BBVA Subordinated Capital, S.A. (Sole-Shareholder Company)

Financial Statements for the year ended December 31, 2014,
together with the Management Report
and Auditor's Report

Deloitte.

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel.: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Sole-Shareholder of
BBVA Subordinated Capital, S.A. (Sole-Shareholder Company):

Report on the Financial Statements

We have audited the accompanying financial statements of BBVA Subordinated Capital, S.A. (Sole-Shareholder Company), hereinafter "the Company", which comprise the balance sheet as at 31 December 2014, and the income statement, statement of recognised income and expense, statement of changes in total equity, cash flows statement and notes to the financial statements for the year then ended.

Directors' Responsibility for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the equity, financial position and results of BBVA Subordinated Capital, S.A. (Sole-Shareholder Company) in accordance with the regulatory financial reporting framework applicable to the Company in Spain (identified in Note 2 to the accompanying financial statements) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the entity's directors of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of BBVA Subordinated Capital, S.A. (Sole-Shareholder Company), as at 31 December 2014, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

Emphasis of matter

We draw attention to Note 1 to the accompanying financial statements, which explains that the Company carries on its business activity as an issuer of preferred securities and other financial instruments as a part of the Banco Bilbao Vizcaya Argentaria Group, from which it receives the guarantees required for its operations on an ongoing basis, and it is managed by Group personnel. Accordingly, the accompanying financial statements must be interpreted in the context of the Group in which the Company carries on its operations and not as an independent unit. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying directors' report for 2014 contains the explanations which the directors consider appropriate about the Company'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 2014. 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 Company's accounting records.

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

José Manuel Domínguez

April 10, 2015

BBVA Subordinated Capital, S.A. (Sole-Shareholder Company)

Financial Statements for the year ended December 31, 2014,
together with the Management Report

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 17). In the event of a discrepancy, the Spanish-language version prevails.

BBVA SUBORDINATED CAPITAL, S.A. (Sole-Shareholder Company)

BALANCE SHEETS AS OF DECEMBER 31, 2014 AND 2013 (Notes 1 to 4)

(Thousand Euros)

ASSETS	12/31/2014	12/31/2013 (*)
NON-CURRENT ASSETS		
Long-term investment in Group and associated companies	1,726,716	282,505
Loans to companies (Note 6)	1,726,716	282,505
Total non-current assets	1,726,716	282,505
CURRENT ASSETS		
Short-term investment in Group and associated companies	40,386	2,517
Loans to companies (Note 6)	40,386	2,517
Cash and cash equivalents	884	1,608
Cash (Note 7)	884	1,608
Total current assets	41,270	4,125
TOTAL ASSETS	1,767,986	286,630

SHAREHOLDER'S EQUITY AND LIABILITIES	12/31/2014	12/31/2013 (*)
EQUITY		
SHAREHOLDER'S EQUITY (Note 8)	742	732
Capital stock	60	60
Reserves	672	665
Legal and bylaw reserves	12	12
Other reserves	660	653
Profit/(Loss) of the year	10	7
Total shareholder's equity	742	732
NON-CURRENT LIABILITIES		
Non-current payables	1,726,775	282,494
Debentures and other marketable securities (Note 9)	1,726,775	282,494
Total non-current liabilities	1,726,775	282,494
CURRENT LIABILITIES		
Current payables	40,385	2,505
Debentures and other marketable securities (Note 9)	40,373	2,501
Other financial liabilities	12	4
Short-term payables to Group and associated companies (Note 10)	66	882
Trade payable and other payables	18	17
Other payables	14	15
Deferred tax liabilities (Note 11)	4	2
Total current liabilities	40,469	3,404
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES	1,767,986	286,630

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 17 are an integral part of the balance sheet as of December 31, 2014.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 17). In the event of a discrepancy, the Spanish-language version prevails.

BBVA SUBORDINATED CAPITAL, S.A. (Sole-Shareholder Company)

INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (Notes 1 to 4)

(Thousand Euros)

	2014	2013 (*)
CONTINUING OPERATIONS		
Net Revenue	**44,092**	**7,080**
Revenue from marketable securities and other financial assets	44,092	7,080
- Group companies and associates (Notes 3.a and 6)	44,092	7,080
Expenses from marketable securities	**(44,054)**	**(7,037)**
- On debts to third parties (Notes 3.a and 9)	(44,054)	(7,037)
Other operating expenses (Note 12)	**(16)**	**(17)**
Exterior services	(14)	(14)
Taxes	(2)	(3)
PROFIT/LOSS FROM OPERATIONS	**22**	**26**
Finance income	**1**	**-**
From marketable securities and other financial instruments	1	-
- Group companies and associates (Note 7)	1	-
Finance costs	**(9)**	**(16)**
On debts to Group companies and associates (Note 10)	(9)	(16)
Exchange differences		
FINANCIAL PROFIT/LOSS	**(8)**	**(16)**
PROFIT/LOSS BEFORE TAX	**14**	**10**
Income tax (Note 11)	(4)	(3)
PROFIT/LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**10**	**7**
DISCONTINUED OPERATIONS		
Profit/Loss for the year from discontinued operations net of tax	-	-
PROFIT/LOSS FOR THE YEAR	**10**	**7**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 17 are an integral part of the income statement for the year ended December 31, 2014.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 17). In the event of a discrepancy, the Spanish-language version prevails.

BBVA SUBORDINATED CAPITAL, S.A. (Sole-Shareholder Company)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (Notes 1 to 4)

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE

(Thousand Euros)

	2014	2013 (*)
PROFIT/LOSS PER INCOME STATEMENT (I)	10	7
Income and expenses recognised directly in equity		
Arising from revaluation of financial instruments	-	-
Arising from cash flow hedges	-	-
Grants, donations or gifts and legacies received	-	-
Arising from actuarial gains and losses and other adjustments	-	-
Tax effect	-	-
TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY (II)	-	-
Transfers to profit or loss		
Arising from revaluation of financial instruments	-	-
Arising from cash flow hedges	-	-
Grants, donations or gifts and legacies received	-	-
Tax effect	-	-
TOTAL TRANSFERS TO PROFIT OR LOSS (III)	-	-
TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)	10	7

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 17 are an integral part of statement of recognised income and expense for the year ended December 31, 2014.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 2 and 17). In the event of a discrepancy, the Spanish-language prevails.

BBVA SUBORDINATED CAPITAL, S.A. (Sole-Shareholder Company)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (Notes 1 to 4)

B) STATEMENTS OF CHANGES IN TOTAL EQUITY

(Thousand Euros)

	Capital Stock (Note 8)	Legal and bylaw reserves	Other Reserves	Profit/Loss for the Year	TOTAL
BALANCE AT DECEMBER 31, 2012 (*)	60	12	552	101	725
Adjustments due to changes in accounting policies	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-
ADJUSTED BALANCE AT THE BEGINNING OF 2013 (*)	60	12	552	101	725
Total recognised income and expenses	-	-	-	7	7
Other changes in equity	-	-	-	-	-
- Capital increases	-	-	-	-	-
- Capital reductions	-	-	-	-	-
- Dividends paid	-	-	-	-	-
- Treasury share transactions (net)	-	-	-	-	-
- Other transactions	-	-	-	-	-
Other changes in equity	-	-	101	(101)	-
BALANCE AT DECEMBER 31, 2013 (*)	60	12	653	7	732
Adjustments due to changes in accounting policies	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-
ADJUSTED BALANCE AT THE BEGINNING OF 2014	60	12	653	7	732
Total recognised income and expenses	-	-	-	10	10
Other changes in equity	-	-	-	-	-
- Capital increases	-	-	-	-	-
- Capital reductions	-	-	-	-	-
- Dividends paid	-	-	-	-	-
- Treasury share transactions (net)	-	-	-	-	-
- Other transactions	-	-	-	-	-
Other changes in equity	-	-	7	(7)	-
BALANCE AT DECEMBER 31, 2014	60	12	660	10	742

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 17 are an integral part of statement of changes in total equity for the year ended December 31, 2014.

Translation of financial statements originally issued in Spanish and prepared in accordence with generally accepted accounting principles in Spain (see Notes 2 and 17). In the event of a discrepancy, the Spanish-language version prevails.

BBVA SUBORDINATED CAPITAL, S.A. (Sole-Shareholder Company)

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (Notes 1 to 4)

(Thousand Euros)

	2014	2013 (*)
CASH FLOW FROM OPERATING ACTIVITIES (I)	(10)	(31)
Profit/Loss for the year before tax	14	10
Adjustments for:	(30)	(27)
- Depreciation and amortisation charge	-	-
- Impairment losses	-	-
- Changes in provisions	-	-
- Recognition of grants in profit or loss	-	-
- Gains/Losses on derecognition and disposal of non-current assets	-	-
- Gains/Losses on derecognition and disposal of financial instruments	-	-
- Finance income	(44,093)	(7,080)
- Finance costs	44,063	7,053
- Exchange differences	-	-
- Changes in fair value of financial instruments	-	-
- Other income and expenses	-	-
Changes in working capital	8	2
- Inventories	-	-
- Trade and other receivables	-	-
- Other current assets	-	-
- Trade and other payables	8	2
- Other current liabilities	-	-
- Other non-current assets and liabilities	-	-
Other cash flows from operating activities	(2)	(16)
- Interest paid	(5,281)	(7,301)
- Dividends received	-	-
- Interest received	5,349	7,330
- Income tax recovered (paid)	(2)	(45)
- Other amounts received (paid)	(68)	-
CASH FLOWS FROM INVESTING ACTIVITIES (II)	(1,442,684)	-
Payments due to investment	(1,488,558)	-
- Group companies and associates	(1,488,558)	-
- Intangible assets	-	-
- Property, plant and equipment	-	-
- Investment property	-	-
- Other financial assets	-	-
- Non-current assets classified as held for sale	-	-
- Other assets	-	-
Proceeds from disposal	45,874	-
- Group companies and associates	45,874	-
- Intangible assets	-	-
- Property, plant and equipment	-	-
- Investment property	-	-
- Other financial assets	-	-
- Non-current assets classified as held for sale	-	-
- Other assets	-	-
CASH FLOWS FROM FINANCING ACTIVITIES (III)	1,441,970	107
Proceeds and payments relating to equity instruments	-	-
- Proceeds from issue of equity instruments	-	-
- Redemption of equity instruments	-	-
- Purchase of treasury shares	-	-
- Disposal of treasury shares	-	-
- Grants, donations or gifts and legacies received	-	-
Proceeds and payments relating to financial liability instruments	1,441,970	107
- Proceeds from issue of debt instruments and other marketable securities	1,488,660	-
- Proceeds from issue of bank borrowings	-	-
- Proceeds from issue of borrowings from Group companies and associates	-	-
- Proceeds from issue of other borrowings	-	-
- Redemption of debt instruments and other marketable securities	(45,874)	-
- Repayment of bank borrowings	-	-
- Repayment of borrowings from Group companies and associates	(816)	107
- Repayment of other borrowings	-	-
Dividends and returns on other equity instruments paid	-	-
- Dividends	-	-
- Returns on other equity instruments	-	-
EFFECT OF FOREIGN EXCHANGE RATE CHANGES (IV)	-	-
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)	(724)	76
Cash and cash equivalents at the beginning of the year	1,608	1,532
Cash and cash equivalents at the end of the year	884	1,608

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 17 are an integral part of statement of changes in total equity for the year ended December 31, 2014.

Translation of financial statements originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain (see Notes 2 and 17). In the event of a discrepancy, the Spanish-language version prevails.

BBVA Subordinated Capital, S.A. (Sole-Shareholder Company)

Notes to the financial statements as of December 31, 2014

1. Company description

BBVA Subordinated Capital, S.A. (Sole-Shareholder Company), ("the Company") was incorporated on October, 29, 2004, and has its registered office in Bilbao, Gran Via, 1.

The Company's sole corporate purpose is to issue preferred securities and/or other financial instruments, including debt instruments of any kind, for placement in the Spanish and international markets.

For an appropriate interpretation of these financial statements it must be taken into account that the Company develops its activity as a member company of the Banco Bilbao Vizcaya Argentaria Group (see Note 8 whose parent company is Banco Bilbao Vizcaya Argentaria, S.A. (which has its registered office in Plaza San Nicolás 4, Bilbao), obtaining permanently of the same one the guarantees and lines of funding necessary for its operative and its management being performed by personnel of the above mentioned Group. In consequence, these financial statements must be interpreted in the context of the Group in which the Company performs its activities and not as independent Company. The BBVA Group's consolidated financial statements for 2014 were prepared by Banco Bilbao Vizcaya Argentaria S.A.`s Directors at the Board Meeting on February 3, 2015, and were approved by their shareholders at the Annual General Meeting held on March 13, 2015, and were subsequently filed at the Mercantile Registry of Vizcaya.

Given the business activity to which the Company devotes herself, it does not have any responsibilities, expenses, assets, not provisions and contingencies of environmental nature that could be significant in relation with the shareholders' equity, the financial situation and the income for the year. Therefore, no specific disclosures relating to environmental issues are included in these notes to financial statements.

Regulation of Sole-Shareholder Companies

As discussed in Note 8, as of December 31, 2014, all the Company's shares were owned by Banco Bilbao Vizcaya Argentaria, S.A. and, accordingly, the Company was a Sole-Shareholder Company as of that date. Pursuant to current legislation on Sole-Shareholder Companies (article 13 of the Royal Decree 1/2010 of July 2, 2010 that approves the Capital Companies Law) it is hereby stated that as of the date of preparation of these financial statements, the Company had formalized the appropriated register book of contracts with its Sole-Shareholder.

The nature and main characteristics of the most significant contracts with the Sole-Shareholder Company are detailed in Note 6 for deposits, Note 7 for cash and cash equivalents and Note 10 for short term payables.

2. Basis of presentation of the financial statements

a) Regulatory financial reporting framework applicable to the Company

The financial statements have been prepared by the Company's Directors according to the regulatory financial reporting framework that applies to the Company, which is the one established in:

- The Spanish Trade Code and other commercial legislation,
- The Spanish National Chart of Accounts approved by Royal Decree 1514/2007 and its adjustments for the different economic sectors, with the modifications introduced by the Royal Decree 1159/2010, of September 17, 2010,
- The mandatory laws approved by the Institute of Accounting and Auditing of Accounts in accordance to the Spanish National Chart of Accounts and its complementary regulation, and
- Other Spanish accounting regulation that applies to the Company.

b) True and fair view

The Company's financial statements for 2014 which have been obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein, and they give a true and fair view of the Company's net worth and financial position as of December 31, 2014 and the results of operations as well as the cash flows generated during 2014. These financial statements, which have been prepared by the Board of Directors of the Company, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes.

Financial statements as of December 31, 2013, were approved by the Shareholders Annual General Meeting on April 25, 2014.

c) Non-obligatory accounting principles applied

The financial statements have been prepared by applying the generally accepted accounting principles described in Note 3. All compulsory accounting principles and/or valuation standards with a material effect on the financial statements were applied in preparing them.

Article 537 of the Spanish Law on Corporations provides that companies that have issued securities listed on a regulated market of any European Union Member State and that, pursuant to current legislation, only publish separate financial statements, must disclose in the notes to the financial statements the main changes that would have arisen in equity and in the income statement had International Financial Reporting Standards as adopted under the regulations of the European Union ("EU-IFRSs") been applied, indicating the measurement bases applied. In this regard, it is hereinafter disclosed that the Company's equity at December 31 2014, and its income statement for this year then ended would not include any changes had EU-IFRS been applied rather than the Spanish national chart of accounts.

Given the characteristics and symmetry of the financial assets and liabilities measured at amortised cost (see Notes 6 and 9), the breakdown of its fair value is not shown (see Note 5).

d) Key issues in relation to the measurement and estimation of uncertainty

In preparing the accompanying financial statements, estimates have been made by the Company's Directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to assessment of possible impairment losses on certain assets (see Note 3.a).

Although these estimates have been made on the basis of the best information available at 2014 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively, in accordance with the current legislation.

e) Grouping of items

Certain items in the balance sheets, income statements, statements of changes in equity and statements of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to these financial statements.

f) Comparative information

For comparison purposes the Company's directors present, in addition to the figures for 2014 for each item in the balance sheet, income statement, statement of changes in equity, statement of cash flows and notes to the financial statements, the figures for 2013. Consequently, the figures for 2013 included in these notes to the financial statements are presented for comparison purposes only and do not constitute the Company's statutory financial statements for year 2013.

g) Changes in accounting policies

In 2014 no significant changes in accounting policies have taken place with respect to those applied in 2013.

h) Correction of errors

During the preparation of these financial statements there has not been detected any significant error that would suppose the re-expression of the amounts included in the financial statements of 2013.

3. Accounting policies and measurement bases

The principal accounting policies and measurement bases used by the Company in preparing its financial statements, in accordance with the Spanish National Chart of Accounts, are as follows:

a) Financial Instruments

Financial Assets

Classification –

The financial assets held by the Company are classified in "Loans and receivables" category, that includes financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

Initial recognition –

Financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

When the deposits arising from subordinated bond issues launched by the Company are made at Banco Bilbao Vizcaya Argentaria, S.A. (see Note 9), the balance of "Long-term investment in Group and associated companies - Loans to companies" reflect the nominal amount of the deposits, net of premiums received when the deposits are made at Banco Bilbao Vizcaya Argentaria, S.A., equivalent to the placement costs of the issue plus, for issues launched below par, the difference between the issue price and the nominal value or the repayment value of the issue.

Subsequent measurement -

Loans and receivables are carried at amortised cost.

The balance of "Long-term investment in Group and associated companies – Loans to companies" in the accompanying balance sheets reflects the nominal amount of the deposits (see Note 6) held by the Company at Banco Bilbao Vizcaya Argentaria, S.A. arising from the aforementioned issues (see Note 9), net of the amount of the premiums received at the time the deposits were made at Banco Bilbao Vizcaya Argentaria, S.A. These premiums are taken to the income statement on a straight-line basis over the life of the deposits.

During 2014, revenues generated by this concept amount to EUR 11,442 thousand. The amount taken to income in 2014 in this connection amounted to EUR 854 thousand (EUR 31 thousand as of December 31, 2013), recognised by the Company under the heading "Net Revenue – Revenue from marketable securities and other financial assets - Group companies and associates" in the accompanying income statements (see Note 6).

The balance of "Short-term investment in Group and associated companies – Loans to companies" in the accompanying balance sheets includes mainly the accrued uncollected interest arising on the aforementioned deposits at the date thereof and the nominal value of the subordinated deposits relating to the aforementioned issues which mature at less than one year, if any (net of the unearned premiums received).

At least at each reporting date the Company makes an impairment test to its financial assets that are not registered at a fair value. The impairment will be equal to the difference between the book value and the present value of the cash flows that are expected to generate, discounted the effective interest rate calculated at the moment of its initial recognition. The value adjustment of the impairment, as well as its reversion when the amount of that loss decreases as a result of a subsequent event, will be recognized as a profit or a loss, respectively, in the income statement. The limit of the reversion of impairment will be the book value of the credit recognized at the moment of the reversion if the impairment had not been registered yet. At December 31, 2014, the Company have not registered any impairment due to the fact that the balancing entries of all the financial assets are companies owned by the BBVA Group.

The Company derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset have been transferred.

Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance cannot be classed as derivative financial instruments. Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

As of December 31, 2014 and 2013 the Company had recognised the amount of the outstanding subordinated bond issues, with maturity upper than 12 months, under "Non-current payables - Debentures and other marketable securities" on the liability side of the accompanying balance sheets, net of:

- Expenses incurred on the issues of subordinated debt, less the expenses taken to income by the straight-line method over the term to maturity of the issues. In 2014 and 2013 the expenses recognised in this connection amounted to EUR 8 and 6 thousand, respectively, which the Company recognised in the caption "Expenses from marketable securities - On debts to third parties" in the accompanying income statements (see Note 9).

- For the issues launched below par, the difference between the issue price and the nominal or repayment value, net of the expenses charged to income by the straight-line method over the term to maturity of the aforementioned issues. The Company has incurred in new placement costs during 2014 for EUR 11,430 thousand. The expenses charged to income for 2014 and 2013 amounted to EUR 844 and 28 thousand, respectively, which have been recognised under the caption "Expenses from marketable securities - On debts to third parties" in the accompanying income statements (see Note 9).

The balance of "Current payables - Debentures and other marketable securities" in the accompanying balance sheets includes the accrued unpaid interest arising to date on the issues mentioned above (and on the issues with a maturity of less than one year, if any). Also under this heading are set above costs falling due within one year left on application to income, which in December 31, 2014 amount to EUR 21 thousand (zero balance in December 31, 2013). The Company attributed the above results linearly expenses from the issue date until the date of early redemption option in emissions of preferred securities.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

b) Recognition of income and expenses

The financial revenues and expenses related to the issuance of notes and bonds and to the constitution of deposits with the Parent Company are registered using the amortized cost method as part of the "Profit from Operations" under the headings "Net Revenue – Revenue from marketable securities and other financial assets – Group companies and associates" and "Expenses from marketable securities" of the income statement of the year, respectively, according to the consultation with the Spanish Accounting and Audit Institute number 79. Other income and expenses are recognised on an accrual basis.

c) Foreign currency transactions

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be foreign currency transactions and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any resulting gains or losses are recognised directly in the income statement in the year in which they arise.

As of December 31, 2014 the Company has one outstanding issue of subordinated bonds in foreign currency, made in Pounds Sterling (see Note 9) and a deposit made in the same currency with the full amount of the resources obtained (see Note 6). The interest rate of the deposit is the same than the one of the issue, and, accordingly, there were no exchange differences in this connection.

d) Corporate income tax

The Company files consolidated corporate income tax returns as part of the consolidated tax group headed by Banco Bilbao Vizcaya Argentaria, S.A. (see Notes 8 and 11).

The expense for corporate income tax is calculated on the basis of book income before taxes, increased or decreased, as appropriate, by the permanent differences from taxable income, understood as the corporate income tax base.

The tax benefit relating to double taxation credits is treated as a reduction of the amount of corporate income tax for the year in which the tax credits are used. Entitlement to these tax credits is conditional upon compliance with the legally stipulated requirements.

e) Related party transactions

The Company performs all its transactions with related parties on an arm's length basis (see Note 14). Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

f) Current and non-current items

Different items on the Balance Sheet have been classified as either current or non-current according to their maturity date, that's to say, if they will reach maturity within or after one year, from the end of the period onwards.

4. Distribution of income

The proposed distribution of income of year 2014, which amounts to EUR 10 thousand, that the Board of Directors will submit for approval by the Sole-Shareholder will be posted in "Other reserves".

5. Risk exposure

The Company carries on its business activity as an issuer of preferred securities and/or other financial instruments, including debt instruments of any kind as part of the BBVA Group, obtains the financing facilities required for its operations from the Group on an ongoing basis, and is managed by employees of the Group. The main financial risks affecting the Company are as follows:

- Interest rate risk: Changes in interest rates affect the interest received from deposits and the interest paid on issues. Therefore, the changes in interest rates offset each other, and the margins are maintained.
- Liquidity risk: The Company obtains the liquidity required to meet interest payments, redemptions of issues and the needs of its business activities from subordinated deposits on the issues arranged with Banco Bilbao Vizcaya Argentaria, S.A. and from the credit facility with Banco Bilbao Vizcaya Argentaria, S.A. (see Notes 6, 7 and 10).
- Credit risk: Since the counterparty of the deposits is Banco Bilbao Vizcaya Argentaria, S.A., the Company considers that its exposure to credit risk is not relevant.
- Other market risks: Since the funds obtained by the Company from the issues launched in foreign currencies are invested in deposits in the same currency, the exposure to currency risk is not relevant.

The fair value of the issues launched does not differ significantly from the amount of the deposits made because their features (amount, term and interest rate) are equal (see Note 9).

6. Loans to companies

The detail of "Long-term investment in Group and associated companies - Loans to companies" of the balance sheets as of December 31, 2014 and 2013 are as follows:

	Thousand Euros	
	2014	**2013**
Deposits	1,737,350	282,572
Unaccrued up-front premiums	(10,634)	(67)
Total	**1,726,716**	**282,505**

The balance of this breakdown of the balance sheets as of December 31, 2014 and 2013 gathers the deposits that the Company was supporting, at the above mentioned date, in Banco Bilbao Vizcaya Argentaria, S.A., arisen immediately after the issues of subordinated bonds with the following details (see Note 9):

Year 2014

	Date of placement	Date of maturity	Interest rate	Amount (Thousand in Foreign currency)	Amount (Thousand Euros)
Deposit 2005-12 (Euros)	10/13/2005	10/13/2020 with early redemption option on 10/13/2015	Quarterly settlements. Up to 10/13/2015 (included) Euribor at 3 months + 0.36%. From 10/13/2015 Euribor at 3 months + 0.86%.	99,350	99,350
Deposit 2007-48 (Euros)	04/04/2007	04/04/2022 with early redemption option on 04/03/2012	Annual settlements: EURCMS to 10 years.	68,000	68,000
Deposit 2008-62 (Euros)	05/19/2008	05/19/2023 with early redemption option on 04/03/2012	Annual settlements. Up to 05/19/2010 fixed interest rate to 4.75% per year. Up to 05/19/2010 fixed interest rate to 3% + variable.	50,000	50,000
Deposit 2008-70 (Euros)	07/22/2008	07/22/2018	Annual settlements: Fixed interest rate to 6.11%.	20,000	20,000
Deposit 2014 -137 (Euros)	04/11/2014	04/11/2014	Annual assessments: until 2019 fixed rate of 3.50% per annum; since 2019, Mid-Swap rate at 5 years + 255pbs	1,500,000	1,500,000
				Total	**1,737,350**

Year 2013

	Date of placement	Date of maturity	Interest rate	Amount (Thousand in Foreign currency)	Amount (Thousand Euros)
Deposit 2005-12 (Euros)	10/13/2005	10/13/2020 with early redemption option on 10/13/2015	Quarterly settlements. Up to 10/13/2015 (included) Euribor at 3 months + 0.36%. From 10/13/2015 Euribor at 3 months + 0.86%.	99,350	99,350
Deposit 2005-13 (Euros)	10/20/2005	10/20/2017 with early redemption option on 10/20/2012	Quarterly settlements. Up to 10/20/2012 (included) Euribor at 3 months + 0.31%. From 10/20/2012 Euribor at 3 months + 0.81%.	26,150	26,150
Deposit 2007-41 (Pounds Sterling)	03/09/2007	03/11/2018 with early redemption option on 03/11/2013	Annual settlements. Up to 03/11/2013 fixed interest rate to 5.75% per year. Up to 03/11/2010 quarterly settlements Libor GBP at 3 months + 0.73%.	15,900	19,072
Deposit 2007-48 (Euros)	04/04/2007	04/04/2022 with early redemption option on 04/03/2012	Annual settlements: EURCMS to 10 years.	68,000	68,000
Deposit 2008-62 (Euros)	05/19/2008	05/19/2023 with early redemption option on 04/03/2012	Annual settlements. Up to 05/19/2010 fixed interest rate to 4.75% per year. Up to 05/19/2010 fixed interest rate to 3% + variable.	50,000	50,000
Deposit 2008-70 (Euros)	07/22/2008	07/22/2018	Annual settlements: Fixed interest rate to 6.11%.	20,000	20,000
				Total	**282,572**

During 2014, the Company launched a new issue, GMNTSUB137, whose nominal amounted to EUR 1,500,000 thousand and therefore it also made a deposit of the same amount, deposit "2014-137", associated to it.

During 2014, the Company early redeemed the GMNTSUB41 issue, with early redemption option whose nominal amounted to £ 15,900 thousand, and therefore also canceled the 2007-41 deposit of the same amount. Also, the issue GMNTSUB13 was early amortized exercising its early redemption option whose nominal amounted to EUR 26,150 thousand, and, therefore the Company also canceled the 2005-13 deposit of the same amount associated to it.

The corresponding accrued unpaid interest receivable amount on deposits above amounts to EUR 40,407 thousand as of December 31, 2014 (EUR 2,517 thousand in 2013) and it is recorded under "Investments in group companies and associates - Loans to companies" in the accompanying balance sheets. Also under "Investments in group companies and associates in the short term - Loans to businesses" of the accompanying balance, the amount of premiums collected at the time of formation of deposits with maturity less picks up an outstanding year impute to results, to December 31, 2014 amounted to EUR 21 thousand (zero balance at December 31, 2013). The Company charged to income the previous premiums from the date of constitution of deposits until the date of early redemption option.

The interest generated on behalf of the Company for these deposits during the year 2014 amounted to EUR 43,238 thousand (EUR 7,049 thousand in 2013), which are recorded under "Net revenues - Securities negotiable and other financial instruments - Group companies and associates "in the consolidated income statement for those years.

All deposits made by the Company, except for the deposit "2008-62", have an initial premium payment or "up-front", to be blamed on the income statement over the life of the deposits (see Note 3.a). The average effective interest earned on these assets was 4.37% and 2.49% annually in the years 2014 and 2013, respectively.

7. Cash and cash equivalents

The balance of this caption of the balance sheets as of December 31, 2014 and 2013 corresponds to the amount of a current account that bears interests held by the Company at Banco Bilbao Vizcaya Argentaria, S.A.

During 2014 and 2013 this current account earned average annual interest of Euribor -0.1%. The interest earned in 2014 and 2013 amounted to EUR 1 thousand and zero balance, respectively, which is recognised under the caption "Finance income – From marketable securities and other financial instruments – Group companies and associates" of the accompanying income statements.

8. Equity and Shareholder's equity

Capital stock

As of December 31, 2014 and 2013, the capital stock amounted to EUR 60,102, and consisted of 10,017 registered shares of EUR 6 nominal value each, fully subscribed and paid by Banco Bilbao Vizcaya Argentaria, S.A.

The shares of the Company are not listed.

Legal Reserve

Under the revised Capital Companies Law, the companies who obtain profits in the economic exercise will have to allocate 10% of the same ones as legal reserve until this one reaches, at least, 20% of the share capital. The legal reserve could be used for increasing the share capital in the part of the balance that exceeds 10% of the already increased capital. Apart from this purpose, and while it does not overcome the 20% of the share capital, this reserve will only be able to be used to compensate for losses, providing that there do not exist other available sufficient reserves for this purpose. As of December 31, 2014 and 2013, the legal reserve of the Company had reached the stipulated level.

9. Non-current payables - Debentures and other marketable securities

The breakdown of the balance of this heading in the balance sheets as of December 31, 2014 and 2013 is as follows:

	Thousand Euros	
	2014	**2013**
Issues	1,737,350	282,572
Deferred charges	(52)	(30)
"Up-front" issue premiums not accrued	(10,523)	(48)
Total	**1,726,775**	**282,494**

GMTN PROGRAM

Under the agreement of the Shareholder's Meeting on December 21, 2004, the Company's Board of Directors approved in the same date a GMTN Securities Emission Program, for the emission of debentures, bonds or other subordinated debt securities, amounting to a maximum of EUR 20,000,000 thousand or its equivalent in any other currency. Subsequently, on June 5, 2006 the Board agreed to increase the value of the GMTN Securities Emission Program to a maximum of EUR 40,000,000 thousand or its equivalent in any other currency, and since then this Program has been renewed annually, the latest renovation being on June 23, 2014.

SHELF PROGRAM

Under the agreement of the Shareholder's Meeting on May 28, 2008, the Company's Board of Directors approved in the same date a "Shelf" Securities Emission Program in the United States for the emission of debentures, bonds or other subordinated debt securities, amounting to a maximum value of EUR 6,000,000 thousand or its equivalent in any other currency. Subsequently, the Company's Board of Directors, in its meetings of June 21, 2010, and July 1, 2013, agreed to renew the "Shelf" Securities Emission Program with similar characteristics to the precedent one, to a maximum amount of EUR 6,000,000 thousand.

The outstanding issues as of December 31, 2014 and 2013 are the following:

Year 2014

	Date of placement	Date of maturity	Interest	Amount (Thousand of Currency)	Amount (Thousand Euros)	Expenses of placement
GMTNSUB12 (Euros)	10/13/2005	10/13/2020 with early redemption option on 10/13/2015	Quarterly settlements: Up to 10/13/2015 (included) Euribor at 3 months + 0.30%. From 10/13/2015 Euribor at 3 months + 0.80%.	99,350	99,350	Placement expenses amounted to 0.08% of the amount and the price of the issue was 99.811%.
GMTNSUB48 (Euros)	04/04/2007	04/04/2022 with early redemption option on 04/03/2012	Annual settlements: CMS 10 years.	68,000	68,000	The Company did not have placement expenses and it was performed at par.
GMTNSUB62 (Euros)	05/19/2008	05/19/2023 with early redemption option on 04/03/2012	Annual settlements: Up to 05/19/2010 fixed interest rate to 4.75% per year. Up to 05/19/2010 fixed interest rate to 3% + variable.	50,000	50,000	The Company did not have placement expenses and it was performed at par.
GMTNSUB70 (Euros)	07/22/2008	07/22/2018	Annual settlements: fixed interest rate to 6.11%.	20,000	20,000	The Company did not have placement expenses and it was performed at par.

	Date of placement	Date of maturity	Interest	Amount (Thousand of Currency)	Amount (Thousand Euros)	Expenses of placement
GMTNSUB137 (Euros)	04/11/2014	04/11/2014	Annual assessments: until 2019 fixed rate of 3.50% per annum; since 2019, Mid-Swap rate at 5 years + 255pbs	1,500,000	1,500,000	The placement fees amounted to 0.45% of the nominal and issue price was 99.694%.
				TOTAL	**1,737,350**	

Year 2013

	Date of placement	Date of maturity	Interest	Amount (Thousand of Currency)	Amount (Thousand Euros)	Expenses of placement
GMTNSUB12 (Euros)	10/13/2005	10/13/2020 with early redemption option on 10/13/2015	Quarterly settlements: Up to 10/13/2015 (included) Euribor at 3 months + 0.30%. From 10/13/2015 Euribor at 3 months + 0.80%.	99,350	99,350	Placement expenses amounted to 0.08% of the amount and the price of the issue was 99.811%.
GMTNSUB13 (Euros)	10/20/2005	10/20/2017 with early redemption option on 10/20/2012	Quarterly settlements: Up to 10/20/2012 (included) Euribor at 3 months + 0.25%. From 10/20/2012 Euribor at 3 months + 0.75%.	26,150	26,150	The Company did not have placement expenses and the price was 99.87%.
GMTNSUB41 (Pounds Sterling)	03/09/2007	03/11/2018 with early redemption option on 03/11/2013	Annual settlements: Up to 03/11/2013 fixed interest rate to 5.75% per year. From 03/11/2013 quarterly settlements Libor GBP at 3 months + 0.73%.	15,900	19,072	There are no placement expenses and the issue was made at 99.799%.
GMTNSUB48 (Euros)	04/04/2007	04/04/2022 with early redemption option on 04/03/2012	Annual settlements: CMS 10 years.	68,000	68,000	The Company did not have placement expenses and it was performed at par.
GMTNSUB62 (Euros)	05/19/2008	05/19/2023 with early redemption option on 04/03/2012	Annual settlements: Up to 05/19/2010 fixed interest rate to 4.75% per year. Up to 05/19/2010 fixed interest rate to 3% + variable.	50,000	50,000	The Company did not have placement expenses and it was performed at par.

	Date of placement	Date of maturity	Interest	Amount (Thousand of Currency)	Amount (Thousand Euros)	Expenses of placement
GMTNSUB70 (Euros)	07/22/2008	07/22/2018	Annual settlements: fixed interest rate to 6.11%.	20,000	20,000	The Company did not have placement expenses and it was performed at par.
				TOTAL	282,572	

All the issues are jointly, severally and irrevocably guaranteed by Banco Bilbao Vizcaya Argentaria, S.A. The funds obtained from these issues have been deposited, net of placement and management expenses at Banco Bilbao Vizcaya Argentaria, S.A. (see Note 6).

The interest generated on these issues in 2014 and 2013 amounted to EUR 43,165 and 6,973 thousand, respectively, which is recorded in the caption "Expenses from marketable securities – On debts to third parties" of the accompanying income statements.

In addition, the accrued unpaid interest on these ordinary bond issues as of December 31, 2014 is recorded under "Current payables – Debentures and other marketable securities" of the accompanying balance sheets, and amounted to EUR 40,394 thousand (EUR 2,501 thousand as of December 31, 2013). The amounts non-accrued resulting of the difference between the amount of the issues and its price (in case of issues below par), which mature at less than one year since the date of the accompanying balance sheets, have been recorded in this caption of the accompanying balance sheets (see Note 3.a) and amounts to EUR 21 thousand at December 31, 2014 (balance zero as of December 31, 2013).

The average effective interest earned on these liabilities has been 4.36% and 2.47% annually in the years 2014 and 2013, respectively.

Likewise, the expenses of programs incurred during 2014 and 2013 amounted to EUR 37 and 30 thousand, respectively, which are recorded in the breakdown "Expenses from marketable securities – On debts to third parties" of the accompanying income statements.

All the outstanding issues as of December 31, 2014 and 2013 were listed on the London Stock Exchange. Then the fair value of the nominal value breaks down to December 31, 2014, either by quotation (Level 1) or using discounted cash flow (Level 2):

	Level 1 (%)	Level 2 (%)
GMTNSUB12	94,95	-
GMTNSUB48	90,15	-
GMTNSUB62	-	100,56
GMTNSUB80	115,44	-
GMTNSUB137	103,63	-

Given the symmetrical nature of the associated deposits, the fair value thereof is comparable to emissions to which they are linked.

10. Short-term payables to Group and associated companies

The balance of this caption of the balance sheets as of December 31, 2014 and 2013, relates mainly to a credit facility with Banco Bilbao Vizcaya, S.A. It was renewed on March 22, 2014 with date of maturity March

22, 2015. This credit facility is limited to EUR 1,000 thousand and bears an interest rate equal to Euribor at 3 months plus a 1.75% spread. The outstanding balance as of December 31, 2014 amounted to EUR 66 thousand (EUR 877 thousand as of December 31, 2013). The accrued unpaid interest related to this credit facility during 2013 amounted to EUR 5 thousand, recorded under the caption "Short-term payables in Group and associated companies" of the accompanying balance sheet.

In addition, the accrued unpaid interest on this facility as of December 31, 2014 and 2013 amounts to EUR 9 and EUR 16 thousand, respectively, and is recorded in this breakdown "Finance costs - On debts to Group companies and associates" of the accompanying income statements.

11. Tax matters

Pursuant to the provisions of Legislative Royal Decree 4/2004 of March 5, 2004, implementing the Revised Corporate Income Tax Law, the Company is subject to corporate income tax. The Company also files consolidated tax returns as part of the 2/82 Group, whose parent company is Banco Bilbao Vizcaya Argentaria, S.A.

At the date in which these financial statements are prepared, the Company has the last four years open for inspection by tax authorities for the main taxes applying.

The breakdown of the account reconciliation between taxable income and taxable corporate income tax as of December 31, 2014 and 2013 is as follows:

	Thousand Euros	
	2014	**2013**
Profit before taxes	**14**	**10**
Taxable base	**14**	**10**
Tax rate	30%	30%
Gross tax payable	**4**	**3**
Tax withholdings and pre-payments	-	(1)
Net tax payable	**4**	**2**

As of December 31, 2014 the balance of the heading "Current liabilities - Trade payable and other payables – Deferred tax liabilities" of the accompanying balance sheets contains the tax liability for applicable taxes net of tax withholdings and prepayments for that period amounted to EUR 4 thousand (EUR 2 thousand as of December 31, 2013).

Below is the calculation of the Company Tax expense for years 2014 and 2013:

	Thousand Euros	
	2014	**2013**
Previous taxable income	**14**	**10**
Compensation of negative taxable incomes	-	-
Taxable income	**4**	**3**
Corporate Income tax rate at 30%	4	3
Corporate income tax expense	**4**	**3**

Regarding the diversity of interpretations that can be made from the applicable tax legislation, the outcome of the tax audits of the open years that could be conducted by the tax authorities in the future might originate contingent tax liabilities which cannot be objectively quantified at the present time. However, the Company's Board of Directors and its tax advisors consider that the probability 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 Company's financial statements for 2014.

As of December 31, 2014 and 2013, there are no deferred tax assets that have not been recognised.

12. Other operating expenses

The balance of the heading "Other operating expenses – Exterior services" of the accompanying income statements includes the audit fees relative to the auditing services of the Company's financial statements. In 2014, the detail of the fees paid for the auditing of the financial statements and other services conducted by Deloitte, S.L. or any other company related to the auditor by control, is as follows:

	Thousand Euros
Auditing Services	12
Other Advising or Consulting Services	-
Total fees from Auditing and related services	**12**
Tax Advising Services	-
Other services	-
Total fees from Professional services	**12**

The services engaged from our auditors meet the independence requirements established by the Royal Decree 1/2010, of July 1, approving the Revised Audit Law, and, accordingly, they do not involve the performance of any work incompatible with the audit function.

13. Remuneration of the Company's Board of Directors

The Company did not accrue or pay any wages, salaries or attendance fees to the members of the Board of Directors. It also did not grant any loans or advances or acquire any commitments derived from Pension Plans with any current or former members of the Board of Directors.

All of the members of the Board of Directors perform their professional activity at Banco Bilbao Vizcaya Argentaria, S.A., the Company's Sole-Shareholder.

As of December 31, 2014 and 2013, the Board of Directors of the Company consists of four and five members, respectively.

14. Related party balances and transactions

The related party balances and transactions held by the Company with Banco Bilbao Argentaria Group are entirely with Banco Bilbao Argentaria Group, S.A. as of December 31, 2014 and 2013 is as follows:

	Thousand Euros	
	2014	2013
BALANCE SHEET:		
Assets -		
Long-term investment in Group and associated companies (Note 6)	1,726,716	282,505
Short-term investment in Group and associated companies (Note 6)	40,386	2,517
Cash and cash equivalents (Note 7)	884	1,608
Liabilities -		
Short-term payables to Group and associated companies (Note 10)	66	882
INCOME STATEMENT:		
Income/(Expenses) -		
Net Revenue - Revenue from marketable securities and other financial assets (Notes 3.a and 6)	44,092	7,080
Finance income (Note 7)	1	-
Finance costs (Note 9)	(9)	(16)

15. Other creditors

The breakdown of the information required by Third Additional Rule of 15/2010, July, 5 is as follows:

Year 2014

	Payments and outstanding payments as of December 31	
	2014	
	Amount	%
Payments within the maximum legal period	67	100%
Rest	-	0%
Total payments in 2014	**67**	**100%**
Weighted average oflate payment (in days)	-	
Payments at year-end not made in the maximum payment period	-	

Year 2013

	Payments and outstanding payments as of December 31	
	2013	
	Amount	%
Payments within the maximum legal period	27	60,68%
Rest	17	39,32%
Total payments in 2013	**44**	**100%**
Weighted average oflate payment (in days)	101	
Payments at year-end not made in the maximum payment period	-	

The maximum legal payment term applicable to the Company for the years 2014 and 2013 under Law 15/2010 of 5, July, amending Law 3/2004 on measures to combat late payments in commercial transactions set is 30 days and 60 days respectively. However, the Law 11/2013, of July 26, measures to support entrepreneurs and stimulate growth and job creation, changed the Law 3/2004, establishing the legal maximum payment period at 30 days, extendable by agreement between the parties with a limit of 60 calendar days. Accordingly, the Company has adopted by reference 60 days in both years.

16. Subsequent events

Since December 31, 2014 until the date of preparation of these financial statements, no events that might have a material effect on the financial statements have taken place.

17. 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 Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

BBVA SUBORDINATED CAPITAL, S.A. (Sole-Shareholder Company)

Management Report
For the year ended December 31, 2014

The corporate purpose of BBVA Subordinated Capital, S.A. (Sole-Shareholder Company) (hereinafter, the "Company") is the issuance of subordinated debt, for placement in both domestic and international markets.

Under the agreement achieved at the Shareholder's General Meeting held on December 21, 2004, the Company's Board of Directors approved, at that same date, a GMTN Securities Issuance Program, for the issuance of debentures, bonds or other subordinated debt securities, amounting to a maximum of EUR 20,000,000 thousand or its equivalent in any other currency. Subsequently, on June 5, 2006 the Board of Directors agreed to increase the value of GMTN Securities Issuance Program to a maximum of EUR 40,000,000 thousand or its equivalent in any other currency and, since then, this Program has been renewed annually, being the latest renovation on June 23, 2014.

Under the agreement achieved at the Shareholder's General Meeting held on May 28, 2008, the Company's Board of Directors approved, at the same date, a "Shelf" Securities Issuance Program in the United States for the issuance of debentures, bonds or other subordinated debt securities, amounting to a maximum value of EUR 6,000,000 thousand or its equivalent in any other currency. Subsequently, the Company's Board of Directors, in its meetings held on June 21, 2010, and on July 1, 2013, agreed to renew the "Shelf" Securities Issuance Program with similar characteristics to the precedent one, to a maximum amount of EUR 6,000,000 thousand.

During 2014 the Company issued subordinated debt under GMTN program for a nominal amount of EUR 1,500,000 thousand, for which associated deposit 2014-137 was constituted by the same amount. The Company also early redeemed issue GMNTSUB41, with early redemption option, which nominal amounted to £ 15,900 thousand, and thus canceled deposit 2007-41 associated to it. Finally, issue GMNTSUB13 was early redeemed exercising early redemption option, being its nominal amount EUR 26,150 thousand, and thus canceled deposit 2005- associated to it.

All issues are jointly and irrevocably guaranteed by Banco Bilbao Vizcaya Argentaria, S.A, the Company's Sole Shareholder.

Income Statement

Net profit for the year 2014 amounted to EUR 10 thousand.

The Company recognizes an operating profit of EUR 22 thousand, derived from a net revenue amounting to EUR 44,092 thousand, arising from its turnover, expenses from marketable securities and other financial instruments amounting to EUR 44,054 thousand and other operating expenses amounting to EUR 16 thousand.

The Company's financial income for the year was EUR 1 thousand, while financial expenses amounted to EUR 9 thousand.

Additionally, Corporate Income Tax amounted to EUR 4 thousand.

Due to its activity, the Company does not incur in any environmental expenses.

The Company has no staff expenses, as it has no workforce. Company's management is carried out by personnel from Banco Bilbao Vizcaya Argentaria Group (hereinafter, the "BBVA Group").

Profit Distribution

The Board of Directors will submit for approval to the Sole Shareholder the full distribution of income for the year ended 2014, which amounts to EUR 10 thousand, to "Other Reserves".

Portfolio Shares

None purchases of Company's own shares or of its sole-shareholder have taken place.

Risk Exposure

The Company carries on its business activity as an issuer of preferred securities and/or other financial instruments, including debt instruments of any kind as part of BBVA Group, obtaining financing from the Group on an ongoing basis in order to operate, and being the Company managed by employees belonging to the Group. The main financial risks affecting the Company are as follows:

- Interest rate risk: Changes in interest rates affect the interest received from deposits and the interest paid on issues. Therefore, the changes in interest rates offset each other, and the margins are maintained.
- Liquidity risk: The Company obtains the liquidity required to meet interest payments, redemptions of issues and the needs of its business activities from subordinated deposits on the issues arranged with Banco Bilbao Vizcaya Argentaria, S.A.
- Credit risk: Since the counterparty of the deposits is Banco Bilbao Vizcaya Argentaria, S.A., the Company considers that its exposure to credit risk is not relevant.
- Other market risks (currency risk): Since the funds obtained by the Company from the issues of preferred securities launched in foreign currencies are invested in deposits in the same currency, the exposure to currency risk is not relevant.

Fair value of issues does not significantly differ from deposits´, as its characteristics (amount, maturity and interest rate) are equal.

Detailed fair value of issues as of December 31, 2014 is provided in Note 9 of the accompanying financial statements.

Use of financial instruments

Hybrid financial instruments are those that combine a non-derivative principal contract and a financial derivative (embedded derivative) that cannot be independently transferred.

As of December 31, 2014, the Company has not recognized any hybrid financial instrument on its balance sheet.

Research and Development

Due to the Company's activity, it does not incur into any research and development expenses.

Other payables

The breakdown of the information required by Third Additional Rule of 15/2010, July, 5 is as follows:

	Payments and outstanding payments as of December 31	
	2014	
	Thousand Euros	%
Payments within the maximum legal period	67	100%
Rest	-	0%
Total payments in 2014	**67**	**100%**
Weighted average oflate payment (in days)	-	
Payments at year-end not made in the maximum payment period	-	

The data presented in the table above on payments to suppliers refer to those which by their nature are trade creditors for the supply of goods and services, therefore, it includes data related to "Trade payables and other payables – Other payables "under current liabilities.

The maximum legal payment term applicable to the Company for the years 2014 and 2013 under Law 15/2010 of 5, July, amending Law 3/2004 on measures to combat late payments in commercial transactions set is 30 days and 60 days respectively. However, the Law 11/2013, of July 26, measures to support entrepreneurs and stimulate growth and job creation, changed the Law 3/2004, establishing the legal maximum payment period at 30 days, extendable by agreement between the parties with a limit of 60 calendar days. Accordingly, the Company has adopted by reference 60 days in both years.

Subsequent events

There have been no significant events since the end of the year 2014.

Future Outlook

The Company, as established in its corporate purpose and within Banco Bilbao Vizcaya Argentaria Group's strategy, intends to continue launching issues during 2015 through its outstanding programs.

Report of corporate government

Pursuant to Article 9 of the Order ECC / 461/2013 of March 20, BBVA Subordinated Capital, S.A. (Sole-Shareholder Company), entirely owned by Banco Bilbao Vizcaya Argentaria, S.A., has not prepared an Annual Report of Corporate Governance since it has been prepared and presented by Banco Bilbao Vizcaya Argentaria, S.A., as the parent company of the Group, on February 6, 2015 to the National Comission of the Stock Market.

DISCLAIMER:	*The English version is only a translation of the original in Spanish for information purposes. In case of a discrepancy, the Spanish original prevails.*

DECLARATION OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL REPORT

The members of the BBVA SUBORDINATED CAPITAL, S.A. UNIPERSONAL Board of Directors hereby declare that, insofar as they know, the annual financial statements for 2014, filed at the meeting, 26th March 2015, drawn up under the applicable accounting standards, offer a faithful image of the net assets, financial situation and results of BBVA SUBORDINATED CAPITAL, S.A. UNIPERSONAL, and that the management reports include a faithful analysis of the business earnings and the positions of BBVA SUBORDINATED CAPITAL, S.A. UNIPERSONAL, along with the description of the main risks and uncertainties facing them.

Madrid, 26th March 2015.

SIGNED BY ALL MEMBERS OF THE BOARD