/2007          | 2,500,000   | 286,122   |
| BBVA UNIVERSALIDAD N6                 | BBVA COLOMBIA, S.A.                         | 08/2012          | 80,137  | 43,073  |
| PEP80040F110                          | BANCO CONTINENTAL, S.A.                     | 12/2007          | 6,488   | 3,716   |
| BBVA-6 FTPYME FTA                     | BBVA, S.A.                                  | 06/2007          | 1,500,101   | 137,310   |
| BBVA-7 FTGENCAT FTA                   | BBVA, S.A.                                  | 02/2008          | 250,010   | 35,648  |
| BBVA-8 FTPYME FTA                     | BBVA, S.A.                                  | 07/2008          | 1,100,127   | 189,554   |
| BBVA PYME 9 FTA                       | BBVA, S.A.                                  | 12/2012          | 470,035   | 328,397   |
| 2 PS INTERAMERICANA                   | BBVA CHILE, S.A.                            | 10/2004          | 10,497  | 3,471   |
| 2 PS INTERAMERICANA                   | BBVA SOCIEDAD DE LEASING INMOBILIARIO, S.A. | 10/2004          | 19,243  | 6,362   |

| Securitization Fund (not consolidated) | Company                                     | Origination Date | Millions of Euros                                   |   |
|--|---|------------------|---|---|
|  |   |                  | Total Securitized Exposures at the Origination Date | Total Securitized Exposures as of December 31, 2013 |
| FTA TDA13                              | BBVA, S.A.                                  | 12/2000          | 84,142  | 9,850   |
| FTA TDA-18 MIXTO                       | BBVA, S.A.                                  | 11/2003          | 91,000  | 20,608  |
| AYT 1 HIPOTECARIO, FTH                 | BBVA, S.A.                                  | 06/1999          | 149,040   | 4,509   |
| BCL MUNICIPIOS I FTA                   | BBVA, S.A.                                  | 06/2000          | 1,205,059   | 75,367  |
| 2 PS RBS (ex ABN)                      | BBVA SOCIEDAD DE LEASING INMOBILIARIO, S.A. | 09/2002          | 7,774   | 5,018   |

## APPENDIX VII.

Details of the outstanding subordinated debt and preferred securities issued by the Bank as of December 31, 2013 and 2012

| Issue Type and data          | Millions of Euros |              | Interest rate<br>in force in<br>2013 | Fix (F) or<br>Variable (V) | Maturity date |
|------------------------------|-------------------|--------------|--------------------------------------|----------------------------|---------------|
|                              | 2013              | 2012         |                                      |                            |               |
| <b>Non-convertible</b>       |                   |              |                                      |                            |               |
| July-96                      | 27                | 27           | 9.37%                                | F                          | Dec-22-2016   |
| July-04                      | 2                 |              | 0.48%                                | V                          | Jul-30-2019   |
| October-04                   | 628               | 628          | 4.38%                                | V                          | Oct-20-2019   |
| January-05                   | 49                |              | 0.75%                                | V                          | Jan-28-2020   |
| December-05                  | 3                 |              | 2.37%                                | V                          | Dec-1-2015    |
| August-06                    | 36                |              | 4.70%                                | F                          | Aug-9-2021    |
| August-06                    | 46                |              | 0.81%                                | V                          | Aug-9-2021    |
| February-07                  | 64                |              | 0.66%                                | V                          | Feb-15-2017   |
| February-07                  | 255               | 255          | 4.50%                                | V                          | Feb-16-2022   |
| March-07                     | 75                |              | 1.53%                                | V                          |               |
| March-08                     | 125               | 125          | 6.03%                                | V                          | Mar-3-2033    |
| July-08                      | 100               | 100          | 6.20%                                | F                          | Jul-4-2023    |
| June-09                      | 5                 |              | 5.50%                                | V                          | Jun-10-2024   |
| September-09                 | 10                |              | 6.00%                                | V                          | Sep-29-2019   |
| <b>Convertible</b>           |                   |              |                                      |                            |               |
| December-11                  |                   | 1,238        |                                      | F                          | Jun-30-2013   |
| May-13                       | 1,088             |              | 9.00%                                | V                          |               |
| <b>Subtotal</b>              | <b>2,513</b>      | <b>2,373</b> |                                      |                            |               |
| <b>Subordinated deposits</b> | <b>2,529</b>      | <b>2,484</b> |                                      |                            |               |
| <b>Preferred Stock</b>       |                   |              |                                      |                            |               |
| December-07                  | 14                |              | 2.54%                                | V                          |               |
| <b>Total</b>                 | <b>5,056</b>      | <b>4,857</b> |                                      |                            |               |

## APPENDIX VIII.

### Balance sheets held in foreign currency as of December 31, 2013 and 2012

| Millions of Euros                       |               |                 |                  |               |
|---|---------------|-----------------|------------------|---------------|
| 2013                                    | USD           | Pounds Sterling | Other Currencies | TOTAL         |
| <b>Assets -</b>                         |               |                 |                  |               |
| Financial assets held for trading       | 1,611         | 305             | 897              | <b>2,813</b>  |
| Available-for-sale financial assets     | 1,228         | 68              | 1,902            | <b>3,198</b>  |
| Loans and receivables                   | 10,893        | 1,513           | 1,545            | <b>13,951</b> |
| Investments                             | 8,961         |                 | 12,059           | <b>21,020</b> |
| Tangible assets                         | 7             | 6               | 1                | <b>14</b>     |
| Rest                                    | 822           | 32              | 91               | <b>945</b>    |
| <b>Total</b>                            | <b>23,522</b> | <b>1,924</b>    | <b>16,495</b>    | <b>41,941</b> |
| <b>Liabilities -</b>                    |               |                 |                  |               |
| Financial assets held for trading       | 1,054         | 261             | 368              | <b>1,683</b>  |
| Financial liabilities at amortized cost | 22,592        | 2,744           | 783              | <b>26,119</b> |
| Rest                                    | 64            | 61              | (561)            | <b>(436)</b>  |
| <b>Total</b>                            | <b>23,710</b> | <b>3,066</b>    | <b>590</b>       | <b>27,366</b> |

| Millions of Euros                       |               |                 |                  |               |
|---|---------------|-----------------|------------------|---------------|
| 2012                                    | USD           | Pounds Sterling | Other Currencies | TOTAL         |
| <b>Assets -</b>                         |               |                 |                  |               |
| Financial assets held for trading       | 2,644         | 325             | 777              | <b>3,746</b>  |
| Available-for-sale financial assets     | 476           | 92              | 187              | <b>755</b>    |
| Loans and receivables                   | 10,951        | 1,588           | 2,204            | <b>14,743</b> |
| Investments                             | 8,550         | -               | 16,038           | <b>24,588</b> |
| Tangible assets                         | 12            | 7               | 3                | <b>22</b>     |
| Rest                                    | 463           | 260             | 242              | <b>965</b>    |
| <b>Total</b>                            | <b>23,096</b> | <b>2,272</b>    | <b>19,451</b>    | <b>44,820</b> |
| <b>Liabilities -</b>                    |               |                 |                  |               |
| Financial assets held for trading       | 1,779         | 333             | 493              | <b>2,605</b>  |
| Financial liabilities at amortized cost | 21,574        | 2,846           | 768              | <b>25,188</b> |
| Rest                                    | 31            | 64              | 29               | <b>124</b>    |
| <b>Total</b>                            | <b>23,384</b> | <b>3,243</b>    | <b>1,290</b>     | <b>27,917</b> |

## APPENDIX IX.

### Income statement corresponding to the first and second half of 2013 and 2012

|  | Millions of Euros |              |                |              |
|--|-------------------|--------------|----------------|--------------|
|  | 1H13              | 1H12         | 2H13           | 2H12         |
| INTEREST AND SIMILAR INCOME  | 4,225             | 4,750        | 3,652          | 4,349        |
| INTEREST EXPENSE AND SIMILAR CHARGES   | (2,460)           | (2,580)      | (2,129)        | (2,295)      |
| INCOME FROM EQUITY INSTRUMENTS   | -                 | -            | -              | -            |
| <b>NET INTEREST INCOME</b>   | <b>1,765</b>      | <b>2,170</b> | <b>1,523</b>   | <b>2,054</b> |
| INCOME FROM EQUITY INSTRUMENTS   | 1,729             | 2,092        | 528            | 3,025        |
| FEE AND COMMISSION INCOME  | 904               | 866          | 871            | 864          |
| FEE AND COMMISSION EXPENSES  | (169)             | (156)        | (163)          | (166)        |
| GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET)  | 542               | 492          | 583            | 495          |
| EXCHANGE DIFFERENCES   | 172               | (139)        | 23             | (168)        |
| OTHER OPERATING INCOME   | 68                | 51           | 63             | 42           |
| OTHER OPERATING EXPENSES   | (162)             | (142)        | (275)          | (130)        |
| <b>GROSS INCOME</b>  | <b>4,849</b>      | <b>5,234</b> | <b>3,153</b>   | <b>6,016</b> |
| ADMINISTRATION COSTS   | (1,952)           | (1,796)      | (1,925)        | (1,872)      |
| Personnel expenses   | (1,193)           | (1,119)      | (1,159)        | (1,145)      |
| General expenses   | (759)             | (677)        | (766)          | (727)        |
| AMORTIZATION   | (247)             | (182)        | (255)          | (198)        |
| PROVISIONS (NET)   | (343)             | (170)        | (387)          | (799)        |
| IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)  | (1,480)           | (2,301)      | (1,774)        | (3,367)      |
| <b>NET OPERATING INCOME</b>  | <b>827</b>        | <b>785</b>   | <b>(1,188)</b> | <b>(220)</b> |
| IMPAIRMENT LOSSES ON OTHER ASSETS (NET)  | (31)              | 1            | 176            | 542          |
| GAINS (LOSSES) ON DERECOGNIZED ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE         | 137               | 17           | (264)          | (3)          |
| NEGATIVE GOODWILL IN BUSINESS COMBINATIONS   | -                 | -            | -              | -            |
| GAINS AND LOSSES ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED TRANSACTIONS | (277)             | (244)        | (93)           | (244)        |
| <b>INCOME BEFORE TAX</b>   | <b>656</b>        | <b>559</b>   | <b>(1,369)</b> | <b>75</b>    |
| INCOME TAX   | 223               | 414          | 835            | 337          |
| <b>INCOME FROM CONTINUING TRANSACTIONS</b>   | <b>879</b>        | <b>973</b>   | <b>(534)</b>   | <b>412</b>   |
| INCOME FROM DISCONTINUED TRANSACTIONS (NET)  | 578               | 32           | 483            | 11           |
| <b>PROFIT FOR THE YEAR</b>   | <b>1,457</b>      | <b>1,005</b> | <b>(51)</b>    | <b>423</b>   |

## APPENDIX X.

### Information on data derived from the special accounting registry

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

#### a) Mortgage market policies and procedures

The Bank has express policies and procedures in place regarding its activities in the mortgage market, which provide for full compliance with applicable legislation pursuant to Royal Decree 716/2009, of 24 April, 2009 implementing certain aspects of Act 2/1981, of 25 March 1981, regulating the mortgage market and other standards of the mortgage and financial system.

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

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

In addition, the mortgage granting policy assesses the adequate ratio between the amount of the loan and the appraisal value of the mortgaged asset. If an appropriate level is not exceeded, additional collateral is required to reinforce the transaction's hedging. The policy also establishes that the property to be mortgaged be appraised by an independent appraisal company unrelated to the Group and authorized by the Bank of Spain. BBVA selects those companies whose reputation, standing in the market and independence ensure that their appraisals adapt to the market reality in each region. Each appraisal is reviewed and checked before the loan is granted by BBVA staff and, in those cases where the loan is finally granted, it is kept in the transaction's file.

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

The Board of Directors of the Bank authorizes each of the issues of Mortgage Transfer Certificate and/or Mortgage Participation issued by BBVA to securitize loans and mortgage loans, as well as the establishment of a Base Prospectus for the issue of fixed-income securities through which the mortgage-covered bonds are implemented, based on the agreements for the issue of fixed-income securities approved by the Annual General Meeting.

As established in article 24 of Royal Decree 716/2009, the volume of unmatured mortgage-covered bonds issued by a bank may not exceed 80% of a calculation base determined by adding the non-amortized capital of all the loans and mortgage loans in the bank's portfolio that are eligible and are not covered by the issue of Mortgage Bonds, Mortgage Participations or Mortgage Transfer Certificates. For these purposes, in accordance with the aforementioned Royal Decree 716/2009, in order to be eligible, loans and mortgage loans must: (i) be secured by a first mortgage on the freehold; (ii) the loan's amount may not exceed 80% of the appraisal value for home mortgages, and 60% for other mortgage lending; (iii) be established on assets exclusively and wholly owned by the mortgagor; (iv) have been appraised by an independent appraisal company unrelated to the Group and authorized by the Bank of Spain; and (v) the mortgaged property must be covered at least by a current damage insurance policy.

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

## b) Quantitative information on activities in the mortgage market

The quantitative information on activities in the mortgage market required by Bank of Spain Circular 5/2011 is shown below.

### b.1) Assets operation

|   |                | Millions of Euros |               |
|---|----------------|-------------------|---------------|
| <b>Mortgage loans.</b>  |                | <b>2013</b>       | <b>2012</b>   |
| <b>Eligibility for the purpose of the mortgage market.</b>  |                |                   |               |
| Nominal value of outstanding loans and mortgage loans   | (A)            | 108,962           | 101,350       |
| <i>Minus: Nominal value of all outstanding loans and mortgage loans that form part of the portfolio, but have been mobilized through mortgage bond holdings or mortgage transfer certificates.</i>  | (B)            | (21,551)          | (17,605)      |
| <b>Nominal value of outstanding loans and mortgage loans, excluding securitized loans</b>   | <b>(A)-(B)</b> | <b>87,411</b>     | <b>83,745</b> |
| <i>Of which:</i>  |                |                   |               |
| Loans and mortgage loans which would be eligible if the calculation limits set forth in Article 12 of Spanish Royal Decree 716/2009 were not applied.   | (C)            | 58,742            | 69,598        |
| <i>Minus: Loans and mortgage loans which would be eligible but, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, cannot be used to collateralize any issuance of mortgage bonds.</i>                                       | (D)            | (3,590)           | (5,833)       |
| <b>Eligible loans and mortgage loans that, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, can be used as collateral for the issuance of mortgage bonds</b>   | <b>(C)-(D)</b> | <b>55,152</b>     | <b>63,765</b> |
| Issuance limit: 80% of eligible loans and mortgage loans that can be used as collateral   | (E)            | 44,122            | 51,012        |
| <b>Issued mortgage-covered bonds</b>  | <b>(F)</b>     | <b>40,865</b>     | <b>50,063</b> |
|   |                | <b>39,169</b>     | <b>47,295</b> |
| Capacity to issue mortgage-covered bonds (*)  | (E)-(F)        | 3,257             | 949           |
| <i>Memorandum items:</i>  |                |                   |               |
| Percentage of overcollateralization across the portfolio  |                | 214%              | 167%          |
| Percentage of overcollateralization across the eligible used portfolio  |                | 135%              | 127%          |
| Nominal value of available sums (committed and unused) from all loans and mortgage loans.   |                | 1,633             | 988           |
| <i>Of which:</i>  |                |                   |               |
| <i>Potentially eligible</i>   |                | 1,365             | 940           |
| <i>Ineligible</i>   |                | 268               | 48            |
| Nominal value of all loans and mortgage loans that are not eligible, as they do not meet the thresholds set in Article 5.1 of Spanish Royal Decree 716/2009, but do meet the rest of the eligibility requirements indicated in Article 4 of the Royal Decree. |                | 23,698            | 14,147        |
| Nominal value of the replacement assets subject to the issue of mortgage-covered bonds.   |                | -                 | -             |

|   |         | Millions of Euros |                |
|---|---------|-------------------|----------------|
| Mortgage loans. Eligibility for the purpose of the mortgage market.   |         | 2013              | 2012           |
| <b>Total loans</b>  | (1)     | <b>108,962</b>    | <b>101,350</b> |
| <b>Issued mortgage participations</b>   | (2)     | <b>12</b>         | <b>-</b>       |
| Of which: recognized on the balance sheet   |         | -                 | -              |
| <b>Issued mortgage transfer certificates</b>  | (3)     | <b>21,539</b>     | <b>17,605</b>  |
| Of which: recognized on the balance sheet   |         | 21,492            | 17,605         |
| <b>Mortgage loans as collateral of mortgage bonds</b>   | (4)     | <b>-</b>          | <b>-</b>       |
| <b>Loans supporting the issuance of mortgage-covered bonds</b>  | 1-2-3-4 | <b>87,411</b>     | <b>83,745</b>  |
| <b>Non eligible loans</b>   |         | <b>28,669</b>     | <b>14,147</b>  |
| Comply requirements to be eligible except the limit provided for under the article 5.1 of the Spanish Royal Decree 716/2009 |         | 23,698            | 14,147         |
| Rest  |         | <b>4,971</b>      | <b>-</b>       |
| <b>Eligible loans</b>   |         | <b>58,742</b>     | <b>69,598</b>  |
| That can not be used as collateral for issuances  |         | 3,590             | 5,833          |
| That can be used as collateral for issuances  |         | 55,152            | 63,765         |
| Loans used to collateralize mortgage bonds  |         | -                 | -              |
| Loans used to collateralize mortgage-covered bonds  |         | 55,152            | 63,765         |

|   | Millions of Euros    |               |   |                      |               |   |
|---|----------------------|---------------|---|----------------------|---------------|---|
| Mortgage loans. Classification of the nominal values according to different characteristics | 2013                 |               |   | 2012                 |               |   |
|   | Total mortgage loans | Elegibles (*) | Elegibles that can be used as collateral for issuances (**) | Total mortgage loans | Elegibles (*) | Elegibles that can be used as collateral for issuances (**) |
| TOTAL   | 87,411               | 58,742        | 55,152  | 83,745               | 69,598        | 63,765  |
| By source of the operations   |                      |               |   |                      |               |   |
| Originated by the bank  | 78,194               | 49,963        | 46,460  | 72,881               | 59,172        | 53,434  |
| Subrogated by other institutions  | 1,153                | 1,026         | 1,019   | 1,400                | 1,313         | 1,301   |
| Rest  | 8,064                | 7,753         | 7,673   | 9,464                | 9,113         | 9,030   |
| By Currency   |                      |               |   |                      |               |   |
| In euros  | 87,033               | 58,557        | 54,977  | 83,745               | 69,598        | 63,765  |
| In foreign currency   | 378                  | 185           | 175   | -                    | -             | -   |
| By payment situation  |                      |               |   |                      |               |   |
| Normal payment  | 65,459               | 48,784        | 47,690  | 77,776               | 66,095        | 63,400  |
| Other situations  | 21,952               | 9,958         | 7,462   | 5,969                | 3,503         | 365   |
| By residual maturity  |                      |               |   |                      |               |   |
| Up to 10 years  | 17,574               | 10,640        | 9,155   | 15,517               | 12,524        | 10,445  |
| 10 to 20 years  | 25,736               | 20,278        | 19,400  | 24,185               | 21,845        | 20,773  |
| 20 to 30 years  | 27,956               | 19,962        | 18,957  | 29,016               | 25,153        | 22,888  |
| Over 30 years   | 16,145               | 7,862         | 7,640   | 15,027               | 10,076        | 9,659   |
| By Interest Rate  |                      |               |   |                      |               |   |
| Fixed rate  | 2,706                | 947           | 731   | 2,509                | 1,872         | 1,482   |
| Floating rate   | 84,705               | 57,795        | 54,421  | 81,236               | 67,726        | 62,283  |
| Mixed rate  | -                    | -             | -   | -                    | -             | -   |
| By Target of Operations   |                      |               |   |                      |               |   |
| For business activity   | 21,414               | 8,042         | 5,204   | 19,844               | 14,665        | 9,739   |
| From wich: public housing   | 10,345               | 3,574         | 1,245   | 10,075               | 7,043         | 2,789   |
| For households  | 65,997               | 50,700        | 49,948  | 63,901               | 54,933        | 54,026  |
| By type of guarantee  |                      |               |   |                      |               |   |
| Secured by completed assets/buildings   | 80,528               | 57,156        | 54,367  | 76,790               | 65,498        | 61,380  |
| Residential use   | 71,039               | 53,209        | 50,993  | 68,520               | 59,339        | 55,889  |
| From wich: public housing   | 7,463                | 6,747         | 6,273   | 7,813                | 6,899         | 6,426   |
| Commercial  | 9,182                | 3,947         | 3,374   | 8,049                | 6,159         | 5,491   |
| Other   | 307                  | -             | -   | 221                  | -             | -   |
| Secured by assets/buildings under construction  | 2,547                | 546           | 350   | 2,871                | 1,946         | 1,319   |
| Residential use   | 2,083                | 411           | 240   | 2,447                | 1,612         | 1,033   |
| From wich: public housing   | 126                  | 78            | 42  | 143                  | 79            | 45  |
| Commercial  | 464                  | 135           | 110   | 424                  | 334           | 286   |
| Other   | -                    | -             | -   | -                    | -             | -   |
| Secured by land   | 4,336                | 1,040         | 435   | 4,084                | 2,154         | 1,066   |
| Urban   | 1,753                | 482           | 131   | 2,150                | 1,112         | 466   |
| Non-urban   | 2,583                | 558           | 304   | 1,934                | 1,042         | 600   |

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

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

| 2013<br>Nominal value of the total mortgage loans | Millions of Euros                             |  |  |          |               |
|---|---|--|--|----------|---------------|
|   | Loan to Value (Last available appraisal risk) |  |  |          | Total         |
|   | Less than or equal to 40%                     | Over 40% but less than or equal to 60% | Over 60% but less than or equal to 80% | Over 80% |               |
| Home mortgages                                    | 12.561  | 18.939                                 | 22.012                                 |          | 53.512        |
| Other mortgages                                   | 2.478   | 2.752                                  |  |          | 5.230         |
| <b>Total</b>                                      | <b>15.039</b>                                 | <b>21.691</b>                          | <b>22.012</b>                          | <b>-</b> | <b>58.742</b> |

| 2012<br>Eligible loans used to collateralize mortgage-covered bonds | Millions of Euros                             |  |  |          |               |
|---|---|--|--|----------|---------------|
|   | Loan to Value (Last available appraisal risk) |  |  |          | Total         |
|   | Less than or equal to 40%                     | Over 40% but less than or equal to 60% | Over 60% but less than or equal to 80% | Over 80% |               |
| Home mortgages  | 13,820  | 21,594                                 | 25,736                                 | -        | 61,150        |
| Other mortgages   | 4,865   | 3,583                                  |  |          | 8,448         |
| <b>Total</b>  | <b>18,685</b>                                 | <b>25,177</b>                          | <b>25,736</b>                          | <b>-</b> | <b>69,598</b> |

| Eligible and non eligible mortgage loans.<br>Changes of the nominal values in the period | Millions of Euros |               |
|--|-------------------|---------------|
|  | 2013              |               |
|  | Elegibles         | Non eligible  |
| <b>Balance at the beginning</b>  | <b>69,598</b>     | <b>14,147</b> |
| <b>Retirements</b>   | <b>24,428</b>     | <b>4,587</b>  |
| Held-to-maturity cancellations   | 5,784             | 2,468         |
| Anticipated cancellations  | 1,477             | 421           |
| Subrogations to other institutions   | 5                 | 1             |
| Rest   | 17,162            | 1,697         |
| <b>Additions</b>   | <b>13,572</b>     | <b>19,109</b> |
| Losses due to merger transactions  | 10,958            | 2,753         |
| Originated by the bank   | 2,516             | 3,647         |
| Subrogations to other institutions   | 12                | 4             |
| Rest   | 86                | 12,705        |
| <b>Balance at the end</b>  | <b>58,742</b>     | <b>28,669</b> |

| Mortgage loans supporting the issuance of mortgage-covered bonds<br>Nominal value. | Millions of Euros |            |
|--|-------------------|------------|
|  | 2013              | 2012       |
| Potentially eligible   | 1,365             | 940        |
| Ineligible   | 268               | 48         |
| <b>Total</b>   | <b>1,633</b>      | <b>988</b> |



## b.2) Liabilities operations

| Issued Mortgage Bonds                                     | Millions of euros |                           |               |                           |
|---|-------------------|---------------------------|---------------|---------------------------|
|   | 2013              |                           | 2012          |                           |
|   | Nominal value     | Average residual maturity | Nominal value | Average residual maturity |
| <b>Mortgage bonds</b>                                     | -                 |                           | -             |                           |
| <b>Mortgage-covered bonds</b>                             | 40,865            |                           | 50,063        |                           |
| <i>Of which: Non recognized as liabilities on balance</i> | 7,810             |                           | 16,126        |                           |
|   | 39,169            |                           | 47,295        |                           |
| Debt securities issued through public offer               | 28,027            |                           | 35,107        |                           |
| Residual maturity up to 1 year                            | 6,407             |                           | 6,630         |                           |
| Residual maturity over 1 year and less than 2 years       | 3,598             |                           | 7,707         |                           |
| Residual maturity over 2 years and less than 3 years      | 4,500             |                           | 3,598         |                           |
| Residual maturity over 3 years and less than 5 years      | 6,772             |                           | 11,422        |                           |
| Residual maturity over 5 years and less than 10 years     | 4,550             |                           | 3,550         |                           |
| Residual maturity over 10 years                           | 2,200             |                           | 2,200         |                           |
| Debt securities issued without public offer               | 7,227             |                           | 13,735        |                           |
| Residual maturity up to 1 year                            | 200               |                           | 1,745         |                           |
| Residual maturity over 1 year and less than 2 years       | -                 |                           | 11,010        |                           |
| Residual maturity over 2 years and less than 3 years      | -                 |                           | -             |                           |
| Residual maturity over 3 years and less than 5 years      | 150               |                           | -             |                           |
| Residual maturity over 5 years and less than 10 years     | 2,500             |                           | 830           |                           |
| Residual maturity over 10 years                           | 4,377             |                           | 150           |                           |
| Deposits  | 5,611             |                           | 1,221         |                           |
| Residual maturity up to 1 year                            | 530               |                           | 300           |                           |
| Residual maturity over 1 year and less than 2 years       | 993               |                           | 200           |                           |
| Residual maturity over 2 years and less than 3 years      | 1,079             |                           | 200           |                           |
| Residual maturity over 3 years and less than 5 years      | 1,099             |                           | 410           |                           |
| Residual maturity over 5 years and less than 10 years     | 1,019             |                           | 71            |                           |
| Residual maturity over 10 years                           | 891               |                           | 40            |                           |
| <b>Mortgage participations</b>                            |                   |                           |               |                           |
| Issued through public offer                               |                   |                           |               |                           |
| Issued without public offer                               |                   |                           |               |                           |
| <b>Mortgage transfer certificates</b>                     | 21,492            | 287                       | 17,605        | 284                       |
| Issued through public offer                               | 21,492            | 287                       | 17,605        | 284                       |
| Issued without public offer                               | -                 | -                         | -             | -                         |

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

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

## APPENDIX XI.

### Risks related to the developer and real-estate sector in Spain

#### a) Policies and strategies established by the Group to deal with risks related to the developer and real-estate sector

BBVA has teams specializing in the management of the Real-Estate Sector risk, given its economic importance and specific technical component. This specialization is not only in the Risk-Acceptance teams, but throughout the handling, commercial, problematic management and legal aspects, and includes the research department (BBVA Research), which helps determine the medium/long-term vision needed to manage this portfolio. Specialization has been increased and the management teams in the areas of recovery and the Real Estate Unit itself have been reinforced.

The portfolio management policies, established to address the risks related to the developer and real-estate sector, aim to accomplish, among others, the following objectives: to avoid concentration in terms of customers, products and regions; to estimate the risk profile for the portfolio; and to anticipate possible worsening of the portfolio.

#### Specific policies for analysis and admission of new developer risk transactions

In the analysis of new operations, the assessment of the commercial operation in terms of the economic and financial viability of the project has been once of the constant points that have helped ensure the success and transformation of construction land operations for our customers' developments.

As regards the participation of the Risk Acceptance teams, they have a direct link and participate in the committees of areas such as Recoveries and the Real Estate Unit. This guarantees coordination and exchange of information in all the processes.

The following strategies have been implemented with customers: avoidance of large corporate transactions, which had already reduced their share in the years of greatest market growth; non-participation in the second-home market; commitment to public housing financing; and participation in land operations with a high level of urban development security, giving priority to land open to urban development.

#### Risk monitoring policies

The base information for analyzing the real estate portfolios is updated monthly. The tools used include the so-called "watch-list", which is updated monthly with the progress of each client under watch, and the different strategic plans for management of special groups. There are plans that involve an intensification of the review of the portfolio for financing land, while, in the case of ongoing promotions, they are classified for monitoring purposes based on the rate of progress of the projects.

These actions have enabled the Bank to anticipate possible impairment situations, by always keeping an eye on BBVA's position with each customer (whether or not as first creditor). In this regard, key aspects include management of the risk policy to be followed with each customer, contract review, deadline extension, improved collateral, rate review (repricing) and asset purchase.

Proper management of the relationship with each customer requires knowledge of various aspects such as the identification of the source of payment difficulties, an analysis of the company's future viability, the updating of the information on the debtor and the guarantors (their current situation and business course, economic-financial information, debt analysis and generation of funds), and the updating of the appraisal of the assets offered as collateral.

BBVA has a classification of debtors in accordance with legislation in force in each country, usually categorizing each one's level of difficulty for each risk.

Based on the information above, a decision is made whether to use the refinancing tool, whose objective is to adjust the structure of the maturity of the debt to the generation of funds and the customer's payment capacity.

As for the policies relating to risk refinancing with the developer and real-estate sector, they are the same as the general policies used for all of the Group's risks. In the developer and real estate sector, they are based on clear solvency and viability criteria for projects, with demanding terms for guarantees and legal compliance. The policy on refinancing uses outstanding risk rather than nonperforming assets, with a refinancing tool that standardizes criteria and values up to a total of 19 variables when considering any refinancing operation.

In the case of refinancing, the tools used for enhancing the Bank's position are: the search for new intervening parties with proven solvency and initial payment to reduce the principal debt or outstanding interest; the improvement of the debt bond in order to facilitate the procedure in the event of default; the provision of new or additional collateral; and making refinancing viable with new conditions (period, rate and repayments), adapted to a credible and sufficiently verified business plan.

## Policies applied in the management of real estate assets in Spain

The policy applied for managing these assets depends on the type of real-estate asset, as detailed below.

In the case of completed homes, the final aim is the sale of these homes to private individuals, thus diluting the risk and beginning a new business cycle. Here, the strategy has been to help subrogation (the default rate in this channel of business is notably lower than in any other channel of residential mortgages) and to support our customers' sales directly, using BBVA's own channel (BBVA Services and our branches), creating incentives for sale and including sale orders for BBVA that set out sale prices which are notably lower than initial ones. In exceptional case we have even accepted partial haircuts, with the aim of making the sale easier.

In the case of ongoing construction work, our strategy has been to help and promote the completion of the works in order to transfer the investment to completed homes. The whole developer Works in Progress portfolio has been reviewed and classified into different stages with the aim of using different tools to support the strategy. This includes the use of developer accounts-payable financing as a form of payment control, the use of project monitoring supported by the Real Estate Unit itself, and the management of direct suppliers for the works as a complement to the developer's own management.

With respect to land, our presence at advanced stages in land development, where the vast majority of our risk is urban land, simplifies our management. Urban management and liquidity control to tackle urban planning costs are also subject to special monitoring.

## b) Quantitative information on activities in the real-estate market in Spain

Lending for real estate development according to the purpose of the loans as of December 31, 2012 and 2011 is shown below:

| 2013<br>Financing allocated to construction and real estate development and its coverage | Millions of Euros |                                |                    |
|--|-------------------|--------------------------------|--------------------|
|  | Gross amount      | Drawn over the guarantee value | Provision coverage |
| <b>Loans recorded by the BBVA, S.A. Bank (Businesses in Spain)</b>                       | <b>13,505</b>     | <b>5,723</b>                   | <b>5,237</b>       |
| <i>Of which: Impaired assets</i>   | 8,838             | 4,152                          | 4,735              |
| <i>Of which: Potential problem assets</i>  | 1,445             | 501                            | 502                |
| <b>Memorandum item:</b>  |                   |                                |                    |
| Write-offs   | 692               |                                |                    |

| 2012<br>Financing allocated to construction and real estate development and its coverage | Millions of Euros |                                |                    |
|--|-------------------|--------------------------------|--------------------|
|  | Gross amount      | Drawn over the guarantee value | Provision coverage |
| <b>Loans recorded by the BBVA, S.A. Bank (Businesses in Spain)</b>                       | <b>12,746</b>     | <b>5,229</b>                   | <b>4,475</b>       |
| <i>Of which: Impaired assets</i>   | 5,122             | 2,460                          | 2,381              |
| <i>Of which: Potential problem assets</i>  | 1,919             | 860                            | 643                |
| <b>Memorandum item:</b>  |                   |                                |                    |
| Write-offs   | 347               |                                |                    |

| Memorandum item:   | Millions of Euros |         |
|--|-------------------|---------|
|  | 2013              | 2012    |
| Total loans and advances to customers, excluding the Public Sector (Business in Spain) | 179,477           | 170,462 |
| Total Assets (BBVA, S.A.)  | 386,931           | 400,499 |
| Impairment losses determined collectively (BBVA, S.A.)                                 | 233               | 232     |

As of December 31, 2013, 26% of the nonperforming assets in this sector are up-to-date on payments, but were classified as non-performing in accordance with the provisions of Appendix IX of Bank of Spain Circular 4/2004. Furthermore, substandard risk amounted to 11% of total developer risk.

The drawn over the guarantee value shown in the tables above corresponds to the difference between the gross amount of each loan and the value of the real rights that, if applicable, were received as security, calculated according to Bank of Spain Circular 3/2010, which complements Appendix IX of Bank of Spain Circular 4/2004. This means that additional regulatory corrective factors ranging from 30% to 50%, based on the type of asset, have been applied to the updated appraisal values.

After applying said corrective factors, the excess value above the guarantee value, which represents the amount to be provisioned, amounted to €4,152 million and €501 million for nonperforming assets and substandard assets, respectively as of December 31, 2013 (€2,460 million and €860 million as of December 31, 2012).

In addition, as of December 31, 2013 and 2012, specific provisions were allocated, amounting to €5,237 million and €4,475 million, respectively.

As of December 31, 2013 and 2012, the updated appraisal values, without the application of said corrective factors, rose to €16,590 million and €16,906 million, respectively (an average LTV of 81.4% and 75.4%, respectively) which broadly covers the amount of the debt.

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

| Financing allocated to construction and real estate development (Gross) | Millions of Euros |               |
|---|-------------------|---------------|
|   | 2013              | 2012          |
| <b>Without secured loan</b>   | <b>1,303</b>      | <b>1,260</b>  |
| <b>With secured loan</b>  | <b>12,202</b>     | <b>11,486</b> |
| Terminated buildings  | 7,270             | 6,492         |
| Homes   | 6,468             | 5,798         |
| Other   | 802               | 694           |
| Buildings under construction  | 1,238             | 1,527         |
| Homes   | 1,202             | 1,477         |
| Other   | 36                | 50            |
| Land  | 3,694             | 3,467         |
| Urbanized land  | 2,120             | 1,889         |
| Rest of land  | 1,574             | 1,578         |
| <b>Total</b>  | <b>13,505</b>     | <b>12,746</b> |

The information on the retail mortgage portfolio risk as of December 31, 2013 and 2012 is as follows:

| Housing-acquisition loans to households (Businesses in Spain) | Millions of Euros |               |
|---|-------------------|---------------|
|   | 2013              | 2012          |
| Without secured loan (gross amount)                           | -                 | -             |
| With secured loan (gross amount)                              | 82,143            | 76,471        |
| Of which: Impaired  | 5,086             | 2,315         |
| <b>Total</b>  | <b>82,143</b>     | <b>76,471</b> |

The loan to value (LTV) ratio (resulting from dividing the pending risk at any particular date by the amount of the latest available appraisal) of the above portfolio is as follows:

| 2013<br>LTV Breakdown of secured loans to households<br>for the purchase of a home<br>(Businesses in Spain) | Millions of Euros  |  |  |   |           |        |
|---|--|--|--|---|-----------|--------|
|   | Total risk over the amount of the last valuation available (Loan To Value-LTV) |  |  |   |           |        |
|   | Less than or<br>equal to 40%   | Over 40% but<br>less than or<br>equal to 60% | Over 60% but<br>less than or<br>equal to 80% | Over 80% but<br>less than or<br>equal to 100% | Over 100% | Total  |
| Gross amount  | 14,370   | 22,368                                       | 31,542                                       | 8,964   | 4,899     | 82,143 |
| Of which: Impaired  | 262  | 338  | 618  | 1,010   | 2,858     | 5,086  |

| 2012<br>LTV Breakdown of secured loans to households<br>for the purchase of a home<br>(Businesses in Spain) | Millions of Euros  |  |  |   |           |        |
|---|--|--|--|---|-----------|--------|
|   | Total risk over the amount of the last valuation available (Loan To Value-LTV) |  |  |   |           |        |
|   | Less than or<br>equal to 40%   | Over 40% but<br>less than or<br>equal to 60% | Over 60% but<br>less than or<br>equal to 80% | Over 80% but<br>less than or<br>equal to 100% | Over 100% | Total  |
| Gross amount  | 12,654   | 19,970                                       | 31,535                                       | 10,587  | 1,725     | 76,471 |
| Of which: Non-performing  | 228  | 270  | 745  | 765   | 307       | 2,315  |

In addition, as of December 31, 2012, the Bank also had a balance of €853 million in non-mortgage loans for the purchase of housing (of which €36 million were NPA).

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

| Information about assets received in payment of debts<br>(Businesses in Spain)                         | Millions of Euros |              |                    |                |              |                    |
|--|-------------------|--------------|--------------------|----------------|--------------|--------------------|
|  | 2013              |              |                    | 2012           |              |                    |
|  | Gross<br>Value    | Provisions   | Carrying<br>Amount | Gross<br>Value | Provisions   | Carrying<br>Amount |
| <b>Real estate assets from loans to the construction and real estate development sectors in Spain.</b> | <b>36</b>         | <b>7</b>     | <b>29</b>          | <b>36</b>      | <b>10</b>    | <b>26</b>          |
| Terminated buildings   | 36                | 7            | 29                 | 36             | 10           | 26                 |
| Homes  | -                 | -            | -                  | -              | -            | -                  |
| Other  | 36                | 7            | 29                 | 36             | 10           | 26                 |
| Buildings under construction   | -                 | -            | -                  | -              | -            | -                  |
| Homes  | -                 | -            | -                  | -              | -            | -                  |
| Other  | -                 | -            | -                  | -              | -            | -                  |
| Land   | -                 | -            | -                  | -              | -            | -                  |
| Urbanized land   | -                 | -            | -                  | -              | -            | -                  |
| Rest of land   | -                 | -            | -                  | -              | -            | -                  |
| <b>Real estate assets from mortgage financing for households for the purchase of a home</b>            | <b>2,515</b>      | <b>953</b>   | <b>1,562</b>       | <b>1,957</b>   | <b>657</b>   | <b>1,300</b>       |
| <b>Rest of foreclosed real estate assets</b>   | <b>918</b>        | <b>411</b>   | <b>507</b>         | <b>652</b>     | <b>272</b>   | <b>380</b>         |
| <b>Equity instruments, investments and financing to non-consolidated companies holding said assets</b> | <b>730</b>        | <b>408</b>   | <b>322</b>         | <b>702</b>     | <b>372</b>   | <b>330</b>         |
| <b>Total</b>   | <b>4,199</b>      | <b>1,779</b> | <b>2,420</b>       | <b>3,347</b>   | <b>1,311</b> | <b>2,036</b>       |

As of December 31, 2013 and 2012, the gross book value of BBVA's real-estate assets from corporate financing for real estate construction and development was €36 million with an average coverage ratio of 19% and 28%, respectively.

The gross book value of real-estate assets from mortgage lending to households for home purchase as of December 31, 2013 and 2012, amounted to €2,515 million and €1,957million, respectively, with an average coverage ratio of 34% and 27%, respectively.

As of December 31, 2013 and 2012, the amount of real-estate assets on BBVA's balance sheet, including other real-estate assets received as debt payment, was €3,469 million and €2,645 million, respectively. The average coverage ratio was 39.5% and 35.5%, respectively.

## APPENDIX XII. Refinanced and restructured operations and other requirements under Bank of Spain Circular 6/2012

### REFINANCING AND RESTRUCTURING OPERATIONS

#### a) Policies and strategies established by the Group to deal with risks related to refinancing and restructuring operations.

Refinancing/restructuring operations (see definition in the Glossary, Appendix XV) are carried out with customers who have requested such an operation in order to meet their current debt payments if they are expected, or may be expected, to experience financial difficulty in making the payments in the future.

The basic aim of a refinanced/restructured operation is to provide the customer with a situation of financial viability over time by adapting repayment of the debt incurred with the bank to the customer's new situation of fund generation. The use of refinancing or restructuring with for other purposes, such as for delaying loss recognition, is contrary to BBVA Group policies.

The BBVA Group's refinancing/restructuring policies are based on the following general principles:

- Refinancing and restructuring is authorized according to the capacity of customers to pay the new installments. This is done by first identifying the origin of the payment difficulties and then carrying out an analysis of the customers' viability, including an updated analysis of their economic and financial situation and capacity to pay and generate funds. If the customer is a company, the analysis also covers the situation of the sector in which it operates.
- With the aim of increasing the solvency of the operation, new guarantees and/or guarantors of demonstrable solvency are obtained where possible. An essential part of this process is an analysis of the effectiveness of both the new and original guarantees submitted.
- This analysis is carried out from the overall customer or group perspective, and not only from the perspective of a specific product.
- Refinancing and restructuring operations do not in general increase the amount of the customer's debt, except for the expenses inherent to the operation itself.
- The capacity to refinance and restructure debt is not delegated to the branches, but decided on by the risk units.
- The decisions adopted are reviewed from time to time with the aim of checking full compliance with refinancing and restructuring policies.

These general principles are adapted in each case according to the conditions and circumstances of each geographical area in which the Group operates, and to the different types of customers involved.

In the case of retail customers (private individuals), the main aim of the BBVA Group's policy on refinancing/restructuring debt is to avoid default arising from a customer's temporary liquidity problems by implementing structural solutions that do not increase the customer's debt. The solution required is adapted to each case and the debt payment is made easier, in accordance with the following principles:

- Analysis of the viability of operations based on the customer's willingness and ability to pay, which may be reduced, but should nevertheless be present. The customer must therefore repay at least the interest on the operation in all cases. No arrangements may be concluded that involve a grace period for both capital and interest.
- No refinancing/restructuring operations may be concluded on debt that is not incurred with the BBVA Group.
- Customers subject to refinancing or restructuring operations have their credit cards cancelled and are excluded from commercial campaigns of any kind.

In the case of wholesale customers (basically businesses and corporations), refinancing/restructuring is authorized according to an economic and financial viability plan based on:

- Forecast future income, margins and cash flows over a sufficiently long period (around five years) to allow companies to implement cost adjustment measures (industrial restructuring) and a business development plan that can help reduce the level of leverage to sustainable levels (capacity to access the financial markets).
- Where appropriate, the existence of a divestment plan for assets and/or business segments that can generate cash to assist the deleveraging process.
- The capacity of shareholders to contribute capital and/or guarantees that can support the viability plan.

In accordance with the Group's policy, the conclusion of a debt refinancing/restructuring operation does not imply the debt is reclassified from "impaired" or "substandard" to outstanding risk; such a reclassification must be based on the analysis mentioned earlier of the viability and effectiveness of the new guarantees submitted.

In any event, the Group maintains its policy of including risks relating to refinanced/restructured assets as either: "impaired assets", as although the customer is up to date with payments, they are classified as impaired for reasons other than their default when there are significant doubts that the terms of their refinancing may not be met; "substandard assets", because there is some material doubt as to possible non-compliance with the refinanced operation; or "normal-risk assets" (although as mentioned in the table in the following section, they continue to be classified as "normal-risk assets with special monitoring" until the conditions established by Bank of Spain Circular 6/2012 for consideration as outstanding risk are not met).

During 2013, Bank of Spain issued (letter dated April 30) a series of recommendations on the accounting treatment and risk of refinanced and restructured loans, with a double objective: on one hand, contribute to reinforcing the refinancing policies of each entity as far as definitions, documentation, monitoring and review; and on the other hand, to guarantee that, in the future, the differences between entities on refinancing will not be because of differences in interpretation of regulatory requirements. As a consequence of the application of these recommendations, even though there is no change in the economic value of such loans, BBVA has reclassified in 2013 to non performing (reasons other than delinquency), refinanced loans that were current and that were previously classified as normal or substandard. This, 46% of refinanced or restructured loans classified as nonperforming as of December 31, 2013 are nonperforming for reasons other than delinquency (subjective nonperforming).

The conditions that "normal-risk assets with special monitoring" must meet to be reclassified out of this special monitoring category are as follows:

- The customer must have paid past-due amounts (principal and interest) since the date of the renegotiation or restructuring of the operation;
- At least two years must have elapsed since the renegotiation or restructuring of the operation;
- The customer must have paid at least 20% of the outstanding principal amount of the loan as well as all the past-due amounts (principal and interest) that were outstanding as of the date of the renegotiation or restructuring of the operation; and
- It is unlikely that the borrower will have financial difficulties and, therefore, it is expected that the borrower will be able to meet its debt payment obligations (principal and interest) in a timely manner.

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRES for banks. See Note 54).

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## b) Quantitative information on refinancing and restructuring operations.

| BALANCE OF FORBEARANCE (a)                                    |                              |              |                           |              |                      |              |                              |              |                           |              |                      |              |                   |
|---|------------------------------|--------------|---------------------------|--------------|----------------------|--------------|------------------------------|--------------|---------------------------|--------------|----------------------|--------------|-------------------|
| Estado T.10-1 (bis)   |                              |              |                           |              |                      |              |                              |              |                           |              |                      |              |                   |
| BBVA, S.A. DECEMBER 2013<br>(Millions of Euros)               | NORMAL (b)                   |              |                           |              |                      |              | POTENTIAL PROBLEM LOANS      |              |                           |              |                      |              |                   |
|   | Real estate mortgage secured |              | Rest of secured loans (c) |              | Unsecured loans      |              | Real estate mortgage secured |              | Rest of secured loans (c) |              | Unsecured loans      |              | Specific coverage |
|   | Number of operations         | Gross amount | Number of operations      | Gross amount | Number of operations | Gross amount | Number of operations         | Gross amount | Number of operations      | Gross amount | Number of operations | Gross amount |                   |
| 1 Government agencies   | -                            | -            | -                         | -            | 15                   | 3            | 1                            | 1            | 1                         | 1            | -                    | -            | 1                 |
| 2 Other legal entities and individual entrepreneurs           | 6,203                        | 1,700        | 885                       | 158          | 20,752               | 1418         | 2,968                        | 1,320        | 818                       | 419          | 7,985                | 1,360        | 620               |
| Of which: Financing the construction and property development | 758                          | 422          | 71                        | 20           | 209                  | 55           | 626                          | 593          | 131                       | 178          | 128                  | 57           | 316               |
| 3 Other individuals   | 22,088                       | 1,722        | 4,136                     | 607          | 30,076               | 252          | 16,067                       | 1,543        | 5,200                     | 827          | 17,975               | 186          | 126               |
| 4 Total   | 28,291                       | 3,422        | 5,021                     | 765          | 50,843               | 1,673        | 19,036                       | 2,864        | 6,019                     | 1,247        | 25,960               | 1,546        | 747               |

| BBVA, S.A. DECEMBER 2013<br>(Millions of Euros)               | IMPAIRED                     |              |                           |              |                      |              |                   | TOTAL                |              |                   |
|---|------------------------------|--------------|---------------------------|--------------|----------------------|--------------|-------------------|----------------------|--------------|-------------------|
|   | Real estate mortgage secured |              | Rest of secured loans (c) |              | Unsecured loans      |              | Specific coverage | Number of operations | Gross amount | Specific coverage |
|   | Number of operations         | Gross amount | Number of operations      | Gross amount | Number of operations | Gross amount |                   |                      |              |                   |
| 1 Government agencies   | -                            | -            | -                         | -            | 13                   | 2            | -                 | 30                   | 7            | 1                 |
| 2 Other legal entities and individual entrepreneurs           | 7,788                        | 4,683        | 4,147                     | 3,010        | 14,370               | 1,720        | 4,555             | 65,916               | 15,788       | 5,175             |
| Of which: Financing the construction and property development | 3,144                        | 3,130        | 2,493                     | 2,436        | 1,050                | 518          | 3,300             | 8,610                | 7,409        | 3,616             |
| 3 Other individuals   | 13,688                       | 1,430        | 12,413                    | 2,295        | 18,066               | 202          | 903               | 139,709              | 9,064        | 1,029             |
| 4 Total   | 21,476                       | 6,113        | 16,560                    | 5,305        | 32,449               | 1,924        | 5,458             | 205,655              | 24,859       | 6,205             |

(a) Includes all forbearance operations as defined in paragraph 1g) of Annex IX of Circular 4/2004 of the Bank of Spain

(b) Risks rated as normal in special monitoring as stated in paragraph 7.a) of Annex IX of the Circular 4/2004 of the Bank of Spain.

(c) Includes mortgage-backed real estate operations not full, ie loan to value greater than 1, and secured operations, other than transactions secured by real estate mortgage, of whatever their loan to value.



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### c) Loans and advances to customers by activity (carrying amount)

|   | Millions of euros |                              |                         |   |  |  |   |           |
|---|-------------------|------------------------------|-------------------------|---|--|--|---|-----------|
|   | TOTAL (*)         | Of which: Mortgage loans (e) | Of which: Secured loans | Collateralized Credit Risk. Loan to value |  |  |   |           |
|   |                   |                              |                         | Less than or equal to 40%                 | Over 40% but less than or equal to 60% | Over 60% but less than or equal to 80% | Over 80% but less than or equal to 100% | Over 100% |
| 1 Government agencies   | 24,484            | 215                          | 20                      | 35  | 46                                     | 133                                    | 1                                       | 20        |
| 2 Other financial institutions  | 13,327            | 113                          | 1                       | 20  | 39                                     | 48                                     | 7                                       | -         |
| 3 Non-financial institutions and individual entrepreneurs   | 80,017            | 23,450                       | 3,177                   | 8,197                                     | 6,918                                  | 4,866                                  | 2,519                                   | 4,127     |
| 3.1 Construction and property development   | 8,240             | 7,484                        | 185                     | 1,174                                     | 1,759                                  | 1,884                                  | 1,135                                   | 1,717     |
| 3.2 Construction of civil works   | 4,188             | 678                          | 86                      | 255                                       | 191                                    | 108                                    | 58                                      | 152       |
| 3.3 Other purposes  | 67,589            | 15,288                       | 2,906                   | 6,768                                     | 4,968                                  | 2,874                                  | 1,326                                   | 2,258     |
| 3.3.1 Large companies   | 48,803            | 6,536                        | 2,018                   | 3,195                                     | 2,357                                  | 1,187                                  | 558                                     | 1,257     |
| 3.3.2 SMEs and individual entrepreneurs   | 18,786            | 8,752                        | 888                     | 3,573                                     | 2,611                                  | 1,687                                  | 768                                     | 1,001     |
| 4 Rest of households and NPISHs   | 90,680            | 82,000                       | 643                     | 15,709                                    | 23,323                                 | 31,130                                 | 8,176                                   | 4,305     |
| 4.1 Housing   | 82,098            | 80,695                       | 280                     | 15,056                                    | 22,863                                 | 30,900                                 | 8,024                                   | 4,132     |
| 4.2 Consumption   | 5,730             | 411                          | 81                      | 186                                       | 152                                    | 67                                     | 45                                      | 42        |
| 4.3 Other purposes  | 2,852             | 894                          | 282                     | 467                                       | 308                                    | 163                                    | 107                                     | 131       |
| SUBTOTAL  | 208,508           | 105,778                      | 3,841                   | 23,961                                    | 30,326                                 | 36,177                                 | 10,703                                  | 8,452     |
| 5 Less: Valuation adjustments due to impairment of assets not attributable to specific operations | 195               |                              |                         |   |  |  |   |           |
| <b>6 TOTAL</b>  | <b>208,313</b>    |                              |                         |   |  |  |   |           |
| MEMORANDUM:   |                   |                              |                         |   |  |  |   |           |
| <b>Forbearance operations</b>   | 18,654            | 14,808                       | 146                     | 2,459                                     | 2,134                                  | 2,688                                  | 2,596                                   | 5,077     |

(\*) The amounts included in this table are net of impairment losses.

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRES for banks. See Note 54).

This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

#### d) Concentration of risks by activity and geographical area (carrying amount)

| Millions of euros   |                |         |                  |         |                   |
|---|----------------|---------|------------------|---------|-------------------|
|   | TOTAL (*)      | Spain   | Rest of European | America | Rest of the world |
| 1 Credit institutions   | 63,958         | 17,336  | 31,708           | 5,695   | 9,219             |
| 2 Government agencies   | 64,281         | 55,144  | 7,716            | 479     | 942               |
| 2.1 Central Administration  | 38,393         | 29,690  | 7,556            | 406     | 741               |
| 2.2 Rest  | 25,888         | 25,454  | 160              | 73      | 201               |
| 3 Other financial institutions  | 69,632         | 37,084  | 14,572           | 17,263  | 713               |
| 4 Non-financial institutions and individual entrepreneurs   | 117,787        | 86,347  | 18,647           | 7,602   | 5,191             |
| 4.1 Construction and property development   | 8,240          | 8,232   | 8                | -       | -                 |
| 4.2 Construction of civil works   | 6,530          | 4,293   | 1,625            | 532     | 80                |
| 4.3 Other purposes  | 103,017        | 73,822  | 17,014           | 7,070   | 5,111             |
| 4.3.1 Large companies   | 79,782         | 53,884  | 15,014           | 6,444   | 4,440             |
| 4.3.2 SMEs and individual entrepreneurs   | 23,235         | 19,938  | 2,000            | 626     | 671               |
| 5 Rest of households and NPISHs   | 90,865         | 90,300  | 355              | 66      | 144               |
| 5.1 Housing   | 82,098         | 81,586  | 317              | 56      | 139               |
| 5.2 Consumption   | 5,729          | 5,721   | 3                | 3       | 2                 |
| 5.3 Other purposes  | 3,038          | 2,993   | 35               | 7       | 3                 |
| SUBTOTAL  | 406,523        | 286,211 | 72,998           | 31,105  | 16,209            |
| 6 Less: Valuation adjustments due to impairment of assets not attributable to specific operations | 198            |         |                  |         |                   |
| <b>7 TOTAL</b>  | <b>406,325</b> |         |                  |         |                   |

(\*) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: Loans and advances to credit institutions, Loans and advances to customers, Debt securities, Other equity securities, Trading derivatives, Hedging derivatives, Investments and Contingent risks. The amounts included in this table are net of impairment losses.

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRES for banks. See Note 54).

This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

| Millions of euros   |           |        |          |          |          |           |                    |                 |          |
|---|-----------|--------|----------|----------|----------|-----------|--------------------|-----------------|----------|
|   | Andalucía | Aragón | Asturias | Baleares | Canarias | Cantabria | Castilla La Mancha | Castilla y León | Cataluña |
| 1 Credit institutions   | 975       | 555    | -        | 37       | -        | 2,319     | 1                  | -               | 3,159    |
| 2 Government agencies   | 3,969     | 1,023  | 646      | 1,210    | 854      | 267       | 922                | 937             | 5,022    |
| 2.1 Central Administration  | -         | -      | -        | -        | -        | -         | -                  | -               | -        |
| 2.2 Rest  | 3,969     | 1,023  | 646      | 1,210    | 854      | 267       | 922                | 937             | 5,022    |
| 3 Other financial institutions  | 53        | 47     | -        | 8        | -        | 2         | 1                  | 27              | 3,992    |
| 4 Non-financial institutions and individual entrepreneurs   | 5,832     | 1,304  | 799      | 1,926    | 2,459    | 428       | 1,225              | 1,545           | 17,414   |
| 4.1 Construction and property development   | 1,173     | 116    | 103      | 85       | 428      | 41        | 150                | 204             | 2,605    |
| 4.2 Construction of civil works   | 269       | 43     | 33       | 157      | 111      | 54        | 80                 | 65              | 1,357    |
| 4.3 Other purposes  | 4,390     | 1,145  | 663      | 1,684    | 1,920    | 333       | 995                | 1,276           | 13,452   |
| 4.3.1 Large companies   | 1,949     | 706    | 412      | 1,317    | 986      | 173       | 440                | 563             | 7,390    |
| 4.3.2 SMEs and individual entrepreneurs   | 2,441     | 439    | 251      | 367      | 934      | 160       | 555                | 713             | 6,062    |
| 5 Rest of households and NPISHs   | 14,283    | 1,526  | 1,518    | 2,235    | 4,069    | 927       | 2,935              | 3,302           | 24,177   |
| 5.1 Housing   | 13,029    | 1,378  | 1,312    | 2,093    | 3,609    | 841       | 2,673              | 2,946           | 21,909   |
| 5.2 Consumption   | 962       | 112    | 146      | 115      | 377      | 61        | 202                | 247             | 1,421    |
| 5.3 Other purposes  | 292       | 36     | 60       | 27       | 83       | 25        | 60                 | 109             | 847      |
| SUBTOTAL  | 25,112    | 4,455  | 2,963    | 5,416    | 7,382    | 3,943     | 5,084              | 5,811           | 53,764   |
| 6 Less: Valuation adjustments due to impairment of assets not attributable to specific operations |           |        |          |          |          |           |                    |                 |          |

| Millions of euros   |             |         |        |        |         |                      |            |          |                 |
|---|-------------|---------|--------|--------|---------|----------------------|------------|----------|-----------------|
|   | Extremadura | Galicia | Madrid | Murcia | Navarra | Comunidad Valenciana | País Vasco | La Rioja | Ceuta y Melilla |
| 1 Credit institutions   | -           | 374     | 8,891  | -      | -       | 153                  | 871        | 1        | -               |
| 2 Government agencies   | 439         | 1,303   | 2,979  | 581    | 286     | 2,962                | 1,679      | 244      | 131             |
| 2.1 Central Administration  | -           | -       | -      | -      | -       | -                    | -          | -        | -               |
| 2.2 Rest  | 439         | 1,303   | 2,979  | 581    | 286     | 2,962                | 1,679      | 244      | 131             |
| 3 Other financial institutions  | 1           | 85      | 32,354 | -      | 9       | 122                  | 383        | -        | -               |
| 4 Non-financial institutions and individual entrepreneurs   | 656         | 2,635   | 37,630 | 1,083  | 1,043   | 4,357                | 5,582      | 263      | 166             |
| 4.1 Construction and property development   | 59          | 401     | 1,835  | 81     | 44      | 574                  | 272        | 19       | 42              |
| 4.2 Construction of civil works   | 24          | 74      | 1,525  | 38     | 63      | 199                  | 187        | 6        | 8               |
| 4.3 Other purposes  | 573         | 2,160   | 34,270 | 964    | 936     | 3,584                | 5,123      | 238      | 116             |
| 4.3.1 Large companies   | 239         | 1,503   | 31,283 | 445    | 712     | 1,548                | 4,096      | 96       | 26              |
| 4.3.2 SMEs and individual entrepreneurs   | 334         | 657     | 2,987  | 519    | 224     | 2,036                | 1,027      | 142      | 90              |
| 5 Rest of households and NPISHs   | 1,451       | 3,350   | 14,476 | 1,906  | 552     | 9,273                | 3,158      | 396      | 766             |
| 5.1 Housing   | 1,285       | 2,952   | 13,082 | 1,712  | 493     | 8,484                | 2,739      | 354      | 695             |
| 5.2 Consumption   | 132         | 291     | 582    | 150    | 39      | 566                  | 227        | 29       | 62              |
| 5.3 Other purposes  | 34          | 107     | 812    | 44     | 20      | 223                  | 192        | 13       | 9               |
| SUBTOTAL  | 2,547       | 7,747   | 96,330 | 3,570  | 1,890   | 16,867               | 11,673     | 904      | 1,063           |
| 6 Less: Valuation adjustments due to impairment of assets not attributable to specific operations |             |         |        |        |         |                      |            |          |                 |

(\*) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: Loans and advances to credit institutions, Loans and advances to customers, Debt securities, Other equity securities, Trading derivatives, Hedging derivatives, Investments and Contingent risks. The amounts included in this table are net of impairment losses.

## APPENDIX XIII.

### Agency Network

ABELENDA MONTES, MANUEL  
 ABEMPATRI, S.L.  
 ABOGADOS & ASESORES EUROPEOS, S.L.  
 ABOGADOS ASOCIADOS, C.B.  
 ABRAHAM MORA, JUAN PEDRO  
 ABREU PEÑA, ANDRES SERGIO  
 ACENTEJO CONSULTORES, S.A.L.  
 ACOFIRMA, S.L.  
 ACREMUN, S.L.  
 ACTIVA LEGAL AND CONSULTING, S.L.  
 ACTIVIDADES FINANCIERAS Y EMPRESARIALES, S.L.  
 ACUÑAS TORRES, JAIME JESUS  
 ADA PROMOCIONES Y NEGOCIOS, S.A.  
 ADA SEQUOR, S.L.  
 ADAN ROLDAN, FRANCISCO DE ASIS  
 ADLANTA SERVICIOS PROFESIONALES, S.L.  
 ADMI-EXPRES-GMC, S.L.  
 ADMINISTRACION LEGAL DE COMUNIDADES, S.L.  
 ADMINISTRACIONES TERESA PATRICIA CELDRAN, S.L.  
 ADOE ASESORES, S.L.  
 ADVICE LABOUR FINANCE SOCIETY, S.L.  
 AESTE, S.L.  
 AFIANZA FINANCIERA, S.L.  
 AFIANZA GESTION EMPRESARIAL, S.L.  
 AFISEG II, S.L.  
 AFITEC INVERSIONES, S.L.  
 AFYSE INIESTA ASESORES, S.L.  
 AGENCIA FERRERO Y LAGARES, S.L.  
 AGENCIA JOSE OLIVA-JOV, S.L.  
 AGOST MONTERO, LAURA  
 AGRAMUNT BUILDING, S.L.  
 AGUDO LOPEZ RAMOS, JORGE  
 AGUILAR VELASCO, MARIA PAZ  
 AGUILERA RUIZ, MANUEL  
 AGUSTIN FERNANDEZ CRUZ AFC, S.L.  
 ALAMILLO ALVAREZ, CRISTINA  
 ALBA & ARCOS ASOCIADOS, S.L.  
 ALBELLA ESTEVE, MARIA MERCEDES  
 ALBENDIZ GONZALEZ, IRENE

ALBERDI ZUBIZARRETA, EDUARDO  
 ALBIÑANA BOLUDA, AMPARO  
 ALCACER FABRA, FRANCISCO  
 ALCANTARA IZQUIERDO, CRISTINA  
 ALCANTARA CARBO, S.L.  
 ALCES GRUPO ASEGURADOR, S.L.  
 ALCOR CONSULTORES Y ASESORES, S.L.  
 ALCOSSEBRE ASSESSORS, S.L.  
 ALDA CLEMENTE, MARIA LUISA  
 ALF CONSULTORES Y SERVICIOS FINANCIEROS Y SEGUROS, S.L.  
 ALFEVA 2000, S.L.  
 ALGESORES NAVARRO Y ASOCIADOS, S.L.  
 ALIVIA SERVICIOS INTEGRALES, S.L.  
 ALL ABOUT FUNDS, S.L.  
 ALONSO BAJO, LORENZO  
 ALONSO DIEZ, JOSE CARLOS  
 ALONSO GARCIA, CARMELO HONORIO  
 ALONSO HEVIA, AMPARO  
 ALONSO PAREDES, JOSE IGNACIO  
 ALONSO SANMARTIN, IVAN UNAY  
 ALONSO VALLE, ESTEBAN  
 ALONSO ZAPICO, JUAN DE DIOS  
 ALONSO ZARRAGA, MIKEL  
 ALSINA MARGALL, MIREIA  
 ALTURA PLATA, PASTORA  
 ALVAREZ LEBRIJO, JOSE MARIA  
 ALZAGA ASESORES, S.L.  
 ALZO CAPITAL, S.L.  
 AMENEIROS GARCIA, JOSE  
 AMOEDO MOLDES, MARIA JOSE  
 ANAI INTEGRA, S.L.  
 ANAYA RIOBOO, ANTONIO  
 ANDEX CONSULTORES, S.L.  
 ANDIPLAN, S.L.  
 ANDRADA RINCON, SOLEDAD  
 ANDRES SIERRA, FERNANDO IGNACIO  
 ANGLIRU INVERSIONES, S.L.  
 ANGOITIA LIZARRALDE, MARIA DEL CARMEN

ANTEQUERA ASESORES, S.L.  
 ANTON TOIMIL, ENRIQUE JOSE  
 ANTONIO PONS Y ASOCIADOS, S.C.  
 ANTUÑA SCHUTZE, MARTA  
 AÑOVER CONTRERAS, EPIFANIO  
 APALATEGUI GARCIA, JOSE RAMON  
 APISA ADMINISTRACION DE INMUEBLES, S.L.  
 APUNTES CONTABLES, S.L.  
 ARAGESTIN, S.L.  
 ARANDA GARRANCHO, ANA MARIA  
 ARANDA GONZALEZ, DOLORES  
 ARANE PROMOCION Y GESTION, S.L.  
 ARANZABAL SERVICIOS FINANCIEROS, S.L.  
 ARASANZ LAPLANA, JOSE ANTONIO  
 ARCOS GONZALEZ, FELIX  
 ARDORA CORPORATE, S.L.  
 ARES CONSULTORES, S.L.  
 AREVALO AREVALO, MARÍA DEL CARMEN  
 ARGIGES BERMEO, S.L.  
 ARIAS DELGADO, MARIA MERCEDES  
 ARIAS TORRES, MIGUEL  
 ARILLA CIUDAD ASESORES, S.L.  
 ARIÑO MODREGO, FRANCISCO JAVIER  
 ARIS GESTION FINANCIERA, S.L.  
 ARJANDAS DARYNANI, DILIP  
 ARJONES PIZARRO, FRANCISCO JAVIER  
 ARNER MURO, FRANCISCO  
 ARRANZ MAGDALENO, JUAN ALBERTO  
 ARRAYAS LINERO, RAFAEL  
 ARROYO ROMERO, CARLOS GUSTAVO  
 ARTAJA JARQUE, LUIS MARIA  
 ARTEAGA PARDO, JOSE  
 ARTI INVERSIONES Y PATRIMONIOS, S.L.  
 ARTIÑANO DEL RIO, PABLO  
 ARUFE ESPIÑA, PABLO  
 ARUMI RAURELL, XAVIER  
 ASDE ASSESSORS, S.L.  
 ASECAN GESTION INTEGRAL, S.L.U.  
 ASEFISTEN, S.L.

ASEM INDAFISA GESTION EMPRESARIAL, S.L.  
 ASEMYL, S.L.  
 ADESCON GESTION INTEGRAL, S.L.  
 ASESORES CONSULTORES ABOGADOS TORAN, S.L.  
 ASESORES DE EMPRESA Y GESTION ADMINISTRATIVA  
 MARIN & MARIN, S.L.  
 ASESORES E INVERSORES EPILA, S.L.  
 ASESORES MOLINA, S.L.  
 ASESORES RUBIA PELAEZ, S.L.  
 ASESORES Y CONSULTORES, C.B.  
 ASESORIA ANGLADA, S.L.  
 ASESORIA ANTONIO JIMENEZ LOPEZ, C.B.  
 ASESORIA ARANDA 1983, S.L.  
 ASESORIA AREGUME, S.L.U.  
 ASESORIA ASETRA, S.L.  
 ASESORIA ATAMAN, S.L.  
 ASESORIA BASTIAS, S.L.  
 ASESORIA BELLAVISTA, S.L.  
 ASESORIA BLANCO, S.L.  
 ASESORIA CAMINO, S.L.  
 ASESORIA CATALAN FABO, S.L.  
 ASESORIA CERVANTES, S.L.  
 ASESORIA CM, C.B.  
 ASESORIA CRUSELLES LORES, S.L.  
 ASESORIA DANALO, S.L.P.  
 ASESORIA DE EMPRESAS CARANZA, S.L.  
 ASESORIA DE EMPRESAS RC, S.L.  
 ASESORIA DEL VALLE, C.B.  
 ASESORIA EMPRESARIAL POSE, S.L.  
 ASESORIA ERAKIN AHOLKULARITZA, S.L.  
 ASESORIA EUROBILBAO, S.L.  
 ASESORIA EXPANSION 2001, S.L.  
 ASESORIA FINANCIERA IBAIGANE, S.L.  
 ASESORIA FINANCIERA LUGO, S.L.  
 ASESORIA FISCAL CONTABLE Y LABORAL TRIBUTO, S.L.  
 ASESORIA GENERAL DE PONTEAREAS-SALCEDA, S.L.U.  
 ASESORIA GESTION PATRIMONIAL DE ENTIDADES  
 RELIGIOSAS, S.L.  
 ASESORIA GONZALEZ VALDES, S.L.  
 ASESORIA GORROTXA ASEGURAOAK, S.L.  
 ASESORIA HERGON, S.L.  
 ASESORIA INTEGRAL DE FARMACIAS Y EMPRESAS, S.L.L.  
 ASESORIA JIMENEZ, S.C.  
 ASESORIA JOSE ADOLFO GARCIA, S.L.  
 ASESORIA JURIDICA Y DE EMPRESAS, S.L.  
 ASESORIA JURIDICO FISCAL NIETO Y ASOCIADOS, S.L.

ASESORIA LABORDA, S.C.  
 ASESORIA LEONCIO, S.L.  
 ASESORIA LIZARDI, S.L.  
 ASESORIA MARCOS FERNANDEZ, S.L.  
 ASESORIA MERCANTIL DE ZALLA, S.L.  
 ASESORIA MERFISA, C.B.  
 ASESORIA ORTEGA Y AYALA, S.L.  
 ASESORIA RANGEL 2002, S.L.  
 ASESORIA ROBLES PIZARRO, S.L.  
 ASESORIA SANCHEZ & ALCARAZ, S.L.  
 ASESORIA SORIANO GRANADA, S.L.  
 ASESORIA TOLEDO DE SACEDON, S.L.  
 ASESORIA VALERO, S.L.  
 ASESORIA VELSINIA, S.L.  
 ASESORIA VIA LIGHT, S.L.U.  
 ASESORIA VICO, S.L.  
 ASESORIA VILLASCLARAS, S.L.  
 ASESORIA Y SERVICIOS DE GESTORIA CABELLO, S.L.  
 ASESORIA Y SERVICIOS, S.L.  
 ASESPA, S.L.  
 ASFITO, S.L.  
 ASLAFIS, S.L.  
 ASOCIADOS BILBOINFORM 2000, S.L.  
 ASOCIADOS CUTOGA, S.L.  
 ASSESSORAMENT EMPRESARIAL CABRE I ASSOCIATS,  
 S.L.  
 ASSESSORAMENT MIRA MARTINEZ, S.L.  
 ASSESSORAMENTS I SERVEIS LLEIDA, S.L.  
 ASSESSORIA ANTONIO MARTINEZ, S.L.  
 ASSESSORIA BAIX PENEDES, S.L.  
 ASSESSORIA CAMATS GARDEL CORREDURIA DE  
 SEGUROS, S.L.  
 ASSESSORIA DOMINGO VICENT, S.L.  
 ASSESSORIA POLIGEST, S.L.  
 ASSESSORIA VISERTA, S.L.  
 ASTILLERO GARCIA, MIGUEL ANGEL  
 ASTRID & SOLOMAN, S.L.  
 ATIPA MAKER, S.L.  
 AUDAL CONSULTORES AUDITORES, S.L.  
 AULES ASESORES, S.L.  
 AURELIO ALVAREZ SALAMANCA, S.L.  
 AURVIR & PEÑA CONSULTORES, S.L.  
 AVANTIS ASESORES JURIDICOS, S.L.  
 AVELLANEDA GARCIA, ANGEL FERNANDO  
 AYCE CONSULTING, S.L.  
 AZ BILBAO GESTION INTEGRAL, S.L.

AZETA SOLUCIONES INTEGRALES, S.L.  
 B&S GLOBAL OPERATIONS CONSULTING, S.A.  
 BACHS RABASCALL, JOSEP  
 BAENA ASESORES Y CONSULTORES EMPRESARIALES,  
 S.L.  
 BAGUR CARRERAS ASSESSORS, S.L.  
 BAILEN ASESORES CONSULTORES, S.L.  
 BALIBREA LUCAS, MIGUEL ANGEL  
 BALLESTER VAZQUEZ, IGNACIO JAVIER  
 BALLESTEROS CORDERO, VICENTE  
 BAÑOS COSTUMERO, JOSE ANGEL  
 BAÑUELOS DIEZ, MARTA LUISA  
 BAO RODRIGUEZ, FERNANDO  
 BARAHONA VIÑES, JORDI  
 BARBA ESQUINAS, JUAN JOSE  
 BARBESULA MAR, S.L.  
 BARDAJI LANAU, MARIANO  
 BARDAJI PLANA, AGUSTIN  
 BARO CLARIANA, SERGI  
 BARQUIN VITORERO, BEATRIZ  
 BARRANCO SOLIER, FRANCISCO  
 BARRENA CARABALLO, S.L.U.  
 BARRIOS ABOGADOS, S.L.P.  
 BARTOMEU FERRANDO, JOAN  
 BASCUAS ASESORES, S.L.  
 BATISTA MEDEROS, ANTONIO DAVID  
 BATISTE ANGLES, AMADEO  
 BAZAR NAVAS, S.L.  
 BCN GEMAP ASSESSORS, S.L.  
 BEHOBIDE PERALTA, JORGE  
 BELCASTI, S.L.  
 BELMONTE SUBTIL, AUREA  
 BELTRAN AMOROS, ALEJANDRO  
 BENITO ZABACO, ANTONIO JOSE  
 BERLINCHES TORGUET, JUAN ANTONIO  
 BERNABEU JUAN, ANTONIO JOSE  
 BERNAD MORENO, IGNACIO  
 BERNAOLA ASEGURADO ARTEKARITZA, S.L.  
 BERNIER RUIZ DE GOPEGUI, MARIA ISABEL  
 BERNOS INVERSIONES, S.L.  
 BESTEIRO GAYOSO, SUSANA  
 BETA MERCAT INMOBILIARI, S.L.  
 BETRIU ADVOCATS, S.C.P.  
 BG ASESORIA DE FINANZAS E INVERSIONES, S.L.  
 BINIPOL 2001, S.L.  
 BIOK ZERBITZUAK, S.L.

BIRMANI PROMOCIONS, S.L.  
 BIZKAIBOLSA, S.A.  
 BLADYDUNA, S.L.  
 BLAI GABINET DE SERVEIS, S.L.  
 BLANCO IGLESIAS, IGNACIO  
 BLANCO OVIEDO, JUAN CARLOS  
 BLANCO RODRIGUEZ, JUAN ANTONIO  
 BLANCO & MARTIN ASESORES, S.L.  
 BLANCO PARRONDO, C.B.  
 BLANCO Y PARADA ASESORES, S.L.  
 BLASCO SAMPIETRO, FRANCISCO JAVIER  
 BOADO ORORBITA, LEOPOLDO  
 BOALAR INVESTMENT, S.L.  
 BOLAPE UXO, S.L.  
 BONILLO GOMEZ, LOURDES  
 BORONDO ALCAZAR, JOSE  
 BOTELLO NUÑEZ, FELIPE  
 BOTET GUNA, MIGUEL  
 BRAIN STAFF, S.L.  
 BRAVO MASA, M<sup>a</sup> INMACULADA  
 BRIONES PEREZ DE LA BLANCA, FERNANDO  
 BRIONES SERRANO, CLARA MARIA  
 BRU FORES, RAUL  
 BUFET MILARA, S.L.  
 BUFETE CHAMIZO GALAVIS, S.L.  
 BUFETE MARTINEZ GARCIA, C.B.  
 BULLON DE DIEGO, FRANCISCO JAVIER  
 BUSILIS GOLD, S.L.  
 BUSTAMANTE FONTES, MAYDA LOURDES  
 CABALLERO ASENSIO, ANTONIO  
 CABAÑAS RODRIGUEZ, MARIA GISELDA  
 CABRADILLA ANTOLIN, LEONILA  
 CABRITO FERNANDEZ, JUAN CRUZ  
 CAEM SIGLO XXI, S.L.  
 CALABUCH ASESORES, S.L.  
 CALDERON CARDEÑOSA, MARIA LUISA  
 CALDERON MORILLO, MARIA LUISA  
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 CAMPOS CARRERO, MARIA JOSEFA  
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 CARBONELL CHANZA, FRANCISCO  
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 CARCOLE ARDEVOL, JOSE  
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 CARRASCO GONZALEZ, MARIA DEL AMOR  
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 CASTELL AMENGUAL, MARIA  
 CASTELLANO GARCIA, PABLO JOSE  
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 CASTILLA ALVAREZ, RAFAEL JOSE  
 CASTILLO BLANCA, ENRIQUE  
 CASTILLO MARZABAL, FRANCISCO JOSE  
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 CERON ORTIZ, JOSE MARIA  
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 G Y G ABOGADOS, S.L.

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 GARCIA HERNANDEZ, VICTOR PEDRO  
 GARCIA LATORRE, ANTONIO DAVID  
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 GARCIA MUÑOZ, MARIA OLGA  
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 GARCIA PEREZ, ALICIA  
 GARCIA PERIS, SANTIAGO DAVID  
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 SAGEM XX, S.L.  
 SAINZ TAJADURA, MARIA VICTORIA  
 SAIZ SEPULVEDA, FRANCISCO JAVIER  
 SALA AZORIN, AURORA  
 SALADICH OLIVE, LUIS  
 SALAMERO MORENO, JOAQUIN

SALAS SANCHEZ, SALVADOR  
 SALAS SEGUI, BARTOLOME  
 SALES HERNANDEZ, JOSE  
 SALMEAN VINACHES, CESAR JAVIER  
 SALMON ALONSO, JOSE LUIS  
 SALVADOR BASTARRAS, JOSE JESUS  
 SALVIA FABREGAT, MARIA PILAR  
 SALVO POMAR, JESUS MANUEL  
 SAMPEDRO RUNCHINSKY, MARCOS IGNACIO  
 SAMPER CAMPANALS, PILAR  
 SAN JUAN VIDAL, JUAN VICENTE  
 SANCHEZ BURUAGA, MARTA  
 SANCHEZ ELIZALDE, JUAN FRANCISCO  
 SANCHEZ GARCIA, YOLANDA  
 SANCHEZ LOPEZ, MIGUEL  
 SANCHEZ MARTINEZ, JAVIER  
 SANCHEZ MESA, FRANCISCO  
 SANCHEZ NUEZ, JOSE ANTONIO  
 SANCHEZ PEÑA, MIGUEL ANGEL  
 SANCHEZ RODRIGUEZ, M<sup>a</sup> TERESA CARMEN  
 SANCHEZ SAN VICENTE, GUILLERMO JESUS  
 SANCHEZ CASTELLO, S.L.  
 SANCHEZ SECO VIVAR, CARLOS JAVIER  
 SANCHIS MARTIN, LAURA  
 SANGENIS GESTIO I SERVEIS, S.L.  
 SANTAMANS ASESORES LEGALES Y TRIBUTARIOS, S.L.  
 SANTANA DIAZ, SEBASTIAN  
 SANTIVERI GESTIO I ASSESSORAMENT, S.L.  
 SANTOS CARBAYO, MARIA JESUS  
 SANTOS MACIAS, MARIA ESTHER  
 SANTOS ROMAN, MARIA NURIA  
 SANTOS GARCIA, MANUEL  
 SANZ CALDERON, FRANCISCO JAVIER  
 SANZ EMPERADOR, JESUS ANGEL  
 SANZ FUENTES, LUIS ALBERTO  
 SARA Y LETICIA, S.L.  
 SARDA ANTON, JUAN IGNACIO  
 SARRI SOLE, FRANCESC XAVIER  
 SARRIO TIERRASECA, LEON  
 SARROCA GIL, MOISES  
 SAÚN FUERTES, MARIA JOSE  
 SAURA MARTINEZ, PEDRO  
 SAURINA DELGADO ADVOCATS, S.L.  
 SECO FERNANDEZ, LUIS ALBERTO  
 SEGURALIA 2050, S.L.  
 SEGUROS E INVERSIONES DEL CID & VILLAFAINA, S.L.

SELIMO, S.L.  
 SELUCON, C.B.  
 SENDA GESTION, S.L.  
 SEOANE MENDEZ, ROBERTO  
 SERBANASER 2000, S.L.  
 SERCOM ARAGON S.XXI, S.L.  
 SERKA ASESORES, S.L.  
 SERRA GREGORI, RAUL  
 SERRANO QUEVEDO, RAMON  
 SERRANO RODRIGUEZ, RAFAEL  
 SERRANO DOMINGUEZ, FRANCISCO JAVIER  
 SERTE RIOJA, S.A.P.  
 SERVEIS FINANCERS DE CATALUNYA, S.L.  
 SERVICES BUSSINES ALONSO, S.L.  
 SERVICIOS DE HOSTELERIA HOSTELTUR, S.L.  
 SERVICIOS FINANCIEROS AZMU, S.L.  
 SERVICIOS FINANCIEROS GABIOLA, S.L.  
 SERVICIOS INTEGRALES DE CONSULTORIA,  
 ASESORAMIENTO Y GESTION, S.L.  
 SERVICIOS JURIDICOS Y ADMINISTRACION GRUPO  
 ROPASA, S.L.  
 SERVICONTA ALCOY, S.L.  
 SERVIGEST GESTION EMPRESARIAL, S.L.  
 SETAYESH  
 SEVA VERA, JAVIER  
 SEVILLANO MARTINEZ, JUAN  
 SIERRA TORRE, MIGUEL  
 SIGNES CASANOVES, BERNARDO CRISTOBAL  
 SIGNES ASESORES, S.L.  
 SILJORINE, S.L.  
 SILVA HUERTAS, MIGUEL ANGEL  
 SIMON BENITO, JOSE JUAN  
 SINDIN RODRIGUEZ, NOELIA  
 SINTAS NOGALES, FRANCISCO  
 SISTEMA ASESORES FERROL, S.L.  
 SISTEMAS INTEGRADOS DE GESTION PARA LA EMPRESA  
 ANDALUZA, S.L.  
 SOCOGADEM, S.L.  
 SOLER ASCASO, M<sup>a</sup> LOURDES  
 SOLER MUNDET, AGUSTI  
 SOLUCIONES FISCALES DE GALICIA, S.L.L.  
 SOLYGES CIUDAD RODRIGO, S.L.U.  
 SOMOZA RODRIGUEZ ESCUDERO, OSCAR JOSE FELIX  
 SORIANO ORTEGA, MARIA SAMPEDRO  
 SOSA BLANCO, SERVANDO  
 SOSA CHAVES, JESUS

SOSA LOZANO, JOSE RAUL  
 SOTO PASTOR, RAFAEL  
 SPI SERVICIOS JURIDICOS EMPRESARIALES, S.L.  
 STM NUMMOS, S.L.  
 SUAREZ GARRUDO, JUAN FRANCISCO  
 SUGRAÑES ASSESSORS, S.L.  
 SUSO ALEA, ENRIQUE  
 T & P SAFOR GESTIO, S.L.  
 T.S. GESTIO, S.L.  
 TABORGA ONTAÑON, ANTONIO JOAQUIN  
 TACASA BIAR, S.L.  
 TALLER DE PROJECTES GRUP XXI, S.L.L.  
 TAMG, S.C.  
 TARIN BOSCH, JUAN JESUS  
 TARIN MOMPO, S.L.P.  
 TARSUS FINANCIAL ADVICE, S.L.  
 T-ASSESSORA ALONSO REUS, S.L.U.  
 TAX SAN SEBASTIAN, S.L.  
 TEBAR LILLO, JULIO JAVIER  
 TECNICOS AUDITORES CONTABLES Y TRIBUTARIOS EN  
 SERVICIOS DE ASESORAMIENTO, S.L.  
 TEJADA PEREZ, NURIA  
 TELLECHEA ABASCAL, PEDRO MANUEL  
 TENA LAGUNA, LORENZO  
 TEYCASER GESTION Y FORMACION EMPRESARIAL, S.L.  
 THE GADO GROUP. S.L.  
 THINKCO CONSULTORIA DE NEGOCIO, S.L.  
 TIGALMA, S.L.  
 TINAQUERO HERRERO, JULIO ANTONIO  
 TIO & CODINA ASSESSOR D'INVERSIONS, S.L.  
 TODOGESTION COSTA DE LA LUZ, S.L.  
 TODOPYME, S.L.  
 TOLEDO ANDRES, RAFAEL  
 TOLEDO VALIENTE, MARIA GLORIA  
 TOLOCONSULTING, S.L.  
 TOMAS SECO ASESORES, S.L.  
 TOQUERO ASSESSORS, S.L.U.  
 TORNER TORNERO, ROGER  
 TORRADO TOSCANO, HERMENEGILDO  
 TORRE DE LA CUESTA CORREDURIA DE SEGUROS, S.L.  
 TORRECILLAS BELMONTE, JOSE MARIA  
 TORRENTE RODRIGUEZ, ELADIO  
 TORRES BONACHE, MARIA DEL CARMEN  
 TORRES CALVO, AGUSTIN  
 TORRES MONTEJANO, FELIX

TRAMITES FACILES SANTANDER ASESORES Y  
 CONSULTORES, S.L.L.  
 TRAYSERCAN, S.L.  
 TRES U EMPRESA DE SERVICIOS PROFESIONALES, S.L.  
 TRILLO PALACIOS ASESORES, S.L.  
 TRUELUX COACHING EMPRESARIAL, S.L.  
 TUÑON GARCIA, JOSE GIL  
 TURBON ASESORES LEGALES Y TRIBUTARIOS, S.L.  
 TWOINVER IBERICA, S.L.  
 TXIRRIENA, S.L.  
 UBK PATRIMONIOS, S.L.  
 UCAR ESTEBAN, ROSARIO  
 UGARTE ASOCIADOS SERVICIOS EMPRESARIALES, S.L.  
 UNIPRASA, S.L.P.  
 URBANSUR GLOBAL, S.L.  
 URBINA GOMEZ, MIGUEL  
 UREDERRA ASESORES, S.L.  
 URIAGUERECAR CARRILERO, FRANCISCO JAVIER  
 URIBITARTE FINANCIAR, S.L.  
 URRERO SANTIAGO, LUIS  
 URRESTI SERBITZUAK, S.L.  
 USKARTZE, S.L.  
 V.S. SERVICIOS JURIDICOS, S.L.  
 VACA DELGADO, ANDRES JESUS  
 VACCEOS GESTORES, S.L.  
 VADILLO ALMAGRO, MARIA VICTORIA  
 VALCARCEL GRANDE, FRANCISCO JAVIER  
 VALCARCEL LOPEZ, ALFONSO  
 VALENCIA TRENADO, MANUEL RODRIGO  
 VALENZUELA TENA, CARMEN  
 VALOR AFEGIT OSONA, S.L.  
 VAN CAMP, VANESSA IRMA  
 VAQUERO GOMEZ, JOSE MANUEL  
 VAQUERO RODRIGUEZ, MARIA DOLORES  
 VAZ FERNANDEZ, JUAN BENITO  
 VAZQUEZ DIEGUEZ, JOSE ANDRES  
 VAZQUEZ FIGUEIRAS, JULIA  
 VEGA & ASOCIADOS, S.C.C.L.  
 VEIGUELA LASTRA, CARLOS MARIA  
 VEJERIEGA CONSULTING, S.L.  
 VELASCO FERNANDEZ, ALFONSO  
 VELASCO LOZANO, FRANCISCO  
 VENZAL CONTRERAS, FRANCISCO JAVIER  
 VIANA TOME, BEATRIZ  
 VICENTE GONZALEZ, ANGEL  
 VICENTE ROJAS, MARIA INMACULADA

*Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRES for banks. See Note 54).*

*This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.*

**VICENTE JUAN ASESORES, S.L.**  
**VICENTE OYA AMATE Y DOS MAS, C.B.**  
**VIDAL JAMARDO, LUIS RAMON**  
**VIDAL ARAGON DE OLIVES, GERARDO IGNACIO**  
**VIDBEN ASSESSORS, S.L.P.**  
**VIECO MIRANDA, S.L.**  
**VIGUE PUJOL, S.L.**  
**VILA BARCELO, ALFONS**  
**VILLACE MEDINA, JUAN CARLOS**  
**VILLAGRASA ROS, ANTONIO**  
**VINYES SABATA, MERCÉ**  
**VIÑA ARASA, RICARDO**  
**VIÑAO BALLARIN, MARIA ANGELES**  
**VITAL ASESORES, C.B.**  
**VIVER MIR, JAIME JAVIER**  
**VIVIAL ASESORAMIENTO Y ALQUILERES, S.L.**  
**WALS FERNANDEZ, PETRA**  
**WEISSE KUSTE, S.L.**  
**WHITE ORR, ROBERT HENRY**  
**XESPRODEM ASESORES, S.L.L.**  
**XESTADEM, S.L.**  
**YUSTE SORIANO, MARIA BELEN**  
**ZAHIR ASESORES TRIBUTARIOS, S.L.**  
**ZANGRONIZ GARCIA, MARIA RESURRECCION**  
**ZATOSTE,S.L.**  
**ZUBIZUA, S.L.**  
**ZURAWKA , ERHARD RUDOLF**

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRES for banks. See Note 54).  
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## APPENDIX XIV. Merger by buyout with UNNIM BANC, S.A.U. Requirement from Legislative Royal Decree 4/2004. (Chapter VIII, article 93)

### a) Balance Sheet of UNNIM BANC, S.A.U.

#### UNNIM BANC, S.A.U.

BALANCE SHEET AS OF DECEMBER 31, 2012

| ASSETS  | Thousands of Euros | LIABILITIES AND EQUITY  | Thousands of Euros |
|---|--------------------|---|--------------------|
| <b>CASH AND BALANCES WITH CENTRAL BANKS</b>   | <b>157,006</b>     | <b>FINANCIAL LIABILITIES HELD FOR TRADING</b>   | <b>5,064</b>       |
| <b>FINANCIAL ASSETS HELD FOR TRADING</b>  | <b>4,330</b>       | Deposits from central banks   | -                  |
| Loans and advances to credit institutions   | -                  | Deposits from credit institutions   | -                  |
| Loans and advances to customers   | -                  | Customers deposits  | -                  |
| Debt securities   | -                  | Debt certificates   | -                  |
| Equity instruments  | -                  | Trading derivatives   | 5,064              |
| Trading derivatives   | 4,330              | Short positions   | -                  |
| Memorandum item: Loaned or advanced as collateral                                       | -                  | Other financial liabilities   | -                  |
| <b>OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>           | <b>-</b>           | <b>OTHER FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>      | <b>-</b>           |
| Loans and advances to credit institutions   | -                  | Deposits from central banks   | -                  |
| Loans and advances to customers   | -                  | Deposits from credit institutions   | -                  |
| Debt securities   | -                  | Customer deposits   | -                  |
| Equity instruments  | -                  | Debt certificates   | -                  |
| Memorandum item: Loaned or advanced as collateral                                       | -                  | Subordinated liabilities  | -                  |
| <b>AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>  | <b>1,785,700</b>   | Other financial liabilities   | -                  |
| Debt securities   | 1,714,209          | <b>FINANCIAL LIABILITIES AT AMORTIZED COST</b>  | <b>27,132,109</b>  |
| Equity instruments  | 71,491             | Deposits from central banks   | 5,533,302          |
| Memorandum item: Loaned or advanced as collateral                                       | 1,598,531          | Deposits from credit institutions   | 1,447,529          |
| <b>LOANS AND RECEIVABLES</b>  | <b>23,019,453</b>  | Customer deposits   | 18,516,131         |
| Loans and advances to credit institutions   | 4,470,765          | Debt certificates   | 831,790            |
| Loans and advances to customers   | 17,664,379         | Subordinated liabilities  | 476,599            |
| Debt securities   | 884,309            | Other financial liabilities   | 326,758            |
| Memorandum item: Loaned or advanced as collateral                                       | 790,388            | <b>FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK</b> | <b>-</b>           |
| <b>HELD-TO-MATURITY INVESTMENTS</b>   | <b>-</b>           | <b>HEDGING DERIVATIVES</b>  | <b>53,669</b>      |
| Memorandum item: Loaned or advanced as collateral                                       | -                  | <b>LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE</b>                     | <b>-</b>           |
| <b>FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK</b> | <b>-</b>           | <b>PROVISIONS</b>   | <b>576,869</b>     |
| <b>HEDGING DERIVATIVES</b>  | <b>676,039</b>     | Provisions for pensions and similar obligations   | 65,726             |
| <b>NON-CURRENT ASSETS HELD FOR SALE</b>   | <b>339,067</b>     | Provisions for taxes and other legal contingencies                                      | 6,294              |
| <b>INVESTMENTS</b>  | <b>198,134</b>     | Provisions for contingent exposures and commitments                                     | 9,968              |
| Associates  | 8,987              | Other provisions  | 494,881            |
| Jointly controlled entities   | 88,183             | <b>TAX LIABILITIES</b>  | <b>380,050</b>     |
| Subsidiaries  | 100,964            | Current   | 44,921             |
| <b>INSURANCE CONTRACTS LINKED TO PENSIONS</b>   | <b>14,111</b>      | Deferred  | 335,129            |
| <b>TANGIBLE ASSETS</b>  | <b>464,607</b>     | <b>OTHER LIABILITIES</b>  | <b>367,010</b>     |
| Property, plants and equipment  | 412,956            | <b>TOTAL LIABILITIES</b>  | <b>28,514,771</b>  |
| For own use   | 412,956            | <b>STOCKHOLDERS' FUNDS</b>  | <b>366,235</b>     |
| Other assets leased out under an operating lease  | -                  | <b>Common Stock</b>   | <b>971,314</b>     |
| Investment properties   | 51,651             | Issued  | 971,314            |
| Memorandum item: Acquired under financial lease   | 8,249              | Less: Unpaid and uncalled (-)   | -                  |
| <b>INTANGIBLE ASSETS</b>  | <b>-</b>           | <b>Share premium</b>  | <b>720,195</b>     |
| Goodwill  | -                  | <b>Reserves</b>   | <b>(435,374)</b>   |
| Other intangible assets   | -                  | <b>Other equity instruments</b>   | <b>-</b>           |
| <b>TAX ASSETS</b>   | <b>1,420,939</b>   | Equity component of compound financial instruments                                      | -                  |
| Current   | 17,191             | Other equity instruments  | -                  |
| Deferred  | 1,403,748          | <b>Less: Treasury stock</b>   | <b>-</b>           |
| <b>OTHER ASSETS</b>   | <b>742,392</b>     | <b>Profit for the year</b>  | <b>(889,900)</b>   |
| <b>TOTAL ASSETS</b>   | <b>28,821,778</b>  | Less: Dividends and remuneration  | -                  |
|   |                    | <b>VALUATION ADJUSTMENTS</b>  | <b>(59,228)</b>    |
|   |                    | Available-for-sale financial assets   | (59,154)           |
|   |                    | Cash flow hedging   | (74)               |
|   |                    | Hedging of net investment in a foreign transactions                                     | -                  |
|   |                    | Exchange differences  | -                  |
|   |                    | Non-current assets held for sale  | -                  |
|   |                    | Other valuation adjustments   | -                  |
|   |                    | <b>TOTAL EQUITY</b>   | <b>307,007</b>     |
|   |                    | <b>TOTAL LIABILITIES AND EQUITY</b>   | <b>28,821,778</b>  |
|   |                    | <b>MEMORANDUM ITEM</b>  |                    |
|   |                    | <b>CONTINGENT EXPOSURES</b>   | <b>670,075</b>     |
|   |                    | <b>CONTINGENT COMMITMENTS</b>   | <b>1,862,890</b>   |



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[illegible]

## APPENDIX XV.

### Glossary

|  |   |
|--|---|
| <b>Adjusted acquisition cost</b>           | The acquisition cost of the securities less accumulated amortizations, plus interest accrued, but not net of any other valuation adjustments.   |
| <b>Amortized cost</b>                      | The amortized cost of a financial asset is the amount at which it was measured at initial recognition minus principal repayments, plus or minus, as warranted, the cumulative amount taken to profit or loss using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or change in measured value. |
| <b>Associates</b>                          | Companies in which the Group has a significant influence, without having control. Significant influence is deemed to exist when the Group owns 20% or more of the voting rights of an investee directly or indirectly.  |
| <b>Available-for-sale financial assets</b> | Available-for-sale (AFS) financial assets are debt securities that are not classified as held-to-maturity investments or as financial assets designated at fair value through profit or loss (FVTPL) and equity instruments that are not subsidiaries, associates or jointly controlled entities and have not been designated as at FVTPL.  |
| <b>Basic earnings per share</b>            | Calculated by dividing profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.  |
| <b>Business combination</b>                | A business combination is a transaction, or any other event, through which a single entity obtains the control of one or more businesses.   |
| <b>Cash flow hedges</b>                    | Those that hedge the exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could effect profit or loss.   |
| <b>Commissions and fees</b>                | Income and expenses relating to commissions and similar fees are recognized in the consolidated income statement using criteria that vary according to their nature. The most significant income and expense items in this connection are:  |
|  | -Fees and commissions relating linked to financial assets and liabilities measured at fair value through profit or loss, which are recognized when collected.   |
|  | -Fees and commissions arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services.  |
|  | -Fees and commissions generated by a single act are accrued upon execution of that act.   |
| <b>Contingencies</b>                       | Current obligations of the entity arising as a result of past events whose existence depends on the occurrence or non-occurrence of one or more future events independent of the will of the entity.  |

|  |  |
|--|--|
| <b>Contingent liabilities</b>            | Possible obligations of the entity that arise from past events and whose existence depends on the occurrence or non-occurrence of one or more future events independent of the entity's will and that could lead to the recognition of financial assets.   |
| <b>Contingent risks</b>                  | Transactions through which the entity guarantees commitments assumed by third parties in respect of financial guarantees granted or other types of contracts.  |
| <b>Correlation risk</b>                  | Correlation risk is related to derivatives whose final value depends on the performance of more than one underlying asset (primarily, stock baskets) and indicates the existing variability in the correlations between each pair of assets.   |
| <b>Current service cost</b>              | Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.   |
| <b>Current tax assets</b>                | Taxes recoverable over the next twelve months.   |
| <b>Current tax liabilities</b>           | Corporate income tax payable on taxable profit for the year and other taxes payable in the next twelve months.   |
| <b>Debt certificates</b>                 | Obligations and other interest-bearing securities that create or evidence a debt on the part of their issuer, including debt securities issued for trading among an open group of investors, that accrue interest, implied or explicit, whose rate, fixed or benchmarked to other rates, is established contractually, and take the form of securities or book-entries, irrespective of the issuer.  |
| <b>Deferred tax assets</b>               | Taxes recoverable in future years, including loss carryforwards or tax credits for deductions and tax rebates pending application.   |
| <b>Deferred tax liabilities</b>          | Income taxes payable in subsequent years.  |
| <b>Defined benefit plans</b>             | Defined contribution plans are retirement benefit plans under which amounts to be paid as retirement benefits are determined by contributions to a fund together with investment earnings thereon. The employer's obligations in respect of its employees current and prior years' employment service are discharged by contributions to the fund.   |
| <b>Defined contribution plans</b>        | Post-employment obligation under which the entity, directly or indirectly via the plan, retains the contractual or implicit obligation to pay remuneration directly to employees when required or to pay additional amounts if the insurer, or other entity required to pay, does not cover all the benefits relating to the services rendered by the employees when insurance policies do not cover all of the corresponding post-employees benefits. |
| <b>Deposits from central banks</b>       | Deposits of all classes, including loans and money market operations, received from the Bank of Spain and other central banks.   |
| <b>Deposits from credit institutions</b> | Deposits of all classes, including loans and money market operations received, from credit entities.   |

|                                   |  |
|-----------------------------------|--|
| <b>Deposits from customers</b>    | Redeemable cash balances received by the entity, with the exception of debt certificates, money market operations through counterparties and subordinated liabilities that are not received from either central banks or credit entities. This category also includes cash deposits and consignments received that can be readily withdrawn.   |
| <b>Diluted earnings per share</b> | This calculation is similar to that used to measure basic earnings per share, except that the weighted average number of shares outstanding is adjusted to reflect the potential dilutive effect of any stock options, warrants and convertible debt instruments outstanding the year. For the purpose of calculating diluted earnings per share, an entity shall assume the exercise of dilutive warrants of the entity. The assumed proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price of ordinary shares during the period shall be treated as an issue of ordinary shares for no consideration. Such shares are dilutive and are added to the number of ordinary shares outstanding in the calculation of diluted earnings per share. |
| <b>Early retirements</b>          | Employees that no longer render their services to the entity but which, without being legally retired, remain entitled to make economic claims on the entity until they formally retire.   |
| <b>Economic capital</b>           | Eligible capital for regulatory capital adequacy calculations.   |
| <b>Economic profit</b>            | This metric measures the part of attributable adjusted profit (attributable profit + adjustment for expected loss, net income and valuation) in excess of the cost of equity employed, and measures the profits generated in excess of market expectations of returns on equity capital. This is used at the management level; for annual public reporting; for incentives in some business areas; and in the Group's value map.   |
| <b>Effective interest rate</b>    | Discount rate that exactly equals the value of a financial instrument with the cash flows estimated over the expected life of the instrument based on its contractual period as well as its anticipated amortization, but without taking the future losses of credit risk into consideration.  |
| <b>Employee expenses</b>          | All compensation accrued during the year in respect of personnel on the payroll, under permanent or temporary contracts, irrespective of their jobs or functions, irrespective of the concept, including the current costs of servicing pension plans, own share based compensation schemes and capitalized personnel expenses. Amounts reimbursed by the state Social Security or other welfare entities in respect of employee illness are deducted from personnel expenses.   |
| <b>Equity</b>                     | The residual interest in an entity's assets after deducting its liabilities. It includes owner or venturer contributions to the entity, at incorporation and subsequently, unless they meet the definition of liabilities, and accumulated net profits or losses, fair value adjustments affecting equity and, if warranted, minority interests.   |
| <b>Equity instruments</b>         | An equity instrument that evidences a residual interest in the assets of an entity after deducting all of its liabilities.   |

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|--|--|
| <b>Equity method</b>                           | The method used for the consolidation of the Group's holdings in associates. These holdings are recognized at cost on the purchase date and later evaluated. This amount will then be increased or decreased based on the differences that, after said date, the equity of the entity experiences and that corresponds to the investing institution, after considering the dividends received from them and other equity eliminations. The income statement of the investing institution shall include the corresponding proportion in the earnings of the investee. |
| <b>Exchange/translation differences</b>        | Exchange differences (PyL): Includes the earnings obtained in currency trading and the differences arising on translating monetary items denominated in foreign currency to the functional currency. Exchange differences (valuation adjustments): those recorded due to the translation of the financial statements in foreign currency to the functional currency of the Group and others recorded against equity.   |
| <b>Fair value</b>                              | The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.   |
| <b>Fair value hedges</b>                       | Derivatives that hedge the exposure to changes in the fair value of assets and liabilities or firm commitments that have not been recognized, or of an identified portion of said assets, liabilities or firm commitments, attributable to a specific risk, provided it could affect the income statement.   |
| <b>Fees</b>                                    | See Commissions, fees and similar items  |
| <b>Financial guarantees</b>                    | Contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs when a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument, irrespective of its instrumentation. These guarantees may take the form of deposits, technical or financial guarantees, insurance contracts or credit derivatives.  |
| <b>Financial instrument</b>                    | A financial instrument is any contract that gives rise to a financial asset of one entity and to a financial liability or equity instrument of another entity.   |
| <b>Financial liabilities at amortized cost</b> | Financial liabilities that do not meet the definition of financial liabilities designated at fair value through profit or loss and arise from the financial entities' ordinary activities to capture funds, regardless of their instrumentation or maturity.   |
| <b>Full consolidation method</b>               | Method used for the consolidation of the accounts of the Group's subsidiaries. The assets and liabilities of the Group entities are incorporated line-by-line on the consolidate balance sheets, after conciliation and the elimination in full of intragroup balances, including amounts payable and receivable.  |
|  | Group entity income statement income and expense headings are similarly combined line by line into the consolidated income statement, having made the following consolidation eliminations: a) income and expenses in respect of intragroup transactions are eliminated in full. b) profits and losses resulting from intragroup transactions are similarly eliminated.  |
|  | The carrying amount of the parent's investment and the parent's share of equity in each subsidiary are eliminated.   |

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| <b>Gains or losses on financial assets and liabilities, net</b> | This heading reflects fair value changes in financial instruments - except for changes attributable to accrued interest upon application of the interest rate method and asset impairment losses (net) recognized in the income statement - as well as gains or losses generated by their sale - except for gains or losses generated by the disposal of investments in subsidiaries, jointly controlled entities and associates and of securities classified as held to maturity. |
| <b>Goodwill</b>   | Goodwill acquired in a business combination represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not able to be individually identified and separately recognized.   |
| <b>Hedges of net investments in foreign operations</b>          | Foreign currency hedge of a net investment in a foreign operation .  |
| <b>Hedging derivatives</b>                                      | Derivatives designated as hedging instruments in an accounting hedge. The fair value or future cash flows of those derivatives is expected to offset the differences in the fair value or cash flows of the items hedged.  |
| <b>Held-to-maturity investments</b>                             | Held-to-maturity investments are financial assets traded on an active market, with fixed maturity and fixed or determinable payments and cash flows that an entity has the positive intention and financial ability to hold to maturity.   |
| <b>Held for trading (assets and liabilities)</b>                | Financial assets and liabilities acquired or incurred primarily for the purpose of profiting from variations in their prices in the short term.  |
|   | This category also includes financial derivatives not qualifying for hedge accounting, and in the case of borrowed securities, financial liabilities originated by the firm sale of financial assets acquired under repurchase agreements or received on loan ("short positions").   |
| <b>Impaired/doubtful/non-performing portfolio</b>               | Financial assets whose carrying amount is higher than their recoverable value, prompting the entity to recognize the corresponding impairment loss.  |
| <b>Impaired financial assets</b>                                | A financial asset is deemed impaired, and accordingly restated to fair value, when there is objective evidence of impairment as a result of one or more events that give rise to:  |
|   | 1. A measurable decrease in the estimated future cash flows since the initial recognition of those assets in the case of debt instruments (loans and receivables and debt securities).   |
|   | 2. A significant or prolonged drop in fair value below cost in the case of equity instruments.   |
| <b>Income from equity instruments</b>                           | Dividends and income on equity instruments collected or announced during the year corresponding to profits generated by investees after the ownership interest is acquired. Income is recognized gross, i.e., without deducting any withholdings made, if any.   |
| <b>Insurance contracts linked to pensions</b>                   | The fair value of insurance contracts written to cover pension commitments.  |

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| <b>Inventories</b>  | Assets, other than financial instruments, under production, construction or development, held for sale during the normal course of business, or to be consumed in the production process or during the rendering of services. Inventories include land and other properties held for sale at the real estate development business.  |
| <b>Investment properties</b>  | Investment property is property (land or a building—or part of a building—or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for own use or sale in the ordinary course of business.  |
| <b>Jointly controlled entities</b>                                  | Companies that form a joint business and, consequently, over which the Group exercises joint control. A joint business is a contractual agreement by virtue of which two or more entities undertake an economic activity under joint control; that is, a contractual agreement to share the power to guide the financial and operation policies of an entity or other economic activity, so as to benefit from its operations, and in which the unanimous consent of all participants is required in all financial and operational strategic decision-making.   |
| <b>Leases</b>   | A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time, a stream of cash flows that is essentially equivalent to the combination of principal and interest payments under a loan agreement.  |
|   | a) A lease is classified as a finance lease when it substantially transfers all the risks and rewards incidental to ownership of the asset forming the subject-matter of the contract.  |
|   | b) A lease will be classified as operating lease when it is not a financial lease.  |
| <b>Liabilities associated with non-current assets held for sale</b> | The balance of liabilities directly associated with assets classified as non-current assets held for sale, including those recognized under liabilities in the entity's balance sheet at the balance sheet date corresponding to discontinued operations.   |
| <b>Liabilities under insurance contracts</b>                        | The technical reserves of direct insurance and inward reinsurance recorded by the consolidated entities to cover claims arising from insurance contracts in force at period-end.  |
| <b>Loans and advances to customers</b>                              | Loans and receivables, irrespective of their type, granted to third parties that are not credit entities.   |
| <b>Loans and receivables</b>  | Financial instruments with determined or determinable cash flows and in which the entire payment made by the entity will be recovered, except for reasons attributable to the solvency of the debtor. This category includes both the investments from the typical lending activity (amounts of cash available and pending maturity by customers as a loan or deposits lent to other entities, and unlisted debt certificates), as well as debts contracted by the purchasers of goods, or users of services, that form part of the entity's business. It also includes all finance lease arrangements in which the consolidated subsidiaries act as lessors. |
| <b>Minority interests</b>   | The net amount of the profit or loss and net assets of a subsidiary attributable to associates outside the group (that is, the amount that is not owned, directly or indirectly, by the parent), including that amount in the corresponding part of the consolidated earnings for the period.   |

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| <b>Mortgage-covered bonds</b>  | Financial asset or security created from mortgage loans and backed by the guarantee of the mortgage loan portfolio of the entity.  |
| <b>Non-current assets held for sale</b>  | A non-current asset or disposal group, whose carrying amount is expected to be realized through a sale transaction, rather than through continuing use, and which meets the following requirements:<br>a) it is immediately available for sale in its present condition at the balance sheet date, i.e. only normal procedures are required for the sale of the asset.<br>b) the sale is considered highly probable. |
| <b>Non-monetary assets</b>   | Assets and liabilities that do not provide any right to receive or deliver a determined or determinable amount of monetary units, such as tangible and intangible assets, goodwill and ordinary shares subordinate to all other classes of capital instruments.  |
| <b>Non performing contingent risk</b>  | The balance of non performing risks, whether for reasons of default by customers or for other reasons as detailed in section II of Annex IX of Bank of Spain Circular 04/2004, for contingent risks. This figure is shown gross: in other words, it is not adjusted for value corrections (loan loss reserves) made.   |
| <b>Non Performing Loans (NPL)</b>  | The balance of non performing risks, whether for reasons of default by customers or for other reasons as detailed in section II of Annex IX of Bank of Spain Circular 04/2004, for exposures on balance loans to customers. This figure is shown gross: in other words, it is not adjusted for value corrections (loan loss reserves) made.  |
| <b>NPA Covered ratio</b>   | Impairment allowances (generic, specific and country risk allowance) as a percentage of the non performing assets (the sum of Substandard loans and advances to customers and Substandard contingent liabilities to customers)   |
| <b>NPA ratio</b>   | Represents the sum of Substandard loans and advances to customers and Substandard contingent liabilities to customers divided by the sum of Loans and advances to customers and Contingent liabilities to customers.   |
| <b>Other equity instruments</b>  | This heading reflects the increase in equity resulting from various forms of owner contributions, retained earnings, restatements of the financial statements and valuation adjustments.   |
| <b>Other financial assets/liabilities at fair value through profit or loss</b> | Instruments designated by the entity from the start at fair value with changes in profit or loss. Only the following can be included in the category: assets and liabilities that are deemed "hybrid financial assets and liabilities" and for which the fair value of the embedded derivatives cannot be reliably determined.   |
|  | These are financial assets managed jointly with "Liabilities under insurance contracts" valued at fair value, in combination with derivatives written with a view to significantly mitigating exposure to changes in these contracts' fair value, or in combination with financial liabilities and derivatives designed to significantly reduce global exposure to interest rate risk.                               |
|  | These headings also include customer loans and deposits effected via so-called unit-linked life insurance contracts, in which the policyholder assumes the investment risk.  |
| <b>Own/treasury shares</b>   | The amount of own equity instruments held by the entity.   |



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| <b>Past service cost</b>                                     | It is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits.   |
| <b>Post-employment benefits</b>                              | Retirement benefit plans are arrangements whereby an enterprise provides benefits for its employees on or after termination of service.  |
| <b>Property, plant and equipment/tangible assets</b>         | Buildings, land, fixtures, vehicles, computer equipment and other facilities owned by the entity or acquired under finance leases.   |
| <b>Proportionate consolidation method</b>                    | Method used for the integration of the accounts of the jointly-controlled entities in the Consolidated Financial Statements. The aggregation of the different headings of the balance sheet and income statement of the entities to the consolidated financial statements through this method is performed in the proportion of the Group's holding in its capital, excluding the portion corresponding to its own equity instruments. In the same proportion, reciprocal credit and debits will be eliminated, as will be the income, expenses and earnings from internal transactions. |
| <b>Provisions</b>  | Provisions include amounts recognized to cover the Group's current obligations arising as a result of past events, certain in terms of nature but uncertain in terms of amount and/or cancellation date.   |
| <b>Provisions for contingent liabilities and commitments</b> | Provisions recorded to cover exposures arising as a result of transactions through which the entity guarantees commitments assumed by third parties in respect of financial guarantees granted or other types of contracts, and provisions for contingent commitments, i.e., irrevocable commitments which may arise upon recognition of financial assets.   |
| <b>Provision for credit losses</b>                           | Provisions recognized during the year, net of recoveries on amounts provisioned in prior years, with the exception of provisions for pensions and contributions to pension funds which constitute current or interest expense.   |
| <b>Provisions for pensions and similar obligation</b>        | Constitutes all provisions recognized to cover retirement benefits, including commitments assumed vis-à-vis beneficiaries of early retirement and analogous schemes.   |
| <b>Public-covered bonds</b>                                  | Financial asset or security created from public loans and backed by the guarantee of the public debt portfolio of the entity.  |
| <b>Reserves</b>  | Accumulated net profits or losses recognized in the income statement in prior years and retained in equity upon distribution. Reserves also include the cumulative effect of adjustments recognized directly in equity as a result of costs in the issue or reduction of own equity instruments, sale of own equity instruments, actuarial gains on pension plans and the retroactive restatement of the financial statements due to changes in accounting policy and the correction of errors.  |
| <b>Securitization fund</b>                                   | A fund that is configured as a separate equity and administered by a management company. An entity that would like funding sells certain assets to the securitization fund, which, in turn, issues securities backed by said assets.   |
| <b>Share premium</b>   | The amount paid in by owners for issued equity at a premium to the shares' nominal value.  |

|                                   |   |
|-----------------------------------|---|
| <b>Short positions</b>            | Financial liabilities arising as a result of the final sale of financial assets acquired under repurchase agreements or received on loan.   |
| <b>Subordinated liabilities</b>   | Financing received, regardless of its instrumentation, which ranks after the common creditors in the event of a liquidation.  |
| <b>Subsidiaries</b>               | Companies over which the Group exercises control. An entity is presumed to have control over another when it possesses the right to oversee its financial and operational policies, through a legal, statutory or contractual procedure, in order to obtain benefits from its economic activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of an entity's voting power, unless, exceptionally, it can be clearly demonstrated that ownership of more than one half of an entity's voting rights does not constitute control of it. Control also exists when the parent owns half or less of the voting power of an entity when there is: |
|                                   | An agreement that gives the parent the right to control the votes of other shareholders;  |
| <b>Subsidiaries</b>               | Power to govern the financial and operating policies of the entity under a statute or an agreement; power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body;   |
|                                   | Power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.  |
| <b>Substandard risk</b>           | All debt instruments and contingent risks which do not meet the criteria to be classified individually as non-performing or written-off, but show weaknesses that may entail for the entity the need to assume losses greater than the hedges for impairment of risks subject to special monitoring.  |
| <b>Stockholders' funds</b>        | Contributions by stockholders, accumulated earnings recognized in the income statement and the equity components of compound financial instruments.   |
| <b>Structured credit products</b> | Special financial instrument backed by other instruments building a subordination structure.  |
| <b>Tax liabilities</b>            | All tax related liabilities except for provisions for taxes.  |
| <b>Trading derivatives</b>        | The fair value in favor (assets) or again (liabilities) of the entity of derivatives not designated as accounting hedges.   |
| <b>TSR</b>                        | Total Shareholder Return.<br>The total return of a stock to an investor (capital gain plus dividends)   |
| <b>Unit-link</b>                  | This is life insurance in which the policyholder assumes the risk. In these policies, the funds for the technical insurance provisions are invested in the name of and on behalf of the policyholder in shares of Collective Investment Institutions and other financial assets chosen by the policyholder, who bears the investment risk.  |

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|----------------------------|--|
| <b>Value at Risk (VaR)</b> | Value at Risk (VaR) is the basic variable for measuring and controlling the Group's market risk. This risk metric estimates the maximum loss that may occur in a portfolio's market positions for a particular time horizon and given confidence level   |
|                            | VaR figures are estimated following two methodologies:   |
|                            | - VaR without smoothing, which awards equal weight to the daily information for the immediately preceding last two years. This is currently the official methodology for measuring market risks vis-à-vis limits compliance of the risk.   |
|                            | - VaR with smoothing, which weights more recent market information more heavily. This is a metric which supplements the previous one.  |
|                            | VaR with smoothing adapts itself more swiftly to the changes in financial market conditions, whereas VaR without smoothing is, in general, a more stable metric that will tend to exceed VaR with smoothing when the markets show less volatile trends, while it will tend to be lower when they present upturns in uncertainty. |



**BANCO BILBAO VIZCAYA ARGENTARIA, S.A.**

**Management report for the year ended  
December 31, 2013**

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## Banco Bilbao Vizcaya Argentaria, S.A.

### Management report for the year ended December 31, 2013

#### 1. Introduction

Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, "the Bank" or "BBVA") is a private-law entity, subject to the rules and regulations governing banking institutions operating in Spain. The Bank conducts its business through branches and offices located throughout Spain and abroad.

The Bank's management report has been prepared using the individual accounting and management records of Banco Bilbao Vizcaya Argentaria, S.A.

BBVA is the parent company of the BBVA Group (hereinafter, "the Group"). It is an internationally diversified group with a significant presence in the business of traditional retail banking, asset management, private banking and wholesale banking.

The financial information included in this management report is presented in accordance with the criteria established by Bank of Spain Circular 4/2004, of December 22, on Public and Confidential Financial Reporting Rules and Formats for Financial Statements, and its subsequent amendments.

#### 2. Economic environment in 2013

The global economy closed 2013 with growth of 3%, a few tenths of a percentage point below the figure for 2012. The slowdown has been caused by the weakness of developed economies for most of the year, particularly in Europe, as emerging markets continued to grow at a relatively strong pace. However, this trend began to change halfway through the year, when there has been a significant improvement in the global mood, above all after Europe began to show some signs of recovery and of emerging from the recession.

The financial markets also performed better in 2013 than the previous year. Europe has not been a source of systemic financial tension, and confidence in the currency has been restored. The euro has emerged strengthened after the reforms adopted and the commitment to move toward banking union in the zone. In contrast, there have been some difficulties in the United States in reaching long-term agreements to resolve the fiscal deficit crisis, leading to the "fiscal cliff" at the start of the year (with the resulting rise in taxation and general reduction in public spending) and the temporary shutdown of the federal government in the fall. Globally, markets (particularly assets in emerging markets) have been affected by the announcement by the Federal Reserve that it was considering easing off its monetary expansion policy in a process known as "tapering". As a result, global financial conditions are now tighter, and emerging countries have been affected by reductions in asset prices, capital outflows and currency depreciation.

The recession that hit Europe in 2012 (a GDP fall of 0.6% year-on-year) extended through much of 2013, so this year as a whole the European economy has declined by around 0.5%. However, its tone has improved steadily over the year. A positive feature of the process of European recovery is that it has taken place across the board, i.e. not only limited to core countries. In fact, the peripherals have also improved their economic activity and some have even emerged from the recession and posted positive growth rates. Two factors lie behind this improvement. One is that the process of fiscal consolidation has been less of a drain on the economy following the relaxation of the fiscal targets. The second reason is that financial tensions have been kept tightly in check, despite the existence of various factors that could have generated a widening of spreads. It is also worth noting that part of the improvement in confidence with respect to the euro has come from the efforts to improve governance in Europe; in particular, the attempts to create a real banking union **on which the European authorities have been working throughout** 2013 and which will be established over various stages over the next few years. In any event, the situation remains fragile, and that is why the European Central Bank (ECB), which has also taken into account the very low rate of inflation and a high level of financial fragmentation, has decided to lower interest rates to record lows. It has also stated that it is ready to consider further measures to provide liquidity to the financial system in the long term, were it to prove necessary. This latter point will hinge greatly upon a test of the soundness of the European banking system in 2014, both in terms of the quality of its capital and resilience to stress scenarios.

In the latter part of 2013 the Spanish economy put an end to the long period of recession that has led it to accumulate a further year-on-year fall of 1.3%. The incipient recovery is based on sustained growth in exports and on a less contractionary domestic demand. The fiscal consolidation targets have been relaxed, while market confidence has improved. As a result, there has been no major financial tension, spreads have narrowed significantly and the economy has opened up to international financial flows. Even so, the recovery has started from a low point, particularly in terms of unemployment, which is still over 25% of the active population.

Economic activity in the United States has also gained strength during 2013, although the less positive figures at the start of the year have led to a slowdown in GDP in year-on-year terms from 2.8% in 2012 to slightly below 2%. Nonetheless, the trend is positive. Consumption and residential mortgage lending remain solid, while in the labor market employment continues its moderate growth, and thus unemployment is falling. However, uncertainty has continued to affect the economy, in particular due to doubts about how soon the authorities were going to limit the expansive tone of fiscal and monetary policies. In fiscal policy, negotiations have continued throughout the year to achieve a comprehensive plan that can address fiscal consolidation with a long-term perspective. This has increased uncertainty and led to a partial shutdown of the federal government in the fall, although in the end the impact on the economy has been limited. In monetary policy, tapering has been accompanied by an upturn in market interest rates in the United States, which limited the strength of investment in housing. This is despite the fact that the Fed has been very clear that this process would only be introduced if the economy continued on a path of sustained growth. In the end, the start of tapering has been postponed until January 2014, and the Fed has been particularly careful to emphasize its intention of keeping interest rates firmly anchored at low levels until it is sure that the improvement underway is sustainable and strong.

For emerging economies, 2013 has been similar to 2012, with some occasional exceptions. Overall, growth in Latin America has remained at around 2.5%, with the slowdown of the Mexican economy being offset by the partial recovery of Brazil. At the same time, the Asia/Pacific region has once more registered growth at a few tenths of a percentage point above 5% (or around 3.5% excluding China). However, the positive growth data cannot conceal the fact that the region has been affected by the volatility derived from the announcement of a possibly lower pace of monetary expansion of the United States. The result has been reductions in its asset prices, currency depreciations and capital outflows, hitting countries particularly hard according to the structural weaknesses of their economies and their short-term foreign-currency financing needs. Part of these capital outflows were reversed once the Fed conveyed more information on its plans.

## Trends in exchange rates

Throughout this year, currency movements have been determined by expectations of the withdrawal of monetary stimuli by the main central banks and its impact on global liquidity. Thus, the liquidity injections by the Fed and the Bank of Japan maintained the trend for appreciation of most currencies, with a significant impact on the Group's financial statements in the initial months of the year. The only exceptions are the Argentinean peso, the Venezuelan bolivar fuerte (which suffered a devaluation in February) and, to a lesser extent, the U.S. dollar.

However, starting in May 2013 the Fed raised the prospect of a reduction of monetary stimuli. This factor led to a reversal of part of the capital flows that had been entering emerging markets over recent years, with the resulting depreciation of their currencies. In contrast, the reduction in financial tensions in the Eurozone meant that the area became one of the major recipients of flows, leading to a further appreciation of the euro in the second half of 2013.

In all, in terms of final exchange rates the euro has appreciated against the main currencies in both developed and emerging countries. In terms of average exchange rates, there has also been a general appreciation of the euro against nearly all of the currencies that affect the Group's financial statements, except for the Mexican peso (whose rate remained practically stable, as can be seen in the accompanying table). In short, the impact of currencies is negative on both the income statement and the BBVA Group's balance sheet and activity.

In 2014 the dollar is expected to appreciate slightly against the euro, and in general, against the currencies of emerging regions. This appreciation could be more pronounced against the currencies of countries with less solid fundamentals. Moreover, a devaluation of the Venezuelan bolivar is expected in the first quarter of 2014, similar to that in February 2013.

| Currency           | Average Exchange Rates |          |          | Year-End Exchange Rates |          |          |
|--------------------|------------------------|----------|----------|-------------------------|----------|----------|
|                    | 2013                   | 2012     | 2011     | 2013                    | 2012     | 2011     |
| Mexican peso       | 16.96                  | 16.90    | 17.29    | 18.07                   | 17.18    | 18.05    |
| U.S.dollar         | 1.33                   | 1.29     | 1.39     | 1.38                    | 1.32     | 1.29     |
| Argentine peso     | 7.28                   | 5.84     | 5.75     | 8.99                    | 6.48     | 5.57     |
| Chilean peso       | 658.33                 | 625.00   | 672.04   | 722.54                  | 633.31   | 674.76   |
| Colombian peso     | 2,481.39               | 2,309.47 | 2,570.69 | 2,659.57                | 2,331.00 | 2,512.56 |
| Peruvian new sol   | 3.59                   | 3.39     | 3.83     | 3.85                    | 3.37     | 3.49     |
| Venezuelan bolivar | 8.05                   | 5.52     | 5.98     | 8.68                    | 5.66     | 5.56     |
| Turkish lira       | 2.53                   | 2.31     | 2.34     | 2.96                    | 2.36     | 2.44     |
| Chinese Yuan       | 8.16                   | 8.11     | 8.99     | 8.35                    | 8.22     | 8.16     |

**Relevant events: the banking system** In Europe the financial systems have strengthened their capital and liquidity positions overall. The progress made in the Single Supervisory Mechanism and, in general, in the consensus on banking union has reduced tension and also market fragmentation to some extent. On October 23, the ECB started the process of a comprehensive assessment of the balance sheets of the nearly 130 banks it will supervise in the second half of 2014. The results of this process will be of great importance in allaying doubts about the solvency of the European banking system, recovering investor confidence and quantifying the problems inherited from the crisis, which will have to be resolved at national level.

The latest European agreements, concluded at the December ECOFIN, have meant significant progress has been made in areas such as a single resolution authority, the single resolution fund, and bringing forward the implementation date of the bail-in agreements to 2016. However, it is a process which has its risks, particularly in terms of its implementation.

In Spain, the process of restructuring the financial system has been practically completed. Moreover, at the start of January 2014, the program of European financial assistance to the Spanish banks came to a close. All the banks that needed capital have been recapitalized, the assets linked to the real-estate sector have been transferred to the asset management company SAREB, a process for managing hybrid instruments has been implemented and the framework of governance, regulation and supervision in the sector has been reinforced. In addition, the aforementioned improvement in the financial markets has made it possible for Spanish banks to raise money on the wholesale markets. Lastly, there has been a reduction in net use of ECB liquidity. At the close of November 2013 the amount borrowed amounted to €220,000 million, down from a high of around €400,000 million in the summer of 2012.

### 3. Balance sheet and business activity

The key figures in the Bank's balance sheet with respect to its main business are as follows:

The Bank's total balance sheet as of December 31, 2013 stood at €386,931 million (€400,499 million in 2012). At the close of 2013, "Loans and receivables – Loans and advances to customers" amounted to €208,313 million, compared with €213,944 million for the previous year. As of December 31, 2013, customer deposits stood at €188,013 million (€163,798 million in 2012).

### 4. Earnings

In 2013, the Bank had a net profit after tax of €1,406 million euros (€1,428 million in 2012). Operating expenses increased from €3,668 million in 2012 to €3,877 million in 2013. Gross income for 2013 totaled €8,002 million, compared with €11,250 million in 2012. Net interest income in 2013 stood at €3,288 million (€4,224 million in 2012).

## 5. Risk management

BBVA's risk management system is outlined in Note 5, Risk Management, of the accompanying Financial Statements.

## 6. BBVA Group solvency and capital ratios

### The BBVA Group's capital ratios

In line with current international standards (Basel II) for determining the solvency of financial institutions, the capital ratios are measured at consolidated group level. Below are the capital ratios and amounts of the main items used for calculating these ratios as of December 31, 2013 and 2012:

| Millions of Euros                                       |                |                |                    |
|---|----------------|----------------|--------------------|
| The Group capital base                                  | 2013           | 2012           | % Change 2012-2011 |
| Stockholders' funds                                     | 46,310         | 43,614         | 6.2                |
| Adjustments   | (8,818)        | (9,401)        | (6.2)              |
| Mandatory convertible bonds                             | -              | 1,238          | (100.0)            |
| <b>CORE CAPITAL</b>                                     | <b>37,492</b>  | <b>35,451</b>  | <b>5.8</b>         |
| Preferred securities                                    | 2,905          | 1,860          | 56.2               |
| Adjustments   | (786)          | (1,860)        | (57.7)             |
| <b>CAPITAL (TIER I)</b>                                 | <b>39,611</b>  | <b>35,451</b>  | <b>11.7</b>        |
| Subordinated debt and other                             | 9,481          | 10,022         | (5.4)              |
| Deductions  | (786)          | (2,636)        | (70.2)             |
| <b>OTHER ELIGIBLE CAPITAL (TIER II)</b>                 | <b>8,695</b>   | <b>7,386</b>   | <b>17.7</b>        |
| <b>CAPITAL BASE (TIER I + TIER II) (a)</b>              | <b>48,306</b>  | <b>42,836</b>  | <b>12.8</b>        |
| <b>Minimum capital requirement (BIS II Regulations)</b> | <b>25,888</b>  | <b>26,323</b>  | <b>(1.7)</b>       |
| <b>CAPITAL SURPLUS</b>                                  | <b>22,418</b>  | <b>16,514</b>  | <b>35.8</b>        |
| <b>RISK WEIGHTED ASSETS (b)</b>                         | <b>323,605</b> | <b>329,033</b> | <b>(1.6)</b>       |
| <b>BIS RATIO (a)/(b)</b>                                | <b>14.9%</b>   | <b>13.0%</b>   |                    |
| <b>CORE CAPITAL</b>                                     | <b>11.6%</b>   | <b>10.8%</b>   |                    |
| <b>TIER I</b>   | <b>12.2%</b>   | <b>10.8%</b>   |                    |
| <b>TIER II</b>  | <b>2.7%</b>    | <b>2.2%</b>    |                    |

The BBVA Group's capital base, calculated in accordance with the rules defined in the Basel II capital accord, stood at €48,306 million as of December 31, 2013, up on the figure registered as of December 31, 2012.

Risk-weighted assets (RWA) totaled €323,605 million as of December 31, 2013. The figure is lower than in December 2012, mainly due to the exchange differences and the devaluation of the Venezuelan bolivar, as well as the sale of the pension businesses and BBVA Panama. These declines, combined with the slight deleveraging seen in Spain, outweigh the increase due to increased activity of the banking business in emerging countries.

The minimum capital requirements under BIS II (8% of RWA) amounted to €25,888 million as of December 31, 2013. Thus the excess capital resources over and above the 8% of the risk-weighted assets required by the regulations stood at €22,418 million. Therefore, the Group has 87% of capital above the minimum required levels.

There has been an improvement in the core capital, which as of December 31, 2013 stood at €37,492 million, higher than the figure of €35,451 million as of December 31, 2012. The increase is basically the result of the generation of earnings and lower deductions due to the elimination of the goodwill of CNCB, which has been partially offset by the negative effect of the exchange rate during this period.

Core capital accounted for 11.6% of risk-weighted assets, compared with 10.8% as of December 31, 2012, an increase of 80 basis points.

Tier I capital stood at €39,611 million as of December 31, 2013, 12.2% of risk-weighted assets, and an increase of 140 basis points on December 31, 2012. The factors explaining this increase are the sale of 5.1% of CNCB, which reduced deductions, together with the issue of contingent convertible securities in the first half of the year.



As of December 31, 2013, Tier II capital reached €8,695 million, i.e. 2.7% of risk-weighted assets, an increase of 50 basis points, mainly due to the aforementioned sale of 5.1% of CNCB.

By aggregating Tier I and Tier II capital, as of December 31, 2013, the BIS total capital ratio is 14.9%, an increase of 190 basis points on the ratio as of December 31, 2012.

## Other requirements on minimum capital levels

Irrespective of the aforementioned requirements, in 2011 the European Banking Authority (EBA) issued the recommendation of reaching, as of June 30, 2012, a new minimum capital level of 9%, in the ratio known as Core Tier 1 (CT1). In addition, this minimum ratio should have a sufficient excess amount to absorb the “sovereign buffer”, calculated based on sovereign exposure (see section on “Exposure to sovereign risk in Europe”). As of June 30, 2012, the BBVA Group's EBA Core Tier I capital stood at 9.9%, thus complying with the minimum required level.

In addition, on July 22, 2013, the EBA published a recommendation for supervisors to guarantee that banks subject to the capitalization exercise conducted in September 2011 should maintain their required capital levels in nominal terms and comply with data as of June 2012. For the BBVA Group, this limit was established at €32,152 million, and as of December 31, 2013, the EBA core capital stood at €35,038 million, €2,886 million above the required figure.

## 7. Environmental information

### Environmental commitment

The BBVA Group prioritizes sustainable development. As a financial institution, the BBVA's activities have a significant impact on the environment: be it through its consumption of natural resources, management of its properties, use of paper, travel, etc. (direct impacts), or through the consequences for the environment of the products and services it provides, particularly those related to financing, asset management and management of its chain of suppliers (indirect impacts).

### Aims of the environmental policy

The objectives of the Bank's environmental policy, which forms part of the BBVA Group's policies and plans, are outlined below:

- Comply with the environmental legislation in place where BBVA operates.
- Continually improve the identification and management of environmental risks in BBVA's financial and investment operations.
- Integrate the environmental variables into the development of financial products and services.
- Eco-efficiency in the use of natural resources, setting and fulfilling objectives for improvement as established in the Global Eco-efficiency Plan.
- Manage direct impacts through an environmental management system based on ISO 14001 and other recognized environmental certifications.
- Have a positive influence on the environmental behavior of stakeholders through communication and raising awareness of the importance of the environment as an additional input in business and human management practice.
- Inform, raise awareness of, and train employees in environmental issues.
- Provide support for sponsorship, voluntary work and environmental research.
- Provide support for the main initiatives aimed at fighting and preventing climate change.
- BBVA has made the following international environmental commitments:
  - United Nations Global Compact (since 2002): [www.globalcompact.org](http://www.globalcompact.org)
  - UNEP- FI (since 1998): [www.unepfi.org](http://www.unepfi.org)
  - Equator Principles (since 2004): [www.equator-principles.com](http://www.equator-principles.com)
  - Carbon Disclosure Project (since 2004): [www.cdproject.net](http://www.cdproject.net)
  - Principles for Responsible Investment (since 2008): [www.unpri.org](http://www.unpri.org)

## Environmental policy scope, governance and review

This environmental policy has worldwide scope and affects all the activities undertaken by the Group, i.e. the banks and subsidiaries in which BBVA has effective control.

The Eco-efficiency and Responsible Procurement Committee is responsible for coordinating the Environmental Policy and ensuring compliance with it through an environmental management system. The members of the BBVA Group's Management Committee oversee correct compliance with this Policy. To this end, its members make an effort to develop and oversee the implementation of this Policy in the Group. This Policy will be reviewed and updated at least every two years.

## Main environmental actions in 2013

The main environmental actions that BBVA carried out in 2013 are as follows:

- Launch of the Global Eco-Efficiency Plan for 2013-2015, which establishes the following objectives:
  - A 6% reduction in CO2 emissions (per employee).
  - A 3% reduction in paper consumption (per employee).
  - A 3% reduction in water consumption (per employee).
  - A 3% reduction in energy consumption (per employee).
  - 33% of employees working in buildings awarded environmental certifications.)
- Improved environmental risk management systems in project finance (Equator Principles) and in determining borrower credit profiles (Ecorating).
- Leadership in financing of renewable energy projects internationally.
- Support for major international initiatives to fight against climate change. In 2013, the BBVA Group renewed its commitment to the CDP Carbon Action initiatives. Investor CDP and CDP Water Disclosure. In addition, the BBVA Group is a signatory to the United Nations-backed Natural Capital Declaration initiative..
- Development of ambitious environmental sponsorship programs, particularly through the BBVA Foundation. Worth noting are the BBVA Foundation Frontiers of Knowledge awards in the Ecology, Conservation Biology and Climate Change categories, each provided with €400,000.
- Social and environmental risk training for the Group's risk analysts.
- Environmental awareness-raising activities with the Group's employees.

As of December 31, 2013, there were no items in BBVA's financial statements that warranted inclusion in the separate environmental information document set out in the Ministry of the Economy Order dated October 8, 2001.

## 8. Customer Care Service and Customer Ombudsman

In accordance with the stipulations of Article 17 of the Ministry of Economy Order ECO/734/2004, dated March 11, regarding customer care and consumer ombudsman departments at financial institutions, and in line with the new "Regulations for Customer Protection in Spain" of the BBVA Group approved by the Board of Directors of BBVA on September 27, 2011, regulating the activities and powers of the Customer Care Service and Customer Ombudsman, a summary of related activities in 2013 has been prepared.

The Customer Care Service processes all the grievances and complaints addressed to the Customer Ombudsman and to the Customer Care Service itself, except for those which under the new Regulations are the responsibility of the Customer Ombudsman.

### 8.1 Report on the activity of the Customer Care Service department

#### Statistical summary of grievances and complaints handled in 2013

The number of customer complaints received by BBVA's Customer Care Service in Spain in 2013 was 17,379, of which 1,052 were finally not processed because they did not meet the requirements laid down by Ministerial Order ECO/734. 95.9% (15,662 complaints) of the complaints were resolved within the year, with 665 complaints still pending assessment as of December 31, 2013.

The grievances and complaints handled are classified:

| Type of Complaint to the Customer Care Service | Percentage of Complaints |
|--|--------------------------|
| Assets products                                | 62.1%                    |
| Operations                                     | 9.5%                     |
| Commissions and expenses                       | 14.5%                    |
| Customer information                           | 7.4%                     |
| Investments - Derivatives                      | 0.8%                     |
| Collection and payment services                | 2.2%                     |
| Financial and welfare products                 | 0.7%                     |
| Other  | 2.3%                     |
| Insurance                                      | 0.5%                     |
| <b>Total</b>                                   | <b>100%</b>              |

The complaints handled in 2013, broken down by the nature of their final resolution, is as follows:

| Final Resolution for Complaints to the Customer Service Center | Number of Complaints |
|--|----------------------|
| In favor of the person submitting the complaint                | 7,049                |
| Partially in favor of the person submitting the complaint      | 3,222                |
| In favor of the BBVA Group                                     | 5,391                |
| <b>Total</b>   | <b>15,662</b>        |

The increase in the number of complaints lodged in this period is due basically to mortgage floor complaints (62.1% of complaints for asset operations in 2013 correspond mostly to mortgage floor complaints). The principles and methods used by the Customer Care Service to resolve complaints are based on the application of the rules on transparency and customer protection and best banking practices. This department adopts its decisions independently, notifying the various units involved of any actions which require review or adaptation to the related regulations.

## Recommendations or suggestions

In 2013, the Customer Care Service has implemented various initiatives in order to ensure compliance with best practices. These initiatives include:

- Setting up of Internal Quality Committees to inform of developments on transparency and good banking practices.
- Setting up of the Quality Legal Services Coordination Committee to analyze the situation in Regulatory Bodies and propose actions that would improve the early management of complaints.
- Training programs on specific aspects of the Bank of Spain's criteria (auxiliary accounts, documentation to provide to the customer for loans, etc.) that would promote proper decision-making in the resolution of complaints lodged by customers, in each of the different topics.
- Publication of guidelines and criteria on the Quality Portal for dissemination to the branch network.
- Furthermore, it has maintained the specific complaints Committee set up in 2012 with the assistance of the Product Unit to convey proposals and recommendations and thus promote the implementation of actions aimed at improving the transparency, good practices and quality offered to our customers.

## 8.2 Report on the activity of the BBVA Customer Ombudsman

The following is a summary of the activities in 2013 of BBVA's Customer Ombudsman, in accordance with the provisions of Article 17 of Ministry of Economy Order ECO/734/2004, of March 11, on customer service departments and services, and Customer Ombudsmen for financial institutions:

## Statistical summary of grievances and complaints handled in 2013

The number of customer complaints received by BBVA's Customer Ombudsman in 2013 was 1,708. Of these, 85 have finally not been processed as they did not fulfill the requirements of Ministerial Order ECO/734. 98.30% (1,594 complaints) of the complaints were resolved within the year, with 29 complaints still pending assessment as of December 31, 2013.

The grievances and complaints handled are classified in the table below in line with the criteria established by the Complaints Service of the Bank of Spain in its half-yearly requests for information:

| Type of Complaint                        | Number of Complaints |
|--|----------------------|
| Assets operations                        | 1,165                |
| Investment services                      | 112                  |
| Liabilities operations                   | 93                   |
| Other banking products (cash, ATM, etc.) | 20                   |
| Collection and payment services          | 31                   |
| Insurance and welfare products           | 143                  |
| Other                                    | 144                  |
| <b>Total</b>                             | <b>1,708</b>         |

The details of the complaints resolved in 2013, broken down according to their final resolution, are as follows:

| Final Resolution  | Number of Complaints |
|---|----------------------|
| In favor of the person submitting the complaint           | -                    |
| Partially in favor of the person submitting the complaint | 674                  |
| In favor of the BBVA Group                                | 920                  |
| <b>Total</b>  | <b>1,594</b>         |

Based on the above, it can be concluded that more than 39.46% of customers bringing a complaint before the Customer Ombudsman were in some way satisfied, either as a consequence of Ombudsman's formal resolution or because of the outcome of its action as mediator between the customer and the Bank.

The Customer Ombudsman's decisions are based on current legislation, on the contractual relationships in place between the parties, on current standards on transparency and customer protection, on best banking practices and, especially, on the principle of equity.

Independence is an essential aspect of the Customer Ombudsman. Resolutions by the Ombudsman that are favorable to the customer are binding on BBVA.

## Recommendations or suggestions

Among the various initiatives implemented by the Bank at the behest of the Ombudsman in 2013, we would highlight the following:

- The corresponding departments have been notified of suggested ways to improve the Bank's complaints procedures in order to improve the Customer Care Service and make it more satisfactory for customers.
- Contractual compliance with the requirements imposed by MiFID Directive regulations has been subject to special monitoring.
- Operational recommendations to improve the customer service and defense system, as regards implementation of the electronic signature.
- Recommendations have been made on adapting the product profile to the customer profile, on advertising and advertising messages, and on expediting the process of wills.
- Group representatives are in constant contact and meet regularly with the Complaints Service of the Bank of Spain, the CNMV and the Spanish General Directorate of Insurance and Pension Funds. They all share the common goal of harmonizing criteria and fostering more robust customer protection and security.

Customers not satisfied with the resolution of the Customer Ombudsman can appeal before the Bank of Spain, the CNMV or the Spanish General Directorate of Insurance and Pension Funds. The Ombudsman always informs the customers of this option.

In 2013, 198 complaints by BBVA, S.A. customers were filed before the various public supervisory institutions, which were processed in the Office of the Ombudsman previously.

## 9. Innovation and Technology

In 2013, the Innovation and Technology (I&T) area has carried out its activity around four main lines of action:

Infrastructure and systems

Omni-channel banking

- Infrastructure and systems
- Omni-channel banking
- Transformation of the Central Services, offices and ways of working
- New Operational Model
- Operations Control and Information Security
- Innovation and Support Center for innovators and entrepreneurs

### Infrastructure and systems

BBVA has been developing and advancing its technological platforms over the last several years. The emergence of new players in the financial sector, the need to define new business models that require technological support and the need to provide the best service possible to our customers have shaped the main guidelines for the evolution and design of our systems.

Our experience in 2013 has confirmed that our new platform is prepared to support the Bank's growth. As the most telling example, it is worth noting the integration of Unnim last May after 11 months of planning and development work. In its last week, the new platform made it possible to integrate 509 branches serving 1.1 million new customers into our network, with no significant service incidents.

In 2013, the Corporate Investment Banking ("CIB") technology in the BBVA Group launched most of the technological projects forming part of CIB's internal transformation plan, whose final objective is to both protect and expand the current business. The projects completed in 2013 include the launch of the first unilateral electronic FX trading platform in the BBVA Group. This platform allows our customers to directly connect to an online trading platform with a low-latency connection and a price offering, which allows us to compete with the major global players in the international currency market. It has also hit landmarks in the improvement of global risk management and in the adaptation to major regulatory changes, while simultaneously launching the Back Office Global internal transformation plan for the Global Markets unit and continuing to boost the global multi-channel strategy of the current Global Electronic Banking Platform for Businesses.

### Omni-Channel Banking

In 2013, different initiatives have been developed to support the Omni-Channel Banking strategy designed to create an experience in which the customer can interact with BBVA through any channel, at any time and from anywhere. The initiatives developed include defining the strategy for reaching the channels based on the device (native, web-responsive or hybrid apps, etc.) in order to offer the same customer experience across all the channels. Various initiatives for generating digital content have also been developed. These include the incorporation of contracting functionalities in 30% of the digital channel innovation roadmap, as well as the creation of initiatives that cross over all digital channels, including gamification.

### Transformation of Central Services and Branches

The main focus of the work of the Central Services Transformation Plan is to improve the efficiency and productivity of the Operations and Technology factories, as well as of the various support functions. With this objective in mind, work in 2013 took place on two planes. On the one hand, progress was made in the "Cross-

Cutting Plans" project which has streamlined the central services in more than 1,000 resources in 2013 (more than 2,500 since the plan's start in 2010). On the other, the "Níquel" project was launched. The aim of this plan is to establish a new level of aspiration in both the organizational configuration and in the efficiency of all central functions, in order to reduce costs by 30%. The pilot phase of the Níquel project was successfully completed in 2013, and the project will be extended to the entire Group in 2014.

In 2013, the transformation plan for the network processes has driven the design and launch of a plan of top-down processes in all countries whose objective is for branches to become spaces for advice and sales, by minimizing paperwork and administrative tasks and freeing up time for commercial activity. To that end, a new issue of the Network Activity Map (MAR) has been released, and a global evolution objective for 2015 involving a 20% increase of Commercial Management Time has been established. To attain this objective, a working plan has been set for **2015** in every geographical area, with a focus on centralization, simplification or automation of the processes that consume a greater workload and present the greatest room for improvement.

In terms of Transformation of ways of working, several projects have been developed, with special emphasis in 2 areas: improving the technological experience of the spaces called "BBVA Cities" (trading and meeting rooms; going paperless; the experience in common areas; the telepresence and collaboration systems, etc.), as well as the High Performance Desktop (HPD), an omni-channel web desk (for PC, laptop and tablet) that provides the Group's employees from all geographical areas with a set of functionalities aimed at simplifying and optimizing their ways of working.

The Operations Transformation Plan is contributing to the Group's efficiency and productivity objectives through the application of the "3-Layer Model" in the various banks and with the launch of the "industrialization" project for operating centers.

- In terms of the "3-Layer Model", it is important to highlight the transformation of operational processes carried out in 2013 in all business units and, especially, the impact made by OP-Plus: on the transformation of the network in S&P (Vanguard Project).
- The operating center "industrialization" project is aimed at improving productivity in factories in factories and Mass Transaction Processing Centers, both internal and external, through the use of Business Process Management ("BPM") and Optical Character Recognition ("OCR") technology that enables mass processing of specific activities in the scope of Operations. The pilot projects developed this year in OP-Plus confirmed the validity of the selected tools and demonstrated the significant potential of the initiative in terms of efficiency, quality and operational control.

## Operations Control and Information Security

In the scope of Operations Control, the activity has focused on defining the functional perimeter, the holding and local structures and the governance model, in addition to assuming the Risk Assessment process for the SOX and non-SOX risk perimeter for the business processes under its responsibility. In parallel, advances have been made in the design of the future Control Model for all of the bank's Business processes, whose implementation will provide standardization to the model and effectiveness in management, as it emphasizes the most relevant aspects.

The BBVA has established computer security controls to prevent and mitigate computer attacks that may materially affect BBVA's earnings. In 2013, the BBVA Group has not undergone any security incidents which individually or in the aggregate can be considered material. The BBVA's fraud management in 2013 has focused on improving the processes and tools for better fraud prevention and reduced fraud figures.

The Business Continuity initiatives incorporate the reaction in the event of the unavailability of people, centers or providers. To this end, efforts have been made in order to fully implement and update 127 continuity plans in 26 countries. Some of them have been activated, either fully or partially, throughout the year.

## Innovation and Support Center for innovators and entrepreneurs

The Group's innovation project has been reinforced and consolidated, driven by the efforts made in the technological platform over previous years, the creation of an open innovation model and the focus on an innovation agenda that facilitates work at two levels: one very specific and close level devoted to the development of an omni-channel experience and the implementation of new payment systems, and another level that is more focused on the known areas of disruption and potential major impact, such as the BIG DATA environment, native banking in digital environments and open platforms.

Some examples of innovation opportunities that have become a reality in 2013 are BBVA Wallet, a mobile application launched last December, available for both iOS and Android systems, that provides a new means of managing card transactions quickly and safely. Thus, Wallet allows payments to be made by cellphone, and by downloading the application, customers will be able to view all their cards, check transactions for each and save

photos of receipts with each purchase transaction or pay by simply placing the cellphone close to the point-of-sale terminal.

Another example of innovation is Wizzo: the first digital native product in Spain, which creates a completely new category of financial services. Wizzo is a web and mobile application for iOS and Android that speeds up payments between individuals, and makes it possible to create spending allowances online with friends or to take money out of an ATM without a card. In addition, Wizzo users may request a physical card or a contactless sticker to make payments from a cellphone.

Work in 2013 has also focused on the opening of platforms and big data, in order to expose some of BBVA's capabilities, products, data and services so they can be used by developers and entrepreneurs to foster the design of new products and digital services, make the most of the value of the data and information available to BBVA and enrich the value proposition for the market.

In order for the advances made in the scope of innovation to reach all geographical areas, special attention has been paid to the presence of local resources devoted to facilitating the transfer and adoption of innovation projects in the different regions. The execution of innovation projects has also been boosted by Innovation managers, who have played an essential role in the coordination of efforts and real integration of the innovation opportunities into the Group's normal business.

In 2013, the Innovation Center intensified its open innovation activity. The more than 100 events and thousands of visitors are proof of its consolidation as a meeting point for the innovation and entrepreneurial community.

A space designed to turn the innovation center into a stage for real interaction with users, the Living Lab, has also been inaugurated. This environment replicates the spaces where people normally interact with BBVA and allows us to better observe and study their preferences and listen to their feedback in order to improve the products and services we will offer them in the future.

In 2013, we held the first hackaton Innova Challenge, a competition for the development of applications using transaction data that BBVA shared with the developer community. A total of 144 eligible projects from 19 countries were submitted, and nine applications were awarded with €90,000 in prizes. This activity has already demonstrated the enormous talent and huge amount of ideas that can arise out of open innovation, with applications currently under analysis to enrich our value proposition for the market.

In 2013, the aim to involve the innovation community has been particularly geared toward the bank's own employees. With that objective, the BBVA Betatesters program was launched for BBVA product testing prior to their appearance on the market. The platform already has 2,200 users in 11 different countries, like the United States, Argentina and Mexico. To date, 18 applications (including Wizzo and BBVA Wallet) have been tested. This has allowed the knowledge and know-how of all of us belonging to BBVA to be reflected in the products we offer others.

The academic and university world also provides a major source of talent through its students, together with a special interest in resolving real business challenges. In order to enrich our vision with regard to some of the current challenges facing our business, we have reached agreements with universities and business schools like Columbia University, ITESM in Mexico, ICADE, ESADE and IE. In partnership with them, we held five challenges in 2013 during which the students were presented with real practical cases related to BBVA. A total of 155 students with 21 proposals collaborated in the five challenges held last year. At the end of 2013, four more challenges were underway, with the collaboration of 420 students and 62 proposals.

In order to promote our ties with innovative entrepreneurship, as of March 2013, the fifth BBVA Open Talent event was launched, the most international to date. This year we had 916 eligible projects from 24 different countries. The participation in projects in Colombia, Argentina, Mexico and Peru is especially noteworthy. The "new banking" category has received high-quality projects, and the winners are already working with BBVA to make the most of the opportunities arising from their products/services.

Moreover, the Innovation Center has continued its support efforts with entrepreneurs and relationships with the innovation community with the global support for the 2013 Innovators Under 35 awards in Mexico, Colombia, Peru, Uruguay, Argentina, Chile and Spain, as well as with its support for the EmTech emerging technologies conference in partnership with the Massachusetts Institute of Technology (M.I.T.).

Furthermore, the BBVA Innovation Center has continued to expand its global footprint. In March of last year we opened the Innovation Center of Bogota (Colombia), and the Innovation Center in Houston (USA) opened its doors in June. The aim of both of these centers is to replicate the bank's open innovation model, with the objective of forging a relevant presence in the entrepreneurial and innovation community of both countries and consolidating the Group's global open innovation project.



The digital community surrounding BBVA's innovation project has also grown. Today, the 878,000 visits in 2013 reveal the interest in the project and major activity in terms of open innovation projects. The social audience (the sum of followers in all of the social networking channels of Innovation), totaling 53,611 followers at the end of 2013, is also a meaningful figure that enables us to maintain an active conversation with individuals interested in innovation and entrepreneurship.

Three issues of the online magazine specializing in Innovation, Innovation Edge, were published over 2013, and this publication has also been selected this year as the best application for tablets at the TAB Innovation Awards. A total of 12,932 downloads of the magazine were reported in the last year, and the website received 170,292 visits2012

## 10. Other information

### Capital and treasury stock

Information about common stock and transactions with treasury stock is detailed in Notes 23 and 26 of the accompanying Financial Statements.

### Shareholder remuneration and allocation of earnings

Information about shareholder remuneration and application of earnings can be found in Note 3 of the accompanying Financial Statements.

### Subsequent events

After the year ended December 31, 2013, it is expected that on January 30, 2014, under the powers delegated by the Company's AGM held on March 16, 2012, the same Board of Directors meeting on January 31, 2013 also submit for approval under point five of the agenda, an agreement for the issue of debentures convertible into ordinary BBVA shares, excluding the preemptive subscription right.

Because of the agreement was approved, and for the purposes set out in articles 414, 417 and 511 of the Spanish Corporations Act, the mandatory Directors report explaining the conversion conditions and types will be issued, justifying the proposal for the abolition of the pre-emptive subscription right, to be accompanied, as appropriate, by another report drafted by an auditor other than the company's auditor, appointed for this purpose by the Companies Register.

From January 1, 2013 to the date of preparation of these Financial Statements, no other subsequent events not mentioned above in these Financial Statements have taken place that significantly affect the bank's earnings or its equity position

## 11. Annual corporate governance report

In accordance with the provisions of Article 61b of the Spanish Securities Market Act, the BBVA Group prepared the Annual Corporate Governance Report for 2013 (which is an integral part of the Management Report for that year) following the content guidelines set down in Order ECC/461/2013, dated March 20, and in CNMV Circular 5/2013, dated June 12, including a section detailing the degree to which the Bank is compliant with existing corporate governance recommendations in Spain. In addition, all the information required by Article 539 of the Spanish Corporations Act can be accessed on BBVA's website [www.bbva.com](http://www.bbva.com) in the section entitled "Corporate Governance".



**ANNUAL CORPORATE GOVERNANCE REPORT ON THE OF  
PUBLICLY TRADED COMPANIES**

**ISSUER IDENTIFICATION**

YEAR ENDING

31/DEC/2013

TAX ID NO. A-48265169

Registered name: BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Registered Address: PLAZA DE SAN NICOLÁS, 4, 48005 BILBAO (VIZCAYA)

**ANNUAL REPORT ON THE CORPORATE GOVERNANCE  
OF PUBLICLY TRADED COMPANIES**

**A - OWNERSHIP STRUCTURE**

A.1. Fill in the following table on the company's share capital:

| Date of latest change | Share capital (€) | Number of shares | Number of voting rights |
|-----------------------|-------------------|------------------|-------------------------|
| 17/OCT/2013           | 2,835,117,677.07  | 5,785,954,443    | 5,785,954,443           |

Indicate if there are different classes of shares with different rights associated to them:

NO

| Class | Number of shares | Nominal unit value | Number of voting rights per unit | Different rights |
|-------|------------------|--------------------|----------------------------------|------------------|
|       |                  |                    |                                  |                  |

A.2 Detail the direct and indirect owners of significant holdings in your company at year-end, excluding directors:

| Name of Shareholder (person or company) | Number of direct voting rights | Indirect voting rights |                         | % of total voting rights |
|---|--------------------------------|------------------------|-------------------------|--------------------------|
|   |                                | Direct owner of stake  | Number of voting rights |                          |
|   |                                |                        |                         |                          |

Indicate the most significant movements in the shareholding structure during the year:

| Name of shareholder (person or company) | Date of transaction | Description of the transaction |
|---|---------------------|--------------------------------|
|   |                     |                                |

A.3 Fill in the following tables with the members of the company's Board of Directors with voting rights on company shares:

| Name of Director (person or company)          | Number of direct voting rights | Indirect voting rights |                         | % of total voting rights |
|---|--------------------------------|------------------------|-------------------------|--------------------------|
|   |                                | Direct owner of stake  | Number of voting rights |                          |
| GONZÁLEZ RODRÍGUEZ, FRANCISCO                 | 1,645,328                      |                        | 1,508,893               | 0.06                     |
| CANO FERNÁNDEZ, ÁNGEL                         | 702,707                        |                        | 0                       | 0.01                     |
| ALFARO DRAKE, TOMÁS                           | 15,211                         |                        | 0                       | 0.00                     |
| ÁLVAREZ MEZQUÍRIZ, JUAN CARLOS                | 189,069                        |                        | 0                       | 0.00                     |
| BUSTAMANTE Y DE LA MORA, RAMÓN                | 13,671                         |                        | 2,695                   | 0.00                     |
| FERNÁNDEZ RIVERO, JOSÉ ANTONIO                | 67,433                         |                        | 0                       | 0.00                     |
| FERRERO JORDI, IGNACIO                        | 4,285                          |                        | 81,025                  | 0.00                     |
| GARIJO LÓPEZ, BELÉN                           | 0                              |                        | 0                       | 0.00                     |
| GONZÁLEZ-PÁRAMO MARTÍNEZ-MURILLO, JOSE MANUEL | 1,012                          |                        | 0                       | 0.00                     |
| LORING MARTÍNEZ DE IRUJO, CARLOS              | 52,801                         |                        | 0                       | 0.00                     |
| MALDONADO RAMOS, JOSÉ                         | 73,264                         |                        | 0                       | 0.00                     |
| PALAO GARCÍA-SUELTO, JOSÉ LUIS                | 9,897                          |                        | 0                       | 0.00                     |
| PI LLORENS, JUAN                              | 36,977                         |                        | 0                       | 0.00                     |
| RODRÍGUEZ VIDARTE, SUSANA                     | 23,883                         |                        | 878                     | 0.00                     |

|  |      |
|--|------|
| % total voting rights held by the Board of Directors | 0.08 |
|--|------|

Fill in the following tables with the members of the company's board of directors with voting rights on company shares:

| Name of Director (person or company) | Number of direct rights | Indirect rights |                         | Number of equivalent shares | % of total voting rights |
|--------------------------------------|-------------------------|-----------------|-------------------------|-----------------------------|--------------------------|
|                                      |                         | Direct owner    | Number of voting rights |                             |                          |
| GONZÁLEZ RODRÍGUEZ, FRANCISCO        | 437,141                 | 0               | 0                       | 0                           | 0.01                     |
| CANO FERNÁNDEZ, ÁNGEL                | 309,022                 | 0               | 0                       | 0                           | 0.01                     |

A.4. Where applicable, indicate any family, commercial, contractual or corporate relationships between holders of significant shareholdings, insofar as the company is aware of them, unless they are of little relevance or due to ordinary commercial traffic

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and exchange:

A.5 Where applicable, indicate any family, commercial, contractual or corporate relationships between holders of significant shareholdings, and the company and/or its group, unless they are of little relevance or due to ordinary commercial traffic and exchange:

A.6 Indicate whether the company has been informed of any shareholder agreements that may affect it as established under articles 530 and 531 of the Corporate Enterprises Act. Where applicable, briefly describe them and list the shareholders bound by such agreement:

NO

| Participants in shareholders agreement | % of share capital affected | Brief description of agreement |
|--|-----------------------------|--------------------------------|
|  |                             |                                |

Indicate whether the company knows the existence of concerted actions amongst its shareholders. If so, describe them briefly.

NO

| Participants in concerted action | % of share capital affected | Brief description of concerted action |
|----------------------------------|-----------------------------|---------------------------------------|
|                                  |                             |                                       |

If there has been any alteration or breakdown of said pacts or agreements or concerted actions, indicate this expressly:

A.7. Indicate whether any person or organisation exercises or may exercise control over the company pursuant to article 4 of the Securities Exchange Act. If so, identify names:

NO

A.8. Fill in the following tables regarding the company's treasury stock:

At year-end:

| Number of direct shares | Number of indirect shares (*) | total of % share capital |
|-------------------------|-------------------------------|--------------------------|
| 1,357,669               | 5,519,101                     | 0.12                     |

(\*) Through:

| Name of direct owner of shareholding (person or company) | Number of direct shares |
|--|-------------------------|
| CORPORACIÓN GENERAL FINANCIERA, S.A.                     | 5,491,697               |
| BBVA SEGUROS, S.A., DE SEGUROS Y REASEGUROS              | 27,404                  |

|               |           |
|---------------|-----------|
| <b>Total:</b> | 5,519,101 |
|---------------|-----------|

List significant changes occurring during the year, pursuant to Royal Decree 1362/2007:

| <b>Date reported</b> | <b>Total direct shares acquired</b> | <b>Total indirect shares acquired</b> | <b>total of % share capital</b> |
|----------------------|-------------------------------------|---------------------------------------|---------------------------------|
| 15/JAN/2013          | 257,670                             | 15,293,344                            | 0.29                            |
| 11/FEB/2013          | 2,041,968                           | 18,570,235                            | 0.38                            |
| 21/MAR/2013          | 4,271,586                           | 5,717,442                             | 0.18                            |
| 09/APR/2013          | 122,050                             | 38,626,553                            | 0.71                            |
| 24/JUN/2013          | 5,682,382                           | 25,507,347                            | 0.56                            |
| 28/AUG/2013          | 291,273                             | 11,784,978                            | 0.21                            |
| 26/DEC/2013          | 2,422,114                           | 5,459,101                             | 0.14                            |

**A.9 Describe the conditions and term of the prevailing mandate from the general meeting to the board of directors to issue, buy back and transfer treasury stock.**

The following is a transcription of the resolution adopted by the Annual General Meeting of Banco Bilbao Vizcaya Argentaria, S.A. shareholders, 12th March 2010, under agenda item three:

1.- Repealing the unavailed part from the resolution adopted at the Annual General Meeting, 13th March 2009, under agenda item seven to authorise the Bank, directly or via any of its subsidiaries, for a maximum of five years as of the date of this present AGM, to purchase Banco Bilbao Vizcaya Argentaria, S.A. shares at any time and on as many occasions as it deems appropriate, by any means permitted by law. This purchase may be charged to the year's earnings and/or to unrestricted reserves and the shares may be sold or redeemed at a later date. All this shall comply with article 75 and concordant of the Companies Act.

2.- Approve the limits or requirements of these acquisitions, which shall be as follows:

- The nominal value of the shares acquired directly or indirectly, added to those that the Bank and its subsidiaries already owned, may at no time exceed ten percent (10%) of the subscribed Banco Bilbao Vizcaya Argentaria, S.A. share capital, or, where applicable, the maximum amount authorised by the applicable legislation at any time. In all cases, respect must be paid to the limits established on the purchase of treasury stock by the regulatory authorities of the markets where the Banco Bilbao Vizcaya Argentaria, S.A. shares are listed for trading.

- A restricted reserve may be charged to the Bank's net total assets on the balance sheet equivalent to the sum of treasury stock booked under Assets. This reserve must be maintained until the shares are sold or redeemed.

- The shares purchased must be fully paid up, unless the purchase is without consideration, and must not entail any obligation to provide ancillary benefits.

- The purchase price will not be below the nominal price or be more than 20% above the listed price or any other price associated to the shares on the date of purchase. Operations to purchase treasury stock will comply with securities markets' standards and customs.

3.- Express authorisation is given to earmark all or some of the shares purchased by the Bank or any of its subsidiaries hereunder for Company workers, employees or directors when they have an acknowledged right, either directly or as a result of

exercising the option rights they hold, as established in the final paragraph of article 75, section 1 of the Companies Act.

4.- Reduce share capital in order to redeem such treasury stock as the Bank may hold on its Balance Sheet, charging this to profits or unrestricted reserves and to the amount which is appropriate or necessary at any time, up to the maximum value of the treasury stock held at any time.

5.- Authorise the Board of Directors, in compliance with article 30 c) of the Company Bylaws, to implement the above resolution to reduce share capital, on one or several occasions and within the maximum period of five years from the date of this General Meeting, undertaking such procedures, processes and authorisations as necessary or as required by the Companies Act and other applicable provisions. Specifically, the Board is authorised, within the period and limits established for the aforementioned implementation, to establish the date(s) of each specific capital reduction, its timeliness and appropriateness, taking into account market conditions, listed price, the Bank's economic and financial position, its cash position, reserves and business performance and any other factor relevant to the decision. It may specify the amount of the capital reduction; determine where to credit said amount, either to a restricted reserve or to freely available reserves, where relevant, providing the necessary guarantees and complying with legally established requirements; amend article 5 of the Company Bylaws to reflect the new figure for share capital; request de-listing of the redeemed stock and, in general, adopt such resolutions as necessary regarding this redemption and the consequent capital reduction, designating the people able to formalise these actions.

A.10 Indicate whether there is any restriction on the transferability of securities and/or any restriction on voting rights. In particular, report the existence of any restrictions that might hinder the take-over of control of the company by purchasing its shares on the market.

NO

| DESCRIPTION OF THE RESTRICTIONS |
|---------------------------------|
|                                 |

A.11. Indicate whether the General Meeting has approved measures to neutralise a public takeover bid, pursuant to Act 6/2007

NO

If so, explain the measures approved and the terms and conditions under which the restrictions would become inefficient:

A.12 Indicate whether the company has issued securities that are not traded on a Community regulated market.

YES

Where applicable, indicate the different classes of shares, and what rights and obligations each share class confers.

All the shares in BBVA's capital bear the same voting and economic rights. There are no distinct voting rights for any shareholder. There are no shares that do not represent capital.

BBVA shares are traded on the SIBE electronic trading platform of the Spanish securities exchanges and on the London and Mexico markets. BBVA American Depositary Shares (ADS) are traded on the New York Stock Exchange and also traded on the Lima exchange (Peru) under an exchange agreement between both markets.

Additionally, at 31st December 2013, the shares of BBVA Banco Continental, S.A.; Banco Provincial S.A.; BBVA Colombia, S.A.; BBVA Chile, S.A. and BBVA Banco Francés, S.A., were traded on their respective local securities markets. BBVA Banco Francés, S.A. is also listed on the New York Stock Exchange and is also traded on the Latibex market of the Madrid securities exchange (Bolsa de Madrid).

## B GENERAL MEETING

B.1. Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Corporate Enterprises Act (CEA) with respect to the quorum and constitution of the General Meeting.

YES

|                                   | % quorum different from quorum in CEA art. 193 for general circumstances | % quorum different from quorum in CEA art. 194 for special circumstance in art. 194 CEA |
|-----------------------------------|--|---|
| Quorum required on first summons  | 0  | 66.67%  |
| Quorum required on second summons | 0  | 60.00%  |

| DESCRIPTION OF DIFFERENCES |
|----------------------------|
|----------------------------|

Article 194 of the Corporate Enterprises Act establishes that in order for a General Meeting (whether annual or extraordinary) to validly resolve to increase or reduce capital or any other amendment to the Company Bylaws, bond issuance, the suppression or limitation of pre-emptive subscription rights over new shares, or the transformation, merger or spin-off of the company or global assignment of assets and liabilities or the offshoring of domicile, the shareholders present and represented on first summons must possess at least fifty percent of the subscribed capital with voting rights

On second summons, twenty-five percent of said capital will be sufficient.

The above notwithstanding, article 25 of the BBVA Company Bylaws establish that a reinforced quorum of two-thirds of subscribed capital with voting rights is required on first summons and of 60% of such capital on second summons, in order for the following resolutions to be validly adopted: substitution of the corporate purpose, transformation, total break-up, winding-up of the Company and amendment of the article in the Bylaws establishing this reinforced quorum.

- B.2. Indicate, and where applicable give details, whether there are any differences from the minimum standards established under Corporate Enterprises Act (CEA) for the adoption of corporate resolutions:

NO

Describe any differences from the minimum standards established under the CEA.

- B.3 Indicate the rules applicable to amendments of the company bylaws. In particular, report the majorities established to amend the bylaws, and the rules, if any, to safeguard shareholders' rights when amending the bylaws.

Article 30 of the BBVA Company Bylaws establishes that the General Meeting has the power to amend the Company Bylaws and to confirm or rectify the manner in which they are interpreted by the Board of Directors.

To such end, the rules established under articles 285 and following of the Corporate Enterprises Act will be applicable.

The above paragraph notwithstanding, article 25 of the Company Bylaws establishes that in order to validly adopt resolutions regarding any change in the corporate purpose, transformation, total spin-off or winding up of the Company and amendment of the second paragraph of said article 25, two-thirds of the subscribed capital with voting rights must attend the General Meeting on first summons, and 60% of said capital on second summons.

- B.4. Indicate the data on attendance at general meetings held during the year to which this report refers and the previous year:

|                         | Attendance figures     |                      |                   |        |       |
|-------------------------|------------------------|----------------------|-------------------|--------|-------|
| Date of General Meeting | % shareholders present | % attending by proxy | % voting remotely |        | Total |
|                         |                        |                      | Electronic vote   | Others |       |



|             |      |       |      |       |       |
|-------------|------|-------|------|-------|-------|
| 15/MAR/2013 | 8.76 | 23.51 | 0.10 | 34.16 | 66.53 |
| 16/MAR/2012 | 3.77 | 38.38 | 0.03 | 22.34 | 64.52 |

B.5. Indicate the number of shares, if any, that are required to be able to attend the General Meeting and whether there are any restrictions on such attendance in the bylaws:

YES

|  |     |
|--|-----|
| Number of shares necessary to attend the General Meeting | 500 |
|--|-----|

B.6 Indicate whether it has been resolved that certain resolutions entailing a structural alteration of the company (spin-offs, trading of core operational assets, transactions equivalent to the liquidation of the company, etc) must be put to the approval of the general meeting, even if not expressly required by mercantile law.

NO

B.7 Indicate the address and means of access through the company website to the information on corporate governance and other information on the general meetings that must be made available to shareholders over the company's website.

The contents on corporate governance and other information on the latest general meetings are directly accessible through the Banco Bilbao Vizcaya Argentaria corporate website, [www.bbva.com](http://www.bbva.com), in the Shareholders and Investors, Corporate Governance section, [www.bbva.com/Shareholders](http://www.bbva.com/Shareholders) and [Investors/Corporate Governance](http://www.bbva.com/Investors/CorporateGovernance).

## C CORPORATE GOVERNANCE STRUCTURE

### C.1. Board of Directors

C.1.1. Maximum and minimum number of directors established in the bylaws:

|                             |    |
|-----------------------------|----|
| Maximum number of directors | 15 |
| Minimum number of directors | 5  |

C.1.2 Fill in the following table on the board members:

| Name of director (person or company) | Representative | Position on the board | Date first appointed | Date last appointed | Election procedure         |
|--------------------------------------|----------------|-----------------------|----------------------|---------------------|----------------------------|
| FRANCISCO GONZÁLEZ RODRÍGUEZ         | -              | CHAIRMAN & CEO        | 28/JAN/2000          | 15/MAR/2013         | GENERAL MEETING RESOLUTION |

|  |   |                 |             |              |                            |
|--|---|-----------------|-------------|--------------|----------------------------|
| ÁNGEL CANO FERNÁNDEZ                         | - | PRESIDENT & COO | 29/SEP/2009 | 15/MAR/2013  | GENERAL MEETING RESOLUTION |
| BELÉN GARIJO LÓPEZ                           | - | DIRECTOR        | 16/MAR/2012 | 16/MAR/2012  | GENERAL MEETING RESOLUTION |
| CARLOS LORING MARTÍNEZ DE IRUJO              | - | DIRECTOR        | 28/FEB/2004 | 11/MAR/2011  | GENERAL MEETING RESOLUTION |
| IGNACIO FERRERO JORDI                        | - | DIRECTOR        | 28/JAN/2000 | 15/MAR/2013  | GENERAL MEETING RESOLUTION |
| JOSÉ ANTONIO FERNÁNDEZ RIVERO                | - | DIRECTOR        | 28/FEB/2004 | 16/MAR/2012  | GENERAL MEETING RESOLUTION |
| JOSÉ LUIS PALAO GARCÍA-SUELTO                | - | DIRECTOR        | 01/FEB/2011 | 11/MAR/2011  | GENERAL MEETING RESOLUTION |
| JOSÉ MALDONADO RAMOS                         | - | DIRECTOR        | 28/JAN/2000 | 16/MAR/2012  | GENERAL MEETING RESOLUTION |
| JOSÉ MANUEL GONZÁLEZ-PÁRAMO MARTÍNEZ-MURILLO | - | DIRECTOR        | 03/JUN/2013 | 03/JUN/2013- | COOPTED                    |
| JUAN CARLOS ÁLVAREZ MEZQUÍRIZ                | - | DIRECTOR        | 28/JAN/2000 | 11/MAR/2011  | GENERAL MEETING RESOLUTION |
| JUAN PI LLORENS                              | - | DIRECTOR        | 27/JUL/2011 | 16/MAR/2012  | GENERAL MEETING RESOLUTION |
| RAMÓN BUSTAMANTE Y DE LA MORA                | - | DIRECTOR        | 28/JAN/2000 | 15/MAR/2013  | GENERAL MEETING RESOLUTION |
| SUSANA RODRÍGUEZ VIDARTE                     | - | DIRECTOR        | 28/MAY/2002 | 11/MAR/2011  | GENERAL MEETING RESOLUTION |

|                    |   |          |             |             |                            |
|--------------------|---|----------|-------------|-------------|----------------------------|
| TOMÁS ALFARO DRAKE | - | DIRECTOR | 18/MAR/2006 | 11/MAR/2011 | GENERAL MEETING RESOLUTION |
|--------------------|---|----------|-------------|-------------|----------------------------|

|                                  |           |
|----------------------------------|-----------|
| <b>Total number of directors</b> | <b>14</b> |
|----------------------------------|-----------|

Indicate the severances that have occurred on the board of directors during the reporting period:

| Name of director (person or company) | Condition of director at time of severance | Date of leaving |
|--------------------------------------|--|-----------------|
| ENRIQUE MEDINA FERNÁNDEZ             | INDEPENDENT                                | 29/MAY/2013     |
|                                      |  |                 |

C.1.3 Fill in the following tables on the board members and their different kinds of directorship:

#### EXECUTIVE DIRECTORS

| Name of director (person or company)         | Committee reporting their appointment | Position within company organisation                      |
|--|---------------------------------------|---|
| FRANCISCO GONZÁLEZ RODRÍGUEZ                 | APPOINTMENTS COMMITTEE                | CHAIRMAN & CEO  |
| ÁNGEL CANO FERNÁNDEZ                         | APPOINTMENTS COMMITTEE                | PRESIDENT & COO   |
| JOSÉ MANUEL GONZÁLEZ-PÁRAMO MARTÍNEZ-MURILLO | APPOINTMENTS COMMITTEE                | DIRECTOR OF GLOBAL ECONOMICS, REGULATION & PUBLIC AFFAIRS |

|  |               |
|--|---------------|
| <b>Total number of executive directors</b> | <b>3</b>      |
| <b>% of total board</b>                    | <b>21.43%</b> |

#### EXTERNAL PROPRIETARY DIRECTORS

#### EXTERNAL INDEPENDENT DIRECTORS

| Name of director (person or company) | PROFILE   |
|--------------------------------------|---|
| BELÉN GARIJO LÓPEZ                   | CHAIRMAN AND CEO OF MERCK SERONO AND CHAIR OF THE PAHRMA INTERNATIONAL EXECUTIVE COMMITTEE, ISEC (PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA).<br>OTHER RELEVANT POSITIONS: WAS PRESIDENT OF COMMERCIAL |

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|                                 |  |
|---------------------------------|--|
|                                 | <p>OPERATIONS IN EUROPE AND CANADA AT SANOFI AVENTIS.</p> <p>READ MEDICINE AT UNIVERSIDAD DE ALCALÁ DE HENARES, MADRID.</p> <p>CLINICAL PHARMACOLOGY SPECIALIST AT HOSPITAL DE LA PAZ - UNIVERSIDAD AUTÓNOMA DE MADRID.</p>  |
| CARLOS LORING MARTÍNEZ DE IRUJO | <p>CHAIR OF THE BOARD'S REMUNERATION COMMITTEE. LAWYER SPECIALISING IN CORPORATE GOVERNANCE.</p> <p>OTHER RELEVANT POSITIONS: WAS PARTNER AND MEMBER OF THE STEERING COMMITTEE AT GARRIGUES LAW FIRM.</p> <p>READ LAW AT UNIVERSIDAD COMPLUTENSE DE MADRID.</p>  |
| IGNACIO FERRERO JORDI           | <p>MANAGING DIRECTOR OF NUTREXPA AND OF LA PIARA. CHAIRMAN OF ANETO NATURAL.</p> <p>OTHER RELEVANT POSITIONS: MEMBER OF THE BOARD OF THE MUTUA DE ACCIDENTES DE ZARAGOZA AND OF THE INSTITUTO DE EMPRESAS FAMILIAR (SPANISH FAMILY BUSINESS INSTITUTE). HE IS ALSO MEMBER OF THE BOARD OF THE ASOCIACIÓN ESPAÑOLA DE CODIFICACIÓN COMERCIAL (SPANISH COMMERCIAL CODING ASSOCIATION).</p> <p>READ LAW AT UNIVERSIDAD DE BARCELONA.</p>  |
| JOSÉ ANTONIO FERNÁNDEZ RIVERO   | <p>CHAIR OF THE BOARD'S RISKS COMMITTEE.</p> <p>OTHER RELEVANT POSITIONS: GENERAL MANAGER OF THE BBVA GROUP UNTIL JANUARY 2003. HAS REPRESENTED BBVA AS A DIRECTOR ON THE BOARDS OF: TELEFÓNICA, IBERDROLA, BANCO DE CRÉDITO LOCAL AND WAS CHAIRMAN OF ADQUIRA.</p> <p>READ ECONOMICS AT UNIVERSIDAD DE SANTIAGO DE COMPOSTELA.</p>  |
| JOSÉ LUIS PALAO GARCÍA-SUELTO   | <p>CHAIR OF THE BOARD'S AUDIT &amp; COMPLIANCE COMMITTEE.</p> <p>HAS BEEN PARTNER OF THE FINANCIAL DIVISION AT ARTHUR ANDERSEN SPAIN.</p> <p>OTHER RELEVANT POSITIONS: WAS HEAD OF THE AUDIT &amp; INSPECTION SERVICE AT THE INSTITUTO DE CRÉDITO OFICIAL (OFFICIAL CREDIT INSTITUTE) AND HAS ALSO BEEN AN INDEPENDENT CONSULTANT.</p> <p>READ AGRICULTURAL ENGINEERING AT ETS DE INGENIEROS AGRÓNOMOS DE MADRID AND BUSINESS STUDIES AT UNIVERSIDAD COMPLUTENSE DE MADRID.</p>    |
| JUAN CARLOS ÁLVAREZ MEZQUÍRIZ   | <p>MANAGING DIRECTOR OF GRUPO EL ENEBRO, S.A.</p> <p>OTHER RELEVANT POSITIONS: WAS MANAGING DIRECTOR OF GRUPO EULEN, S.A.</p> <p>READ ECONOMICS AT UNIVERSIDAD COMPLUTENSE DE MADRID.</p>  |
| JUAN PI LLORENS                 | <p>HAD A PROFESSIONAL CAREER AT IBM HOLDING VARIOUS SENIOR POSITIONS AT A NATIONAL AND INTERNATIONAL LEVEL INCLUDING VICE PRESIDENT FOR SALES AT IBM EUROPE, VICE PRESIDENT OF TECHNOLOGY &amp; SYSTEMS AT IBM EUROPE AND VICE PRESIDENT OF THE FINANCE DEPARTMENT AT GMU (GROWTH MARKETS UNITS) IN CHINA. HE WAS EXECUTIVE CHAIRMAN OF IBM SPAIN.</p> <p>READ INDUSTRIAL ENGINEERING AT UNIVERSIDAD POLITÉCNICA DE BARCELONA AND TOOK A GENERAL MANAGEMENT PROGRAMME AT IESE.</p> |
| RAMÓN BUSTAMANTE Y DE LA MORA   | <p>WAS DIRECTOR AND GENERAL MANAGER AND NON-EXECUTIVE DEPUTY CHAIRMAN OF ARGENTARIA, AND CHAIRMAN OF UNITARIA.</p> <p>OTHER RELEVANT POSITIONS: HELD VARIOUS SENIOR POSITIONS IN BANESTO.</p> <p>READ LAW AND ECONOMICS STUDIES AT UNIVERSIDAD COMPLUTENSE DE MADRID.</p>  |
| SUSANA RODRÍGUEZ                | <p>FULL PROFESSOR OF STRATEGY AT THE SCHOOL OF ECONOMICS</p>   |

|                       |   |
|-----------------------|---|
| VIDARTE               | & BUSINESS STUDIES AT UNIVERSIDAD DE DEUSTO. MEMBER OF THE INSTITUTO DE CONTABILIDAD Y AUDITORÍA DE CUENTAS (Accountants & Auditors Institute) AND PHD FROM UNIVERSIDAD DE DEUSTO.<br>OTHER RELEVANT POSITIONS: WAS DEAN OF THE SCHOOL OF ECONOMICS AND BUSINESS STUDIES AT UNIVERSIDAD DE DEUSTO, DIRECTOR OF THE POSTGRADUATE AREA AND DIRECTOR OF THE INSTITUTO INTERNACIONAL DE DIRECCIÓN DE EMPRESAS (INSIDE). |
| TOMÁS ALFARO<br>DRAKE | CHAIR OF THE BOARD'S APPOINTMENTS COMMITTEE. DIRECTOR OF INTERNAL DEVELOPMENT AND PROFESSOR AT THE ACADEMIC AREA OF FINANCE AT UNIVERSIDAD FRANCISCO DE VITORIA.<br>OTHER RELEVANT POSITIONS: WAS DIRECTOR OF THE FOLLOWING BACHELOR'S DEGREES AT UNIVERSIDAD FRANCISCO DE VITORIA: BUSINESS ADMINISTRATION AND MANAGEMENT; BUSINESS STUDIES; MARKETING; BUSINESS ADMINISTRATION. READ ENGINEERING AT ICAI.         |

|  |        |
|--|--------|
| <b>Total number of independent directors</b> | 10     |
| <b>% of total directors</b>                  | 71.43% |

Indicate whether any director considered an independent director is receiving from the company or from its group any amount or benefit under any item that is not the remuneration for his/her directorship, or maintains or has maintained over the last year, a business relationship with the company or any company in its group, whether in his/her own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

Where applicable, include a reasoned statement from the board with the reasons why it deems that this director can perform his/her duties as an independent director.

| Name of director (person or company) | Description of relationship | Reasons |
|--------------------------------------|-----------------------------|---------|
|                                      |                             |         |

#### OTHER EXTERNAL DIRECTORS

| Name of director (person or company) | Committee reporting or proposing appointment |
|--------------------------------------|--|
| JOSÉ MALDONADO RAMOS                 | APPOINTMENTS COMMITTEE                       |

|   |       |
|---|-------|
| <b>Total number of other external directors</b> | 1     |
| <b>% of total directors</b>                     | 7.14% |

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Detail the reasons why they cannot be considered proprietary or independent directors and their affiliations with the company or its management or its shareholders:

| Name (person or company) of the director | Reasons  | Company, executive or shareholder to which related |
|--|--|--|
| JOSÉ MALDONADO RAMOS                     | José Maldonado Ramos held the position of Director and General Secretary until 22nd December 2009, when he stood down from his executive duties. | Banco Bilbao Vizcaya Argentaria, S.A.              |

Indicate any changes that may have occurred during the period in the type of directorship of each director:

| Name of director (person or company) | Date of change | Previous status | Current status |
|--------------------------------------|----------------|-----------------|----------------|
|                                      |                |                 |                |
|                                      |                |                 |                |

C.1.4 Fill in the following table with information regarding the number of female directors over the last 4 years, and the nature of their directorships:

|             | Number of female directors |           |           |           | % of total female directors of each type |           |           |           |
|-------------|----------------------------|-----------|-----------|-----------|--|-----------|-----------|-----------|
|             | Year 2013                  | Year 2012 | Year 2011 | Year 2010 | Year 2013                                | Year 2012 | Year 2011 | Year 2010 |
| Executive   | -                          | -         | -         | -         | -  | -         | -         | -         |
| Proprietary | -                          | -         | -         | -         | -  | -         | -         | -         |
| Independent | 2                          | 2         | 1         | 1         | 20%                                      | 18.18%    | 10%       | 11.11%    |
| Others      | -                          | -         | -         | -         | -  | -         | -         | -         |
| External    | -                          | -         | -         | -         | -  | -         | -         | -         |
| Total:      | 2                          | 2         | 1         | 1         | 14.29%                                   | 14.29%    | 7.69%     | 8.33%     |

C.1.5 Explain the measures, if any, that have been adopted to try to include a number of female directors on the board that would mean a balanced presence of men and women.

| Explanation of measures |
|-------------------------|
|-------------------------|

Article 3 of the Board Regulations establishes that the proposals that the Board submits to the Company's General Meeting for the appointment or re-election of directors and the resolutions to co-opt directors made by the Board of Directors will be approved at the proposal of the Appointments Committee in the case of independent directors and on the basis of a report from said Committee in the case of all other directors. The Board's resolutions and deliberations on these matters will take place in the absence of the director whose re-election is proposed. If the director is at the meeting, he/she must leave the room.

The Appointments Committee is tasked with formulating and providing information for the proposals to appoint and re-elect directors.

To such end, the Board Regulations establish that the Committee will evaluate the skills, knowledge and expertise that the Board requires, as well as the conditions that candidates should display to fill the vacancies arising, assessing the dedication necessary to be able to suitably perform their duties in view of the needs that the Company's governing bodies may have at any time. The Committee will ensure that, in line with the principles established in the BBVA Board Regulations, when filling new vacancies, the selection procedures are not marred by implicit biases that may hinder the selection of female directors, trying to ensure that women who display the professional profile being sought are included as potential candidates in the event of no or few female directors.

In the latest selection processes, the Appointments Committee has ensured that there are no implicit biases that may hinder the access of women to the vacancies. It evaluated the skills, knowledge and expertise of all the candidates according to the needs of the governing bodies at any time, assessing the dedication necessary to be able to suitably perform their duties in the light of the principles contained in the BBVA Board Regulations. For these selection processes, the Committee has received support from one of the most prestigious consultancy firms on the international market in the selection of directors.

During these processes, the external expert was expressly requested to include women with the suitable profile among the candidates to be presented and the Committee analysed the personal and professional profiles of all the candidates presented on the basis of the information provided by the consultancy firm, according to the needs of the Bank's governing bodies at any time. The skills, knowledge and expertise necessary to be a Bank director were evaluated and the rules on incompatibilities and conflicts of interest as well as the dedication deemed necessary to be able to comply with the duties were taken into account.

BBVA currently has two female directors on its governing body, one of whom is a member of the Group's Executive Committee. The appointment of a further female director has been proposed to the Bank's General Meeting.

C.1.6 Explain the measures, if any, agreed by the appointments committee to ensure that selection procedures do not suffer implicit biases that may hinder the selection of female directors, and that the company deliberately seeks and includes potential female candidates that meet the professional profile sought:

| Explanation of measures   |
|---|
| See section above.  |
| During the selection processes, the Appointments Committee pursuant to the Board Regulations, has ensured that women who meet the sought-after professional profile are included among the potential candidates. In addition it has made sure that the selection procedures do not include implicit biases that might hinder the selection of female directors. |

When, despite any measures that might have been adopted, the number of

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female directors is low or zero, explain the reasons:

| Explanation of reasons |
|------------------------|
| See section above.     |

C.1.7 Explain the form of representation on the board of shareholders with significant holdings.

C.1.8 Explain, where applicable, the reasons why proprietary directors have been appointed at the behest of a shareholder whose holding is less than 5% of the capital:

Indicate whether formal petitions have been ignored for presence on the board from shareholders whose holding is equal to or higher than others at whose behest proprietary directors were appointed. Where applicable, explain why these petitions have been ignored.

C.1.9 Indicate if any director has stood down before the end of his/her term in office, if the director has explained his/her reasons to the board and through which channels, and in the event reasons were given in writing to the entire board, explain below, at least the reasons that were given:

| Name of director          | Reason for leaving   |
|---------------------------|--|
| Enrique Medina Fernández. | Enrique Medina Fernández stood down as member of the BBVA Board on 29th May 2013, the date on which he presented his resignation, as he was the oldest director, to allow the incorporation of a new director. He explained these reasons in a letter that was delivered to all the Board members, in compliance with the Board Regulations. |

C.1.10. Indicate any powers delegated to the managing directors(s):

| Name of director (person or company)            | Brief description   |
|---|---|
| FRANCISCO GONZÁLEZ RODRÍGUEZ                    | Holds broad-ranging powers of representation and administration in line with his duties as Company Chairman and CEO.                |
| ÁNGEL CANO FERNÁNDEZ                            | Holds broad-ranging powers of representation and administration in line with his duties as Company President & COO.                 |
| JOSÉ MANUEL GONZÁLEZ-PÁRAMO<br>MARTÍNEZ-MURILLO | Holds powers of representation and administration in line with his duties as Head of Global Economics, Regulation & Public Affairs. |

C.1.11. Identify any members of the board holding positions as directors or managers



in other companies that form part of the listed company's group:

| Name of director (person or company) | Name of the Group Company  | Position |
|--------------------------------------|--|----------|
| FRANCISCO GONZÁLEZ RODRÍGUEZ         | BBVA BANCOMER, S.A.<br>INSTITUCIÓN DE BANCA<br>MÚLTIPLE, GRUPO FINANCIERO<br>BBVA BANCOMER | DIRECTOR |
| FRANCISCO GONZÁLEZ RODRÍGUEZ         | GRUPO FINANCIERO BBVA<br>BANCOMER, S.A. DE C.V.  | DIRECTOR |
| ÁNGEL CANO FERNÁNDEZ                 | BBVA BANCOMER, S.A.<br>INSTITUCIÓN DE BANCA<br>MÚLTIPLE, GRUPO FINANCIERO<br>BBVA BANCOMER | DIRECTOR |
| ÁNGEL CANO FERNÁNDEZ                 | GRUPO FINANCIERO BBVA<br>BANCOMER, S.A. DE C.V.  | DIRECTOR |
| ÁNGEL CANO FERNÁNDEZ                 | TURKIYE GARANTI BANKASI A.S.   | DIRECTOR |

C.1.12 Detail, where applicable, any company directors that sit on boards of other companies publicly traded on regulated securities markets outside the company's own group, of which the company has been informed:

C.1.13 Indicate and, where applicable, explain whether the company has established rules on the number of boards on which its directors may sit:

YES

| Explanation of the rules  |
|---|
| <p>Article 11 of the Board Regulations establishes that in the performance of their duties, directors will be subject to the incompatibilities and debarment rules established under current legislation, and in particular under Act 31/1968, 27th July, on Incompatibilities of Senior Positions in private-sector Banking, which sets the maximum number of boards to which a director of a financial institution may belong.</p> <p>Directors may not, on their own behalf or on behalf of a third party, engage in an activity that is identical, similar or supplementary to that which constitutes the Company's corporate purpose, except with express authorisation from the Company, by resolution of the General Meeting, to which end they must inform the Board of Directors of that fact.</p> <p>Directors may not provide professional services to companies competing with the Bank or of any of its Group companies. They will not agree to be an employee, manager or director of such companies unless they have received express prior authorisation from the Board of Directors or unless these activities had been provided or conducted before they joined the Board and they had informed the Bank of them at that time.</p> <p>Directors of the Bank may not hold office in any company in which the Bank holds an interest or in any company within its Group.</p> <p>As an exception and at the discretion of the Bank, executive directors are able to hold office in</p> |

companies directly or indirectly controlled by the Bank with the approval of the Executive committee, and in other associate companies with the approval of the Board of Directors. Loss of the office of executive director carries an obligation to resign from any office in a subsidiary or associate company that is held by virtue of such directorship.

Non-executive directors may hold office in the Bank's associate companies or in any other Group company provided the office is not related to the Group's holding in such companies. They must have prior approval from the Board of Directors. For these purposes, holdings of the Bank or its Group of companies resulting from its ordinary business activities, asset management, treasury trading, derivative hedging and/or other transactions will not be taken into account.

Directors may not hold political office or engage in other activities that might have a public significance or affect the image of the Bank in any manner, unless this is with prior authorisation from the Board of Directors.

C.1.14 Indicate the general corporate policies and strategies over which the board has exclusive approval rights:

|   | YES | NO |
|---|-----|----|
| <b>Investment and funding policy</b>  | X   |    |
| <b>Definition of how the Group companies are structured</b>   | X   |    |
| <b>The corporate governance policy</b>  | X   |    |
| <b>The corporate social responsibility policy</b>   | X   |    |
| <b>The strategic or business plan and the annual management and budgetary targets</b>   | X   |    |
| <b>The senior managers' remuneration and performance assessment policy</b>  | X   |    |
| <b>The policy for risk control and management, and the periodic monitoring of the internal information and oversight systems.</b> | X   |    |
| <b>The dividend policy and the treasury-stock policy, especially their limits</b>   | X   |    |

C.1.15 Indicate the overall remuneration for the board of directors:

|  |        |
|--|--------|
| <b>Remuneration of the board of directors (€k)</b>   | 14,645 |
| <b>Amount of overall remuneration corresponding to the rights accumulated by directors with respect to pensions (€k)</b> | -      |
| <b>Overall remuneration of the board of directors (€k)</b>   | 14,645 |

C.1.16 Identify members of the senior management that are not in turn executive directors, and indicate the total remuneration accruing to them during the year:

| Name (person or company)   | Position(s)                                |
|----------------------------|--|
| EDUARDO ARBIZU LOSTAO      | LEGAL, AUDIT & COMPLIANCE SERVICES         |
| MANUEL SÁNCHEZ RODRÍGUEZ   | UNITED STATES                              |
| RAMÓN MARÍA MONELL VALLS   | INNOVATION & TECHNOLOGY                    |
| CARLOS TORRES VILA         | CORPORATE STRATEGY & DEVELOPMENT           |
| MANUEL GONZÁLEZ CID        | FINANCE DEPARTMENT                         |
| MANUEL CASTRO ALADRO       | GLOBAL RISK MANAGEMENT                     |
| IGNACIO DESCHAMPS GONZÁLEZ | GLOBAL RETAIL & BUSINESS BANKING           |
| VICENTE RODERO RODERO      | MEXICO                                     |
| JUAN ASÚA MADARIAGA        | CORPORATE & INVESTMENT BANKING (CIB)       |
| JUAN IGNACIO APOITA GORDO  | HUMAN RESOURCES & SERVICES                 |
| JAIME SAENZ DE TEJADA      | SPAIN & PORTUGAL                           |
| RICARDO GÓMEZ BARREDO      | GLOBAL ACCOUNTING & INFORMATION MANAGEMENT |
| IGNACIO MOLINER ROBREDO    | BRAND & COMMUNICATION                      |

|  |        |
|--|--------|
| <b>Total senior management remuneration (€k)</b> | 17,897 |
|--|--------|

C.1.17 Indicate the identity of the board members, if any, that are in turn members of the board of directors in companies of significant shareholders and/or in entities of their group;

Detail the relevant affiliations other than those considered in the above paragraph that link board members to significant shareholders and/or companies in their group:

C.1.18 Indicate whether during the year there has been any change in the board regulations:

NO

C.1.19. Indicate procedures for selection, appointment, re-election, assessment and removal of directors. List the competent bodies, the procedures to be followed and the criteria to be employed in each procedure.

Selection and appointment procedure:

Articles 2 and 3 of the Board Regulations stipulate that members will be appointed to the Board by the General Meeting without prejudice to the Board's right to co-opt Members in the event of any vacancy.

In any event, persons proposed for appointment as Directors must meet the requirements pursuant to applicable legislation, the special code for financial institutions, and the Company Bylaws.

The Board of Directors will put its proposals to the Company's General Meeting in such a way that there is an ample majority of external directors over executive directors on the Board and that the number of independent directors accounts for at least one third of the total seats.

The Board will approve the proposals it submits to the General Meeting for appointment or re-election of directors and its resolutions to co-opt directors at the proposal of the Appointments Committee in the case of independent directors, and following a report from this Committee for all other directors.

To such end, the Board Regulations establish that the Committee will evaluate the skills, knowledge and expertise that the Board requires, as well as the conditions that candidates should display to fill the vacancies arising, assessing the dedication necessary to be able to suitably perform their duties in light of the needs that the Company's governing bodies may have at any time. The Committee will ensure that when filling new vacancies, the selection procedures are not marred by implicit biases that may hinder the selection of female directors, trying to ensure that women who display the professional profile being sought are included as potential candidates in the event of no or few female directors.

The Board's resolutions and deliberations on these matters will take place in the absence of the director whose re-election is proposed. If the director is at the meeting, he/she must leave the room.

Directors will stay in office for the term defined by the Company Bylaws under a resolution passed by the General Meeting if they have been co-opted, they will stay in office until the next General Meeting is held the General Meeting may then ratify their appointment for the term of office remaining to the Director whose vacancy they have covered through co-option, or else appoint them for the term of office established under the Company Bylaws.

Re-election:

See section above

Assessment:

Article 17c) of the Board Regulations indicates that the Board of Directors will be responsible for assessing the quality and efficiency in the operation of the Board and its Committees, on the basis of the reports that said Committees submit. The Board is also tasked with assessing the performance of the

Chairman of the Board and, where pertinent, of the Company's Chief Executive Officer, on the basis of the report submitted by the Appointments Committee.

Moreover, article 5 of the Board Regulations establishes that the Chairman, who is responsible for the efficient running of the Board, will organise and coordinate with the Chairs of the relevant Committees to carry out periodic assessment of the Board, and of the Chief Executive Officer of the Bank, when this position is not also held by the Chairman.

Pursuant to the provisions of these Board Regulations, as in previous years, in 2013 the Board of Directors assessed the quality and efficiency of its own operation and that of its Committees, as well as the performance of the duties of the Chairman, both as Chairman of the Board and as Chief Executive Officer of the Bank.

Severance:

Directors will stand down from office when the term for which they were appointed has expired, unless they are re-elected.

The directors must apprise the Board of circumstances affecting them that may be prejudicial to the corporate reputation and credit, and in particular, criminal suits in which they may be involved and any significant changes in their status before the courts.

Directors must place their directorship at the disposal of the Board of Directors and accept its decision regarding their continuity in office. If its decision is negative, they are obliged to tender their resignation under the circumstances listed in section C.1.21 below.

In any event Directors will resign their positions on reaching 75 years of age. They must present their resignation at the first meeting of the Bank's Board of Directors after the General Meeting that approves the accounts for the year in which they reach this age.

C.1.20 Indicate whether the board of directors has assessed its activity during the year:

YES

If so, explain to what degree the self-assessment has led to significant changes in its internal organisation and the procedures applicable to its activities:

| Description of changes  |
|---|
| Article 17c) of the Board Regulations establishes that the Board of Directors will assess the quality and efficiency in the operation of the Board and its Committees on the bases of the reports that said Committees submit. The Board of Director has done this during 2013. |

C.1.21. Indicate the circumstances under which directors are obliged to resign.

Apart from the cases established in the applicable legislation, article 12 of the BBVA Board Regulations establishes that board members must place their

directorship at the disposal of the Board of Directors and accept the Board's decision regarding their continuity in office. Should the Board decide against their continuity, they are obliged to present their formal resignation. Such circumstances would arise in the following cases:

- When they are affected by circumstances of incompatibility or debarment as defined under prevailing legislation, in the Company Bylaws or in the Director's Charter.
- When significant changes occur in their professional situation or that may affect the condition by virtue of which they were appointed to the Board.
- When they are in dereliction of their duties as directors.
- When the Director, acting as such, has caused severe damage to the Company's assets or its reputation or credit, or no longer displays the commercial and professional honour required to hold a Bank directorship.

C.1.22. Explain whether the role of chief executive officer in the company is performed by the chairman of the board. If so, indicate the measures taken to limit the risks of accumulating powers in one sole person:

YES

| Measures to limit risks  |
|--|
| <p>Article 5 of the Board Regulations establishes that the Chairman of the Board will also be the Bank's Chief Executive Officer unless the Board resolves to separate the positions of Chairman and Chief Executive Officer on the grounds of the Company's best interests. However BBVA has a system of Corporate Governance that establishes effective mechanisms to avoid the concentration of power in one sole individual and guarantees effective control and efficient supervision of the Bank's executives.</p> <p>The BBVA Board has appointed from amongst its members a managing director, the President &amp; Chief Operating Officer, as provided for in the Bank's Company Bylaws, who holds the broadest powers delegated by the Board. He has the powers to manage and represent the Company in keeping with his position and is directly responsible for the ordinary management and development of all the Group Business Areas, as well as some of the Support Areas that report up to it in the organisational chart. The President &amp; COO, in turn, reports directly to the Board of Directors each month on developments in the Company and the Group's activity.</p> <p>The BBVA Board of Directors comprises an ample majority of independent directors, allowing an appropriate balance between the oversight and control duties of the corporate bodies. Pursuant to the Board Regulations, any director may request the inclusion of items on the agenda that they deem advisable for the interests of the Group. Article 18 of the Board Regulations also establishes the possibility that if those directors that represent one quarter of the Board members appointed at any time so wish, they may request a Board Meeting be held.</p> <p>BBVA has a permanent Executive Committee, mainly comprising by external directors with the following authority:</p> <p>To file and propose general policy guidelines, the criteria for setting targets and drawing up programmes, examining the proposals put to it in this regard, evaluating and</p> |

approving the actions and results of any direct or indirect activity carried out by the Entity; to determine the volume of investment in each individual activity; to approve or reject transactions, determining their methods and conditions; to arrange inspections and internal or external audits of all the Entity's areas of operation; and in general to exercise the authority conferred on it by the Board of Directors.

The BBVA Executive Committee meets every two weeks and reports directly to the Risk Director, the Chief Financial Officer and the heads of the Business Areas. It performs executive duties including the approval of specific operations, establishing risk limits and proposing policy. It also has oversight duties such as the analysis of the Bank's activity and earnings prior to the Board meetings, share performance analysis, market situations and liquidity, credit and market risk management.

Moreover, in order to better perform its management oversight duties and duties regarding key aspects such as risk management, remuneration, appointments and review of the financial statements, the Board has brought in support from various Committees including the Audit & Compliance Committee, the Appointments Committee, the Remuneration Committee and the Risks Committee. These Committees assist the Board on matters corresponding to their areas of competence, and their composition and rules of organisation and operation are described in detail in section C.2.4 below.

These specialist Committees only comprise external directors, the majority of whom are independent. (The Audit & Compliance Committee and the Risks Committee are wholly comprised of independent directors and the Appointments Committee and the Remuneration Committee have a majority of independent directors.)

Likewise, all the Committee Chairs are independent directors with ample experience and autonomy in the management of their respective committees. Thus, they decide the agenda for the committees, call their meetings and have direct access to Bank executives, and can also freely hire assistance from external experts when they deem this necessary for the performance of their duties.

This structure and organisation of corporate bodies, together with the high number of independent directors comprising the Board and its Committees, alongside the operational system of the Board, based on specialist assistance on the most relevant issues from Board Committees that operate under a system independent of the Bank's executives, setting their own agendas, calling the Bank executives to meetings as necessary and accessing all information required for the decision-making process, guarantees a balanced System of Corporate Governance that properly combines all its elements to avoid the accumulation of powers in one sole individual.

Indicate and, where applicable, explain whether rules have been established to empower one of the independent directors to request a board meeting be called or new business included on the agenda, to coordinate and give voice to the concerns of external directors and to direct the assessment by the board of directors

NO

C.1.23 Are reinforced majorities required, other than the legal majorities, for any type of resolution?

NO

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Where applicable, describe the differences

C.1.24 Explain whether there are specific requirements, other than those regarding directors, to be appointed chairman of the board.

NO

C.1.25 Indicate whether the chairman has a casting vote:

NO

C.1.26 Indicate whether the bylaws or the board regulations establish any age limit for directors:

YES

| Age limit for chairman | Age limit for managing director | Age limit for directors |
|------------------------|---------------------------------|-------------------------|
| 0                      | 0                               | 75                      |

C.1.27 Indicate whether the bylaws or the board regulations establish a limited term of office for independent directors, other than that established by law:

NO

|                                   |   |
|-----------------------------------|---|
| Maximum number of years in office | - |
|-----------------------------------|---|

C.1.28 Indicate whether the bylaws or the board regulations establish specific standards for proxy voting in the board of directors, the way this is done and, in particular, the maximum number of proxies a director may have, and whether it is mandatory to grant proxy to a director of the same type. If so, briefly give details on such standards.

The BBVA Board Regulations establishes that directors are obliged to attend the meetings of corporate bodies and the meetings of the Board Committees on which they sit, unless for a justifiable reason. Directors shall participate in the discussions and debates on matters submitted for their consideration.

However, article 21 of the Board Regulations establishes that should it not be possible for a director to attend any of the Board meetings, he/she may grant proxy to another director to represent and vote for them. This will be done by a letter, fax, telegram or email sent to the Company with the information required for the proxy director to be able to follow the absent director's indications.

C.1.29 Indicate the number of meetings the board of directors has held during the year. Where applicable, indicate how many times the board has met without the chairman in attendance. In calculating this number, proxies given with specific instructions will be counted as attendances.

|                          |    |
|--------------------------|----|
| Number of board meetings | 12 |
|--------------------------|----|



|  |          |
|--|----------|
| <b>Number of board meetings not attended by the chairman</b> | <b>0</b> |
|--|----------|

Indicate the number of meetings the board's different committees have held during the year.

|  |           |
|--|-----------|
| <b>Number of Executive Committee meetings</b>    | <b>21</b> |
| <b>Number of Audit Committee meetings</b>        | <b>12</b> |
| <b>Number of Appointments Committee meetings</b> | <b>5</b>  |
| <b>Number of Remuneration Committee meetings</b> | <b>6</b>  |
| <b>Number of Risks Committee meetings</b>        | <b>43</b> |
|  |           |

C.1.30 Indicate the number of meetings held by the Board of Directors during the year attended by all its members. In calculating this number, proxies given with specific instructions will be counted as attendances:

|  |             |
|--|-------------|
| <b>Attendance of directors</b>                         | <b>12</b>   |
| <b>% of attendances to total votes during the year</b> | <b>100%</b> |

C.1.31 Indicate whether the individual and consolidated accounts presented for board approval are certified beforehand:

NO

Where applicable, identify the person(s) who has(have) certified the individual and consolidated financial statements to be filed by the board:

B.1.32 Explain the mechanisms, if any, established by the board of directors to prevent the individual and consolidated financial statements that it files from being presented to the General Meeting with a qualified auditors report.

Article 2 of the BBVA Audit & Compliance Committee's Regulations establishes that the Committee, consisting exclusively of independent directors, shall have the task of assisting the Board of Directors in supervising the BBVA Group's financial statements and in the exercise of its oversight duties for the BBVA Group. The following are included within the scope of its duties: Supervising the sufficiency, adequacy and effectiveness of the internal oversight systems and ensuring the accuracy, reliability, scope and clarity of the financial statements of the Company and its consolidated Group in the annual and quarterly reports. This also applies to the accounting and financial information required by the Bank of Spain or other regulatory bodies of countries where the Group operates.

The Committee verifies that the audit schedule is being carried out under the service agreement with suitable periodicity, and that it satisfies the requirements of the competent authorities (in particular the Bank of Spain) and the Bank's governing bodies. It will periodically (at least once a year) request the Auditors to provide an assessment of the quality of internal oversight procedures in the Group.

The Committee must also be apprised of any infractions, situations requiring

corrections, or anomalies of relevance that may be detected while the external audit is being carried out. Relevance shall mean any situations that, on their own or together as a whole, may originate significant material damage or impact on the Group's net worth, earnings or reputation. The External Auditor has full discretion to decide what is of relevance and, in the event of any doubt, the Auditor must opt for disclosure.

In exercising these duties, the Committee holds monthly meetings with the External Auditor without the presence of executives. This enables it to continuously monitor the auditor's work, thereby ensuring that it is carried out under optimal conditions and without management interference.

**C.1.33 Is the company secretary a director?**

NO

**C.1.34 Explain the appointment and severance procedures for the secretary of the board, indicating whether his/her appointment and severance have been reported to the appointments committee and approved by the board in a plenary meeting.**

| <b>APPOINTMENT AND SEVERANCE PROCEDURE</b>   |
|--|
| The BBVA Board Regulations establish that the Board of Directors will appoint a Secretary from amongst its members, on the basis of a report from the Appointments Committee, unless it resolves to commend these duties to a person other than a Board member. The same procedure will be applicable for the severance of the Secretary from his or her duties. |

|  |     |
|--|-----|
| Does the Appointments Committee have a say in his/her appointment? | YES |
| Does the Appointments Committee have a say in his/her severance?   | YES |
| Does the Board, in plenary, approve the appointment?               | YES |
| Does the Board, in plenary, approve the severance?                 | YES |

**Does the board secretary have the specific duty of securing compliance with corporate governance recommendations?**

YES

| <b>Observations</b>   |
|---|
| Article 23 of the Board Regulations establishes that the Secretary, as well as performing the duties attributed by law and by the Company Bylaws, will also oversee the formal and material legality of the Board's actions, ensuring they comply with the Company Bylaws, the General Meeting Regulations and the Board Regulations, and that they take into account any recommendations on good governance that the Company has undertaken at any time. |

**C.1.35 Indicate what mechanisms the company has established, if any, to preserve the independence of the auditor, the financial analysts, the investment banks and the rating agencies.**

The BBVA Audit & Compliance Committee Regulations establish that this

Committee's duties, described in section C.2.4.4, include ensuring the independence of the external audit in two ways:

- ensuring that the auditors' warnings, opinions and recommendations cannot be compromised
- establishing the incompatibility between the provision of audit and consultancy services, unless there are no alternatives in the market to the auditors or companies in the auditors' group of equal value in terms of their content, quality or efficiency. In such event, the Committee must grant its approval, which can be done in advance by delegation to its Chair.

This matter is subjected to special attention by the Audit Committee, which holds periodic meetings with the external auditor, without Bank directors being present, to know the details of the progress and quality of the external audit work, as well as to confirm the independence of the performance of their duties. It also monitors the engagement of consultancy services to ensure compliance with the Committee's Regulations and the applicable legislation in order to safeguard the independence of the external auditor.

Likewise, in compliance with point six of section 4 of the additional provision 18 to the Securities Exchange Act and article 30 of the BBVA Board Regulations, each year, before the audit report is issued, the Audit & Compliance Committee must submit a report expressing an opinion on the independence of the auditors or audit firms. This report must, in all events, state the provision of any additional services provided to Group entities. The external auditor must also issue a report each year, confirming its independence from BBVA or entities directly or indirectly related to BBVA. The report must also include information on additional services of any kind provided to such entities by said auditors or by persons or entities related to them, pursuant to the consolidated text of the Accounts Auditing Act.

In compliance with these obligations, in 2013 the corresponding reports have been issued that confirm the independence of the auditor.

Additionally, as BBVA shares are listed on the New York stock exchange, the Bank is subject to compliance with the standards established in this respect under the Sarbanes Oxley Act and its implementing regulations.

C.1.36 Indicate whether the company has changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

NO

If there were disagreements with the outgoing auditor, explain their grounds:

NO

| Explanation of disagreements |
|------------------------------|
|                              |

C.1.37 Indicate whether the audit firm does other work for the company and/or its group other than the audit. If so, declare the amount of fees received for such

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work and the percentage of such fees in the total fees charged to the company and/or its group:

YES

|   | Company | Group | Total |
|---|---------|-------|-------|
| <b>Amount of non-audit work (€k)</b>  | 1,867   | 1,380 | 3,247 |
| <b>Amount of non-audit work / total amount billed by the audit firm (%)</b> | 16.77   | 8.63  | 11.97 |

C.1.38 Indicate whether the audit report on the annual financial statements for the previous year contained reservations or qualifications. If so, indicate the reasons given by the chair of the audit committee to explain the content and scope of such reservations or qualifications.

NO

C.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements for the company and/or its group. Indicate the percentage of the number of years audited by the current audit firm to the total number of years in which the annual financial statements have been audited:

|                                    | Company | Group |
|------------------------------------|---------|-------|
| <b>Number of consecutive years</b> | 11      | 11    |

|   | Company | Group  |
|---|---------|--------|
| <b>Number of years audited by current audit firm / number of years the company has been audited (%)</b> | 84.61%  | 84.61% |

C.1.40 Indicate and, where applicable, give details on the existence of a procedure for directors to engage external advisory services:

YES

|                                 |
|---------------------------------|
| <b>Details of the procedure</b> |
|---------------------------------|

Article 6 of the BBVA Board Regulations expressly recognises that directors may request any additional information or advice they require to comply with their duties, and may ask the Board of Directors for expert help from outside the Bank for any matters put to their consideration whose special complexity or importance makes this advisable.

The Audit & Compliance Committee, pursuant to article 31 of the Board Regulations, may engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence.

Under articles 34, 37 and 40 of the Board Regulations, the rest of the Committees may request the advisory services they consider necessary to establish an informed opinion regarding issues within their scope of powers. They will channel the request through the Secretary of the Board.

C.1.41 Indicate and, where applicable, give details on the existence of a procedure for directors to obtain the information they need to prepare the meetings of the governing bodies in sufficient time:

YES

| Details of the procedure  |
|---|
| <p>Article 6 of the Board Regulations establishes that directors will be apprised of sufficient information to be able to form their own opinions regarding the questions that the Bank's governing bodies are empowered to deal with. They may request any additional information or advice they require to comply with their duties.</p> <p>Exercise of these rights must be channelled through the Chairman and/or Secretary of the Board of Directors. The Chairman and/or Secretary will attend to requests by providing the information directly or by establishing suitable arrangements within the organisation for this purpose, unless a specific procedure has been established in the regulations governing the Board Committees.</p> |

C.1.42 Indicate and, where applicable give details, whether the company has established rules obliging directors to inform and, where applicable, resign under circumstances that may undermine the company's credit and reputation:

YES

| Explanation of the rules  |
|---|
| <p>Article 12 of the Board Regulations establishes that Directors must apprise the Board of any circumstances affecting them that might damage the Company's reputation and credit and, in particular, of any criminal charges brought against them, and any significant changes that may arise in their standing before the courts.</p> <p>Directors must place their office at the disposal of the Board and accept its decision regarding their continuity or non-continuity in office. Should the Board resolve they not continue, they will accordingly tender their resignation when events that can be traced to the Director as such have caused serious damage to the Company's net worth, credit and/or reputation or when they have lost the commercial and professional honour necessary to hold a Bank directorship.</p> |

C.1.43 Indicate whether any board member has informed the company of any legal suit or court proceedings against him or her for any of the offences listed in article 213 of the Corporate Enterprises Act:

NO

Indicate whether the board of directors has analysed the case. If so, explain the grounds for the decision taken as to whether or not the director should retain his/her directorship or, where applicable, describe the actions taken or planned to be taken by the board of directors on the date of this report.

| Decision adopted/action taken | Reasoned explanation |
|-------------------------------|----------------------|
|                               |                      |

C.1.44 Detail significant agreements reached by the Company that come into force, are amended or concluded in the event of a change in the control of the company stemming from a public takeover bid, and its effects.

C.1.45 Identify in aggregate terms and indicate in detail any agreements between the company and its directors, managers or employees that have guarantee or ring-fencing severance clauses for when such persons resign or are wrongfully dismissed or if the contractual relationship comes to an end due to a public takeover bid or other kinds of transactions.

|                         |    |
|-------------------------|----|
| Number of beneficiaries | 90 |
|-------------------------|----|

|   | Description of agreement   |
|---|--|
| <p><b>Type of beneficiary</b></p> <ul style="list-style-type: none"> <li>• One Executive Director</li> <li>• 13 members of the Management Committee (excluding Executive Directors)</li> <li>• 31 Senior Managers</li> <li>• 45 technical &amp; specialist professionals</li> </ul> | <p>The Bank is currently committed to pay severance indemnity to the director, José Manuel González-Páramo Martínez-Murillo, whose contract recognises his right to receive an indemnity in the event of severance on grounds not due to his own will, death, retirement, invalidity or dereliction of duties, equivalent to twice his fixed remuneration.</p> <p>Some members of its management team (44 managers), 13 of whom belong to the Management Committee, are entitled to receive compensation payment in the event of severance on grounds other than their own will, retirement, disability or dereliction of duties. Its amount will be calculated by factoring in the fixed elements of the Bank employee's remuneration and length of office. No indemnity payments will be made in the event of disciplinary termination of contract at the employer's decision on the grounds of the employee's dereliction of duties.</p> <p>The Bank has also agreed compensation clauses with some employees (45 technical and specialist professionals) in the event of unfair dismissal. The amount of this compensation is calculated as a function of the wage and professional conditions of each employee.</p> |

Indicate whether these contracts must be disclosed and/or approved by the company or group governance bodies:

|                                     | Board of Directors | General Meeting |
|-------------------------------------|--------------------|-----------------|
| <b>Body authorising the clauses</b> | <b>YES</b>         | <b>NO</b>       |

|  | YES      | NO |
|--|----------|----|
| <b>Is the General Meeting informed of the clauses?</b> | <b>X</b> |    |

## C.2. Board of Directors' Committees

C.2.1 Detail all the board committees, their members and the proportion of proprietary directors and independent directors sitting on them:

### EXECUTIVE COMMITTEE

| Name | Position | Type |
|------|----------|------|
|------|----------|------|

The English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

|                               |        |                |
|-------------------------------|--------|----------------|
| FRANCISCO GONZÁLEZ RODRÍGUEZ  | CHAIR  | EXECUTIVE      |
| SUSANA RODRIGUEZ VIDARTE      | MEMBER | INDEPENDENT    |
| IGNACIO FERRERO JORDI         | MEMBER | INDEPENDENT    |
| JOSÉ MALDONADO RAMOS          | MEMBER | OTHER EXTERNAL |
| JUAN CARLOS ÁLVAREZ MEZQUÍRIZ | MEMBER | INDEPENDENT    |
| ÁNGEL CANO FERNÁNDEZ          | MEMBER | EXECUTIVE      |

|                            |        |
|----------------------------|--------|
| % executive directors      | 33.33% |
| % proprietary directors    | 0%     |
| % independent directors    | 50%    |
| % other external directors | 16.6%  |

#### AUDIT COMMITTEE

| Name                            | Position | Type        |
|---------------------------------|----------|-------------|
| JOSÉ LUIS PALAO GARCÍA-SUELTO   | CHAIR    | INDEPENDENT |
| BELÉN GARIJO LÓPEZ              | MEMBER   | INDEPENDENT |
| CARLOS LORING MARTÍNEZ DE IRUJO | MEMBER   | INDEPENDENT |
| RAMÓN BUSTAMANTE Y DE LA MORA   | MEMBER   | INDEPENDENT |
| TOMÁS ALFARO DRAKE              | MEMBER   | INDEPENDENT |

|                            |      |
|----------------------------|------|
| % executive directors      | 0%   |
| % proprietary directors    | 0%   |
| % independent directors    | 100% |
| % other external directors | 0%   |

#### REMUNERATION COMMITTEE

| Name                            | Position | Type           |
|---------------------------------|----------|----------------|
| CARLOS LORING MARTÍNEZ DE IRUJO | CHAIR    | INDEPENDENT    |
| IGNACIO FERRERO JORDI           | MEMBER   | INDEPENDENT    |
| JOSÉ MALDONADO RAMOS            | MEMBER   | OTHER EXTERNAL |
| JUAN PI LLORENS                 | MEMBER   | INDEPENDENT    |
| SUSANA RODRÍGUEZ VIDARTE        | MEMBER   | INDEPENDENT    |



|                            |     |
|----------------------------|-----|
| % executive directors      | 0%  |
| % proprietary directors    | 0%  |
| % independent directors    | 80% |
| % other external directors | 20% |

#### APPOINTMENTS COMMITTEE

| Name                          | Position | Type           |
|-------------------------------|----------|----------------|
| TOMÁS ALFARO DRAKE            | CHAIR    | INDEPENDENT    |
| JOSÉ ANTONIO FERNÁNDEZ RIVERO | MEMBER   | INDEPENDENT    |
| JOSÉ MALDONADO RAMOS          | MEMBER   | OTHER EXTERNAL |
| JUAN CARLOS ÁLVAREZ MEZQUÍRIZ | MEMBER   | INDEPENDENT    |
| SUSANA RODRÍGUEZ VIDARTE      | MEMBER   | INDEPENDENT    |

|                            |     |
|----------------------------|-----|
| % executive directors      | 0%  |
| % proprietary directors    | 0%  |
| % independent directors    | 80% |
| % other external directors | 20% |

#### RISKS COMMITTEE

| Name                          | Position | Type        |
|-------------------------------|----------|-------------|
| JOSÉ ANTONIO FERNÁNDEZ RIVERO | CHAIR    | INDEPENDENT |
| JOSÉ LUIS PALAO GARCÍA-SUELTO | MEMBER   | INDEPENDENT |
| JUAN PI LLORENS               | MEMBER   | INDEPENDENT |
| RAMÓN BUSTAMANTE Y DE LA MORA | MEMBER   | INDEPENDENT |

|                            |      |
|----------------------------|------|
| % executive directors      | 0    |
| % proprietary directors    | 0    |
| % independent directors    | 100% |
| % other external directors | 0    |

C.2.2 Fill in the following table with information on the number of female directors sitting on board committees over the last four years:

| Number of female directors |           |           |           |
|----------------------------|-----------|-----------|-----------|
| Year 2013                  | Year 2012 | Year 2011 | Year 2010 |

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|                                       | Number | %      | Number | %      | Number | %   | Number | %   |
|---------------------------------------|--------|--------|--------|--------|--------|-----|--------|-----|
| Executive Committee                   | 1      | 16.66% | -      | -      | -      | -   | -      | -   |
| Audit Committee                       | 1      | 20%    | 2      | 33.33% | 1      | 20% | 1      | 20% |
| Appointments & Remuneration Committee | -      | -      | -      | -      | -      | -   | -      | -   |
| Appointments Committee                | 1      | 20%    | 1      | 20%    | 1      | 20% | 1      | 25% |
| Remuneration Committee                | 1      | 20%    | 1      | 20%    | 1      | 20% | 1      | 20% |
| Risks Committee                       | -      | -      | -      | -      | -      | -   | -      | -   |

C.2.3 Indicate the duties assigned to the audit committee:

|   | YES | NO |
|---|-----|----|
| Supervise the process of drawing up the financial information and its integrity for the Company and its Group, reviewing compliance with regulatory requirements, suitable scope of the consolidation perimeter and the correct application of accounting principles.   | X   |    |
| Periodically review the systems of internal risk management and oversight to ensure the main risks are properly identified, managed and made known.   | X   |    |
| Ensure the independence and efficacy of the internal audit; propose the selection, appointment, re-election and severance of the internal audit officer; propose the budget for the internal audit service; receive periodic information on their activities; and verify that the senior management pay due heed to the conclusions and recommendations of their reports. | X   |    |
| Establish and supervise a mechanism that enables employees to confidentially and, if this is deemed appropriate, anonymously communicate irregularities they notice within the Company that may be of potential importance, especially financial and accounting irregularities.   | X   |    |
| Put to the Board the proposals for selection, appointment, re-election and substitution of the external auditor and the terms and conditions of engagement.   | X   |    |

|   |   |  |
|---|---|--|
| Receive regular information from the external auditor on the audit plan and the outcome of its execution, verifying that the senior management takes due note of its recommendations. | X |  |
| Ensure the independence of the external auditor   | X |  |

C.2.4 Give a description of the rules governing the organisation and running of each of the board committees and the responsibilities attributed to each.

**2.4.1. APPOINTMENTS COMMITTEE:** Article 34 of the Board Regulations regulates the rules of organisation and operation of the Appointments Committee, establishing that it will meet as often as necessary to comply with its duties, convened by its Chair or by whoever stands in for its Chair pursuant to the provisions of article 32 of the Regulations. The Committee may request the attendance at its sessions of persons with tasks in the Group that are related to the Committee's duties. It may also obtain advice as necessary to establish criteria related to its business. This will be done through the Secretary of the Board. For all else, the system for convening meetings, quorums, adopting resolutions, minutes and other details of its operation will be in accordance with the provisions of the Board Regulations insofar as they are applicable.

**2.4.2. REMUNERATION COMMITTEE:** Article 37 of the Board Regulations establishes the rules of organisation and operation: The Remuneration Committee will meet as often as necessary to perform its duties, convened by its Chair or by whoever stands in for its Chair pursuant to article 35 of the Board Regulations. The Committee may request the attendance at its sessions of persons with tasks in the Group that are related to the Committee's duties. It may also obtain advice as necessary to establish criteria related to its business. This will be done through the Secretary of the Board. For all else, the system for convening meetings, quorums, adopting resolutions, minutes and other details of its operation will be in accordance with the provisions of the Board Regulations insofar as they are applicable.

**2.4.3. EXECUTIVE COMMITTEE:** Article 28 of the Board Regulations establishes the following rules regarding the Committee's organisation and operation: The Executive Committee will meet on the dates indicated in the annual calendar of scheduled meetings and when the Chair or acting Chair so decides. All other aspects of its organisation and operation will be subject to the provisions establish by the Board Regulations.

Once the Minutes of the meeting of the Executive committee are approved, they shall be signed by the Secretary and countersigned by whoever has chaired the meeting.

Directors will be given access to the approved minutes of the Executive Committee at the beginning of Board meetings, so that they can be apprised of the content of its meetings and the resolutions it has adopted.

**2.4.4. AUDIT & COMPLIANCE COMMITTEE:** Article 31 of the Board Regulations establish the following rules of organisation and operation: The Audit & Compliance Committee will meet as often as necessary to comply with its functions although an annual calendar of meetings will be drawn up in accordance with its duties.

The officers responsible for Accounts & Consolidation, Internal Audit and Regulatory Compliance may be invited to attend Committee meetings. They may request other staff be invited from their areas who have particular knowledge or responsibility in the matters contained in the agenda, when their presence at the meeting is deemed advisable. However, only the Committee members and the Secretary shall be present when the results and conclusions of the meeting are evaluated.

The Committee may engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence.

The Committee may call on the personal co-operation and reports of any employee or member of the management team when it considers that this is necessary to carry out its functions with regard to relevant issues. The usual channel for a request of this nature shall be through the reporting lines of the Company organisation. However, in exceptional cases the request can be notified directly to the person in question. The system of convening meetings, quorums, the approval of resolutions, minutes and other details of its system of operation will be governed by the provisions of the Board Regulations insofar as they are applicable to the Committee and by any specific Regulations that may be established.

**2.4.5. RISKS COMMITTEE:** Article 40 of the Board Regulations establishes the rules of organisation and operation: The Risks Committee will meet as often as necessary to comply with its duties, convened by its Chair or by whoever stands in for its Chair pursuant to the provisions of the above paragraph, although an annual calendar of meetings will be drawn up in accordance with its tasks. The Committee may request the attendance at its sessions of persons with tasks in the Group that are related to the Committee's duties. It may also obtain advice as necessary to establish criteria related to its business. This will be done through the Secretary of the Board. The system of convening meetings, quorums, the adoption of resolutions, minutes and other details of its procedures will be governed by the provisions defined in these Regulations for the Board of Directors insofar as they are applicable to the Committee and by any specific Regulations that might be established.

C.2.5 Indicate, where applicable, the existence of regulations for the board committees, where they can be consulted and any amendments made to them during the year. Indicate whether an annual report on the activities of each committee has been drawn up voluntarily.

#### **APPOINTMENTS COMMITTEE**

The Board Regulations, which can be consulted on the corporate website, include a specific section, as detailed in section C.2.4.1 of this report, on the Appointments Committee regulating its composition, duties and operating rules.

The Chair of the Appointments Committee presented a report to the BBVA Board of Directors on its activities during 2013, describing the tasks carried out with respect to the appointment and re-election of directors in the course of the year, the assessment of the Chairman of the Board and the review of the status of the independent directors.

## **REMUNERATION COMMITTEE**

The Board Regulations, which can be consulted on the corporate website, include a specific section, as detailed in section C.2.4.2 of this report, on the Remuneration Committee regulating its composition, duties and operating rules.

The Chair of the Appointments Committee presented a report to the BBVA Board of Directors on its activities during 2013, describing the following aspects: the consolidation of the Group remuneration policy during 2013, with respect to both executive and non-executive directors; the analysis of remuneration matters for executive directors, eg, the determination of the fixed and variable benchmark remuneration for 2013, the establishment of targets for variable remuneration in 2013 and the settlement of the Annual Variable Remuneration for 2012 and the determination of the amounts corresponding to the update of the variable remuneration deferred from previous years. The report also described the tasks carried out with respect to the annual report on the Board remuneration policy, how the BBVA Group Remuneration Policy had been applied during the year and the oversight of the remuneration of the Risks and the Compliance officers.

## **AUDIT & COMPLIANCE COMMITTEE**

The BBVA Audit & Compliance Committee has a set of specific Regulations approved by the Board, which govern its operation and powers. These Regulations are available on the corporate website and no changes have been made to them during 2013.

The Board Regulations, as detailed in section C.2.4.4 of this report, include a specific section for this Committee regulating its composition, duties and operation.

The Chair of the Audit & Compliance Committee presented a report to the Board of Directors on its activity during the year. This covered the tasks carried out by the Committee with respect to the functions within its remit, indicating that the Committee had performed its activity without any incident, having complied with the functions allocated to it in relation to: the supervision of the financial and accounting information internal control: compliance issues; internal audit regulatory issues; and the supervision of the external audit. Reporting on the implementation of the Corporate Assurance model during the year; on the review process by an external expert regarding the compliance function; on the monitoring of the evolution of the financial and banking supervision system; and on the communications with the supervisory and regulatory authorities. With respect to the external audit, it covered the working plans, schedules and

communication with the external auditors, the Committee having ensured the independence of the auditor in compliance with applicable regulations.

## **RISKS COMMITTEE**

The BBVA Risks Committee has a set of specific Regulations approved by the Board, which govern its operation and powers. These Regulations are available on the corporate website and no changes have been made to them during 2013.

The Board Regulations, as detailed in section C.2.4.5 of this report, include a specific section for this Committee regulating its composition, duties and operation.

The Chair of the Risks Committee presented a report to the Board of Directors regarding the most significant aspects of its activity during 2013, in performance of its duties. It stated that the duties had been covered by the meetings held weekly by the Committee, highlighting the risk transactions that had been approved as a function of the delegation regulations.

The Chair reported on the Group risk management model and its development, taking into account the new supervisory framework established by the European Union, also describing the strategic review process for the Group's global risks management and the establishment of an internal risk control model. He reported on the tasks carried out by the Committee with respect to the management and monitoring of credit and market risk, and of the principal risks managed by the BBVA Group, having carried out an analysis of risk concentration by sectors, customers and geographical areas as well as the principal exposures. He highlighted the creation and implementation of the Corporate Assurance model for operational risk and key projects, technology and methodology plans, on which the Committee has been working to improve the Group's risk management.

C.2.6 Indicate whether the composition of the executive committee reflects the distribution of different classes of directorship on the board:

YES

## **D RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS**

D.1 Identify the competent body and explain the procedure, if any, for approving related parties and intra-group transactions.

| <b>Competent body for approving related-party transactions</b> |
|--|
| BOARD OF DIRECTORS   |

| <b>Procedure for approving related-party transactions</b>   |
|---|
| The Board Regulations, which are available for consultation on the corporate website, include a specific section on Related-Party Transactions, article 10, which establishes that the Board of Directors must be aware of all transactions that the Company enters into with directors, significant shareholders or shareholders represented on the Board, or with |

parties related to them.

The execution of such transactions will require authorisation from the Board of Directors or the Executive Committee for reasons of urgency, based on a favourable report from the Audit & Compliance Committee, unless they are credit-risk transactions, which will be governed by their own specific standards.

No Board authorisation is required for related-party transactions that amount to no more than 1% of the Company's annual revenues, provided these are conducted under contracts with standard terms and conditions applicable *en masse* to many customers and at prices or rates established in a arm's-length manner, or whose terms and conditions are an extension of those applicable to Bank staff in general, or are agreed under procedures guaranteeing competition, unless they are credit risk transactions, which will be governed by their own specific standards.

State whether the approval of related-party transactions has been delegated, indicating the body or parties in which said approval has been delegated, if any.

D.2 Detail any significant transactions, entailing a transfer of a significant amount or obligations between the company or its group companies, and the company's significant shareholders:

| Name of the significant shareholder (person or company) | Name of the company or group entity | Type of relationship | Type of transaction | Amount (€) |
|---|-------------------------------------|----------------------|---------------------|------------|
|   |                                     |                      |                     |            |

D.3 Detail any significant transactions entailing a transfer of a significant amount or obligations between the company or its group companies, and the directors and/or senior managers:

| Name of the directors and/or senior managers (person or company) | Name of the related party (person or company) | Nature of relationship | Nature of transaction | Amount (€) |
|--|---|------------------------|-----------------------|------------|
|  |   |                        |                       |            |

D.4 Detail the significant transactions in which the company has engaged with other companies belonging to the same group, except those that are eliminated in the process of drawing up the consolidated financial statements and that do not form part of the company's habitual traffic with respect to its object and conditions.

In any event, provide information on any intra-group transaction with companies established in countries or territories considered tax havens:

| Name of the group company | Brief description of the transaction | Amount (€) |
|---------------------------|--------------------------------------|------------|
| BBVA GLOBAL FINANCE LTD.  | Securities representing debt         | 1,400      |

|                            |                              |         |
|----------------------------|------------------------------|---------|
| BBVA INTERNATIONAL LIMITED | Securities representing debt | 1,456   |
| BBVA GLOBAL FINANCE LTD.   | Deposits                     | 5,840   |
| BBVA INTERNATIONAL LIMITED | Deposits                     | 2,547   |
| BBVA GLOBAL FINANCE LTD.   | Deposits                     | 368,669 |
| BBVA INTERNATIONAL LIMITED | Deposits                     | 9,205   |

**D.5 State the amount of the transactions carried out with other related parties.**

**D.6 Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, managers and/or significant shareholders.**

Articles 8 and 9 of the Board Regulations regulate issues relating to possible conflicts of interest as follows:

**Article 8**

Directors will act ethically and in good faith.

For this reason directors must notify the Board of any direct or indirect conflict that they might have with the Company's interests, any holding they might have in a company whose activities are the same, similar or complementary to the Company's corporate purpose and the offices or duties that they perform in it. They must also notify the Board of any activities that are the same, similar or complementary to those pursued by the Company whether performed on their own behalf or on behalf of a third party.

Directors must inform the Appointments Committee of their other professional obligations, in case these might interfere with the dedication required to comply with their duties as directors.

**Article 9**

Directors must refrain from taking part or intervening in those cases where a conflict of interest with the Company might arise.

They will not be present when the corporate bodies to which they belong are discussing matters in which they may have a direct or indirect interest, or matters that might affect persons related to them under the legally established terms.

Directors must also refrain from taking a direct or indirect stake in businesses or enterprises in which the Bank or its Group companies hold an interest, unless such stake was held prior to joining the Board or to the time when the Group took out its holding in such business or enterprise, or unless such companies are listed on domestic or international securities exchanges, or unless authorised to do so by the Board of Directors.

Directors may not use their position in the Company to obtain material gain. Nor may they take advantage for themselves or for persons related to them, from any business opportunity that they have become aware of as a result of their Bank directorship, unless this opportunity has been previously offered to the Bank and the Bank had decided not to take it up and the director has been authorised to do so by its Board.

Directors must comply at all times with the applicable provisions of the BBVA Group Code of Conduct on the Securities Markets, with legislation and with any other internal codes regarding requests for loans, bank bonds and guarantees made to the financial



subsidiaries of the BBVA Group. They must refrain from conducting or from suggesting to a third party any transaction involving shares of the Company and/or its subsidiary, affiliated or associate companies when their directorship has led to possession of privileged or confidential information before such information is known to the public.

Since BBVA is a financial institution, it is subject to Act 31/1968, 27th July, on incompatibilities and limitations of chairmen, directors and senior managers in private-sector banking. This Act states that chairmen, deputy chairmen, directors and general managers or similar operating in the private-sector banking industry in Spain may not obtain credits, bonds or guarantees from the bank on whose board or management they work, unless expressly authorised by the Bank of Spain.

All the members of the Board of Directors and the senior management are subject to the Company's Code of Conduct on the Securities Markets.

The BBVA Group's Code of Conduct on the Securities Markets is intended to control possible conflicts of interest. It establishes that everyone subject to this Regulation must notify the head of their area and the Regulatory Compliance unit of situations that could potentially and under specific circumstances may entail conflicts of interest that could compromise their impartiality, before they engage in any transaction or conclude any business in which they could arise.

The above notwithstanding, the parties subject to the Code have a permanent form filed with the Regulatory Compliance department, which they must keep up to date, with a standard declaration that they are given, declaring certain economic and family affiliations specified in the Code.

Where there is any doubt about the existence of conflicts of interest, any party subject to the Code must show maximum prudence and notify the head of his/her area and the Regulatory Compliance department of the specific circumstances surrounding their case, so that they may judge the situation for themselves.

#### D.7 Are more than one of the Group's companies listed in Spain as publicly traded companies?

NO

Identify subsidiaries listed in Spain:

| Subsidiaries listed |
|---------------------|
|                     |

Indicate whether the respective areas of business and any potential relations between them and any potential business relations between the holding company and the listed subsidiary and other group companies have been publicly defined;

| Define any potential business relations between the holding company and the listed subsidiary company and between the listed subsidiaries and other group companies |
|---|
|   |

Identify the mechanisms established to resolve any potential conflicts of interest between the listed subsidiary and the other companies of the group:

| Mechanisms to resolve possible conflicts of interest |
|--|
|  |

## E RISK CONTROL AND MANAGEMENT SYSTEMS

The English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

#### E.1 Explain the scope of the company's Risk Management System.

BBVA has developed a risk management system that is an essential part of its strategy. It takes into consideration the circumstances of the Group and the economic and regulatory environment at a global level and of the level of the geographical areas in which it operates in order to meet the targets defined by the Bank. This management system is applied in an integrated manner throughout the Group, based on a global strategy that defines the entity's risk targets so that it can then set specific targets at local level for each geographical area and business unit. To this end, the Group's risk management system is organised around five components: 1.- A system to direct and organise the risk function with an organisational structure that has an appropriate definition of roles and responsibilities in all areas, a set of committees and empowerment structures and an internal control system that is in line with the nature and magnitude of the risks; 2.- A general risk-appetite framework that defines the levels and types of risk that the Bank is willing to incur in order to implement its strategic plan without any major deviations, even in times of stress; 3.- A corporate management scheme that in addition to an annual risk-planning scheme, includes a set of corporate control and management policies developed for its implementation in the different business units; 4.- A Framework for Identifying, Assessing, Monitoring and Reporting the risks incurred, in business-as-normal and stress scenarios, which offers a prospective and dynamic assessment of the risk and 5.- An adequate infrastructure that encompasses the set of risk tools, methodologies and culture that establishes the basis on which the differentiated risk management scheme is shaped.

Below are some notes on risk management by risk type:

**Credit risk:** The Group's credit risk management comprises the analysis process before taking decisions, the decision-making itself, the instrumentation and monitoring of the transactions formalised and their recovery. It also covers the entire process of control and reporting at a customer, segment, sector, business unit and subsidiary level. The main foundations for decisions on credit risk are: whether customers generate sufficient funds and sufficient solvency and the providing of adequate and sufficient guarantees. The Group's credit risk management is based on an integrated structure covering all the functions, permitting objective and independent decision-making throughout the life cycle of the risk. **Structural interest-rate risk:** The management of the BBVA Group balance sheet exposure to interest risk aims to keep exposure at levels in keeping with the Group's strategy and risk profile when market interest rates change. With this aim, the ALCO actively manages the balance sheet by trading to optimise the level of risk incurred with regard to expected earnings and to comply with the highest level of tolerable risk. The ALCO activities are underpinned by the interest risk measurements calculated by the GRM Corporate Area. **Structural exchange-rate risk:** Structural exchange-rate risk mainly originates in exposure to changes in exchange rates arising in the Group's non-Spanish subsidiaries and the provisions to the branches outside Spain that are financed in a currency other than that of the loan-book. The management of this risk is underpinned by a scenario simulation model that allows the company to quantify the variations in value that could occur for a given level of confidence and a predetermined timeframe. The ALCO is the body tasked with carrying out hedging transactions to minimise the impact of fluctuations in exchange rates on the Group's capital ratios, in accordance with its expectations. **Structural equity risk:** The Group's exposure to this risk mainly stems from its holdings in industrial and financial companies with mid-term and long-term investment horizons. The Corporate GRM Area is responsible for effectively measuring and monitoring structural equities risk by assessing the sensitivity and the capital needed to hedge possible unexpected losses due to variations in the value of the companies comprising the Group's investment portfolio. It does so with a confidence level that matches the entity's target rating, taking into account the liquidity of each holding and the statistical performance of the assets to be considered. **Market risk:** This includes interest rate risk, exchange rate risk, price and other risks for certain positions. The BBVA Group manages this in terms of probability of VaR (Value at Risk). **Liquidity risk:** The short-term aim of the control, monitoring and management of liquidity and funding risk is to ensure the BBVA Group entities can meet their payment commitments in due time and form, without having to raise funds

under sub-optimal conditions. In the medium term, it aims to safeguard the Group's financial structure and respond to the economic situation, market conditions and regulatory changes. **Operational risk:** The Group's operational risk management is constructed around the following value drivers from the Advanced Measurement Approach model (AMA): knowledge, identification, prioritisation and management of potential and actual risks; supported by indicators to analyse performance, define alerts and verify controls.

## E.2 Identify the corporate bodies responsible for drawing up and enforcing the Risk Management System

In line with corporate strategy, the Board of Directors, pursuant to the Board Regulations, is the body tasked with approving the risk management and control policy, and periodic monitoring of the internal control and reporting systems. On the basis of the general policies established by the Board of Directors, the Executive Committee establishes the necessary corporate policies that develop the policies approved by the Board of Directors in addition to the Group's risk tolerance limits by countries, sectors and "Corporate framework for action with respect to risks" portfolios. In this context, and to perform its duties appropriately, the Executive Committee relies on the essential duties carried out by the Board Risks Committee whose mission includes analysing and evaluating the proposals on these matters that are put to the Executive Committee for approval, by constantly monitoring the risks and approving those transactions considered important for either qualitative or quantitative reasons.

The management of risks in the BBVA Group on the basis of the corporate framework of action established by the Bank's governing bodies is carried out by corporate risk management units and by the business units themselves. Thus, the Group risks function (Global Risk Management, hereinafter GRM) is distributed over the risks units in the business areas as well as the Corporate GRM Area.

The Corporate GRM Area defines the global strategies and policies, while the risk units in the business areas are empowered to propose and maintain each customer's risk profile autonomously within the corporate framework of action and comprises the Corporate Risk Management unit which covers the different categories of financial and non-financial risk; Planning, Monitoring & Reporting which covers the functions of planning, monitoring and reporting the risk and the analysis of capital scenarios and models at a corporate level; the Technical Secretariat, responsible for the technical testing along with the transversal units; Technology and Methodology for measuring the risks; Operational Risk & Control, which manages operational and internal risk control and internal validation of the measurement models and admission of new risks; and GRM South America, responsible for managing and monitoring risk in this region. With this structure, the risks function guarantees firstly the integration, control and management of all the Group's risks; secondly, the application of standardised risk metrics, policies and principles throughout the entire Group; and thirdly, the necessary level of knowledge about each geographical area and each business.

The head of the GRM Area is the Group's Chief Risk Officer, who is responsible for ensuring that the Group risks are managed in accordance with the general policy set, with the support of the different units of the GRM Corporate Area and the risk units of the Business Areas. The heads of the risk units of the different Business Areas, in turn, report to the head of their business area and they report functionally to Group Risk Director. This structure ensures the Independence of the local risks function and its alignment with Group policies and objectives.

This organisational structure is supplemented with various committees, including the following:

The Risk Management Committee (GRM) comprises the heads of the risks units in the business areas and the heads of the Corporate GRM Area units. It meets each month to deal with matters such as proposing the Group's risks strategy to the Group's governing bodies for approval, monitors the risk management and control in the Group and, where appropriate, takes due measures to deal with these.

The Risk Management Committee comprises the following permanent members: the head of Global Risk Management; the head of Corporate Risk Management and the head of the Technical Secretariat. The composition of the rest of the Committee depends on the transactions that it must analyse. The Committee analyses and decides on the financial programmes and transactions that fall within its mandate and debates those that exceed this, passing them on to the Risks Committee when they have issued a favourable opinion.

The ALCO (Assets & Liability Committee) actively manages the interest-rate and exchange-rate structural exposure, global liquidity and the Group's own equity.

The Technology & Methodology Committee is the forum in which decisions are reached on the hedging of the requirements stemming from the business areas' models and infrastructures within the operational framework of GRM.

The New Businesses and Products Committees study and, where appropriate, approve the implementation of new businesses, products and services before they start up activities; carry out the control and subsequent monitoring of the newly authorised products and foster orderly business practices so that developments can be made within a controlled environment.

Finally, the Global Corporate Assurance Committee is tasked with the periodic review of the control environment and operation of the Internal Control & Operational Risk Models at Group and Unit level. It also monitors and contextualises the major operational risks to which the Group is exposed, including those of a transversal nature. This Committee has become the highest instance of operational risk management in the Group.

### E.3 Indicate the main risks that could prevent business targets from being met.

The main risks or variables that could affect the business are:

- Macro-economic risks: The main risks faced by the BBVA Group stem from the economic slowdown in the countries where it operates, due to its impact on growth and provisions, from the interest rate environment and from the stability of the currencies of the markets in which it operates.

In economic terms, the capital markets have stabilised in Spain in 2013 (capital flowing in, reduction of financing costs, etc) and the effects of this have trickled down into the real economy which, should this trend continue, would lead to an improvement in the country's economic situation.

In the case of the Group subsidiaries, although there are signs of stabilisation in the US economy, risks are emerging in the case of Latin America and Turkey that could slow growth and affect funding conditions in these countries.

The environment of extremely low interest rates in Spain and the United States has also put pressure on margins in these countries in recent years, and these rates are expected to remain at similar levels in 2014.

The BBVA Group generates a large percentage of its revenues in foreign currency, exposing it to the risk of fluctuations in the currencies of countries in which it operates. Certain currencies have faced volatility in 2013, and this could occur again in 2014, with even greater virulence, which would have a negative impact on the income statement. The strong diversification of the Group and its hedging strategies enable BBVA to mitigate the effects of currency volatility.

- Regulatory and political risks: the financial sector is among the most highly regulated and is subject to continuous regulatory changes, especially in recent years. The main risk that the Group faces is regulatory change to three key elements: provisions requirements, capital requirements and other regulatory changes.

In terms of capital, in 2013, the BBVA Group was subject to the requirements of the Bank of Spain and the European Banking Authority. In 2014, it will be subject to the European Capital Requirements Directive (CRD IV), which will stabilise capital requirements. BBVA has strengthened its capital position in 2013 to successfully face these new requirements.

The other regulatory changes or requirements concern the contributions to complete the process of restructuring the Spanish Financial System, the Banking Union in addition to caps on fees in some jurisdictions.

BBVA's trading in markets with certain political instability could expose the Group to regulatory risks in certain subsidiaries. The subsidiaries most exposed to regulatory risks are in a strong capital position, have high margins and are in a comfortable liquidity position, enabling them to mitigate potential regulatory risks.

- Idiosyncratic risks: the strength of the BBVA franchise in all the countries in which it operates is the major factor mitigating idiosyncratic risks. BBVA has a recurrent business model that provides a high level of stability to both the balance sheet and revenues.

To mitigate the impact of the possible occurrence of these risks, the Group is highly diversified with a sound capital base that enables it to deal with any circumstances that could arise as a consequence of one or more of these risks. Moreover, with respect to risk management, the Group has established a system of continuous identification, assessment and monitoring of the relevant external and internal factors that could hinder the Group's achievement of its expected business targets.

With respect to risk identification, the Group has a repository that includes all risks that could compromise the attainment of its objectives. The process includes the coordinated participation of the Business Units, BBVA Research and GRM, analysing the following elements: past crises; global risks; risks specific to a region/country and risks specific to representative segments.

The risk assessment process consists of estimating the impact that previously identified risks could have on the solvency, liquidity and recurrence of earnings. This estimate can be qualitative or quantitative, in the latter case, supported by stress-testing tools.

The risk monitoring process consists of constantly monitoring the variables, both internal and external, that could trigger or aggravate the occurrence of important risks for the Group.

#### E.4 Identify whether the entity has a risk tolerance level.

The Group's risk policy is aimed at achieving a moderate risk profile by means of prudent management; a universal bank business model, diversified by geographic areas, types of asset,

portfolio and customer; with a broad international footprint, in both emerging and developed countries, maintaining a medium/low risk profile in each one; and seeking growth that is sustainable over time.

To this end, a series of fundamental metrics are established, which characterise the Bank's objective behaviour. These are transversal to the whole organisation, basically relating to the solvency, liquidity and recurrence of earnings that, depending on the circumstances, will determine risk management in the Group and enable the Company to attain the desired objectives. The tolerance levels for the fundamental metrics are approved by the Executive Committee, at the proposal of GRM, and define the risks that the Group is willing to incur. They define the framework for the Group's risk appetite and are therefore permanent and structural, with few exceptions.

At the proposal of GRM and having received a favourable report from the Risks Committee, once a year the Executive Committee sets limits for the main kinds of risk to be found in the Group, such as credit risk, liquidity and financing risk and market risk. Compliance with these limits is monitored throughout the year by these Committees by means of periodic reports drawn up by this Area. For credit risk, the limits are defined for each portfolio and/or sector and for each Business Area. These are the maximum exposure thresholds for the BBVA Group's lending activities over a one-year period.

Liquidity and structural financing management in the Group is underpinned by the principle of the financial autonomy of its component entities and it is organised around LMUs (Liquidity Management Units). The Corporate Risks Area establishes the liquidity management guidelines and defines limits for the main indicators for each geographic area.

The Group objective is not to eliminate all risks, but to assume a prudent level of risk that enables it to generate earnings while maintaining adequate levels of capital and funding in order to generate recurrent profits.

#### E.5 State what risks have occurred during the year.

Risk is inherent to financial business, so the occurrence of risk to a greater or lesser extent is absolutely implicit in the Bank's activities. Thus, the BBVA offers detailed information in its annual accounts (note 7 of the Annual Report) on those risks that, due to their nature, permanently affect the Bank in the course of its business.

#### E.6 Explain the response and supervision plans for the principal risks faced by the company.

The Group's risks function is in the first instance responsible for ensuring compliance with the various financial and operational risk regulations affecting the Bank and its Group. To that end, it operates independently from the business units to ensure that it guarantees not only regulatory compliance, but also the application of the best standards and most advanced practices. As a result, the function has a specific internal risk control unit tasked with the main mission of ensuring that there is a policy, a process and a set of measures defined for each risk type identified in the entity and for those other risks that could potentially affect the entity, and to validate them. The BBVA Group internal control system takes its inspiration from the best practices developed both in the COSO (Committee of Sponsoring Organisations of the Treadway Commission) "Enterprise Risk Management - Integrated Framework" and in the "Framework for Internal Control Systems in Banking Organisations", drawn up by the Basel Bank of International

#### Settlements (BIS).

In this sense, the Group's internal control system encompasses all the areas of the organisation and is designed to identify and manage the risks faced by the Group entities, in order to guarantee the established corporate objectives.

The control model has a system comprising three lines of defence:

- The first line is made up of the Group's business units, which are responsible for control within their remit and for implementing any measures that have been established higher up the management chain.
- The second line of defence comprises the specialist control units (Regulatory Compliance, Global Accounting & Information Management/Internal Financial Control, Internal Risk Control, IT Risk, Fraud & Security, Operational Control and Control of the Production Departments of the support units, such as Human Resources, Legal Department etc). This line supervises control over the different units within its transversal area of specialisation, defines the mitigation and improvement measures necessary and promotes their proper implementation. The Corporate Operational Risk Management unit also is a part of this line of defence, providing a common management methodology and tools.
- The third line consists of the Internal Audit unit, which conducts an independent review of the model, verifying the compliance and efficacy of corporate policies, and providing independent information about the control model.

The internal control system is based on principles including the following:

- It is organised around the "process".
- The way risks are identified, assessed and mitigated has to be the same for each process, and the systems, tools and information flows underpinning the internal control and operational risk activities have to be the same; or at the very least, they have to be managed as a whole by one sole unit.
- The responsibility for internal control falls, initially, to the Group business units.
- Given that the scope of responsibility for some business units is global, there are transversal control functions that supplement the aforementioned control mechanisms.
- Each unit has an Operational Risk Management Committee, which is responsible for approving the mitigation plans appropriate to each risk and weakness identified.
- The model is completed with governance and a committee structure that most effectively promotes efforts to ensure the efficient operation of the control model and stimulates a structuring and prioritisation of the measures and improvements necessary to mitigate the weaknesses identified, culminating in the Group's Global Corporate Assurance Committee.

Within the Corporate Risk Area, the Group has Internal Risk Control and Internal Validation units, embedded in the Operational Risk and Control structure, and therefore, are independent of the units that develop the models, manage the processes and carry out the controls. These units have expert resources for managing the different types of risks. Their objectives are as follows:

- Ensuring that there is a policy, a process and a set of measures defined for each relevant risk faced by the Group.
- Guaranteeing that these are applied and implemented as defined.
- Identifying and reporting deficiencies observed in the processes, if any, by taking part in establishing improvement objectives and by monitoring their implementation.
- Validating the models at an internal level, independently of their development process.

Both units report their activities and their working plans to the Board's Risks Committee.

This Internal Risk Control area forms part of the second line of defence. Its scope of activity is



global in terms of the geographical areas and the types of risk, covering all types managed by the Corporate Risks Area. To perform its duties, the unit has a structure of teams at a corporate level and also in the most important geographical areas in which the Group operates. As in the Corporate Area, the local units remain independent from the business areas that implement the processes, and from the units that carry out the controls, reporting functionally to the Internal Risk Control unit. The unit's lines of action are established at Group level and it is then responsible for their local-level adaptation and implementation, and for reporting on the most relevant aspects.

## **F SYSTEMS OF INTERNAL RISK MANAGEMENT AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)**

Describe the mechanisms comprising the risk management and control systems for financial reporting (ICFR) in the entity.

### **F.1 The entity's control environment**

Give information, describing the key features of at least:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision.

Pursuant to article 17 of the Board Regulations, the Board of Directors approves the financial information that BBVA is required to publish periodically as a publicly traded company. The Board of Directors has an Audit & Compliance Committee, whose mission is to assist the Board in the supervision of the financial statements as well as in the exercise of the control function over the BBVA Group.

In this respect, the BBVA Audit & Compliance Committee Regulations establish that the Committee's duties include the supervision of the existence and maintenance of an internal control systems which is sufficient, adequate and efficient in order to ensure firstly the accuracy, reliability, scope and clarity of the financial statements of the Entity and its consolidated Group contained in the annual and quarterly reports, and secondly, the accounting and financial information required by regulatory bodies including those corresponding to countries where the Group operates.

The BBVA Group complies with the requirements imposed by the Sarbanes Oxley Act (hereinafter "SOx") for each year's consolidated annual account due to its condition as a publicly traded company listed with the Securities Exchange Commission ("SEC"). It enjoys the involvement of the principal Group executives in the design, compliance and implementation of an effective internal control model that guarantees the quality and veracity of the financial information on which assessments regarding its operation are carried out. The Global Accounting & Information Management Department (hereinafter "GA&IM") is responsible for the operation and maintenance of the model.

Additionally and in order to reinforce the internal control environment in the Group, during 2013 the Corporate Assurance model has been put into effect. The Corporate Assurance model encompasses the ICFR and establishes a supervisory framework for the internal control model (in which the business areas participate) through a system of governance by top-level local committees in the countries that report to the Group's Global Committee, chaired by the President & COO and attended by the members of the Group Management Committee.

The different internal control units at holding and local level are responsible for the application of



the internal control and operational risk methodology defined in the Group. These internal control units are responsible, together with the business areas, for identifying, prioritizing and assessing the risks, helping the units to implement the control model, documenting it and supervising it periodically (at least once a year) as well as defining mitigating measures and promoting its correct implementation. From this supervision Group-wide aggregated information is obtained in order to check that it has been effective and has worked adequately.

Each internal control unit is mirrored in each geographical unit and/or company. This means reinforcing its ascendance over local areas, graded according to the specificities of each specialist area.

Finally, the entity also has an internal audit unit, which carries out an independent review of the model, checking the compliance and effectiveness of the established corporate policies and providing independent information on the control environment to the Corporate Assurance Committees.

**F.1.2. Whether, especially in the process of drawing up the financial information, the following elements exist:**

Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) the clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures exist for their correct dissemination within the entity.

The drafting of the financial information is carried out by the local Financial Management units of the countries and in a centralized manner by GA&IM Department, which is overall responsible for the drafting and reporting of Accounting and Regulatory information.

The BBVA Group has a sufficient structure of units with an adequate distribution of functions and committees throughout the organisation. There are mechanisms for the design and review of the organisational structure that clearly define the lines of action, responsibility and authority that enable it to guarantee compliance with all the regulatory requirements affecting the drafting of the financial reporting of the entity and the consolidable group. It has the necessary communication and distribution channels and circuits for this purpose.

Additionally, there is an internal accountability model aimed at extending the culture of and commitment to internal control. Those in charge of the design and operation of the processes that impact on financial reporting certify that all the controls associated to its operation under their responsibility are sufficient and have functioned correctly.

Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether specific mention is made of recording the transactions and drawing up of the financial information), body in charge of analysing non-compliance and proposing corrective measures and sanctions.

BBVA has a Code of Conduct, approved by the Board of Directors, that sets out BBVA's specific commitments in developing one of the principles of its Corporate Culture: Integrity as a way of understanding and developing its businesses. This Code likewise establishes the corresponding channel for whistleblowers regarding possible infringements of the Code. It is the subject of ongoing training and refresher programmes for key staff in the financial function.

The Code of Conduct is applicable to all entities comprising the BBVA Group and all its employees and management team. It has thus been distributed to apprise them of its content, being published on the Bank's corporate website ([www.bbva.com](http://www.bbva.com)) and on the employees' website (intranet). Additionally, employees joining the Group staff undertake to observe its principles and rules in an express declaration of awareness and adhesion.

The content of the Code of Conduct is structured around the following blocks of principles and standards: Ethical Values, Relational Integrity, Integrity on the Markets, Personal Integrity and Organisational Integrity. Its sections 6.12 to 6.14 and 5.11 to 5.13, respectively, make special mention of the criteria for conduct in the recording of transactions and the transparency of financial reporting and disclosure to the market.

The dissemination of its content is supplemented with training activities to welcome new employees to the Group. They are underpinned by a mandatory online training course for all the employees once they join the Group and on-site refresher sessions, where deemed necessary. The subject matter of this training is both the general Code of Conduct and the corporate policy of Conduct on the Markets and their local implementing standards through the Internal Standards of Conduct in the Securities Markets.

The duties of the Audit & Compliance Committee include ensuring that the internal Codes of Ethics and Conduct and on Securities Market, applicable to the personnel, comply with legal requirements and are adequate for the Bank.

Additionally, BBVA has adopted a structure of Corporate Integrity Management Committees (with individual powers at jurisdiction or Group entity levels, as applicable). Their joint scope of action covers all the Group businesses and activities and their functions, in general, extend to the monitoring of the effective application of the Code.

On the other hand, the Regulatory Compliance unit is in charge of promoting the development and overseeing of the effective operation of the standards and procedures necessary to ensure the identification of possible breaches of the Code of Conduct and appropriate management of the risks that may stem from this, as well as, in general, compliance of its criteria and guidelines. The whistleblowers channel is a fundamental element within its functions and will be dealt with in the following section, as is the report that it receives in its tasks from the rest of the BBVA Group control units, including Internal Audit.

[Whistle-blower channel, to allow financial and accounting irregularities to be communicated to the audit committee, as well as possible non-compliance with the code of conduct and irregular activities in the organisation, reporting where applicable if this is confidential in nature.](#)

As established in the Group Code of Conduct, preserving BBVA's Corporate Integrity goes beyond merely personal accountability for individual actions. It requires the commitment of all the Group employees to bring into the open, by timely communication, any situations that, even if not related to their activity or area of responsibility, they consider to be ethically questionable pursuant to the Code, especially any situation that may stem from non-compliance with prevailing laws.

The Code itself establishes the people to whom such communications are sent, who, among other obligations, are duty-bound to preserve the anonymity of the whistleblower who has, in good faith, communicated legitimate concerns about possible non-compliance with prevailing laws or situations that appear to be questionable from an ethical viewpoint.

Telephone lines and email boxes have been set up for these communications in each jurisdiction. A list of these appears on the Group Intranet.

As described in the previous section, BBVA has adopted a structure of Corporate Integrity Management Committees (with individual powers at jurisdiction or Group entity levels, as applicable), whose joint scope of action covers all the Group businesses and activities and whose functions (explained in greater detail in their corresponding regulations) include:

- To promote adoption of the measures necessary to resolve ethically questionable actions that any of the Group members may have become aware of, either in the pursuit of their duties within the areas they represent, or as a consequence of receiving the aforementioned communications.
- To promptly report on those circumstances that could lead to significant risks for BBVA to:
  - (1) the Board of Directors or the Audit & Compliance Committee, as appropriate.
  - (2) the Management Committee.
  - (3) The person in charge of drawing up the financial statements in order to ensure they reflect what may be appropriate.

Periodic training and refresher courses for employees involved in preparing and revising the financial information, and in ICFR assessment, covering at least accounting standards, audit, internal control and risk management.

Training and periodic refresher courses are held on accounting standards, internal control and risk management in units involved in preparing and reviewing the financial information and in evaluating the internal control system.

Within GA&IM there is an annual training programme for all members of the area on aspects related to the drawing up of financial information: accounting, finance and tax matters, and other courses in accordance with the needs of the area. These courses are taught by professionals from the area and from suppliers of recognised prestige.

Apart from this training, there is also Bank-wide training, which includes courses on finance and technology.

Additionally, the BBVA Group has a personal development plan for all employees, which forms the basis of a personalised training programme to deal with the areas of knowledge necessary to cover the requirements of each job.

## F.2 Financial reporting risk assessment

Give information on at least:

F.2.1. The key features of the risk identification process, including error and fraud risks, with respect to:

Whether the process exists and is documented.

The ICFR was developed by the Group Management in accordance with international standards set forth by the Committee of Sponsoring Organisations of the Treadway Commission (hereinafter, "COSO"); which establish five components on which the efficacy and efficiency of internal control systems must be based:

- Establishing an adequate control environment for monitoring all these activities.
- Evaluating all the risks that may be incurred by an entity in drawing up its financial information.
- Designing the necessary controls to mitigate the most critical risks.
- Establishing the adequate information circuits to detect and communicate the system's weaknesses or inefficiencies.
- Monitoring such controls to ensure they are operational and the validity of their efficacy over

time.

To identify risks, the companies with the greatest impact on financial reporting are selected. Once the processes originating the financial information are identified and documented, the requirements that would give rise to the risks applicable in each of the functions are analysed, giving priority to the most important and relevant processes.

In accordance with corporate internal control and operational risk methodology, the risks are incorporated into a range of categories by type, including risk of error or fraud (internal/external), determining the risk factors that the occurrence of such factors may materialise. The risk event identified can then be developed, described and justified.

These risks are then finally graded in view of whether they are mitigated by entity level controls or by specific controls.

The process of identifying risks of error, falsehood or omission carried out by the Financial Reporting Internal Control unit is based on calculating materiality. It selects the material accounting items, processes and companies where the risks are identified, thereby determining the scope of the annual, quarterly or monthly assessment ensuring the coverage of their risks that are critical to the financial statements. Identification of potential risks that must necessarily be covered by this assessment begins with the management's business understanding and insight, taking into account criteria of quantitative materiality, probability of occurrence and economic impact in addition to qualitative criteria associated to the type, complexity and nature of the risks or of the business structure itself.

The system for identifying and assessing the risks of internal control over financial reporting is dynamic. It evolves continuously, always reflecting the reality of the Group's business, the risks affecting it and the controls that mitigate them.

All this is documented in a corporate management tool developed and managed by Operational Risk (STORM). This tool documents all the processes and risks managed by the different control units, including the Financial Reporting Internal Control unit.

Whether the process covers all the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), whether the information is updated and with what frequency.

The targets for existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations are all included from the very beginning under the principal requirements associated to the processes of drawing up the financial information. They underpin the risks identified, documented, evaluated, prioritized and consequently they are the base on which the corresponding control model is developed.

The existence of a process for identifying the consolidation perimeter, taking into account aspects including the possible existence of complex corporate structures, instrumental or special purpose vehicles.

Within the organisation, the Consolidation department carries out a process to identify the consolidation perimeter so that it is updated monthly.

The information on new companies created by the various Group units and the changes in those that already exist, is the responsibility of the Holding Structure Committee and the information on investments in non-banking activities is the responsibility of the Non-Bank Activities Committee.

Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc) insofar as they impact the financial statements.

As mentioned in other items and due to the control standards and methodology implemented, the effects of other types of risk are taken into account (market, credit, operational, technological, financial, legal, reputational and any other kind of risk) insofar as it may impact the financial reporting.

Which of the entity's governance bodies supervises the process.

The process is documented at least once a year. It is supervised by the Group's Internal Audit area and the Global Corporate Assurance Committee of the Group. Moreover, the head of Internal Audit reports each year to the Audit & Compliance Committee on the analysis and certification work carried out pursuant to the SOx methodology to comply with the legal requirements of the Sarbanes Oxley Act on internal control systems for the financial reporting included in the 20-F filing (as explained in point one on the control environment).

### F.3 Control activities

Give information on the main features, if at least the following exist:

F.3.1. Procedures for review and authorisation of the financial information and the description of the ICFR, to be published on the securities markets, indicating who is responsible for it, and the documentation describing the activity and controls flows (including those concerning risk of fraud) for the different types of transactions that may materially impact the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgements, estimates, valuations and projections.

Descriptions of the processes are documented in the management tool mentioned above to maintain the flows of activities and controls for the different types of material transactions, as explained in point F.2.1. An adequate procedure for closing the accounts has also been developed, which covers the risks identified for this process.

Specifically, the main processes in which the risks managed by internal control of financial reporting are found are: accounting, consolidation, financial reporting, financial planning and monitoring, financial and tax management. It also covers all other critical risks arising from the business with a possible financial impact.

Likewise, there are procedures for the governance bodies to review and authorise the regulated financial information disseminated to the securities markets, including the specific review of the relevant judgements, estimates and projections. There are specific procedures, and a set of committees reviewing the financial reporting before its final review by the Management Committee, the Audit & Compliance Committee and the Board of Directors. All this is established in the ICFR control model. The model is documented, as discussed above, in the corporate internal control and operational risk management tool (STORM).

In drawing up the consolidated Annual Accounts, it is occasionally necessary to make estimates to determine the amount at which some assets, liabilities, income and expenses and commitments should be recorded. These estimates are mainly related to:

- Impairment losses on certain financial assets.
- The assumptions used to quantify certain provisions and in the actuarial calculation of liabilities and commitments for post-employment and other obligations.
- The useful life and impairment losses of tangible and intangible assets.

- Goodwill valuation.
- The fair value of certain financial assets and liabilities not traded on regulated markets.

These estimates were made according to the best information available at 31st December each year on the facts analysed. However, it is possible that possible future events may require modification of such estimates (upwards or downwards), which under applicable standards, would be done prospectively, restating the effects of the change of estimate in the corresponding consolidated income statement.

**F.3.2. Internal control procedures and policies for information systems (among others, access security, change control, their operation, operational continuity and segregation of functions) that support the relevant processes in the entity with respect to the drawing up and publication of the financial information.**

The internal control policies establish controls and procedures with respect to the operation of information systems and security of access, functional segregation, development and modification of computer applications that are used to generate financial information.

The current methodology for internal control and operational risk establishes a list of controls by category whose breakdown includes (among others) two categories: access control and functional segregation, which provide support for this point. Both categories are identified in the financial information internal control model such that the integrity and reliability of the information drawn up can be assured. In addition, a corporate-level procedure exists for the management of profiles within the systems, which is developed, implemented and updated by the Group's internal technology control unit.

This unit is in charge of providing support for control processes in change management (development in test environments and putting changes into production), incident management, management of transactions, management of supports and security back-ups, and management of business continuity, inter alia.

With all these mechanisms, the BBVA Group ensures the maintenance of adequate management of access control, the establishment of the correct and necessary steps to put systems into production and their subsequent support, the establishment of security back-ups, and assurance of continuity in the processing and recording of transactions.

**F.3.3. Internal control procedures and policies designed to supervise the management of activities subcontracted to third parties, and those aspects of the valuation, calculation and assessment outsourced to independent experts, which may materially impact the financial statements.**

The internal control policies establish controls and procedures for the management of subcontracted activities or those aspects of valuation, calculation and assessment outsourced to independent experts.

There is an Outsourcing Committee and set of standards with the requirements that must be met at group level for the activities to be subcontracted. There is a procedures manual focussing on the outsourced financial processes, which identifies which processes must be implemented and what controls should be carried out on these by the service supplier units. These are tested by the outsourced unit in charge of the function and documented and supervised in the financial reporting internal control processes.

The valuations of independent experts for specific or relevant matters fall within the standard circuit of internal control procedures and reviews of internal and external auditing.

## F.4 Information and communication

Give information on the main features, if at least the following exist:

F.4.1 A specific function to define and keep the accounting policies updated (accounting policy department or area) and deal with queries or conflicts stemming from their interpretation, ensuring fluent communication with those in charge of operations in the organisation, and an up-to-date manual of accounting policies, communicated to the units through which the entity operates.

The organisation has two areas within GA&IM (Group Financial Accounting and Global Supervisory Relations) in charge of the Accounting and Solvency Technical Committees. Their purpose is to analyse, study and issue standards that may impact the drawing up of the Group's financial information, determining the accounting and solvency criteria required to ensure correct recording of transactions to the accounts and calculation of capital requirements within the framework of standards issued by the Bank of Spain, the European Union (IASB, directives on equity) and the Basel Committee.

There is an updated accounting manual, disseminated over the Company intranet to all the units through which the Entity operates. This manual is the tool to ensure that all decisions on accounting policies or specific accounting criteria to be applied in the Group are supported and, if considered pertinent due to their novelty or significance, have been submitted to the departments mentioned for consultation. The Accounting Policies Manual is duly approved by BBVA through the Accounting Policies Committee and is documented and updated for use and analysis by all the Group entities. It is updated every year and the last update was carried out in December 2013.

Both the Accounting Policies Committee and the Accounting Policies Manual form part of the internal control processes.

F.4.2 Mechanisms to capture and prepare the financial reporting in standardised formats, for application and use by all the units of the entity or the group, that support the main financial statements and the notes, and the information detailed on ICFR.

Control measures have been implemented to guarantee that all the data underpinning the financial information are collected in a comprehensive, exact and timely manner, and are reported in due time and form. The format of the financial reporting system is unique and standardised. It is applicable to and used by all the Group units. This format underpins the principal financial statements and the notes. There are also control measures and procedures to ensure that the information disclosed to the markets includes a sufficient level of detail and is suitably transmitted in such a way that the investors and users of the financial information can understand and interpret it.

The areas involved in drawing up the financial information have specific computer tools adapted to each environment and country.

## F.5 Supervision of the system's operation

Give information, describing the key features of at least:

F.5.1 The ICFR supervision activities carried out by the audit committee and whether the entity has an internal audit function whose powers include support to the committee in its task of supervising the internal control system, including the ICFR. Likewise, give information on the scope of the ICFR assessment carried out during the year and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan listing the possible corrective measures, and whether its impact on the financial



reporting has been considered.

The internal control units are the first to supervise the internal control model, assess the risks as a function of the quality of the control model supervised, identify weaknesses, design, implement and monitor the mitigation measures and action plans. This is all subject to the monitoring within the committee structure discussed above.

The internal control units are embedded in the areas to which they provide support, so that they are close to those responsible for the control with access to sufficient first-hand information to support and supervise the model.

Additionally, the Entity has an Internal Audit Unit, which provides support to the Audit & Compliance Committee on the independent supervision of the financial information internal control system. The internal audit function is embedded in the Compliance & Legal Services area and is thus independent of the units that are drawing up the financial information.

All specific weaknesses in control, mitigation measures and specific action plans are documented in the corporate tool, and also presented to the corresponding committees.

The scope of the review is updated every year. This comprises all the risks that the control units deem critical, risks on which the associated controls must be supervised at least once a year. The methodology is common and uniform for the internal audit and control units. It is the same methodology that covers firstly the supervision of the control design, individually and jointly, and secondly its operation. Afterwards, qualitative and quantitative criteria are established to determine the control weaknesses. Finally, a joint analysis of the risks is carried out, to determine relevant correlations, and therefore relevant weaknesses.

Not all the control weaknesses are of equal relevance or of equal economic significance: for each weakness, there is an estimate of its expected economic impact and the probability of occurring. The weaknesses are then ranked as a function of these estimates. An action plan is established for each of the weaknesses identified by the internal control units and the issues detected by the internal or external auditor, to correct or mitigate the risks.

During 2013, the internal control areas have carried out a complete assessment of the financial information internal control system in which no material or significant weakness has been manifested to date. The assessment was reported to the Audit & Compliance Committee, the Global Corporate Assurance Committee, the Management Committee, the External Auditor and the Operational Risk Committee.

Additionally, the Group, in compliance with SOx, has established a risks group (within the perimeter of SOx companies and the critical risk scope described above), which impacts the drawing up of the financial statements at local and consolidated level, which is subject to review at least once a year. This perimeter considers risks and controls of other specialities that are not directly financial (regulatory compliance, technology, risks, operational, human resources, procurement, legal, etc).

F.5.2 Whether there is a discussion procedure by which the auditor (in line with the technical auditing notes), the internal audit function and other experts can inform the senior management and the audit committee or the directors of the entity of significant weaknesses in the internal control encountered during the review processes for the annual accounts or any others within their remit. Likewise, give information of whether there is an action plan to try to correct or mitigate the weaknesses observed.

In the final instance, the financial reporting internal control system, pursuant to the Technical Audit



Notes, is examined by the Group's Auditor of Accounts, which informs the Audit & Compliance Committee and issues an opinion on the effectiveness of the internal control system with respect to the financial information contained in the Group's annual consolidated statements as of 31st December each year, in order for the financial information to be filed with the Securities & Exchange Commission by 30th April each year. At the date of this report, the auditor of the consolidated accounts has not reported any significant or material weakness to the Audit Committee, the Board of Directors or the Management Committee.

The internal control oversight carried out by the Audit & Compliance Committee, described in the Audit & Compliance Committee Regulations, published on the Group website, includes the following activities:

- Oversee the internal control systems' sufficiency, appropriateness and efficacy in order to ensure the accuracy, reliability, scope and clarity of the financial statements of the Company and its consolidated Group in their annual and quarterly reports. Also oversee the accounting and financial information that the Bank of Spain or other regulators, including those corresponding to countries in which the Group operates, may require.
- Ensure that the internal Codes of Ethics and Conduct and Codes on securities market trading, as they apply to Group personnel, comply with legislation requirements and are appropriate for the Bank.
- Analyse the financial statements of the Bank and its consolidated Group contained in the annual and quarterly reports prior to their presentation to the Board, and with the necessary depth to check their accuracy, reliability, scope and clarity. For this purpose, the Committee will have all the necessary information with the level of detail it deems appropriate, and be provided the necessary support of the Group's executive management, especially that of the Finance Area and that of the Company auditor.
- The Committee reviews all the relevant changes relating to the accounting principles used and the presentation of the financial statements, and ensures that due publicity is given to them.
- It selects the external auditor for the Bank and the consolidated Group, and all the companies comprising the Group. It will oversee its independence and ensure that its audit schedule is carried through.
- It approves the annual Internal Audit schedule, monitoring it and being apprised of the degree to which the audited units are complying with the corrective measures recommended.

The external auditor regularly attends the committees and is duly informed of the matters dealt with in them.

#### **F.6 Other relevant information**

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#### **F.7 External auditors report**

Report of:

F.7.1 Whether the ICFR information disclosed to the markets has been submitted to review by the external auditor, in which case the entity must attach the corresponding report as an annex. Otherwise, explain the reasons why it was not.

On 2nd April 2013 the BBVA Group, as private foreign issuer in the United States, filed the Annual Report (Form 20-F) which was published on the SEC website on that same date.

In compliance with the requirements established in Section 404 of the Sarbanes Oxley Act of 2002 by the Securities & Exchange Commission (SEC), said Annual Report Form 20-F included certifications containing a statement of responsibility for establishing and maintaining an adequate financial reporting internal control system for the Group, and a statement that the assessment of said control system at year-end 2012 showed it to be effective and not to present material weaknesses or significant deficiencies. Said report also included the opinion of the external auditor regarding the efficacy of the financial reporting internal control system of the entity at year-end 2012.

## **G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

Indicate the extent to which the company follows the recommendations of the Unified Code on corporate governance.

Should any recommendation not be followed or be only partially followed, a detailed explanation should be given of the reasons so that the shareholders, investors and the market in general have sufficient information to assess the way the company works. General explanations will not be acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

See sections: A.10, B.1, B.2, C.1.23 and C.1.24.

### **COMPLIANT**

2. When a dominant and a subsidiary company are publicly traded, the two should provide detailed disclosure on:
  - a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;
  - b) The mechanisms in place to resolve possible conflicts of interest.

See sections: D.4 and D.7

### **NOT APPLICABLE**

3. Even when not expressly required under mercantile law, any transactions involving a structural corporate change should be submitted to the general meeting for approval. In particular:
  - a) The transformation of listed companies into holding companies through the process of subsidiarisation, ie, reallocating core activities to subsidiaries that were previously carried out by the holding company, even though the holding company retains full control of the subsidiaries;
  - b) The acquisition or disposal of core operating assets that would effectively alter the company's corporate purpose;
  - c) Transactions that are equivalent to the company's liquidation.

See section: B.6

COMPLIANT

4. Detailed proposals of the resolutions to be adopted at the general meeting, including the information stated in recommendation 27, should be made available at the same time as publication of the call to meeting.

COMPLIANT

5. Separate votes should be taken at the general meeting on materially independent items, so shareholders can express their voting preferences in each case. This rule shall apply in particular to:
  - a) The appointment or ratification of directors, with separate ballot for each candidate;
  - b) Amendments to the bylaws, with votes taken on all articles or groups of articles that are materially different

COMPLIANT

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

COMPLIANT

7. The board of directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interests and, as such, strive to maximise its value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

COMPLIANT

8. The board should see its core mission as approving the company's strategy and the organisational resources to put this into practice, and supervising and ensuring that management meets the targets set while pursuing the company's interests and corporate purpose. As such, the board in plenary should reserve the right to approve:

- a) The company's general strategies and policies, and in particular:
  - i) The strategic or business plan and the annual management and budgetary targets;
  - ii) The investment and funding policy;
  - iii) The definition of how the group companies are structured;
  - iv) The corporate governance policy;
  - v) The corporate social responsibility policy;
  - vi) The policy for senior managers' remuneration and performance assessment;
  - vii) The policy for controlling and managing risks, and the periodic monitoring of the internal information and oversight systems.
  - viii) The pay-out policy and the treasury-stock policy, especially their limits.

See sections: C.1.14, C.1.16 and E.2

b) The following resolutions:

- i) At the proposal of the company's chief executive officer, the appointment and possible separation of senior managers from their positions, as well as their severance compensation clauses.
- ii) Directors' remuneration and any additional remuneration to executive directors for executive responsibilities and other terms and conditions that their contracts must respect.
- iii) The financial information that the company, as a publicly traded company, must disclose periodically.
- iv) Investments and/or transactions of any kind, whose high value or special characteristics make them strategic, unless the general meeting is charged with approving them;
- v) The creation or acquisition of shares in special purpose entities or entities domiciled in countries or territories considered tax havens, and any other transactions or operations of an analogous nature whose complexity could undermine the group's transparency.

c) Transactions between the company and its directors, its significant shareholders and/or shareholders represented on the board, and/or parties related to them ("related-party transactions").

However, board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

- 1. They are carried out under arms' length contracts with standard conditions, applicable en masse to a large number of customers;
- 2. They go through at market rates or prices set in general by the supplier of the goods or services;
- 3. They are worth less than 1% of the company's annual revenues.

Related-party transactions should only be approved on the basis of a favourable report from the audit committee or any other committee entrusted with such a report; and the directors involved should neither vote nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.

The above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the executive committee in urgent cases and later ratified by the board in plenary.

See sections: D.1 and D.6

#### COMPLIANT

9. In the interests of maximising effectiveness and participation, the board of directors should ideally comprise no fewer than five and no more than fifteen members.

See section: C.1.2.

#### COMPLIANT

10. External, proprietary and independent directors should occupy an ample majority of board places, while the number of executive directors should be the minimum required to deal with the complexity of the corporate group and reflect the ownership interests they control.

See sections: A.3 and C.1.3

COMPLIANT

11. Amongst external directors, the ratio between the number of proprietary and independent directors should reflect the percentage of shares held by the company that the proprietary director represents and the remaining share capital.

This strict proportionality can be attenuated so the percentage of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

1. In large-cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested in absolute terms.
2. In companies with a plurality of shareholders represented on the board but not otherwise related to each other.

See sections: A.2, A.3 and C.1.3

COMPLIANT

12. Independent directors should account for at least one third of the total number of seats.

See section: C.1.3

COMPLIANT

13. The board should explain the type of each directorship to the general meeting that must appoint the director or ratify their appointment. This should be confirmed or reviewed each year in the annual report on corporate governance, after verification by the appointments committee. Said report should also disclose the reasons for the appointment of proprietary directors at the behest of shareholders controlling less than 5% of capital; and it should explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

See sections: C.1.3 and C.1.8

COMPLIANT

14. When the number of female directors is few or zero, the appointments committee will ensure that when new vacancies open:

- a) The procedure for filling board vacancies has no implicit bias against female candidates;
- b) The company makes a conscious effort to seek and shortlist women with the target profile among the candidates for board places.

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

COMPLIANT

15. The chairman, who is responsible for the efficient operation of the board, shall ensure that the directors receive sufficient prior information for the meetings; encourage directors to debate and participate actively in the meetings, safeguarding their freedom to take their own stance and express their own opinion. He/she should organise and coordinate periodic assessment of the board with the chairs of the relevant committees and with the Bank's managing director or chief executive officer, when this is not

also the chair.

See sections: C.1.19 and C.1.41

#### COMPLIANT

16. When the chairman of the board is also the chief executive officer of the company, one of the independent directors should be empowered to request board meetings be held and/or the inclusion of new items on the agenda; to coordinate and voice the concerns of external directors; and to direct the board's evaluation of its chairman.

See section: C.1.22

#### EXPLAIN

Article 5 of the Board Regulations establishes that the Chairman of the Board will also be the Bank's Chief Executive Officer unless the Board resolves to separate the positions of Chairman and Chief Executive Officer on the grounds of the Company's best interests. However BBVA has a system of Corporate Governance that establishes effective mechanisms to avoid the concentration of power in one sole individual and guarantees effective control and efficient supervision of the Bank's executives. These include:

The BBVA Board has appointed from amongst its members a managing director, the President & Chief Operating Officer, as provided for in the Bank's Company Bylaws, who holds the broadest powers delegated by the Board. He is empowered to manage and represent the Company in keeping with his position and is directly responsible for the ordinary management and development of all the Group Business Areas, as well as some of the Support Areas that report up to it in the organisational chart. The President & COO, in turn, reports directly to the Board of Directors each month on the developments in the Company and the Group's activity.

The BBVA Board of Directors comprises an ample majority of independent directors, allowing an appropriate balance between the oversight and control duties of the corporate bodies. Pursuant to the Board Regulations, any director may request the inclusion of items on the agenda that they deem advisable for the interests of the Group. Article 18 of the Board Regulations also establishes the possibility that if those directors that represent one quarter of the Board members appointed at any time so wish, they may request a Board Meeting be held.

BBVA has a permanent Executive Committee, mainly comprising external directors with the following authority:

To file and propose general policy guidelines, the criteria for setting targets and drawing up programmes, examining the proposals put to it in this regard, evaluating and approving the actions and results of any direct or indirect activity carried out by the Entity; to determine the volume of investment in each individual activity; to approve or reject transactions, determining methods and conditions; to arrange inspections and internal or external audits of all the Entity's areas of operation; and in general to exercise the authority conferred on it by the Board of Directors.

The BBVA Executive Committee meets every two weeks and reports directly to the Risk Director, the Chief Financial Officer and the heads of the Business Areas. It performs executive duties including the approval of specific transactions, establishing risk limits and proposing policy. It also has oversight duties such as the analysis of the Bank's activity and earnings prior to the Board meetings, share performance analysis, market situations and liquidity, credit and market risk management.

Moreover, in order to better perform its management oversight duties and duties regarding key issues such as risk management, remuneration, appointments and reviews of the financial statements, the Board has constituted various Committees to support it, including the Audit & Compliance Committee, the Appointments Committee, the Remuneration Committee and the Risks Committee. These Committees assist the Board on matters within their remit, and their composition and rules of organisation and operation are described in detail in section C.2.4 below.

These specialist Committees only comprise external directors, the majority of whom are independent (The Audit & Compliance Committee and the Risks Committee are wholly comprised of independent directors and the Appointments Committee and the Remuneration Committee have a majority of independent directors.)

Likewise, all the Committee Chairs are independent directors with ample experience and autonomy in the management of their respective committees. Thus, they decide the agenda for the committees, call their meetings and have direct access to Bank executives, and can also freely hire assistance from external experts when they deem this necessary for the performance of their duties.

This structure and organisation of corporate bodies, together with the high number of independent directors comprising the Board and its Committees, alongside the operational system of the Board (based on specialist assistance on the most relevant issues from Board Committees that operate under a system independent of the Bank's executives, setting their own agendas, calling the Bank executives to meetings as necessary and accessing all information required for the decision-making process) guarantees a balanced System of Corporate Governance that properly combines all its elements to avoid the accumulation of powers in one sole individual.

**17. The secretary should take care to ensure that the board's actions:**

- a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulators;
- b) Comply with the company bylaws and the regulations of the general meeting, the board of directors or others;
- c) Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.

And in order to safeguard the independence, impartiality and professionalism of the company secretary, his/her appointment and removal should be proposed by the appointment committee and approved by a full board meeting; and that these appointment and severance procedures are spelled out in the board's regulations.

See section: C.1.34

COMPLIANT

**18. The board shall meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.**

See section: C.1.29

COMPLIANT

**19. Directors should keep their absences to the bare minimum. Absences should be quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do**

so with instructions.

See sections: C.1.28, C.1.29 and C.1.30

#### COMPLIANT

20. When directors or the company secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them may request they be recorded in the minutes.

#### COMPLIANT

21. The board in plenary should evaluate the following points on a yearly basis:

- a) The quality and efficiency of the board's operation;
- b) Starting from a report submitted by the appointments committee, how well the chairman and chief executive officer have carried out their duties;
- c) The performance of its committees on the basis of the reports furnished by such committees.

See sections: C.1.19 and C.1.20

#### COMPLIANT

22. All directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the bylaws or board regulations indicate otherwise, such requests should be addressed to the chairman or secretary.

See section: C.1.41

#### COMPLIANT

23. All directors should be entitled to call on the company for the advice and guidance they need to perform their duties. The company should provide suitable channels for the exercise of this right. Under special circumstances it could include external assistance at the company's expense.

See section: C.1.40

#### COMPLIANT

24. Companies should organise induction programmes for new directors to acquaint them rapidly and sufficiently with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

#### COMPLIANT

25. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

- a) The directors must inform the appointments committee of their other professional obligations, in case these interfere with the dedication required to perform their duties.
- b) Companies should lay down rules about the number of directorships their board members can



hold.

See sections: C.1.12, C.1.13 and C.1.17

COMPLIANT

26. The proposal for the appointment or renewal of directors which the board submits to the general meeting, as well as provisional appointments by co-option, should be approved by the board:
- a) At the proposal of the appointments committee for independent directors.
  - b) On the basis of a report by the appointments committee for all other directors.

See section: C.1.3

COMPLIANT

27. Companies should publish the following director particulars on their website and keep them permanently updated:
- a) Professional profile and background;
  - b) Directorships held in other companies, listed or otherwise;
  - c) An indication as to the category of directorship that they hold; in the case of proprietary directors, stating the shareholder they represent or to whom they are affiliated.
  - d) The date of their first and subsequent appointments as a company director, and
  - e) Shares and/or share options held in the company.

COMPLIANT

28. Proprietary directors must resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes to a level that requires the reduction in the number of proprietary directors, the number of such directors should be reduced accordingly.

See sections: A.2, A.3 and C.1.2

COMPLIANT

29. The board of directors must not propose the removal of independent directors before the expiry of their term in office pursuant to the bylaws, except where due cause is found by the board, based on a report from the appointments committee. In particular, due cause will be deemed to exist when the director has failed to comply with the duties inherent to the position or incurred in any of the circumstances that may make him/her lose the status of independent director, pursuant to the provisions of Order ECC/461/2013.

The severance of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

COMPLIANT

30. Companies should establish rules obliging directors to inform the board of any circumstance that might undermine the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent proceedings.

If a director is indicted or tried for any of the offences stated in article 213 of the Corporate Enterprises Act, the board should examine the matter as soon as possible and, in view of the particular circumstances, decide whether or not he or she should be called on to resign. The board should also give a reasoned account of all such determinations in the Annual Corporate Governance Report.

See sections: C.1.42, C.1.43

COMPLIANT

31. The directors should clearly express their opposition when they consider that a resolution submitted to the board may not be in the company's best interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board adopts material or reiterated resolutions on issues about which a director has expressed serious reservations, said director must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

This Recommendation should also apply to the company secretary, even if the secretary is not a director.

COMPLIANT

32. If leaving office before the end of its term, the director should explain the reasons in a letter sent to all board members. And whether or not such resignation is filed as a significant event, the reasons for leaving must be explained in the Annual Corporate Governance Report.

See section: C.1.9

COMPLIANT

33. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-indexed instruments, payments indexed to the company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their term of office.

COMPLIANT

34. External directors' remuneration should sufficiently compensate them for the dedication, qualifications and responsibilities that the position entails; but should not be so high as to compromise their independence

COMPLIANT

35. Deductions should be made to remuneration linked to company earnings, for any qualifications stated in the external auditor's report that reduce such earnings.

COMPLIANT

36. In the case of variable awards, remuneration policies should include technical safeguards and limits to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or similar circumstances.

COMPLIANT

37. When the company has an executive committee, the breakdown of its members by director category should be similar to that of the board itself. The secretary of the board should also act as secretary to the executive committee.

See sections: C.2.1 and C.2.6

COMPLIANT

38. The board should be kept fully informed of the business transacted and resolutions adopted by the executive committee. To this end, all board members should receive a copy of the executive committee's minutes.

COMPLIANT

39. In addition to the audit committee mandatory under the Securities Exchange Act, the board of directors should form a committee, or two separate committees, for appointments and remuneration.

The rules governing the composition and operation of the audit committee and the committee(s) for appointments and remuneration should be set forth in the board regulations, and include the following:

a) The board of directors should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first full board meeting following each meeting;

b) These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior management may also attend meetings at the committees' express invitation.

c) These committees should be chaired by an independent director.

d) They may engage external advisors, when they deem this necessary for the discharge of their duties.

e) Meeting proceedings should be minuted and a copy sent to all board members.

See sections: C.2.1 and C.2.4

COMPLIANT

40. The supervision of compliance with internal codes of conduct and corporate governance rules should be entrusted to the audit committee, the appointments committee or, as the case may be, separate compliance or corporate governance committees.

See sections: C.2.3 and C.2.4

COMPLIANT

41. All members of the audit committee, particularly its chair, should be appointed with regard to their knowledge and background in accounting, auditing and risk management.

COMPLIANT

42. Listed companies should have an internal audit function, under the supervision of the audit committee, to ensure the proper operation of internal reporting and control systems.

See section: C.2.3

COMPLIANT

43. The head of internal audit should present an annual work programme to the audit committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

COMPLIANT

44. The oversight and risk management policy should specify at least:

- a) The different types of risk (operational, technological, financial, legal, reputational, etc) to which the company is exposed, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;
- b) The level of risk that the company considers acceptable;
- c) The measures established to mitigate the impact of the risks identified, should they materialise;
- d) The internal oversight and reporting systems that will be used to control and manage said risks, including contingent liabilities and off-balance-sheet risks.

See section: E

COMPLIANT

45. The audit committee's role should be :

1. With respect to internal control and reporting systems:

- a) To ensure that the principal risks identified as a consequence of the supervision of the efficacy of the company's internal control and internal audit, where applicable, are adequately managed and disseminated.
- b) To ensure the independence and efficacy of the internal audit; propose the selection, appointment, re-election and severance of the internal audit officer; propose the budget for the internal audit service; receive periodic information on their activities; and verify that the senior management pay due heed to the conclusions and recommendations of their reports.
- c) To establish and supervise a mechanism that enables employees to confidentially and, if this is deemed appropriate, anonymously communicate irregularities they notice within the company that may be of potential importance, especially financial and accounting irregularities.

2. With respect to the external auditor:

- a) To receive regular information from the external auditor on the audit schedule and the outcome of its execution, verifying that the senior management takes due heed of its recommendations;
- b) To ensure the independence of the external auditor, to which end:
  - i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
  - iii) Should the external auditor resign, to examine the circumstances leading to the

resignation.

See sections: C.1.36, C.2.3, C.2.4 and E.2

#### PARTIALLY COMPLIANT

The BBVA Audit & Compliance Committee Regulations establish the most wide-ranging powers with respect to the internal audit, which are detailed in section C.2.3 of this report. These include ensuring the independence and efficacy of the internal audit function and being apprised of the appointment and severance of the head of the internal audit service. However, its duties do not include proposing the selection of the head of the service or its budget, as this is considered an integral part of the Bank's overall organisation.

46. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

#### COMPLIANT

47. The audit committee should prepare information on the following points from Recommendation 8 for input to board decision-making:

- a) The financial information that the company, as a publicly traded company, must disclose periodically. The committee should ensure that the interim accounts are drawn up with the same accounting standards as the annual accounts and, to such end, consider the advisability of a limited review by the external auditor.
- b) The creation or acquisition of shares in special-purpose entities or entities domiciled in countries or territories considered tax havens, and any other transactions or operations of an analogous nature whose complexity could undermine the group's transparency.
- c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See sections: C.2.3 and C.2.4

#### COMPLIANT

48. The board of directors shall try to avoid the accounts it has filed being presented to the general meeting with reservations and qualifications. When this is not possible, both the chair of the audit committee and the auditors must clearly explain the content and scope of discrepancies to the markets and shareholders.

See section: C.1.38

#### COMPLIANT

49. The majority of appointments committee members –or appointments & remuneration committee members as the case may be– should be independent directors.

See section: C.2.1

#### COMPLIANT

50. The appointments committee should have the following duties in addition to those stated in earlier recommendations:

- a) Evaluate the balance of skills, knowledge and experience required on the board, define the roles and capabilities required of the candidates to fill each vacancy accordingly, and decide the time and dedication necessary for them to properly perform their duties.
- b) Examine or organise, in the manner it deems suitable, the succession of the chairman and/or chief executive officer and put corresponding proposals to the board for an orderly, well-planned succession.

- c) Report on the senior officer appointments and removals that the chief executive proposes to the board.
- d) Report to the board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: C.2.4

COMPLIANT

51. The appointments committee shall consult with the company chairman and the chief executive officer with respect to matters related to executive directors.

Any board member may suggest potential directorship candidates to the appointment committee for consideration.

COMPLIANT

52. The appointments committee should have the following duties in addition to those stated in earlier recommendations:

- a) Make proposals to the board of directors regarding:
  - i) The policy for directors' and senior managers' remuneration;
  - ii) The individual remuneration and other contractual conditions of executive directors.
  - iii) The basic conditions of the contracts for senior managers.
- b) Oversee compliance with the remuneration policy set by the company.

See sections: C.2.4

COMPLIANT

53. The remuneration committee shall consult with the company chairman and the chief executive officer, especially with respect to matters related to executive directors and senior managers.

COMPLIANT

## **H OTHER INFORMATION OF INTEREST**

1. If there is any other aspect relevant to the corporate government in the company or in the group entities that has not been reflected in the rest of the sections of this report, but is necessary to include to provide more comprehensive and well grounded information on the corporate governance structure and practices in your entity or its group, detail them briefly.

The data in this report refer to the year ending 31st December 2013, except in those cases when another date of reference is specifically stated.

Further to Section A.2, State Street Bank and Trust Co., Chase Nominees Ltd, The Bank of New York Mellon S.A.N.V. and Caceis Bank, as international custodian/depositary banks, held 10.875%, 6.561%, 5.028% and 3.074% of BBVA's share capital, respectively, on 31st December 2013. Among the positions held by the custodians, the Company has not been notified of any individual shareholders with direct or indirect holdings of over 3% of the BBVA share capital.

Filings of significant holdings to CNMV: In 2010, Blackrock Inc. filed a report to the CNMV (securities exchange authority) stating that as a consequence of the acquisition of the Barclays

Global Investors (BGI) business, it now had an indirect holding of 4.45% of the BBVA share capital, through the company Blackrock Investment Management.

Further to the information in section A.3: Pursuant to the instruction of CNMV Circular 5/2013, no indirect owner of shareholdings has been identified among the Board members as no director has more than a 3% holding, nor are any of them resident in tax havens.

Further to the information in section A.3: The following "rights over shares" are included for the BBVA executive directors: 1) Deferred shares pending payment under the LTI Programme for 2010/2011 (35,000 shares in the case of the Chairman & CEO, vesting in 2014 and 2015; and 30,000 shares in the case of the President & COO, vesting in 2014 and 2015); 2) Deferred shares pending payment under the Variable Remuneration in Shares Programme for 2011 (51,826 shares in the case of the Chairman & CEO, vesting in 2014 and 2015; and 32,963 shares in the case of the President & COO, vesting in 2014 and 2015); 3) Deferred shares pending payment under the Variable Remuneration in Shares Programme for 2012 (36,163 shares in the case of the Chairman & CEO, vesting in 2014, 2015 and 2016; and 22,032 shares in the case of the President & COO, vesting in 2014, 2015 and 2016); 4) Deferred shares pending payment under the Variable Remuneration in Shares Programme for 2013 (155,000 shares in the case of the Chairman & CEO; and 117,000 shares in the case of the President & COO); Pursuant to the Settlement and Payment System for variable remuneration applicable to executive directors and described in the Report on Directors' Remuneration in the BBVA Group, the payment of deferred shares is conditional on none of the events established by the Board of Directors arising that could impede their delivery (malus clause) and on the rest of the conditions of the Settlement and Payment System.

Further to the information in section A.8: regarding earnings from treasury-stock trading, rule 21 of Circular 4/2004 and IAS 32, paragraph 33, expressly prohibit the recognition in the income statement of profits or losses made on transactions carried out with treasury stock, including their issue and redemption. Said profits and losses are directly booked against the company's net assets. In the chart of significant changes, the section on the date of disclosure includes the date of the CNMV incoming register of Annex VI of communications with treasury stock.

Further to the information in section A.9: Likewise, the Annual General Meeting of the Banco Bilbao Vizcaya Argentaria, S.A. Shareholders, 16th March 2012, under its Agenda Item Three, adopted the resolution transcribed below:

1. Confer authority on the Board of Directors, with powers as broad as may be necessary by law, and pursuant to article 297.1.b) of the Corporate Enterprises Act, to increase share capital, during the legally established period of five years as of the date on which this General Meeting is held, up to a maximum amount corresponding to 50% of the Company's share capital on the date of the authorisation, on one or several occasions, to the amount that the Board resolves, by issuing new ordinary or privileged shares, with or without voting rights, including redeemable shares, or shares of any other kind permitted by law, with or without an issue premium; the countervalue of said shares comprising cash considerations. The authority includes the establishment of the terms and conditions of the capital increase, determination of the nominal value of the shares to be issued, their characteristics and any privileges they may confer, the attribution of the right of redemption and the conditions of redemption, and the exercise of that right by the Company.

To attribute the power to the Board of Directors to exclude pre-emptive subscription rights on the share issues made under this authority, pursuant to article 506 of the Corporate Enterprises Act. This power will be limited to the capital issues made under this resolution up to the maximum amount equivalent to 20% of the Company's share capital on the date of this authorisation.

Likewise, to attribute to the Board of Directors powers to freely offer the shares not subscribed within the pre-emptive subscription period(s), when any such period is granted; and to establish that should the issue be undersubscribed, the capital will be increased by the amount effectively subscribed, pursuant to article 311 of the Corporate Enterprises Act; and to redraft article 5 of the Company Bylaws.

All this will be done pursuant to applicable legal and Bylaw provisions at any time, and is conditional on obtaining due permits.

2. To request the competent Spanish and non-Spanish securities exchanges on which the Banco Bilbao Vizcaya Argentaria, S.A. shares are already listed at the time of each capital increase to allow trading of the new shares, provided they comply with applicable regulations. The Board of Directors is hereby authorised, with express powers to delegate this authority, to grant any documents and engage in any acts that may be necessary to such end, including any action, statement or arrangement to achieve the listing of the shares represented by ADSs for trading, with the competent authorities of the United States of America or any other competent authority.

It is expressly recognised that the Company is subject to any rules existing now or in the future regarding negotiation, and especially trading, listing and delisting of the securities. Should application be made subsequently for delisting of the securities, the Company is committed to adopt the formal requirements under applicable regulations and, in such case, uphold the interest of shareholders opposing or not voting in favour, in compliance with the requirements established under the Corporate Enterprises Act, the Securities Exchange Act and other applicable regulations.

3. To confer authority on the Board of Directors to delegate the authority conferred by this General Meeting relating to the foregoing resolutions to the Executive Committee, with express powers to delegate them; on the Chairman of the Board of Directors; on the President & COO; or any other director or proxy of the Company.

Further to the information in section A.10, there are no legal or bylaw restrictions on the exercise of voting rights and there are no legal or bylaw restrictions on the free acquisition or transfer of shares in the company's share capital. According the description of the legal restrictions on the acquisition or transfer of shares in the company's capital, pursuant to article 56 and following in Act 26/1988, 29th July on discipline and oversight in financial institutions which establishes that any individual or corporation acting alone or in concert with others, intending to directly or indirectly acquire a significant holding in a Spanish financial institution (as defined in article 56 of the aforementioned Act 26/1988) or to directly or indirectly increase their holding in one in such a way that either the percentage of voting rights or of capital owned would be equal to or more than 20, 30 or 50%, or by virtue of the acquisition, might take control over the financial institution, must first notify the Bank of Spain. The Bank of Spain will have 60 working days after the date on which the notification was received, to evaluate the transaction and, where applicable, challenge the proposed acquisition on the grounds established by law.

Further to section C.1.3: Francisco González Rodríguez was appointed as a BBVA director by the BBV and Argentaria Merger General Meetings, 18th December 1999. The Board, pursuant to article 3 of the Board Regulations, resolved on 29th September 2009, with a favourable report from the Appointments & Remuneration Committee, to co-opt Angel Cano as Board member and President & Chief Operating Officer. Both Mr Gonzalez and Mr Cano were later re-elected by the General Meeting, 15th March 2013, at the proposal of the Board and with a favourable report from the Appointments & Remuneration Committee. José Maldonado was appointed as a BBVA director at the BBV and Argentaria Merger General Meetings, 18th



December 1999, and re-elected at the BBVA General Meeting, 16th March 2012, at the proposal of the Board and with a favourable report from the Appointments Committee, pursuant to section C.1.19.

Further to the information included in section C.1.15:

The amount indicated as "Remuneration of the board of directors" includes remuneration stemming from the remuneration systems established for non-executive and executive directors pursuant to article 33 bis and 50 bis of the Company Bylaws, respectively, and includes:

- a) Fixed remuneration (for belonging to the Board and its Committees) and remuneration in kind corresponding to 2013 for non-executive directors, and the amounts paid to a non-executive director for early retirement as a former Bank senior manager.
- b) The fixed remuneration and the remuneration in kind for executive directors (3) corresponding to 2013.
- c) The annual variable remuneration (in cash and in shares) of executive directors corresponding to 2013. However, this remuneration has not *accrued* to the executive directors in its totality on the date of this Report, as pursuant to the Settlement and Payment System for variable remuneration that is applied to them and described in the Report on Directors' Remuneration in the BBVA Group, they will only receive 50% of this in 2014; the rest being deferred for payment of one third in each of the three following years (2015, 2016 and 2017), and subject to none of the circumstances established by the Board of Directors that might impede delivery (malus clause) as well as the rest of the conditions of the Settlement and Payment System.
- d) The remuneration paid under all the items to an independent director who stood down from his directorship during 2013 and who, consequently, did not remain in his position on 31st December 2013.

The total amount indicated, pursuant to the instructions in this Report, corresponds to the amount declared as total remuneration accrued according to chart c) "Summary of Remuneration", section D.1 in the Report on Directors' Remuneration in the BBVA Group.

All these items are included for each individual director in Note 56 of the consolidated Group Annual Report.

Likewise, the provisions recorded at 31st December 2013 to cover pension commitments for executive directors stood at €23,611k in the case of the President & COO and €98k in the case of José Manuel González-Páramo Martínez-Murillo, after the sums of €1,070k and €131k were set aside in 2013 in the case of the President & COO and of José Manuel González-Páramo Martínez-Murillo, respectively, to cover the contingencies of retirement, disablement and death. There were no other pension commitments for other members of the Board of Directors.

The balance of the item "Provisions - Funds for pensions and similar liabilities" on the Group's consolidated balance sheet at 31st December 2013 includes €85m under the item for post-employment benefit commitments maintained with former members of the Board.

Further to the information included in section C.1.16:

The item "Total remuneration of the senior management" includes:

- a) Fixed remuneration and remuneration in kind for the Management Committee members during 2013.
- b) The variable remuneration of the Management Committee members received during the first quarter of 2013 corresponding to 2012.
- c) The part of the deferred variable remuneration of the members of the Management Committee received during the first quarter of 2013 that includes the deferred part of the 2011 variable remuneration in both cash and shares, as well as the part of the LTI 2010-2011 that was deferred in shares, plus the amount of the corresponding updates.

The provisions charged to 31st December 2013 for pension commitments for the current Management Committee members, excluding executive directors, amounted to €91,129k. Of these, €8,697k were provisioned during 2013.

The balance of the item "Provisions - Funds for pensions and similar liabilities" on the Group's consolidated balance sheet at 31st December 2013 includes €156m under the item for post-employment benefit commitments maintained with former members of the Bank's Management Committee.

With regard to section C.1.31: As BBVA shares are listed on the New York Stock Exchange, it is subject to the supervision of the Securities & Exchange Commission (SEC) and thus, in compliance with the Sarbanes Oxley Act and its implementing regulations, each year the Chairman & CEO, President & COO and the executive tasked with preparing the Accounts sign and submit the certifications described in sections 302 and 906 of this Act, related to the content of the Annual Financial Statements. These certificates are contained in the annual registration statement (20-F) the Company files with this authority for the official record.

Further to section C.1.45: The President & COO's contract determines that should he cease to hold this position on any grounds other than his own will, retirement, disability or dereliction of duty, he will take early retirement with a pension payable, as he chooses, through a lifelong annuity pension, or by payment of a lump sum. This pension will be 75% of his pensionable salary if the severance occurs before he is 55, and 85% if it occurs after reaching said age.

Likewise, the Board of Directors only authorises and reports to the General Meeting on the clauses relating to the Executive Directors and the Management Committee members, pursuant to article 17 of the Board Regulations, but not relating to the technical and specialist professionals.

With respect to the duties of the Audit & Compliance Committee set forth in section C.2.3: under the Audit Committee Regulations, its duties include ensuring that the Internal Audit department has the means and resources required, with enough personnel, material elements, systems, procedures and operating manuals to perform its duties in the Group and that it will be apprised of any obstacles that may have arisen to the performance of its duties. It will analyse and, where appropriate, approve the Annual Internal Audit Plan, as well as those other

additional occasional or specific plans that have to be put in place on account of regulatory changes or Group business organisational needs. It will be apprised of the extent to which the audited units have complied with the corrective measures recommended by the Internal Audit in previous audits, and any cases that might pose a relevant risk for the Group will be reported to the Board. The Committee will be informed of any material irregularities, anomalies or breaches that Internal Audit detects in the course of its actions, material being construed as any that may cause a significant and material impact or damage to the Group's net worth, results or reputation. The Internal Audit department will judge such nature at its discretion and, in case of doubt, must report the matter. It will also be apprised of and issue an opinion on the appointment or substitution of the head of Internal Audit, although it does not approve his or her appointment or propose the budget for the Internal Audit department.

Further to Section C.2.4: We provide brief indications regarding what the regulations establish about the composition and functions of each of the Board Committees:

- Appointments Committee: Article 32 of the Board Regulations establish that the Appointments Committee will comprise a minimum of three members who will be appointed by the Board of Directors, which will also appoint its Chair. All the Committee members must be external directors, with a majority of independent directors. Its Chair must be an independent director. When the Chair cannot be present, his/her duties will be performed by the most senior member of the Committee, and, where more than one person of equal seniority are present, by the eldest.

Article 33 lists the Committee's functions, which include: 1. Draw up and report proposals for appointment and re-election of directors under the terms and conditions established in the first paragraph of article 3 of the Board Regulations. To such end, the Committee will evaluate the skills, knowledge and expertise that the Board requires, as well as the conditions that candidates should display to fill the vacancies arising, assessing the dedication necessary to be able to suitably perform their duties in view of the needs that the Company's governing bodies may have at any time. The Committee will ensure that when filling new vacancies, the selection procedures are not marred by implicit biases that may hinder the selection of female directors, trying to ensure that women who display the professional profile being sought are included on the shortlists, when there are no or few female directors. When drawing up proposals for the appointment and re-election of directors, the Committee will take into account, in case they may be considered suitable, any applications that may be made by any Board member for potential candidates to fill the vacancies. 2. Review the status of each director each year, so that this may be reflected in the annual report on corporate governance. 3. Report on the performance of Chairman of the Board and, where applicable, the Company's chief executive, such that the Board can make its periodic assessment, under the terms established in these Regulations. 4. Should the chairmanship of the Board or the post of chief executive officer fall vacant, the Committee will examine or organise, in the manner it deems suitable, the succession of the Chairman and/or chief executive officer and put corresponding proposals to the Board for an orderly, well-planned succession. 5. Report any appointment and separation of senior managers. 6. Any other duties that may have been allocated under these Regulations or given to the Committee under a Board of Directors resolution. In the performance of its duties, the Appointments Committee will consult with the Chairman of the Board and, where applicable, the Chief Executive Officer via the Committee Chair, especially with respect to matters related to executive directors and senior managers.

- Remuneration Committee: Article 35 of the Board Regulations establish that the Remuneration Committee will comprise a minimum of three members who will be appointed by the Board of Directors, which will also appoint its Chair. All the Committee members must be external directors, with a majority of independent directors. Its Chair must be an independent director. When the Chair cannot be present, his/her duties will be performed by the most senior member of the Committee, and, where more than one person of equal seniority are present, by the eldest.

Article 36 establishes that the functions of the Remuneration Committee will be as follows:

1. Propose the remuneration system for the Board of Directors as a whole, in accordance with the principles established in the Company Bylaws. This system will deal with the items comprising the system, their amounts and method of payment.
2. Determine the extent and amount of the remuneration, entitlements and other economic rewards for the Chairman & CEO, the President & COO and, where applicable, other executive directors of the Bank, so that these can be reflected in their contracts. The Committee's proposals on such matters will be submitted to the Board of Directors.
3. Issue a report on the directors' remuneration policy each year. This will be submitted to the Board of Directors, which will report on this to the Company's Annual General Meeting.
4. Propose the remuneration policy for senior management to the Board, and the basic terms and conditions to be contained in their contracts, directly supervising the remuneration of the senior managers responsible for risk management and with compliance functions within the Entity.
5. Propose the remuneration policy to the Board for employees whose professional activities may have a significant impact on the Entity's risk profile.
6. Oversee observance of the remuneration policy established by the Company and periodically review the remuneration policy applied to executive directors, senior management and employees whose professional activities may have a significant impact on the Entity's risk profile.
7. Any other duties that may have been allocated under these Regulations or given to the Committee by a Board of Directors resolution.

In the performance of its duties, the Remuneration Committee will consult with the Chairman of the Board and, where applicable, the Company's Chief Executive Officer via the Committee Chair, especially with respect to matters related to executive directors and senior managers.

- Audit & Compliance Committee: The Board Regulations establish the following:

Article 29. Composition.

The BBVA Audit & Compliance Committee will be formed exclusively by independent directors who are not members of the Bank's Executive Committee. They are tasked with assisting the Board of Directors in supervising the financial statements and exercising oversight for the BBVA Group. It will have a minimum of four members appointed by the Board in view of their knowledge and expertise in accounting, audit and/or risk management. One of these members will act as chair, also by Board appointment.

Members of the Committee do not necessarily have to be experts in financial matters but must understand the nature of the Group's businesses and the basic risks associated with

them. It is also essential that they be prepared to apply the judgement skills ensuing from their professional experience, with an independent and critical attitude. In any event, the Committee Chair will have experience in financial management and will understand the accounting procedures and standards required by the bodies regulating the sector. The Chair must be replaced every four years and may be re-elected after one year has elapsed since separation from the position.

When the Chair cannot be present, his/her duties will be performed by the most senior member of the Committee, and, where more than one person of equal seniority are present, by the eldest.

The Committee will appoint a Secretary who may or may not be a Committee member but may not be an executive director.

#### Article 30. Functions

The Committee will have the powers established under the Company Bylaws, with the following scope:

1. Report to the General Meeting on matters that are raised at its meetings on matters within its scope of competence.
2. Supervise the efficacy of the Company's internal control and oversight, internal audit, where applicable, and the risk-management systems, and discuss with the auditors or audit firms any significant issues in the internal control system detected when the audit is conducted.
3. Supervise the process of drawing up and reporting regulatory financial information.
4. Propose the appointment of auditors or audit firms to the Board of Directors for it to submit the proposal to the General Meeting, in accordance with applicable regulations.
5. Establish correct relations with the auditors or audit firms in order to receive information on any matters that may jeopardise their independence, for examination by the Committee, and any others that have to do with the process of auditing the accounts; as well as those other communications provided for by law and in auditing standards. It must unfailingly receive written confirmation by the auditors or audit firms each year of their independence with regard to the Entity or entities directly or indirectly related to it, and information on additional services of any kind provided to these entities by said auditors or audit firms, or by persons or entities linked to them as provided under Act 19/1988, 12th July, on the auditing of accounts.
6. Each year, before the audit report is issued, to submit a report expressing an opinion on the independence of the auditors or audit firms. This report must, in all events, state the provision of any additional services referred to in the previous subsection.
7. Oversee compliance with applicable domestic and international regulations on matters related to money laundering, conduct on the securities markets, data protection and the scope of Group activities with respect to anti-trust regulations. Also to ensure that any requests for action or information made by official authorities in these matters are dealt with in due time and in due form.

8. Ensure that the internal codes of ethics and conduct and securities market trading, as they apply to Group personnel, comply with legislation and are properly suited to the Bank.

9. Especially enforce compliance with provisions contained in the BBVA Director's Charter, and ensure that directors satisfy applicable standards regarding their conduct on the securities markets.

10. Any other duties that may have been allocated under these Regulations or given to the Committee by a Board of Directors resolution.

As part of this objective scope, the Board shall detail the duties of the Committee in specific regulations establishing procedures by which it may perform its mission.

- Executive Committee: Article 45 of the Company Bylaws establishes that BBVA has an Executive Committee, to which the Board has delegated all its powers of administration, except those that the law and/or bylaws deem may not be delegated due to their essential nature.

Article 26 of the Board Regulations establishes the following:

The Executive committee will be chaired by the Chairman of the Board of Directors, or when this is not possible, by whomever the Company Bylaws determines. The Secretary of the Committee will be the Secretary of the Board. If absent, the person the meeting's members appoint for this purpose will stand in for the Board Secretary.

Article 46 of the Company Bylaws establishes that this Committee will be apprised of the Board of Directors' business that the Board, pursuant to prevailing legislation or the Bylaws, resolves to delegate to it, including specifically, but not limited to, the following:

To formulate and propose general policy guidelines, the criteria for setting targets and preparing programmes, examining the proposals put to it in this regard, evaluating and approving the actions and results of any direct or indirect activity carried out by the Entity; to determine the volume of investment in each individual activity; to approve or reject transactions, determining methods and conditions; to arrange inspections and internal or external audits of all the Entity's areas of operation; and in general to exercise the authority conferred on it by the Board of Directors.

Article 27 of the Board Regulations establishes the functions of the Executive Committee within the Company, as follows:

The Executive Committee will deal with the business that the Board of Directors delegates to it in accordance with prevailing legislation or with the Company Bylaws.

Specifically, the Executive Committee is entrusted with evaluation of the Bank's system of corporate governance. This will be analysed in the context of the Company's development and of the results it has obtained, taking into account any regulations that may be passed and recommendations made regarding best market practices, adapting these to the Company's specific circumstances.

- Risks Committee: The Board Regulations establish the following:

Article 38. Composition: The Risks Committee will have a majority of external directors, with a minimum of three members, named by the Board of Directors, which will also appoint its Chair. When the Chair cannot be present, his/her duties will be performed by the most senior member of the Committee, and, where more than one person of equal seniority are present, by the eldest.

Article 39. Functions: The functions of the Board of Directors' Risks Committee will be as follows: Analyse and evaluate proposals on the Group's risk management and control policies and strategy. In particular, these will identify:

- a) The risk map;
- b) The setting of the level of risk considered acceptable according to the risk profile (expected loss) and capital map (risk capital) broken down by the Group's businesses and areas of activity;
- c) The internal reporting and oversight systems used to control and manage risks;
- d) The measures established to mitigate the impact of risks identified should they materialise: Monitor the match between risks accepted and the profile established. Evaluate and approve, where appropriate, any risks whose volume might compromise the Group's capital adequacy or recurrence of its earnings or that might entail significant potential operational or reputational risks. Ensure that the Group possesses the means, systems, structures and resources benchmarked against best practices to allow implementation of its risk management strategy.

With respect to section D (Related-party and Intragroup Transactions): See Note 55 of the BBVA Annual Consolidated Accounts for 2013.

With respect to section D.4: the transactions of Banco Bilbao Vizcaya Argentaria, S.A. with companies issuing securities on international markets, carried out as part of ordinary trading related to the management of outstanding issuances are indicated.

Regarding Recommendation 40 in Section G: Article 30 of the Board Regulations empowers the Audit & Compliance Committee to supervise the Internal Code of Conduct on the Securities Markets. Article 27 of the Board Regulations empowers the Executive Committee to assess the Bank's corporate governance system. It will analyse this as a function of the Company's performance over time and the impact of any regulations that may be established, and recommendations on best market practices adapted to the real conditions of its business.

During 2011, the BBVA Board of Directors approved the Bank's adhesion to the Code of Best Tax Practices (Código de Buenas Prácticas Tributarias) approved by Foro de Grandes Empresas in the wording proposed by the State Tax Administration Agency (AEAT). During this year, it has been compliant with the contents of this Code.

2. This section may also include any other relevant information, clarification or detail related to previous sections of the report insofar as they are relevant and not reiterative.

Specifically indicate whether the company is subject to corporate governance legislation from any country other than Spain and, if so, include the mandatory information to be provided when different from that required by this report

3. The company may also indicate if it has voluntarily signed up to other international, industry-wide or any other codes of ethical principles or best practices. Where applicable, the code in question will be identified along with the date of signing.

This annual report on corporate governance has been approved by the Company's Board of Directors on 30th January 2014

Indicate whether any board members have voted against or abstained with respect to the approval of this report.

NO



## DECLARATION OF LIABILITY FOR ANNUAL FINANCIAL REPORT

The members of the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. hereby declare that, as far as they are aware, the individual and consolidated financial statements for 2013, filed at their meeting, 30th January 2014, drawn up according to applicable accounting standards, provide a true picture of the net worth, the financial situation and the results of Banco Bilbao Vizcaya Argentaria, S.A. and the companies it consolidates taken as a whole, and that the consolidated and individual management reports include a true analysis of the evolution and position of Banco Bilbao Vizcaya Argentaria, S.A. and the companies that it consolidates taken as a whole, along with a description of the main risks and uncertainties that they face.

Madrid, 30th January 2014

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D. FRANCISCO GONZÁLEZ RODRÍGUEZ  
Chairman and CEO

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D. ÁNGEL CANO FERNÁNDEZ  
President and COO

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D. TOMÁS ALFARO DRAKE  
Director

---

D. JUAN CARLOS ÁLVAREZ MEZQUÍRIZ  
Director

---

D. RAMÓN BUSTAMANTE Y DE LA MORA  
Director

---

D. JOSÉ ANTONIO FERNÁNDEZ RIVERO  
Director

---

D. IGNACIO FERRERO JORDI  
Director

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D<sup>a</sup> BELÉN GARIJO LÓPEZ  
Director

---

D. JOSÉ MANUEL GONZÁLEZ-PÁRAMO MARTÍNEZ-  
MURILLO  
Director

---

D. CARLOS LORING MARTINEZ DE IRUJO  
Director

---

D. JOSÉ MALDONADO RAMOS  
Director

---

D. JOSÉ LUIS PALAO GARCÍA - SUELTO  
Director

---

D. JUAN PI LLORENS  
Director

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D<sup>a</sup> SUSANA RODRÍGUEZ VIDARTE  
Director