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

Financial Statements for the year ended December 31, 2015,
together with the Management Report
and Auditor's Report

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 2015, 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.

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 2015, 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 2015 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 2015. 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 4, 2016

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

Financial Statements for the year ended
December 31, 2015,
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, 2015 AND 2014 (Notes 1 to 4)

(Thousand Euro)

ASSETS	12/31/2015	12/31/2014 (*)	SHAREHOLDER'S EQUITY AND LIABILITIES	12/31/2015	12/31/2014 (*)
NON-CURRENT ASSETS			**EQUITY**		
Long-term investment in Group and associated companies	**1,727,859**	**1,726,716**	**SHAREHOLDER'S EQUITY (Note 8)**	**776**	**742**
Loans to companies (Note 6)	1,727,859	1,726,716	**Capital stock**	**60**	**60**
Total non-current assets	**1,727,859**	**1,726,716**	**Reserves**	**682**	**672**
			Legal and bylaw reserves	12	12
			Other reserves	670	660
			Profit/(Loss) of the year	**34**	**10**
			Total shareholder's equity	**776**	**742**
			NON-CURRENT LIABILITIES		
			Non-current payables	**1,727,913**	**1,726,775**
			Debentures and other marketable securities (Note 9)	1,727,913	1,726,775
			Total non-current liabilities	**1,727,913**	**1,726,775**
			CURRENT LIABILITIES		
CURRENT ASSETS			**Current payables**	**39,849**	**40,385**
Trade and other receivables	**2**	**-**	Debentures and other marketable securities (Note 9)	39,846	40,373
Public Entities, Other	2	-	Other financial liabilities	3	12
Short-term investment in Group and associated companies	**39,860**	**40,386**	**Short-term payables to Group and associated companies (Note 10)**	**111**	**66**
Loans to companies (Note 6)	39,860	40,386	**Trade payable and other payables**	**10**	**18**
Cash and cash equivalents	**938**	**884**	Other payables	-	14
Cash (Note 7)	938	884	Deferred tax liabilities (Note 11)	10	4
Total current assets	**40,800**	**41,270**	**Total current liabilities**	**39,970**	**40,469**
TOTAL ASSETS	**1,768,659**	**1,767,986**	**TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES**	**1,768,659**	**1,767,986**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 16 are an integral part of the balance sheet as of December 31, 2015.

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

INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (Notes 1 to 4)

(Thousand Euro)

	2015	2014 (*)
CONTINUING OPERATIONS		
Net Revenue	**57,489**	**44,092**
Revenue from marketable securities and other financial assets	57,489	44,092
- Group companies and associates (Notes 3.a and 6)	57,489	44,092
Expenses from marketable securities	**(57,441)**	**(44,054)**
- On debts to third parties (Notes 3.a and 9)	(57,441)	(44,054)
Other operating expenses (Note 12)	**1**	**(16)**
Exterior services	(12)	(14)
Taxes	(1)	(2)
Losses, impairment and changes in trade provisions	14	-
PROFIT/LOSS FROM OPERATIONS	**49**	**22**
Finance income	**1**	**1**
From marketable securities and other financial instruments	1	1
- Group companies and associates (Note 7)	1	1
Finance costs	**(2)**	**(9)**
On debts to Group companies and associates (Note 10)	(2)	(9)
Exchange differences		
FINANCIAL PROFIT/LOSS	**(1)**	**(8)**
PROFIT/LOSS BEFORE TAX	**48**	**14**
Income tax (Note 11)	(14)	(4)
PROFIT/LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**34**	**10**
DISCONTINUED OPERATIONS		
Profit/Loss for the year from discontinued operations net of tax	-	-
PROFIT/LOSS FOR THE YEAR	**34**	**10**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 16 are an integral part of the income statement for the year ended December 31, 2015.

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, 2015 AND 2014 (Notes 1 to 4)

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE

(Thousand Euro)

	2015	2014 (*)
PROFIT/LOSS PER INCOME STATEMENT (I)	34	10
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)	**34**	**10**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 16 are an integral part of statement of recognised income and expense for the year ended December 31, 2015.

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (Notes 1 to 4)

B) STATEMENTS OF CHANGES IN TOTAL EQUITY

(Thousand Euro)

	Capital Stock (Note 8)	Legal and bylaw reserves	Other Reserves	Profit/Loss for the Year	TOTAL
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
Adjustments due to changes in accounting policies	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-
ADJUSTED BALANCE AT THE BEGINNING OF 2015	60	12	660	10	742
Total recognised income and expenses	-	-	-	34	34
Other changes in equity	-	-	-	-	-
- Capital increases	-	-	-	-	-
- Capital reductions	-	-	-	-	-
- Dividends paid	-	-	-	-	-
- Treasury share transactions (net)	-	-	-	-	-
- Other transactions	-	-	-	-	-
Other changes in equity	-	-	10	(10)	-
BALANCE AT DECEMBER 31, 2015	60	12	670	34	776

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 16 are an integral part of statement of changes in total equity for the year ended December 31, 2015.

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

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (Notes 1 to 4)

(Thousand Euro)

	2015	2014 (*)
CASH FLOW FROM OPERATING ACTIVITIES (I)	**9**	**92**
Profit/Loss for the year before tax	**48**	**14**
Adjustments for:	**(61)**	**(30)**
- 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	(57,490)	(44,093)
- Finance costs	57,443	44,063
- Exchange differences	-	-
- Changes in fair value of financial instruments	-	-
- Other income and expenses	(14)	-
Changes in working capital	**(9)**	**8**
- Inventories	-	-
- Trade and other receivables	-	-
- Other current assets	-	-
- Trade and other payables	(9)	8
- Other current liabilities	-	-
- Other non-current assets and liabilities	-	-
Other cash flows from operating activities	**31**	**100**
- Interest paid	(57,973)	(6,157)
- Dividends received	-	-
- Interest received	58,013	6,259
- Income tax recovered (paid)	(9)	(2)
- Other amounts received (paid)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES (II)	**-**	**-**
Payments due to investment	**-**	**-**
- Group companies and associates	-	-
- Intangible assets	-	-
- Property, plant and equipment	-	-
- Investment property	-	-
- Other financial assets	-	-
- Non-current assets classified as held for sale	-	-
- Other assets	-	-
Proceeds from disposal	**-**	**-**
- Group companies and associates	-	-
- 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)	**45**	**(816)**
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	**45**	**(816)**
- Proceeds from issue of debt instruments and other marketable securities	-	-
- Proceeds from issue of bank borrowings	-	-
- Proceeds from issue of borrowings from Group companies and associates	45	-
- Proceeds from issue of other borrowings	-	-
- Redemption of debt instruments and other marketable securities	-	-
- Repayment of bank borrowings	-	-
- Repayment of borrowings from Group companies and associates	-	(816)
- 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)	**54**	**(724)**
Cash and cash equivalents at the beginning of the year	884	1,608
Cash and cash equivalents at the end of the year	938	884

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 16 are an integral part of statement of changes in total equity for the year ended December 31, 2015.

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, 2015

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 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 an issuer company of the Banco Bilbao Vizcaya Argentaria Group (the "BBVA 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) (the "Sole-Shareholder"), obtaining permanently from it 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 2015 were prepared by Banco Bilbao Vizcaya Argentaria S.A.'s Directors at the Board Meeting held on February 2, 2016, and approved by its shareholders at the Annual General Shareholders' Meeting held on March 11, 2016 to be subsequently filed with the Mercantile Registry of Vizcaya.

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

Regulation of Sole-Shareholder Companies

As discussed in Note 8, as of December 31, 2015, all the Company's share capital was held 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 12 et seq. consolidated text of the Spanish Companies Act, approved by Royal Decree 1/2010 of July 2 (the "Spanish Companies Act") it is hereby stated that as of the date of preparation of these financial statements, the Company had legalised the appropriated register book of contracts with its Sole-Shareholder.

The nature and main characteristics of the most significant contracts entered between the Sole-Shareholder and the Company are detailed in Note 6 for contracts of deposits, Note 7 for cash and cash equivalents and Note 10 for credit facilities.

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 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 Royal Decree 1159/2010, of September 17,

- The mandatory rules approved by the Spanish Accounting and Audit Institute (ICAC) in accordance to the Spanish National Chart of Accounts and its complementary regulation, and

- Other Spanish accounting regulation that applies to the Company.

The Spanish Auditing of Account Act 22/2015, of July 20, has introduced specific amendments to the Spanish Trade Code (article 39.4) that affect the intangible assets and goodwill. The new wording establishes that the intangible assets are assets with a defined depreciation period. In those cases where it cannot be estimated in a reliable way, it will be depreciated in 10 years, unless a legal or regulatory provision establishes otherwise. Regarding the goodwill, it specifies that it will be presumed, unless evidence to the contrary exists, that it will be depreciated in 10 years. These amendments apply to those financial statements starting as from January 1, 2016.

Additionally, on December 2015 the ICAC published a draft Royal Decree modifying the Spanish National Chart of Accounts, which develops the accounting impact of the changes made to the Spanish Trade Code mentioned above, although at the date of preparation of these financial statements, the mentioned Royal Decree had not been approved.

The Company is currently analysing the future impact of these amendments, however even though, on December 31, 2015 the Company does not have intangible assets with an undefined depreciation period in its balance, therefore this regulatory amendment will not affect its financial statements.

b) True and fair view

The Company's financial statements for 2015 have been obtained from the Company's accounting records and 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, so that they provide a true and fair view of the Company's net worth, financial position, results of operations and cash flows generated during 2015. These financial statements, which have been prepared by the Board of Directors of the Company, will be submitted for approval by the Sole-Shareholder, and it is expected that they will be approved without any changes.

Financial statements as of December 31, 2014, were approved by the Shareholders Annual General Meeting on April 20, 2015.

c) Non-mandatory accounting principles applied

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

Article 537 of the Spanish Companies Act provides that companies that have issued securities listed on a regulated market of any Member State of the European Union and that, pursuant to current legislation, only publish individual 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 criteria applied. In this regard, it is hereinafter disclosed that the Company's equity at December 31 2015, and its income statement for such year then ended would not include 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 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).

d) Key issues in relation with the measurement and estimation of the 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 2015 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 applicable 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 information material, it is presented 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 2015 for each item in the balance sheet, income statement, statement of changes in equity, cash flows statement and notes to the financial statements, the figures for 2014. Consequently, the figures for 2014 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 2014.

g) Changes in accounting policies

In 2015 no significant changes in accounting policies have taken place with respect to those applied in 2014.

h) Correction of errors

During the preparation of these financial statements there has not been detected any significant error that would require the re-expression of the amounts included in the financial statements for 2014.

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.

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, 2015, 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 classified 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, 2015 and 2014 the Company had recognised the amount of the outstanding subordinated bond issues, with maturity over12 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.

- 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 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).

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist. Additionally, if an exchange of debt obligations is produced between the Company and a third party, provided that they have significant different conditions, the Company will derecognise the original financial liability and will recognize the new financial liability. In the same way, a substantial modification of the current terms of a financial liability will be recognized.

The difference between the book value of the financial liability, or the part thereof that has been derecognized, and the price paid, including transactional costs and any asset different to cash or liabilities assumed, will be recognized in the Income Statement of the year in which they occur.

b) Income and expenses

The 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 consultation number 79 with the Spanish Accounting and Audit Institute. 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 Euro at the rates then prevailing. Any resulting gains or losses are recognised directly in the income statement in the year in which they arise.

At December 31st, 2015 and 2014 the Company does not present any issue in currencies other than the euro.

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 income or expense from deferred taxes arises from the recognition and cancellation of the deferred tax assets or liabilities. They include the temporary differences between the book income and the taxable income, the negative basis of book income that has not been compensated and the tax deduction credits that have not been applied. Those amounts are registered by applying the temporary difference or correspondent credit the tax rate at which the Company expects their recovery or settlement.

The tax benefit relating to double taxation tax 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 applicable requirements.

e) Related party transactions

The Company performs all its transactions with related party on an arm’s length basis (see Note 14). Additionally, 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 depending on the fact that 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 2015, which amounts to EUR 34 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 out 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, obtaining the financing facilities required for its operations from the Group on an on-going 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.
- Liquidity risk: The Company obtains the liquidity required to meet interest payments, redemptions of issues and the needs for 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 fair value of the deposits made because their features (amount, term and interest rate) are equal (see Note 9).

6. Loans to companies of the BBVA Group

The detail of “Long-term investments in Group and associated companies - Loans to companies” of the balance sheets as of December 31, 2015 and 2014 are as follows:

Concept	Thousand Euro	
	2015	**2014**
Deposits	1,737,350	1,737,350
Unaccrued up-front premiums	(9,491)	(10,634)
Total	**1,727,859**	**1,726,716**

The balance of this caption of the balance sheets as of December 31, 2015 and 2014 corresponds to the amount of a current account that bears interests held by the Company at Banco Bilbao Vizcaya Argentaria, S.A.:

Year 2015

	Date of placement	Date of maturity	Interest rate	Amount (Thousand in Foreign currency)	Amount (Thousand Euro)
Deposit 2005-12 (Euro)	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 (Euro)	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 (Euro)	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 (Euro)	07/22/2008	07/22/2018	Annual settlements: Fixed interest rate to 6.11%.	20,000	20,000
Deposit 2014 -137 (Euro)	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 2014

	Date of placement	Date of maturity	Interest rate	Amount (Thousand in Foreign currency)	Amount (Thousand Euro)
Deposit 2005-12 (Euro)	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 (Euro)	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 (Euro)	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 (Euro)	07/22/2008	07/22/2018	Annual settlements: Fixed interest rate to 6.11%.	20,000	20,000
Deposit 2014 -137 (Euro)	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**

During fiscal year 2015, the income from the premiums collected at the time the deposits were made amounted EUR 1,164 thousand, (EUR 854 thousand at 2014), recorded by the Company in the section "Net revenue – Revenue from marketable securities and other financial assets - Group companies and associates" of the accompanying income statement.

The corresponding accrued unpaid interest receivable amount on deposits above amounts to EUR 39,860 thousand as of December 31, 2015 (EUR 40,407 thousand in 2014) 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, 2015 amounted zero balance (EUR 21 thousand in 2014). 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 2015 amounted to EUR 56,325 thousand (EUR 43,238 thousand in 2014), 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 3.24% and 4.37% annually in the years 2015 and 2014, respectively.

7. Cash and cash equivalents

The balance of this caption of the balance sheets as of December 31, 2015 and 2014 corresponds to the amount of a current account that bears interests held by the Company at Banco Bilbao Vizcaya Argentaria, S.A.

During 2015 and 2014 this current account earned average interest of 1-month Euribor -0.1%. The interest earned in 2015 and 2014 amounted to EUR 1 thousand, in both periods, 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

Share Capital

As of December 31, 2015 and 2014, the share capital amounted to EUR 60,102, and consisted of 10,017 ordinary shares of EUR 6 nominal value each, fully subscribed and paid by Banco Bilbao Vizcaya Argentaria, S.A.

The Company's shares are not listed.

Legal Reserve

Under the Spanish Companies Act, the companies who obtain profits in the economic exercise will have to allocate 10% of such profits 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. 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 other reserves to meet this requirement. As of December 31, 2015 and 2014, the legal reserve of the Company had reached the stipulated level.

9. Debentures and other marketable securities

The breakdown of this heading in the balance sheets as of December 31, 2015 and 2014 is as follows:

	Thousand Euro	
	2015	**2014**
Issues	1,737,350	1,737,350
Deferred charges	(44)	(52)
"Up-front" issue premiums not accrued	(9,393)	(10,523)
Total	**1,727,913**	**1,726,775**

GMTN PROGRAM

In use of the authority conferred by the General Shareholder's Meeting held on December 21, 2004, the Board of Directors approved a GMTN Securities Issuance Program with the purpose of issuing bonds, notes and other subordinated debt securities, up to a maximum of EUR 20,000,000 thousand or the equivalent in any other currency. In June 5, 2006, the Board of Directors resolved to approve an increase of the maximum amount of debt issuance under this program up to a maximum of EUR 40,000,000 thousand or its equivalent in any other currency. Since then, this program has been renovated yearly until December 18, 2015, date as from which the Company will not continue making additional issues in with this program.

SHELF PROGRAM

In use of the authority conferred by the General Shareholder's Meeting held on May 28, 2008, the Board of Directors approved a "Shelf" Securities Issuance Program in the United States with the purpose of issuing debentures, bonds or other subordinated debt securities, up to a maximum of EUR 6,000,000 thousand or the equivalent in any other currency. In June 21, 2010 and July 1, 2013, the Board of Directors resolved to renovate the ""Shelf" Securities Issuance Program with similar characteristics to the precedent one, up to a maximum of EUR 6,000,000 thousand.

The outstanding issues as of December 31, 2015 and 2014 are the following:

Year 2015

Name of the issuance	Date of placement	Date of maturity	Interest	Amount (Thousand of Currency)	Amount (Thousand Euro)	Expenses of placement
GMTNSUB12 (Euro)	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 (Euro)	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 (Euro)	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.

Name of the issuance	Date of placement	Date of maturity	Interest	Amount (Thousand of Currency)	Amount (Thousand Euro)	Expenses of placement
GMTNSUB70 (Euro)	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.
GMTNSUB137 (Euro)	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 2014

Name of the issuance	Date of placement	Date of maturity	Interest	Amount (Thousand of Currency)	Amount (Thousand Euro)	Expenses of placement
GMTNSUB12 (Euro)	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 (Euro)	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 (Euro)	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 (Euro)	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.
GMTNSUB137 (Euro)	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**	

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 2015 and 2014 amounted to EUR 56,265 and 43,165 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, 2015 is recorded under "Current payables – Debentures and other marketable securities" of the accompanying balance sheets, and amounted to EUR 39,846 thousand (EUR 40,394 thousand as of December 31, 2014). 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 balance zero at December 31, 2015 (EUR 21 thousand at December 31, 2014).

The average effective interest earned on these liabilities has been 3.24% and 4.36% annually in the years 2015 and 2014, respectively.

Likewise, the expenses of programs incurred during 2015 and 2014 amounted to EUR 17 thousand and 37 thousand, respectively, which are recorded in the breakdown "Expenses from marketable securities – On debts to third parties" of the accompanying income statements.

During 2015 and 2014, the Company has not incurred in new expenses for subordinated debt issuance, being EUR 8 thousand charged to income (EUR 8 thousand at December 31, 2014) for the accrual of such expenses, which the Company have recorded in the section "Expenses from marketable securities - On debts to third parties" of the accompanying income statement.

Also during 2015 and 2014, the Company has not incurred in new costs of placing issuances below par. The accrued expenses charged to income for the years 2015 and 2014 amounted to EUR 1,151 thousand and EUR 844 thousand, respectively, which are recorded in the breakdown "Expenses from marketable securities - On debts to third parties of the accompanying income statement.

All the outstanding issues as of December 31, 2015 and 2014 were listed on the London Stock Exchange. Then the fair value of the nominal value breaks down to December 31, 2015, either by quotation (Level 1) or using discounted cash flow (Level 2):

	Level 1 (%)	**Level 2 (%)**
GMTNSUB12	-	96.45
GMTNSUB48	-	92.50
GMTNSUB62	-	97.87
GMTNSUB80	-	108.02
GMTNSUB137	-	103.82

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, 2015 and 2014, relates mainly to a credit facility with Banco Bilbao Vizcaya Argentaria, S.A. which is limited to EUR 1,000 thousand. It was renewed on March 22, 2015, and its new maturity date is March 22, 2016, when such credit facility was renewed again on an annual basis. This credit facility bears an interest rate equal to 3-month Euribor plus a 1.75% spread.

In addition, the accrued unpaid interest on this facility as of December 31, 2015 and 2014 amounts to EUR 2 thousand and EUR 9 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 Law 27/2014, of November 27, of Corporate Income Tax, 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.

The breakdown of the account reconciliation between taxable income and taxable corporate income tax as of December 31, 2015 and 2014 is as follows:

	Thousand Euro	
	2015	**2014**
Profit before taxes	**48**	**14**
Permanents differences		
Increases	**-**	**-**
Decreases	**-**	**-**
Adjusted profit	**48**	**14**
Temporary differences		
Increases	**-**	**-**
Decreases	**-**	**-**
Set-off of tax losses	**-**	**-**
Taxable base	**48**	**14**
Tax rate	30%	30%
Gross tax payable	**14**	**4**
Deductions	-	-
Tax withholdings and pre-payments	(4)	-
Net tax payable	**10**	**4**

As of December 31, 2015 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 10 thousand (EUR 4 thousand as of December 31, 2014).

Below is the calculation of the Company Tax expense for years 2015 and 2014:

	Thousand Euro	
	2015	**2014**
Adjusted profit	**48**	**14**
30% on the adjusted profit	14	4
Impact due to temporary differences	-	-
Deduction due to doble taxation	-	-
Tax accrued in the fiscal year	**14**	**4**
Set-off of activated tax losses	-	-
Adjust due to Corporate Income Tax on variation of temporary difference	-	-
Adjust due to Corporate Income Tax in previous fiscal years	-	-
Expense/(Income) due to Corporate Income Tax	**14**	**4**

Due to 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 2015.

As of December 31, 2015 and 2014, there were 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 2015, 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 Euro
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 provided by our auditors meet the independence requirements established by the Legislative Royal Decree 1/2011, of July 1, approving the Consolidated Audit Law, and, accordingly, they do not involve the performance of any work incompatible with the audit function.

The Company has no staff expenses, as it has no workforce. Company's management is carried out by personnel from the BBVA Group.

13. Remuneration of the Company's Board of Directors

The Company does 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, 2015 and 2014, the Board of Directors of the Company consists of four members, in both periods, all of them males.

14. Related party balances and transactions

The related party balances and transactions held by the Company with BBVA Group are entirely with Banco Bilbao Vizcaya Argentaria, S.A. as of December 31, 2015 and 2014 is as follows:

	Thousand Euro	
	2015	**2014**
BALANCE SHEET:		
Assets -		
Long-term investment in Group and associated companies (Note 6)	1,727,859	1,726,716
Short-term investment in Group and associated companies (Note 6)	39,860	40,386
Cash and cash equivalents (Note 7)	938	884
Liabilities -		
Short-term payables to Group and associated companies (Note 10)	111	66

INCOME STATEMENT:		
Income/(Expenses) -		
Net Revenue - Revenue from marketable securities and other financial assets (Notes 3.a and 6)	57,489 1	44,092
Finance income (Note 7)		1
Finance costs (Note 9)	(2)	(9)

15. Other creditors

Down below we present the information required by the third additional provision of the Law 15/2010, of July 5 (modified through the second final provision of the Law 31/2014, of December 3), that has been prepared in accordance with the ICAC Resolution of January 29, 2016 on the information to be included in the notes of the financial statements in relation to the average payment period to suppliers in commercial operations.

In accordance with the sole additional provision of the Resolution mentioned above, as this is the first year of application of the Resolution, no comparative information is presented.

Year 2015

	2015
	Days
Average suppliers' payment period	12
Paid operations ratio	13
Unpaid operations ratio	1
	Thousands of Euro
Total payments made in the year	43
Total pending payments	4

Under the Resolution of the ICAC, to calculate the average payment period to suppliers, it's necessary to take into account the relevant commercial operations of goods or services deliveries accrued from the effective day of the implementation of the Law 31/2014, of 3 December.

It is understood by "Average suppliers' payment period" the time that elapses from the delivery of goods or the provision of services by the supplier and effective payment of the operation.

The maximum legal payment term applicable to the Company as of December 31, 2015 and 2014, according to Law 15/2010, of July 5, that modifies Law 3/2004, of December 29, by which measures to fight late payment in commercial transactions is established, is of 30 days. However, Law 11/2013, of July 26, measures to support the entrepreneur and stimulation of growth and job creation, changed Law 3/2004, establishing the statutory maximum of payment in 30 days, extendable by covenant between the parties with a limit of 60 calendar days. As a result, the Company has taken as reference 60 days in both exercises.

16. Subsequent events

Since December 31, 2015 until the date of preparation of these financial statements, no events that might have a material effect on the financial statements have taken place.

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, 2015

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 resolution agreed at the Shareholder's General Meeting held on December 21, 2004, the Company's Board of Directors approved, at the 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 December 18, 2015, date from which the Company won´t continue issuing debt under the GMTN program.

Under the resolution agreed 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 fiscal year 2015, the Company didn´t issue any subordinated debt or preferred shares.

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 2015 amounted to EUR 34 thousand.

The Company recognizes an operating profit of EUR 49 thousand, derived from a net revenue amounting to EUR 57,489 thousand, arising from its turnover, expenses from marketable securities and other financial instruments amounting to EUR 57,441 thousand and other operating expenses amounting to EUR 1 thousand. These are composed by EUR 13 thousand of external expenses and taxes, and EUR 14 thousand of income from reversal of impairment of trade receivables.

The Company's financial income for the year was EUR 1 thousand, while financial expenses amounted to EUR 2 thousand.

Additionally, Corporate Income Tax amounted to EUR 14 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 2015, which amounts to EUR 34 thousand, to "Other Reserves".

Portfolio Shares

No purchases of shares of the Company or of its sole-shareholder have taken place.

Risk Exposure

The Company carries out its business activity as an issuer of subordinate debt 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, therefore mitigating the price risk and the interest rates risk.

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, 2015, 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

Down below we present the information required by the third additional provision of the Law 15/2010, of July 5 (modified through the second final provision of the Law 31/2014, of December 3), that has been prepared in accordance with the ICAC Resolution of January 29, 2016 on the information to be included in the notes of the financial statements in relation to the average payment period to suppliers in commercial operations.

In accordance with the sole additional provision of the Resolution mentioned above, as this is the first year of application of the Resolution, no comparative information is presented.

Year 2015

	2015
	Days
Average suppliers' payment period	12
Paid operations ratio	13
Unpaid operations ratio	1
	Thousands of Euro
Total payments made in the year	43
Total pending payments	4

Under Resolution of the ICAC, to calculate the average payment period to suppliers, it's necessary to take into account the relevant commercial operations of goods or services deliveries accrued from the effective day of the implementation of the Law 31/2014, of 3 December.

It is understood by "average suppliers' payment period" the time that elapses from the delivery of goods or the provision of services by the supplier and effective payment of the operation.

The maximum legal payment term applicable to the Company as of December 31, 2015 and 2014, according to Law 15/2010, July 5, that modifies Law 3/2004, December 29, by which measures to fight late payment in commercial transactions is established, is of 30 days. However, Law 11/2013, of July 26, measures to support the entrepreneur and stimulation of growth and job creation, changed Law 3/2004, establishing the statutory maximum of payment in 30 days, extendable by covenant between the parties with a limit of 60 calendar days. As a result, the Company has taken as reference 60 days in both exercises.

Subsequent events

There have been no significant events since the end of the year 2015.

Future Outlook

The Company will keep its corporate purpose and continue its strategy of managing the issuance currently “in force” and may carry out, if any, new issuance pursuant to BBVA Group's strategy.

Report of corporate government

The Company is a company located in Spain which voting rights are wholly and directly held by BBVA and pursuant to Article 9 of the Order ECC/461/2013 of March 20, BBVA Subordinated Capital, S.A. (Sole-Shareholder Company) 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 5, 2016 to the National Commission of the Stock Market.

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

DECLARATION OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL REPORT

The members of the Board of Directors of BBVA SUBORDINATED CAPITAL, S.A. UNIPERSONAL hereby declare that, to the extent of their knowledge, the annual financial statements corresponding to financial year 2015, drafted at the meeting dated 30th March 2016, prepared in accordance with 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 report include a faithful analysis of the performance, business earnings and position of BBVA SUBORDINATED CAPITAL, S.A. UNIPERSONAL, together with the description of the main risks and uncertainties that the Company faces.

Madrid, 30th March 2016.

SIGNED BY ALL MEMBERS OF THE BOARD