

BBVA

Annual Report

Financial Statements,
Management Report and
Auditors' Report for the
year 2017



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28046 Madrid

Translation of a report originally issued in Spanish based on our work performed in accordance with prevailing legislation regulating the audit of annual accounts in Spain on the financial statements originally issued in Spanish and prepared in accordance with the provisions of the financial reporting framework applicable in Spain (see notes 1.2 and 52). In the event of a discrepancy, the Spanish-language version prevails.

Independent Auditors' Report on the Annual Accounts

To the Shareholders of Banco Bilbao Vizcaya Argentaria, S.A.
commissioned by the Board of Directors

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter the "Bank"), which comprise the balance sheet as of 31 December 2017, and the income statement, statement of recognized income and expenses, statement of changes in equity, statement of cash flows and the notes thereto for the year then ended

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Bank as of 31 December 2017, and the results of its operations and cash flows for the year then ended in accordance with the provisions of the financial reporting framework applicable (as identified in Note 1.2 to the annual accounts), and in particular, with the principles and accounting criteria contained in the same.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of annual accounts in Spain. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Accounts section of our report.

We are independent of the Bank in accordance with the ethical requirements, including those regarding independence, that are applicable to our audit of the annual accounts in Spain pursuant to legislation regulating the audit of annual accounts. We have not provided any services other than the audit of annual accounts, nor have any situations or circumstances arisen, under the aforementioned regulations, which would have affected the required independence such that it would have been compromised.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the annual accounts as of and for the year ended 31 December 2017. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these matters.

Impairment of the Loans and Receivables Portfolio

See Notes 2.1, 11 and 42 to the annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The process for estimating the impairment of the loans and receivables portfolio associated with credit risk is significant and complex.</p> <p>For the individual analysis, these provisions consider the estimates of future business performance and the market value of collateral provided for credit transactions.</p> <p>For the collective analysis, these provisions are based on automated processes that incorporate voluminous databases, models, and assumptions for the provision estimates of complex design and implementation.</p>	<p>Our audit approach included assessing the relevant controls associated with the processes for estimating impairment of the loans and receivables portfolio, and performing substantive procedures on such estimate.</p> <p>Our procedures related to the control environment focused on the following key areas and involved our credit risk specialists:</p> <ul style="list-style-type: none"> • Governance: identification of the credit risk management framework and relevant controls. • Accounting policies: assessment of the alignment with the applicable accounting standard. • Refinancing and restructuring transactions: assessment of the criteria and policies in place for the refinancing and restructuring of lending operations. • Testing of the relevant controls relating to the information available for the monitoring of loans and receivables. • Collateral and guarantees: evaluation of the design of the relevant guarantee management and valuation controls. • Provision estimation process: both in terms of collective provisions and those for individually significant loans • Databases: evaluation of the completeness, accuracy, quality and recency of the data and of the control and management process in place

Impairment of the Loans and Receivables Portfolio

See Notes 2.1, 11 and 42 to the annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
	<p>Our substantive procedures in relation to the estimation of impairment of the loans and receivables portfolio comprised the following:</p> <ul style="list-style-type: none"> • With regard to the impairment of individually significant loans, we selected a sample from the population for which there was objective evidence of impairment and assessed the sufficiency of the provisions recorded. • With respect to the impairment provisions estimated collectively, we evaluated the methodology used by the Bank, performed an assessment of the completeness of the input into the calculation engine, as well as validated the appropriate operation of the calculation engine. <p>Finally, we have evaluated whether the information disclosed in the notes to the financial statements is adequate, in accordance with the criteria of the applicable accounting standard.</p>

Classification and Measurement of Financial Instruments

See Notes 2.1, 6, 8, 9, 10 and 13 to the annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The classification and measurement of financial instruments, for the purpose of their valuation may require an elevated level of judgment and complex estimates, and in determining the criteria to be applied in their subsequent measurement.</p> <p>In the absence of a quoted price in an active market (level 2 and 3 financial instruments), the fair value of financial instruments is determined using complex valuation techniques which may take into consideration direct or indirect unobservable market data and complex pricing models which require an elevated level of judgment</p> <p>Also, due to the relevance of certain equity instruments classified as available for sale, we considered that there is an inherent risk associated with the determination of the existence and valuation of impairment in these instruments.</p>	<p>Our audit approach included assessing the relevant controls associated with the classification and measurement processes for financial instrument portfolios, as well as performing substantive procedures thereon.</p> <p>Our procedures related to the control environment focused on the following key areas and involved our market risk specialists:</p> <ul style="list-style-type: none"> • Understanding of the strategy and operations of the financial markets in which the Bank operates • Governance: identification of the market risk framework and relevant controls. • Transaction origination process: evaluation of the transaction settlement processes and custody of deposits. • Classification of transactions: assessment of the application of the Bank's policies and of the procedures implemented to identify and classify financial instruments. • Measurement estimation process: assessment of the relevant valuation controls. • Databases: evaluation of the completeness, accuracy, quality and recency of the data and of the control and management process in place <p>With regards to the substantive procedures related to classification and measurement of financial instruments, we selected a sample of the Bank's financial assets and derivatives, and evaluated the appropriateness of their measurement and classification. We also assessed the most significant valuation models.</p> <p>In relation to the determination of objective evidence of impairment for available for sale investments, we have evaluated the methodology applied and the conclusion reached by the Bank regarding the existence of objective evidence of impairment as of 31 December 2017.</p>

Risks Associated with Information Technology

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Bank has a complex technological operating environment with major data processing centers.</p> <p>Given the significant dependence by the businesses of the Bank on information technology (IT) systems, it is critical to evaluate the controls over the principal technology risks.</p>	<p>In accordance with our audit methodology, our assessment of the IT systems encompassed two areas: IT general controls and IT automated controls in key processes.</p> <p>Our assessment of IT general controls encompassed the evaluation of existing general controls of technological platforms on which the applications are housed. During the audit we performed control tests on the relevant applications applicable to the critical areas of our work.</p> <p>In this phase of our evaluation of the general controls we assessed, among others, controls related to the following activities: access to programs and data; program changes; program development; and computer operations.</p> <p>With respect to the IT automated controls in key processes, during our audit we determined the key business processes, and for those processes we identified the principal applications and automated controls in place for information flows. For the principal information systems, IT platforms and applications considered key for our audit of the Bank, we analyzed the threats and vulnerabilities associated with the completeness, accuracy and availability of information, and identified and tested the design and the operating effectiveness of the controls implemented to respond to these risks.</p>

Other Information: Directors' Report

Other information comprises, solely, the directors' report for the year ended 31 December 2017, the preparation of which is the responsibility of the Bank's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility regarding the information contained in the directors' report is defined in the legislation regulating the audit of annual accounts, which establishes two different levels for this information:

- a) A specific level applicable to non-financial information, as well as certain information included in the Annual Corporate Governance Report (ACGR), as defined in article 35.2. b) of the Audit Law 22/2015, which consists of merely checking that this information has been provided in the directors' report and if not, to report on this matter.
- b) A general level applicable to the rest of the information included in the directors' report, which consists of assessing and reporting on the consistency of this information with the annual accounts, based on knowledge of the Bank obtained during the audit of the aforementioned annual accounts and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work performed, as described in the preceding paragraph, we have checked that the specific information mentioned in a) above has been provided in the directors' report and that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for the year ended 31 December 2017 and the content and presentation of the report are in accordance with applicable legislation.

Responsibility of the Bank's Directors and the Audit and Compliance Committee for the Annual Accounts

The Bank's Directors are responsible for the preparation of the accompanying annual accounts in order to present fairly the equity, financial position and results of operations of the Bank in accordance with the provisions of the financial reporting framework applicable to the Bank in Spain, and for such internal control as they determine necessary to enable the preparation of annual accounts free of material misstatement, whether due to fraud or error.



In preparing the annual accounts, the Bank's Directors are responsible for evaluating the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Bank's Directors intend to either liquidate the Bank or to cease operations, or have no other realistic alternative but to do so.

The Bank's Audit and Compliance Committee is responsible for providing oversight in the preparation and presentation of the annual accounts.

Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but it does not guarantee that an audit conducted in accordance with the prevailing legislation regulating the audit of annual accounts in Spain will always detect an existing material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the prevailing legislation regulating the audit of annual accounts in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures to respond to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, deliberate omissions, intentional misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank's Directors.



- Conclude on the appropriateness of the Bank's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, conclude on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Bank's Audit and Compliance Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Bank's Audit and Compliance Committee with the declaration that we have complied with relevant ethical requirements, including those regarding independence, and have communicated with the Committee all matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated to the Bank's Audit and Compliance Committee, we determine those matters that were of most significance in the audit of the annual accounts as of and for the year ended 31 December 2017 and are therefore the key audit matters.

We describe these matters in our auditor's report unless laws or regulations preclude public disclosure about the matter.



REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional report for the Bank's Audit and Compliance Committee_____

The opinion expressed in this report is consistent with our additional report to the Bank's Audit and Compliance Committee dated February 8, 2018.

Appointment Period_____

We were appointed as auditors, for a period of three years commencing 1 January 2017, by the shareholders in the Ordinary General Meeting held on 17 March 2017.

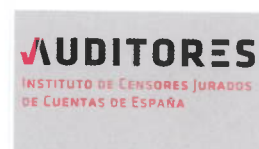
KPMG Auditores, S.L.

(on the Spanish Official Register of Auditors ("ROAC") with No. S0702)

Luis Martin Riaño

(on the Spanish Official Register of Auditors ("ROAC") with No. 18.537)

13 February 2018



KPMG AUDITORES, S.L.

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Informe de auditoría de cuentas sujeto
a la normativa de auditoría de cuentas
española o internacional

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MANAGEMENT REPORT



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Balance sheets as of December 31, 2017 and 2016

ASSETS (Millions of euros)			
	Notes	2017	2016(*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	7	18,503	15,855
FINANCIAL ASSETS HELD FOR TRADING	8	50,424	57,440
Derivatives		36,536	42,023
Equity instruments		6,202	3,873
Debt securities		7,686	11,544
Loans and advances to central banks		-	-
Loans and advances to credit institutions		-	-
Loans and advances to customers		-	-
OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	9	648	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS	10	24,205	29,004
Equity instruments		2,378	3,506
Debt securities		21,827	25,498
LOANS AND RECEIVABLES	11	244,232	251,487
Debt securities		10,502	11,001
Loans and advances to central banks		28	-
Loans and advances to credit institutions		22,105	26,596
Loans and advances to customers		211,597	213,890
HELD-TO-MATURITY INVESTMENTS	12	8,354	11,424
HEDGING DERIVATIVES	13	1,561	1,586
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	13	(25)	17
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	14	30,795	30,218
Group entities		30,304	29,823
Joint ventures		58	18
Associates		433	377
TANGIBLE ASSETS	15	1,599	1,856
Property, plants and equipment		1,587	1,845
For own use		1,587	1,845
Other assets leased out under an operating lease		-	-
Investment properties		12	11
INTANGIBLE ASSETS	16	882	942
Goodwill		-	-
Other intangible assets		882	942
TAX ASSETS	17	12,911	12,394
Current		1,030	756
Deferred		11,881	11,638
OTHER ASSETS	18	3,768	3,709
Insurance contracts linked to pensions	22	2,142	2,426
Inventories		-	-
Rest		1,626	1,283
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	19	2,226	2,515
TOTAL ASSETS		400,083	418,447

(*) Presented for comparison purposes only (note 1.3).

The accompanying Notes 1 to 52 and Appendices I to XIII are an integral part of the balance sheet as of December 31, 2017.



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Balance sheets as of December 31, 2017 and 2016

LIABILITIES AND EQUITY (Millions of euros)			
	Notes	2017	2016(*)
FINANCIAL LIABILITIES HELD FOR TRADING	8	43,703	48,265
Derivatives		36,097	40,951
Short positions		7,606	7,314
Deposits from central banks		-	-
Deposits from credit institutions		-	-
Customer deposits		-	-
Debt certificates		-	-
Other financial liabilities		-	-
OTHER FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	9	-	-
FINANCIAL LIABILITIES AT AMORTIZED COST	20	305,797	319,884
Deposits from central banks		28,132	26,629
Deposits from credit institutions		40,599	44,977
Customer deposits		194,645	207,946
Debt certificates		34,166	33,174
Other financial liabilities		8,255	7,158
Subordinated liabilities		10,887	9,209
HEDGING DERIVATIVES	13	1,327	1,488
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	13	(7)	-
PROVISIONS	21	7,605	8,917
Provisions for pensions and similar obligations		4,594	5,271
Other long term employee benefits		31	32
Provisions for taxes and other legal contingencies		329	-
Provisions for contingent risks and commitments		272	658
Other provisions		2,379	2,956
TAX LIABILITIES	17	1,240	1,415
Current		124	127
Deferred		1,116	1,288
OTHER LIABILITIES	18	2,207	2,092
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE		-	-
TOTAL LIABILITIES		361,872	382,061

(*) Presented for comparison purposes only (note 1.3).

The accompanying Notes 1 to 52 and Appendices I to XIII are an integral part of the balance sheet as of December 31, 2017.



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Balance sheets as of December 31, 2017 and 2016

LIABILITIES AND EQUITY (Continued) (Millions of euros)			
	Notes	2017	2016(*)
STOCKHOLDERS' FUNDS		37,802	36,748
Capital	23	3,267	3,218
Paid up capital		3,267	3,218
Unpaid capital which has been called up		-	-
Share premium	24	23,992	23,992
Equity instruments issued other than capital		47	46
Equity component of compound financial instruments		-	-
Other equity instruments issued		47	46
Retained earnings		-	-
Revaluation reserves	25	12	20
Other reserves	25	9,445	9,346
Less: Treasury shares	26	-	(23)
Profit or loss attributable to owners of the parent		2,083	1,662
Less: Interim dividends	3	(1,044)	(1,513)
ACCUMULATED OTHER COMPREHENSIVE INCOME	27	409	(362)
Items that will not be reclassified to profit or loss	27	(38)	(43)
Actuarial gains or (-) losses on defined benefit pension plans		(38)	(43)
Non-current assets and disposal groups classified as held for sale		-	-
Other adjustments		-	-
Items that may be reclassified to profit or loss	27	447	(319)
Hedge of net investments in foreign operations [effective portion]		-	-
Foreign currency translation		-	13
Hedging derivatives. Cash flow hedges [effective portion]		(136)	(127)
Available-for-sale financial assets		583	(205)
Other debt securities		547	660
Equity instruments		36	(865)
Non-current assets and disposal groups classified as held for sale		-	-
TOTAL EQUITY		38,211	36,386
TOTAL EQUITY AND TOTAL LIABILITIES		400,083	418,447

OFF BALANCE SHEET EXPOSURES (Millions of euros)			
	Notes	2017	2016(*)
Financial guarantees given	29	32,794	39,704
Contingent commitments	29	69,677	71,162
TOTAL EQUITY		102,471	110,866

(*) Presented for comparison purposes only (note 1.3).

The accompanying Notes 1 to 52 and Appendices I to XIII are an integral part of the balance sheet as of December 31, 2017.



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Income statements for the years ended December 31, 2017 and 2016.

INCOME STATEMENTS (Millions of euros)			
	Notes	2017	2016(*)
Interest and similar income	33	4,860	6,236
Interest and similar expenses	33	(1,397)	(2,713)
NET INTEREST INCOME		3,463	3,523
Dividend income	34	3,555	2,854
Fee and commission income	35	2,003	1,886
Fee and commission expenses	36	(386)	(353)
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	37	18	-
Gains or (-) losses on financial assets and liabilities held for trading, net	37	32	(70)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	37	634	955
Gains or (-) losses from hedge accounting, net	37	(227)	(62)
Exchange differences (net)	37	435	305
Other operating income	38	159	140
Other operating expenses	38	(466)	(504)
GROSS INCOME		9,220	8,674
Administration costs	39	(4,037)	(4,247)
Personnel expenses		(2,382)	(2,502)
General and administrative expenses		(1,655)	(1,745)
Depreciation	40	(540)	(575)
Provisions or (-) reversal of provisions	41	(802)	(1,187)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	42	(1,585)	(949)
Financial assets measured at cost		(9)	(12)
Available-for-sale financial assets		(1,125)	(180)
Loans and receivables		(451)	(757)
Held to maturity investments		-	-
NET OPERATING INCOME		2,256	1,716
Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates	43	207	(147)
Impairment or (-) reversal of impairment on non-financial assets	43	(8)	(16)
Tangible assets		(8)	(16)
Intangible assets		-	-
Other assets		-	-
Gains (losses) on derecognized assets not classified as non-current assets held for sale	44	(1)	12
Negative goodwill recognised in profit or loss		-	-
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	45	(14)	(73)
OPERATING PROFIT BEFORE TAX		2,440	1,492
Tax expense or (-) income related to profit or loss from continuing operation		(357)	170
PROFIT FROM CONTINUING OPERATIONS		2,083	1,662
Profit from discontinued operations (net)		-	-
PROFIT		2,083	1,662

(*) Presented for comparison purposes only (note 1.3).

The accompanying Notes 1 to 52 and Appendices I to XIII are an integral part of the income statement for the year ended December 31, 2017.



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of recognized income and expenses for the years ended December 31, 2017 and 2016.

STATEMENTS OF RECOGNIZED INCOME AND EXPENSES (Millions of euros)

	2017	2016(*)
PROFIT RECOGNIZED IN INCOME STATEMENT	2,083	1,662
OTHER RECOGNIZED INCOME (EXPENSES)	771	(744)
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	4	(21)
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	767	(723)
Hedge of net investments in foreign operations [effective portion]	-	-
Foreign currency translation	(18)	(11)
Translation gains or (-) losses taken to equity	-	18
Transferred to profit or loss	(18)	(29)
Other reclassifications	-	-
Cash flow hedges [effective portion]	(12)	(74)
Valuation gains or (-) losses taken to equity	(9)	(69)
Transferred to profit or loss	(3)	(5)
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Available-for-sale financial assets	751	(583)
Valuation gains/(losses)	142	217
Amounts reclassified to income statement	609	(800)
Reclassifications (other)	-	-
Non-current assets held for sale	-	-
Valuation gains/(losses)	-	-
Amounts reclassified to income statement	-	-
Reclassifications (other)	-	-
Income tax	46	(55)
TOTAL RECOGNIZED INCOME/EXPENSES	2,854	918

(*) Presented for comparison purposes only (note 1.3).

The accompanying Notes 1 to 52 and Appendices I to XIII are an integral part of the statement of recognized income and expenses for the year ended December 31, 2017



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of changes in equity for the years ended December 31, 2017 and 2016.

TOTAL STATEMENT OF CHANGES IN EQUITY (Millions of Euros)

2017	Capital	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Total
Balances as of January 1, 2017	3,218	23,992	46	-	-	20	9,346	(23)	1,662	(1,513)	(362)	36,386
Total income/expense recognized	-	-	-	-	-	-	-	-	2,083	-	771	2,854
Other changes in equity	49	-	1	-	-	(8)	99	23	(1,662)	469	-	(1,029)
Issuances of common shares	49	-	-	-	-	-	(49)	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-	-	(901)	-	(901)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,354)	-	-	-	(1,354)
Sale or cancellation of treasury shares	-	-	-	-	-	-	4	1,377	-	-	-	1,381
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	(1)	-	-	(8)	158	-	(1,662)	1,513	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	2	-	-	-	(14)	-	-	(143)	-	(155)
Balances as of December 31, 2017	3,267	23,992	47	-	-	12	9,445	-	2,083	(1,044)	409	38,211

(*) Presented for comparison purposes only (note 1.3).

The accompanying Notes 1 to 52 and Appendices I to XIII are an integral part of the statement of changes in equity for the year ended December 31, 2017.



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of changes in equity for the years ended December 31, 2017 and 2016 (continued)

TOTAL STATEMENT OF CHANGES IN EQUITY (Millions of Euros)

December 2016	Capital	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Total
Balances as of January 1, 2016	3,120	23,992	28	-	-	22	7,787	(19)	2,864	(1,356)	382	36,820
Total income/expense recognized	-	-	-	-	-	-	-	-	1,662	-	(744)	918
Other changes in equity	98	-	18	-	-	(2)	1,559	(4)	(2,864)	(157)	-	(1,352)
Issuances of common shares	98	-	-	-	-	-	(98)	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-	-	(1,303)	-	(1,303)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,570)	-	-	-	(1,570)
Sale or cancellation of treasury shares	-	-	-	-	-	-	10	1,566	-	-	-	1,576
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	(3)	-	-	(2)	1,513	-	(2,864)	1,356	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	139	-	-	-	-	139
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	21	-	-	-	(5)	-	-	(210)	-	(194)
Balances as of December 31, 2016	3,218	23,992	46	-	-	20	9,346	(23)	1,662	(1,513)	(362)	36,386

(*) Presented for comparison purposes only (note 1.3).

The accompanying Notes 1 to 52 and Appendices I to XIII are an integral part of the statement of changes in equity for the year ended December 31, 2017.



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of cash flows for the years ended December 31, 2017 and 2016.

CASH FLOWS STATEMENTS (Continued) (Millions of euros)

	Notes	2017	2016(*)
A) CASH FLOW FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)	46	(20)	6,281
1. Profit for the year		2,083	1,662
2. Adjustments to obtain the cash flow from operating activities:		2,261	1,811
Depreciation and amortization		540	574
Other adjustments		1,721	1,237
3. Net increase/decrease in operating assets		17,516	(16,227)
Financial assets held for trading		7,016	1,166
Financial assets designated at fair value through profit or loss		(648)	-
Available-for-sale financial assets		4,799	21,597
Loans and receivables		7,255	(24,706)
Other operating assets		(906)	(14,284)
4. Net increase/decrease in operating liabilities		(22,237)	19,205
Financial liabilities held for trading		(4,562)	1,292
Other financial liabilities designated at fair value through profit or loss		-	-
Financial liabilities at amortized cost		(15,228)	15,847
Other operating liabilities		(2,447)	2,066
5. Collection/Payments for income tax		357	(170)
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	46	1,995	(1,048)
1. Investment		(2,118)	(3,168)
Tangible assets		(100)	(170)
Intangible assets		(276)	(320)
Investments		(1,117)	(246)
Subsidiaries and other business units		-	-
Non-current assets held for sale and associated liabilities		(625)	(674)
Held-to-maturity investments		-	(1,758)
Other settlements related to investing activities		-	-
2. Divestments		4,113	2,120
Tangible assets		21	20
Intangible assets		-	-
Investments		508	93
Subsidiaries and other business units		-	-
Non-current assets held for sale and associated liabilities		815	511
Held-to-maturity investments		2,576	1,321
Other collections related to investing activities		193	175

(*) Presented for comparison purposes only (note 1.3).

The accompanying Notes 1 to 52 and Appendices I to XIII are an integral part of the statement of cash flows for the year ended December 31, 2017.



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of cash flows for the years ended December 31, 2017 and 2016. (continued)

CASH FLOWS STATEMENTS (Continued) (Millions of euros)

	Notes	2017	2016(*)
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	46	106	(501)
1. Investment		(4,090)	(3,247)
Dividends		(1,570)	(1,497)
Subordinated liabilities		(919)	(180)
Common stock amortization		-	-
Treasury stock acquisition		(1,354)	(1,570)
Other items relating to financing activities		(247)	-
2. Divestments		4,196	2,746
Subordinated liabilities		2,819	1,000
Common stock increase		-	-
Treasury stock disposal		1,377	1,574
Other items relating to financing activities		-	172
D) EFFECT OF EXCHANGE RATE CHANGES		566	(67)
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)		2,647	4,665
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		15,856	11,191
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR		18,503	15,856

COMPONENTS OF CASH AND EQUIVALENTS AT END OF THE PERIOD (Millions of euros)

	2017	2016(*)
Cash	906	879
Balance of cash equivalent in central banks	15,858	14,913
Other financial assets	1,739	63
Less: Bank overdraft refundable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	18,503
		15,855

(*) Presented for comparison purposes only (note 1.3).

The accompanying Notes 1 to 52 and Appendices I to XIII are an integral part of the statement of cash flows for the year ended December 31, 2017.



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Notes to the financial statements for the year ended December 31, 2017.

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

1.1 Introduction

Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter “the Bank” or “BBVA”) is a private-law entity subject to the laws and regulations governing banking entities operating in Spain. It carries out its activity through branches and agencies across the country and abroad.

The Bylaws and other public information are available for consultation at the Bank’s registered address (Plaza San Nicolás, 4 Bilbao) and on its official website: www.bbva.com.

In addition to the transactions it carries out directly, the Bank heads a group of subsidiaries, jointly controlled and associated entities which perform a wide range of activities and which together with the Bank constitute the Banco Bilbao Vizcaya Argentaria Group (hereinafter, “the Group” or “the BBVA Group”). In addition to its own individual financial statements, the Bank is therefore obliged to prepare the Group’s financial statements.

The Bank’s financial statements for the year ended December 31, 2016 were approved by the shareholders at the Bank’s Annual General Meeting (“AGM”) held on March 17, 2017.

The Bank’s financial statements for the year ended December 31, 2017 are pending approval by the Annual General Meeting. However, the Bank’s Board of Directors considers that the aforementioned financial statements will be approved without any changes.

1.2 Basis for the presentation of the financial statements

The Bank’s financial statements for 2017 are presented in accordance with Bank of Spain Circular 4/2004, dated December 22, and its subsequent amendments, and with any other legislation governing financial reporting applicable to the Bank. Circular 4/2004 implements and adapts the International Financial Reporting Standards (EU-IFRS) to Spanish credit institutions, following stipulations established under Regulation 1606/2002 of the European Parliament and of the Council, dated July 19, 2002, relating to the application of the International Accounting Standards. The publication of Bank of Spain Circular 4/2016, of April 27, has updated Circular 4/2004 to adapt it to the latest publications in banking regulation, maintaining full compatibility with the IFRS accounting framework.

The Bank’s financial statements for the year ended December 31, 2017 have been prepared by the Bank’s directors (at the Board of Directors meeting held on February 12, 2018) by applying the accounting policies and valuation criteria described in Note 2, so that they present fairly the Bank’s equity and financial position as of December 31, 2017, together with the results of its operations and cash flows generated during the year ended on that date.

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

The amounts reflected in the accompanying financial statements are presented in millions of euros, unless it is more convenient to use smaller units. Some items that appear without a total in these financial statements

do so because of the size of the units used. Also, in presenting amounts in millions of euros, the accounting balances have been rounded up or down. It is therefore possible that the amounts appearing in some tables are not the exact arithmetical sum of their component figures.

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

1.3 Comparative information

The information contained in these financial statements for 2016 is presented solely for the purpose of comparison with information relating to December 31, 2017.

1.4 Seasonal nature of income and expenses

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

1.5 Responsibility for the information and for the estimates made

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

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

- Impairment on certain financial assets (see Notes 5, 6, 10, 11 and 12).
- The assumptions used to quantify certain provisions (see Note 21) for the actuarial calculation of post-employment benefit liabilities and commitments (see Note 22).
- The useful life and impairment losses of tangible and intangible assets (see Notes, 15, 16 and 19).
- The fair value of certain unlisted financial assets and liabilities in organized markets (see Notes 5, 6, 8, 9, 10, 11, 12 and 13).
- The recoverability of deferred tax assets (See Note 17).

Although these estimates were made on the basis of the best information available as of December 31, 2017 on the events analyzed, future events may make it necessary to modify them (either up or down). This would be done in accordance with applicable regulations and prospectively, recording the effects of changes in the estimates in the corresponding income statement.

1.6 Control of the BBVA Group's financial reporting

The description of the BBVA Group's Internal Financial Reporting Control model is described in the management report accompanying the Financial Statements for 2017.

1.7 Deposit guarantee fund and Resolution fund

The Bank is part of the "Fondo de Garantía de Depósitos" (Deposit Guarantee Fund). Adjusting to the previously mentioned accounting criteria modification, the expense incurred by the contributions made to this Agency in 2017 and 2016 amounted to €165 million and €153 million, respectively. These amounts are registered under the heading "Other operating expenses" of the accompanying income statements (see Note 38).

The previously mentioned amount registered in year 2013 includes the extraordinary contribution established by the Royal Decree-Law 6/2013. A one-off Deposit Guarantee Fund contribution, applicable to 3

per thousand of eligible deposits. The first contribution (40%) amounted to 121 million euros paid in 2013. Of the second contribution (remaining 60%) in 2014 a seventh part was paid and according to the new payment schedule established by the Management Committee of the Deposit Guarantee Fund. The remaining part of the previously mentioned second contribution was recognized as a liability as of December 31, 2014 and 50% paid off in June 2016 and 2015, remaining in each year ended.

In accordance with the new regulations, in 2015 a contribution was made to Spain's Orderly Banking Resolution Fund (FROB) of €123 million. In 2016 a single European resolution fund was established. The contributions made to said fund in the years 2017 and 2016 have amounted to 115 and 137 million euros respectively through contributions of 98 and 117 million euros and the creation of a commitment of €17 and €20 million Euros, respectively. These contributions are registered under the heading "Other Operating Expenses" in the attached income statements (see Note 38).

1.8 Consolidated financial statements

The consolidated financial statements of the BBVA Group for the year ended December 31, 2017 have been prepared by the Bank's Directors (at the Board of Directors meeting held on February 12, 2018) in accordance with the International Financial Reporting Standards adopted by the European Union and applicable at the close of 2017, taking into account Bank of Spain Circular 4/2004, dated December 22, and subsequent amendments, and with any other legislation governing financial reporting applicable to the Group.

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

These changes are reflected in the consolidated financial statements of the BBVA Group for the year 2017, which the Bank's Board of Directors has also prepared. Appendix I includes the Group's consolidated financial statements. In accordance with the content of these consolidated financial statements prepared following the International Financial Reporting Standards adopted by the European Union, the total amount of the BBVA Group's assets and consolidated equity at the close of 2017 amounted to €690,059 million and €53,323 million, respectively, while the consolidated net profit attributed to the parent company of this period amounted to €3,519 million.

2. Accounting policies and valuation criteria applied

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

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

2.1 Financial instruments

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

All financial instruments are initially accounted for at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, unless there is evidence to the contrary, the best evidence of the fair value of a financial instrument at initial recognition shall be the transaction price.

All the changes in the value of financial instruments, except trading derivatives that are not economic hedges, all the financial assets held for trading and derivatives, arising from the accrual of interests and similar items are recognized under the headings “Interest income” or “Interest expenses”, as appropriate, in the accompanying income statement for the year in which the accrual took place (see Note 33). The dividends paid from other companies, other than associate entities and joint venture entities, are recognized under the heading “Dividend income” in the accompanying income statement for the year in which the right to receive them arises (see Note 34).

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

2.1.1 “Financial assets and liabilities held for trading” and “Financial assets and liabilities designated at fair value through profit or loss”

The assets and liabilities recognized in these chapters of the balance sheets are measured at fair value, and changes in value (gains or losses) are recognized as their net value under the heading “Gains (losses) on financial assets and liabilities, net” in the accompanying income statements (see Note 37). However, changes resulting from variations in foreign exchange rates are recognized under the heading “Exchange differences, net” in the accompanying income statements (see Note 37).

2.1.2 “Available-for-sale financial assets”

Assets recognized under this heading in the balance sheets are measured at their fair value. Subsequent changes in this measurement (gains or losses) are recognized temporarily for their amount net of tax effect under the heading “Accumulated other comprehensive income- Items that may be reclassified to profit or loss - Available-for-sale financial assets ” in the balance sheets (see Note 27).

Changes in the value of non-monetary items resulting from changes in foreign exchange rates are recognized temporarily under the heading “Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Exchange differences ” in the accompanying balance sheets. Changes in foreign exchange rates resulting from monetary items are recognized under the heading “Exchange differences, net” in the accompanying income statements.

The amounts recognized under the headings “Accumulated other comprehensive income- Items that may be reclassified to profit or loss - Available-for-sale financial assets” and “Accumulated other comprehensive income- Items that may be reclassified to profit or loss - Exchange differences” continue to form part of the Bank's equity until the asset is derecognized from the balance sheet or until an impairment loss is recognized in the financial instrument in question. If these assets are sold, these amounts are derecognized and entered under the headings “Gains (losses) on financial assets and liabilities, net” or “Exchange differences, net”, as appropriate, in the income statement for the year in which they are derecognized (see Note 37).

In the specific case of the sale of equity instruments considered strategic investments and recognized under the heading “Available-for-sale financial assets”, the gains or losses generated are recognized under the heading “Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations” in the income statement, even if they had not been classified in a previous balance sheet as non-current assets held for sale, as indicated in Rule 56 of Circular 4/2004 and its subsequent amendments (see Note 45).

The net impairment losses in “Available-for-sale financial assets” over the year are recognized under the heading “Impairment losses on financial assets, net – Other financial instruments not at fair value through profit or loss” in the income statement for that year (see Note 42).

2.1.3 “Loans and receivables”, “Held-to-maturity investments” and “Financial liabilities at amortized cost”

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

Net impairment losses of assets recognized under these headings arising in a particular year are recognized under the heading “Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss – loans and receivables”, “Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss - held to maturity investments” or “Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss – financial assets measured at cost” in the income statement for that year (see Note 42).

2.1.4 “Derivatives-Hedge Accounting ” and “Fair value changes of the hedged items in portfolio hedges of interest-rate risk”

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

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

- In fair value hedges, the changes in the fair value of the derivative and the hedged item attributable to the hedged risk are recognized under the heading “Gains or losses from hedge accounting, net” in the income statement (see Note 37), with a balancing item under the headings of the balance sheet where hedging items (“Hedging derivatives”) or the hedged items are recognized, as applicable.
- In fair value hedges of interest rate risk of a portfolio of financial instruments (portfolio-hedges), the gains or losses that arise in the measurement of the hedging instrument are recognized in the income statement, and those that arise from the change in the fair value of the hedged item (attributable to the

hedged risk) are also recognized in the income statement (in both cases under the heading "Gains or losses from hedge accounting, net ", using, as a balancing item, the headings "Fair value changes of the hedged items in portfolio hedges of interest rate risk" in the balance sheets, as applicable.

- In cash flow hedges, the gain or loss on the hedging instruments relating to the effective portion are recognized temporarily under the heading "Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Hedging derivatives. Cash flow hedges" in the balance sheets, with a balancing entry under the heading "Hedging derivatives" of the Assets or Liabilities of the Financial Statements as applicable. These differences are recognized in the accompanying income statement at the time when the gain or loss in the hedged instrument affects profit or loss, when the forecast transaction is executed or at the maturity date of the hedged item (see Note 33).
- Differences in the measurement of the hedging items corresponding to the ineffective portions of cash flow hedges are recognized directly under the heading "Gains or losses from hedge accounting, net" in the income statement (see Note 37).
- In hedges of net investments in foreign operations, the differences in the effective portions of hedging items are recognized temporarily under the heading " Accumulated other comprehensive income - Items that may be reclassified to profit or loss – Hedging of net investments in foreign transactions " in the balance sheets, with a balancing entry under the heading "Hedging derivatives" of the Assets or Liabilities of the Financial Statements as applicable. These differences in valuation are recognized under the heading "Exchange differences (net)" in the income statement when the investment in a foreign operation is disposed of or derecognized (see Note 37).

2.1.5 Other financial instruments

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

- Equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying asset and are settled by delivery of those instruments remain in the balance sheet at acquisition cost; this may be adjusted, where appropriate, for any impairment loss (see Note 6).
- Accumulated other comprehensive income arising from financial instruments classified at balance sheet date as "Non-current assets and disposal groups classified as held for sale" are recognized with a balancing entry under the heading ""Accumulated other comprehensive income- Items that may be reclassified to profit or loss – Non-current assets and disposal groups classified as held for sale" in the accompanying balance sheets (see Note 27).

2.1.6 Impairment losses on financial assets

Definition of impaired financial assets

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

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

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

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

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

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

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

Additionally, loans classified as non-performing secured loans as a result of borrower arrears are written off in the balance sheet within a maximum period of four years from the date on which they are classified as non-performing, while non-performing unsecured loans (such as commercial and consumer loans, credit cards, etc.) are written off within two years of their classification as non-performing as long as they have maintained a credit risk coverage of 100%.

Calculation of impairment on financial assets

The impairment on financial assets is determined by type of instrument and other circumstances that could affect it, taking into account the guarantees received by the owners of the financial instruments to assure (in part or in full) the performance of transactions. The Bank recognizes impairment charges directly against the impaired asset when the likelihood of recovery is deemed remote, and uses offsetting or allowance accounts when it registers non-performing loan provisions to cover the estimated loss.

Impairment of debt securities measured at amortized cost

With regard to impairment losses arising from insolvency risk of the obligors (credit risk), a debt instrument, mainly Loans and receivables, is impaired due to insolvency when a deterioration in the ability to pay by the obligor is evidenced, either due to past due status or for other reasons.

BBVA has developed policies, methods and procedures to estimate losses which may be incurred as a result of outstanding credit risk. These policies, methods and procedures are applied in the study, approval and execution of debt instruments and Commitments and guarantees given; as well as in identifying the impairment and, where appropriate, in calculating the amounts necessary to cover estimated losses.

The amount of impairment losses on debt instruments measured at amortized cost is calculated based on whether the impairment losses are determined individually or collectively. First it is determined whether

there is objective evidence of impairment individually for individually significant financial assets, and collectively for financial assets that are not individually significant. In the case where the Group determines that no objective evidence of impairment in the case of debt instrument analyzed individually will be included in a group of debt instrument with similar risk characteristics and collectively impaired is analyzed.

In determining whether there is objective evidence of impairment the Group uses observable data on the following aspects:

- Significant financial difficulties of the debtor.
- Ongoing delays in the payment of interest or principal.
- Refinancing of credit due to financial difficulties by the counterparty.
- Bankruptcy or reorganization / liquidation are considered likely.
- Disappearance of the active market for a financial asset because of financial difficulties.
- Observable data indicating a reduction in future cash flows from the initial recognition such as adverse changes in the payment status of the counterparty (delays in payments, reaching credit cards limits, etc.)
- National or local economic conditions that are linked to "defaults" in financial assets(increase of unemployment rate, falling property prices, etc).

Impairment losses determined individually

The amount of the impairment losses incurred on financial assets represents the excess of their respective carrying amounts over the present values of their expected future cash flows. These cash flows are discounted using the original effective interest rate. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective rate determined under the contract.

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

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

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

Impairment losses determined collectively

Impairment losses on financial assets collectively evaluated for impairment are calculated by using statistical procedures, and they are deemed equivalent to the portion of losses incurred on the date that the accompanying financial statements are prepared that has yet to be allocated to specific asset. The Bank estimates impairment losses through statistical processes that apply historical data and other specific parameters that, although having been generated as of closing date for these financial statements, have arisen on an individual basis following the reporting date.

With respect to financial assets that have no objective evidence of impairment, the Bank applies statistical methods using historical experience and other specific information to estimate the losses that the Bank has

incurred as a result of events that have occurred as of the date of preparation of the financial statements but have not been known and will be apparent, individually after the date of submission of the information. This calculation is an intermediate step until these losses are identified on an individual level, at which these financial instruments will be segregated from the portfolio of financial assets without objective evidence of impairment.

The incurred loss is calculated taking into account three key factors: exposure at default, probability of default and loss given default.

- Exposure at default (EAD) is the amount of risk exposure at the date of default by the counterparty.
- Probability of default (PD) is the probability of the counterparty failing to meet its principal and/or interest payment obligations. The PD is associated with the rating/scoring of each counterparty/transaction.
- Loss given default (LGD) is the estimate of the loss arising in the event of default. It depends mainly on the characteristics of the counterparty, and the valuation of the guarantees or collateral associated with the asset.

In order to calculate the LGD at each balance sheet date, the Bank evaluates the whole amount expected to be obtained over the remaining life of the financial asset. The recoverable amount from executable secured collateral is estimated based on the property valuation, discounting the necessary adjustments to adequately account for the potential fall in value until its execution and sale, as well as execution costs, maintenance costs and sale costs.

When the property right is contractually acquired at the end of the foreclosure process or when the assets of distressed borrowers are purchased, the asset is recognized in the financial statements. The accounting treatment of these assets is included in Note 2.4.

Impairment of other debt instruments classified as financial assets available for sale

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

When there is objective evidence that the negative differences arising on measurement of these assets are due to impairment, they are no longer considered as “Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Available-for-sale financial assets” and are recognized in the income statement.

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

Impairment of equity instruments

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

- Equity instruments classified as available for sale valued at fair value:

When there is objective evidence that the negative differences arising on measurement of these equity instruments are due to impairment, they are no longer registered as “Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Available-for-sale financial assets” and are recognized in the consolidated income statement. In general, the Bank considers that there is objective

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

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

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

Any recovery of previously recognized impairment losses for an investment in an equity instrument classified as available for sale is not recognized in the consolidated income statement, but under the heading "Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Available-for-sale financial assets" in the consolidated balance sheet.

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

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

Impairment of holdings in subsidiaries, associates or jointly controlled entities

When evidence of impairment exists in the holdings in subsidiaries, associates or jointly controlled entities, the entity will estimate the amount of the impairment losses by comparing their recoverable amount, which is the fair value minus the necessary sale costs or their value in use, whichever is greater, with their carrying amount. Impairment losses are recognized immediately under the heading "Impairment or reversal of impairment on non-financial assets" in the income statement (see Note 43). Recoveries subsequent to impairment losses recognized previously are recognized under the same heading in the income statement for the period.

2.2 Transfers and derecognition of financial assets and liabilities

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

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

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

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

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

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

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

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

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

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

2.3 Financial guarantees

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

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

Financial guarantees, irrespective of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required for them. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments measured at amortized cost (see Note 2.2).

The provisions made for financial guarantees considered impaired are recognized under the heading “Provisions - Provisions for contingent risks and commitments” on the liability side in the balance sheets (see Note 21). These provisions are recognized and reversed with a charge or credit, respectively, to “Provisions or reversal of provision” in the income statements (see Note 41).

Income from guarantee instruments is registered under the heading “Fee and commission income” in the income statement and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee (see Note 35).

2.4 Non-current assets and disposal groups held for sale and liabilities included in disposal groups classified as held for sale

The heading “Non-current assets and disposal groups held for sale and liabilities included in disposal groups classified as held for sale” in the balance sheets includes the carrying amount of financial or non-financial assets that are not part of the Bank’s operating activities. The recovery of this carrying amount is expected to take place through the price obtained on its disposal (see Note 19).

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

Symmetrically, the heading “Liabilities included in disposal groups classified as held for sale” in the balance sheets reflects the balances payable arising from disposal groups and discontinued operations.

Non-current assets and disposal groups held for sale and liabilities included in disposal groups classified as held for sale are generally measured, or the fair value of the property (less costs to sell), whichever is lower.

In the case of real estate assets foreclosed or received in payment of debts, they are initially recognized at the lower of: the restated carrying amount of the financial asset and the fair value at the time of the foreclosure or receipt of the asset less estimated sales costs. The carrying amount of the financial asset is updated at the time of the foreclosure, treating the real property received as a secured collateral and taking into account the credit risk coverage that would correspond to it according to its classification prior to the delivery. For these purposes, the collateral will be valued at its current fair value (less sale costs) at the time of foreclosure. This carrying amount will be purchased with the previous carrying amount and the difference will be recognized as a hedging variation. On the other hand, the fair value of the foreclosed asset is obtained by appraisal, evaluating the need to apply a discount on the asset derived from the specific conditions of the asset or the market situation for these assets, and in any case, deducting the company’s estimated sale costs.

At the time of the initial recognition, these real estate assets foreclosed or received in payment of debts, classified as “Non-current assets and disposal groups held for sale and liabilities included in disposal groups classified as held for sale” are valued at the lower of: their restated fair value less estimated sale costs and their carrying amount; a deterioration or impairment reversal can be recognized for the difference if applicable.

Non-current assets and disposal groups held for sale groups classified as held for sale are not depreciated while included under this heading.

The fair value of the non-current assets and disposal groups held for sale and liabilities included in disposal groups classified as held for sale from foreclosures or recoveries is mainly based on appraisals or valuations made by independent experts and not more than one year old, or less if there are indications of impairment. The Bank applies the rule that these appraisals may not be older than one year, and their age is reduced if there is an indication of deterioration in the assets. The Spanish entities mainly use the services of the following valuation and appraisal companies. None of them is linked to the BBVA Group and all are entered in the official Bank of Spain register: Sociedad de Tasación, S.A., Valtecnic, S.A., Krata, S.A., Gesvalt, S.A., Alia Tasaciones, S.A., Tasvalor, S.A., Tinsa, S.A., Ibertasa, S.A., Valmesa, S.A., Arco Valoraciones, S.A., Tecnicasa, S.A., Eurovaloraciones, S.A., JLL Valoraciones, S.A., Tasibérica, S.A. and Uve Valoraciones, S.A.

Gains and losses generated on the disposal of assets and liabilities classified as non-current held for sale, and liabilities included in disposal groups classified as held for sale as well as impairment losses and, where pertinent, the related recoveries, are recognized in "Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" in the income statements (see Note 45). The remaining income and expense items associated with these assets and liabilities are classified within the relevant income statement headings.

Income and expenses for discontinued operations, whatever their nature, generated during the year, even if they have occurred before their classification as discontinued operations, are presented net of the tax effect as a single amount under the heading "Profit from discontinued transactions" in the income statement, whether the business remains on the balance sheet or is derecognized from the balance sheet. As long as an asset remains in this category, it will not be amortized. This heading includes the earnings from their sale or other disposal.

2.5 Tangible assets

Property, plants and equipment for own use

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

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

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

The tangible asset depreciation charges are recognized in the accompanying income statements under the heading "Depreciation and amortization" (see Note 40) and are based on the application of the following depreciation rates (determined on the basis of the average years of estimated useful life of the different assets):

Type of assets	Annual Percentage
Buildings for own use	1% - 4%
Furniture	8% - 10%
Fixtures	6% - 12%
Office supplies and computerization	8% - 25%

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

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

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

Running and maintenance expenses relating to tangible assets held for own use are recognized as an expense in the year they are incurred and recognized in the income statements under the heading "Administration costs - Other administrative expenses - Property, fixtures and equipment" (see Note 39.2).

Other assets leased out under an operating lease

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

Investment properties

The heading "Tangible assets - Investment properties" in the balance sheets reflects the net values (purchase cost minus the corresponding accumulated depreciation and, if appropriate, estimated impairment losses) of the land, buildings and other structures that are held either to earn rentals or for capital appreciation through sale and that are neither expected to be sold off in the ordinary course of business nor are destined for own use (see Note 15).

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

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

2.6 Intangible assets

Intangible assets in the financial statements have a finite useful life.

The useful life of intangible assets is, at most, equal to the period during which the entity is entitled to use the asset; if the right of use is for a limited renewable period, the useful life includes the renewal period only when there is evidence that the renewal will be carried out without a significant cost.

When the useful life of intangible assets cannot be estimated reliably, they are amortized over a ten year period. Goodwill is presumed, unless proven otherwise, to have a useful life of ten years.

Intangible assets are amortized according to the duration of this useful life, using methods similar to those used to depreciate tangible assets. The depreciation charge for these assets is recognized in the accompanying income statements under the heading "Depreciation and amortization" (see Note 40).

The Bank recognizes any impairment loss on the carrying amount of these assets with charge to the heading "Impairment or reversal of impairment on non - financial assets- Intangible assets " in the accompanying income statements (see Note 43). The criteria used to recognize the impairment losses on these assets and, where applicable, the recovery of impairment losses recognized in prior years, are similar to those used for tangible assets.

2.7 Tax assets and liabilities

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

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

Deferred tax assets and liabilities include temporary differences, defined as at the amounts to be payable or recoverable in future fiscal years arising from the differences between the carrying amount of assets and liabilities and their tax bases (the "tax value"), and the tax loss and tax credit carry forwards. These amounts are registered by applying to each temporary difference the tax rates that are expected to apply when the asset is realized or the liability settled (see Note 17).

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

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

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

In those circumstances in which it is unclear how a specific requirement of the tax law applies to a particular transaction or circumstance, and the acceptability of the definitive tax treatment depends on the decisions taken by the relevant taxation authority in future, the entity recognizes current and deferred tax liabilities and

assets considering whether it is probable or not that a taxation authority will accept an uncertain tax treatment. Thus, if the entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the entity uses the most likely amount or expected value in determining tax assets.

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

2.8 Provisions, contingent assets and contingent liabilities

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

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

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

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

Contingent assets are possible assets that arise from past events and whose existence is conditional on, and will be confirmed only by, the occurrence or non-occurrence of events beyond the control of the Bank. Contingent assets are not recognized in the balance sheet or in the income statement; however, they are disclosed in the Notes to the financial statements, provided that it is probable that these assets will give rise to an increase in resources embodying economic benefits (see Note 30).

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

2.9 Post-employment and other employee benefit commitments

Below we provide a description of the most significant accounting criteria relating to post-employment and other employee benefit commitments assumed by the Bank (see Note 22).

Short-term employee benefits

Benefits for current active employees which are accrued and settled during the year and for which a provision is not required in the entity's accounts. These include wages and salaries, social security charges and other personnel expenses.

Costs are charged and recognized under the heading "Administration costs – Personnel expenses – Other personnel expenses" of the income statement (see Note 39.1).

Post-employment benefits – Defined-contribution plans

The Bank sponsors defined-contribution plans for its active employees. The amount of these benefits is established as a percentage of remuneration and/or as a fixed amount.

The contributions made to these plans in each period by the Bank are charged and recognized under the heading "Administration costs – Personnel expenses – Defined-contribution plan expense" of the income statement (see Note 39.1).

Post-employment benefits – Defined-benefit plans

The Bank maintains pension commitments with employees who have already retired or taken early retirement, certain closed groups of active employees still accruing defined benefit pensions, and in-service death and disability benefits provided to most active employees. These commitments are covered by insurance contracts, pension funds and internal provisions.

In addition, the Bank have offered certain employees the option to retire before their normal retirement age stipulated in the collective labor agreement in force, recognizing the necessary provisions to cover the costs of the associated benefit commitments, which include both the liability for the benefit payments due as well as the contributions payable to external pension funds during the early retirement period.

Furthermore, the Bank provides welfare benefits to certain current employees and retirees.

All of these commitments are quantified based on actuarial valuations, with the amounts recorded under the heading "Provisions – Provisions for pensions and similar obligations" and determined as the difference between the value of the defined-benefit commitments and the fair value of plan assets at the date of the financial statements (see Note 22).

Current service cost are charged and recognized under the heading "Administration costs – Personnel expenses – Defined-benefit plan expense" of the income statement (see Note 39.1).

Interest credits/charges relating to these commitments are charged and recognized under the headings "Interest income" and "Interest expense" of the income statement.

Past service costs arising from benefit plan changes as well as early retirements granted during the period are recognized under the heading "Provisions or reversals of provisions" of the income statement (see Note 41).

Other long-term employee benefits

In addition to the above commitments, the Bank maintains leave and long-service awards to their employees, which consist of either an established monetary amounts or shares in Banco Bilbao Argentaria S.A. granted upon completion of a number of years of qualifying service.

These commitments are quantified based on actuarial valuations and the amounts recorded under the heading “Provisions – Other long-term employee benefits” of the balance sheet (see Note 21).

Valuation of commitments: actuarial assumptions and recognition of gains/losses

The present value of these commitments is determined based on individual member data. Active employee costs are determined using the “projected unit credit” method, which treats each period of service as giving rise to an additional unit of benefit and values each unit separately.

In establishing the actuarial assumptions we taken into account that:

- They should be unbiased, i.e. neither unduly optimistic nor excessively conservative.
- They should be mutually compatible and adequately reflect the existing relationship between economic variables such as price inflation, expected wage increases, discount rates and the expected return on plan assets, etc. Future wage and benefit levels should be based on market expectations, at the balance sheet date, for the period over which the obligations are to be settled.
- The interest rate used to discount benefit commitments is determined by reference to market yields, at the balance sheet date, on high quality bonds.

The Bank recognizes actuarial gains/losses relating to early retirement benefits, long service awards and other similar items under the heading “Provisions or reversal of provisions” of the income statement for the period in which they arise (see Note 41). Actuarial gains/losses relating to pension benefits are directly charged and recognized under the heading “Accumulated other comprehensive income – Items that will not be reclassified to profit or loss – Actuarial gains or losses on defined benefit pension plans” of equity in the balance sheet (see Note 27).

2.10 Equity-settled share-based payment transactions

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

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

2.11 Termination benefits

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

2.12 Treasury stock

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

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

2.13 Foreign-currency transactions

Assets, liabilities and futures transactions

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

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

The exchange differences that arise when converting these foreign-currency assets and liabilities (including those of the branches) into euros are recognized under the heading "Exchange differences, net" in the income statement, except for those differences that arise in non-monetary items classified as available for sale. However, the exchange differences in non-monetary items, measured at fair value, are recognized temporarily in equity under the heading "Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Exchange differences".

The breakdown of the main balances in foreign currencies as of December 31, 2017 and 2016, with reference to the most significant foreign currencies, is set forth in Appendix VIII.

Structural currency positions

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

2.14 Recognition of income and expenses

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

■ Interest income and expenses and similar items

As a general rule, interest income and expenses and similar items are recognized on the basis of their period of accrual using the effective interest rate method. The financial fees and commissions that arise on the arrangement of loans (basically origination and analysis fees) must be deferred and recognized in the income statement over the expected life of the loan. The identified transaction costs of that amount will be deducted as directly attributable to the processing fees of loans and advances. These fees are part of the effective rate for loans. Also dividends received from other companies are recognized as income when the companies' right to receive them arises.

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

■ Commissions, fees and similar items

Income and expenses relating to commissions and similar fees are recognized in the income statement using criteria that vary according to the nature of such items. The most significant items in this connection are:

- Those relating to financial assets and liabilities measured at fair value through profit or loss, which are recognized when collected/paid.
- Those arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services.
- Those relating to single acts, which are recognized when this single act is carried out.

■ Non-financial income and expenses

These are recognized for accounting purposes on an accrual basis.

■ Deferred collections and payments

These are recognized for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

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

The heading "Other operating income" in the income statement includes the amount of sales of goods and revenue from the provision of non-financial services (see Note 38).

2.16 Leases

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

When the Bank acts as the lessor of an asset in finance leases, the aggregate present values of the lease payments receivable from the lessee plus the guaranteed residual value (usually the exercise price of the

lessee's purchase option on expiration of the lease agreement) are recognized as financing provided to third parties and, therefore, are included under the heading "Loans and receivables" in the balance sheets.

When the Bank acts as lessor of an asset in operating leases, the acquisition cost of the leased assets is recognized under "Tangible assets – Property, plants and equipment – Other assets leased out under an operating lease" in the balance sheets (see Note 15). These assets are depreciated in line with the criteria adopted for items of tangible assets for own use, while the income arising from the lease arrangements is recognized in the income statements on a straight-line basis under the headings "Tangible assets – Property, plant and equipment – Other assets leased out under an operating lease" and "Other operating expenses" (see Note 38).

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

2.17 Entities and branches located in countries with hyperinflationary economies

None of the functional currencies of the branches located abroad relate to hyperinflationary economies as defined by Circular 4/2004 and subsequent amendments. Accordingly, as of December 31, 2017 and 2016 it was not necessary to adjust the financial statements of any branch to correct for the effect of inflation.

2.18 Statements of recognized income and expenses

The statements of recognized income and expenses reflect the income and expenses generated each year. They distinguish between income and expenses recognized as results in the income statements and "Accumulated other comprehensive income" (see Note 27) recognized directly in equity. "Accumulated other comprehensive income" include the changes that have taken place in the year in the "Accumulated other comprehensive income" broken down by item.

The sum of the changes to the heading "Accumulated other comprehensive income" of the total equity and the net income of the year forms the "Accumulated other comprehensive income".

2.19 Statements of changes in equity

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

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

2.20 Statements of cash flows

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

investments subject to a low risk of changes in value, such as cash and deposits in central banks, are classified as cash and cash equivalents.

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

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

2.21 Recent pronouncements

As of January 1, 2018, Circular 4/2007 issued by the Bank of Spain on public and reserved financial information standards, and financial statement models entered into force for credit institutions.

The purpose of this circular is to adapt the Spanish credit institutions accounting system to changes in the European accounting system resulting from the adoption of two new International Financial Reporting Standards (IFRS), specifically "IFRS 15 - Revenue from contracts with customers" and "IFRS 9 - Financial instruments".

In 2016 and 2017, the Bank implemented a project for applying IFRS 9 with the participation of all the areas affected: finance, risks, technology, business areas, etc., with the involvement of the BBVA's senior management.

3. Shareholder remuneration system

In accordance with BBVA's shareholder remuneration policy communicated in October 2013, which established the distribution of an annual pay-out of between 35% and 40% of the profits earned in each financial year and the progressive reduction of the remuneration via "Dividend Options", so that the shareholders' remuneration would ultimately be fully in cash, on February 1, 2017 BBVA announced that it was expected to be proposed for the consideration of the competent governing bodies the approval of a capital increase to be charged to voluntary reserves for the instrumentation of one "Dividend Option" in 2017, being the subsequent shareholders' remunerations that could be approved fully in cash.

This fully in cash shareholders' remuneration policy would be composed, for each financial year, of a distribution on account of the dividend of such financial year (which is expected to be paid in October) and a final dividend (which would be paid once the financial year has ended and the profit allocation has been approved, which is expected for April), subject to the applicable authorizations by the competent governing bodies.

Shareholder remuneration scheme "Dividend Option"

During 2012, 2013, 2014, 2015, 2016 and 2017, the Bank implemented a shareholder remuneration system referred to as "Dividend Option".

Under such remuneration scheme, BBVA offered its shareholders the possibility to receive all or part of their remuneration in the form of newly-issued BBVA ordinary shares, whilst maintaining the possibility for BBVA shareholders to receive their entire remuneration in cash by selling the rights of free allocation assigned

either to BBVA (in execution of the commitment assumed by BBVA to acquire the rights of free allocation at a guaranteed fixed price) or by selling the rights of free allocation on the market at the prevailing market price at that time. However, the execution of the commitment assumed by BBVA was only available to whoever had been originally assigned such rights of free allocation and only in connection with the rights of free allocation initially allocated at such time.

On 29 March 2017, BBVA's Board of Directors resolved to execute the capital increase to be charged to voluntary reserves approved by the Annual General Meeting ("AGM") held on 17 March 2017, under agenda item three, to implement a "Dividend Option" this year. As a result of this increase, the Bank's share capital increased by €49,622,955.62 through the issuance of 101,271,338 newly-issued BBVA ordinary shares at €0.49 par value, given that 83.28% of owners of the rights of free allocation opted to receive newly-issued BBVA ordinary shares. The remaining 16.72% of the owners of the rights of free allocation exercised the commitment assumed by BBVA, and as a result, BBVA acquired 1,097,962,903 rights (at a gross price of €0.131 each) for a total amount of €143,833,140.29. This amount is recorded in "Total Equity-Dividends and Remuneration" of the balance sheet as of December 31, 2017 (see Note 23).

On 28 September 2016, BBVA's Board of Directors resolved to execute the second of the share capital increases to be charged to voluntary reserves, as agreed by the AGM held on 11 March 2016. As a result of this increase, the Bank's share capital increased by €42,266,085.33 through the issuance of 86,257,317 newly-issued BBVA ordinary shares at 0.49 euros par value, given that 87.85% of owners of the rights of free allocation opted to receive newly-issued BBVA ordinary shares. The remaining 12.15% of the owners of the rights of free allocation exercised the commitment assumed by BBVA, and as a result, BBVA acquired 787,374,942 rights (at a gross price of €0.08 each) for a total amount of €62,989,995.36. This amount is recorded in "Total Equity-Dividends and Remuneration" of the balance sheet as of 31 December 2016 (see Note 23).

On 31 March 2016, BBVA's Board of Directors resolved to execute the first of the share capital increases to be charged to voluntary reserves, as agreed by the AGM held on 11 March 2016 for the implementation of the shareholder remuneration system called the "Dividend Option". As a result of this increase, the Bank's share capital increased by €55,702,125.43 through the issuance of 113,677,807 newly-issued BBVA ordinary shares at a €0.49 par value, given that 82.13% of owners of the rights of free allocation opted to receive newly-issued BBVA ordinary shares. The remaining 17.87% of the owners of the rights of free allocation exercised the commitment assumed by BBVA, and as a result, BBVA acquired 1,137,500,965 rights (at a gross price of €0.129 each) for a total amount of €146,737,624.49. This amount is recorded in "Total Equity-Dividends and Remuneration" of the balance sheet as of 31 December 2016 (see Note 23).

Cash Dividends

Throughout 2016 and 2017, BBVA's Board of Directors approved the payment of the following interim dividends, recorded in "Total Equity- Interim Dividends" of the balance sheet of the relevant year:

- The Board of Directors, at its meeting held on June 22, 2016, approved the payment in cash of €0.08 (€0.0648 net of withholding tax) per BBVA share as the first gross interim dividend against 2016 results. The total amount paid to shareholders on July 11, 2016, after deducting treasury shares held by the Group's companies, amounted to €517 million and is recognized under the headings "Total Equity- Interim Dividends" of the consolidated balance sheet as of December 31, 2016.
- The Board of Directors, at its meeting held on December 21, 2016, approved the payment in cash of €0.08 (€0.0648 withholding tax) per BBVA share, as the second gross interim dividend against 2016 results. The total amount paid to shareholders on January 12, 2017, after deducting treasury shares held by the Group's Companies, amounted to €525 million and is recognized under the heading "Total Equity- Interim Dividends" of the consolidated balance sheet as of December 31, 2016.
- The Board of Directors, at its meeting held on September 27, 2017, approved the payment in cash of €0.09 (€0.0729 withholding tax) per BBVA share, as the first gross interim dividend against 2017

results. The total amount paid to shareholders on October 10, 2017 amounted €600 million and is recognized under the heading "Total Equity- Interim Dividends" of the balance sheet as of December 31, 2017.

The interim accounting statements prepared in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of said amounts are as follows:

Available Amount for Interim Dividend Payments (Millions of euros)	
	August 31, 2017
Profit of BBVA, S.A. at each of the dates indicated, after the provision for income tax	1,832
Less	
Estimated provision for Legal Reserve	10
Acquisition by the bank of the free allotment rights in 2017 capital increase	144
Additional Tier I capital instruments remuneration	224
Interim dividends for 2017 already paid	-
Maximum amount distributable	1,454
Amount of proposed interim dividend	600
BBVA cash balance available to the date	5,095

Proposal on allocation of earnings for 2017

The allocation of earnings for 2017 subject to the approval of the Board of Directors at the Annual Shareholders Meeting is presented below:

Application of Earnings (Millions of euros)	
	December 2017
Net income for year	2,083
Distribution:	-
Interim dividends	600
Final dividend	1,000
Acquisition by the bank of the free allotment rights(*)	144
Additional Tier 1 securities	301
Legal reserve	10
Voluntary reserves	28

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

4. Earnings per share

Earnings per share, basic and diluted are calculated in accordance with the criteria established by IAS 33. For more information see Glossary of terms.

The Bank issued additional share capital in 2017 and 2016 (see Note 23). In accordance with IAS 33, when there is a capital increase earnings per share, basic and diluted, should be recalculated for previous periods applying a corrective factor to the denominator (the weighted average number of shares outstanding) This corrective factor is the result of dividing the fair value per share immediately before the exercise of rights by the theoretical ex-rights fair value per share. The basic and diluted earnings per share for 2016 were recalculated on this basis.

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

Basic and Diluted Earnings per Share		
	2017	2016(*)
Numerator for basic and diluted earnings per share (millions of euros)		
Profit attributable to parent company	3,519	3,475
Adjustment: Additional Tier 1 securities (1)	(301)	(260)
Profit adjusted (millions of euros) (A)	3,218	3,215
Profit from discontinued operations (net of non-controlling interest) (B)	-	-
Denominator for basic earnings per share (number of shares outstanding)	-	-
Weighted average number of shares outstanding (2)	6,642	6,468
Weighted average number of shares outstanding x corrective factor (3)	6,642	6,592
Adjusted number of shares - Basic earning per share (C)	6,642	6,592
Adjusted number of shares - diluted earning per share (D)	6,642	6,592
Earnings per share	0.48	0.49
Basic earnings per share from continued operations (Euros per share)A-B/C	0.48	0.49
Diluted earnings per share from continued operations (Euros per share)A-B/D	0.48	0.49
Basic earnings per share from discontinued operations (Euros per share)B/C	-	-
Diluted earnings per share from discontinued operations (Euros per share)B/D	-	-

- (1) Remuneration in the period related to contingent convertible securities (See Note 20.4).
- (2) Weighted average number of shares outstanding (millions of euros), excluding weighted average of treasury shares during the period.
- (3) Corrective factor, due to the capital increase with pre-emptive subscription right, applied for the previous years.
- (*) Data recalculated due to the mentioned corrective factor.

As of December 31, 2017 and 2016 there were no other financial instruments or share option commitments with employees that could potentially affect the calculation of the diluted earnings per share for the years presented. For this reason, basic and diluted earnings per share are the same for both dates.

5. Risk management

5.1 General risk management and control model

BBVA has an overall risk management and control model (hereinafter 'the model') tailored to its business model, its organization and the geographies in which it operates. This model allows BBVA Group to develop its activity in accordance with the risk strategy and risk controls and management policies defined by the governing bodies of the Bank and to adapt to a changing economic and regulatory environment, tackling risk management globally and adapted to the circumstances at all times. The model sets an adequate risk management system related to risks profiles and the Bank strategy.

This model is applied comprehensively in the BBVA and consists of the basic elements listed below:

- Governance and organization
- Risk appetite framework
- Decisions and processes
- Assessment, monitoring and reporting
- Infrastructure

BBVA promotes the development of a risk culture that ensures consistent application of the risk management and control model in the bank, and that guarantees that the risk function is understood and assimilated at all levels of the organization.

5.1.1 Governance and organization

The governance model for risk management at BBVA is characterized by a special involvement of its corporate bodies, both in setting the risk strategy and in the ongoing monitoring and supervision of its implementation.

Thus, as developed below, the corporate bodies are the ones that approve this risk strategy and corporate policies for the different types of risk. The risk function is responsible at management level for their implementation and development, and reporting to the governing bodies.

The responsibility for the daily management of the risks lies on the businesses which abide in the development of their activity to meet the policies, rules, procedures, infrastructures and controls, which are defined by the function risk on the basis of the framework set by the governing bodies.

To perform this task properly, the risk function in the BBVA is configured as a single, global function with an independent role from commercial areas.

Corporate bodies

BBVA Board of Directors (hereinafter also referred to as "the Board") approves the risk strategy and oversees the internal management and control systems. Specifically, in relation to the risk strategy, the Board approves the Group's risk appetite statement, the core metrics and the main metrics by type of risk, as well as the general risk management and control model.

The Board of Directors is also responsible for approving and monitoring the strategic and business plan, the annual budget and management goals, as well as the investment and funding policy, in a consistent way and in line with the approved Risk Appetite Framework. For this reason, the processes for defining the Risk Appetite Framework proposals and the strategic and budgetary planning at Group level are coordinated by the executive areas for submission to the Board.

With the aim of ensuring the integration of the Risk Appetite Framework into management, on the basis established by the Board of Directors, the Executive Committee approves the metrics by type of risk (in 2017 those in relation to concentration, profitability and reputational risk) and the Group's basic structure of limits by geographical area, risk type, asset type and portfolio level. This committee also approves specific corporate policies for each type of risk.

Lastly, the Board has set up a Board committee specialized in risks, the Risk Committee, that assists the Board and the Executive Committee in determining the Group's risk strategy and the risk limits and policies, respectively, analyzing and assessing beforehand the proposals submitted to those bodies. The Board of Directors has the exclusive authority to amend the Bank's risk strategy and its elements, including the Risk Appetite Framework metrics, while the Executive Committee is responsible for amending the metrics by type of risk within its scope of decision and the Group's basic structure of limits (core limits), when applicable. In both cases, the amendments follow the same decision-making process described above, so the proposals for amendment are submitted by the executive area (Chief Risk Officer, "CRO") and analyzed by the Risk Committee, for later submission to the Board of Directors or to the Executive Committee, as appropriate.

Moreover, the Risk Committee, the Executive Committee and the Board itself conduct proper monitoring of the risk strategy implementation and of the Group's risk profile. The risk function regularly reports on the development of the Group's Risk Appetite Framework metrics to the Board and to the Executive Committee, after the analysis by the Risk Committee, whose role in this monitoring and control work is particularly relevant.

In addition to the constant supervision and control that performs the risk function and which accounts to the corporate bodies, in case of deviation from the maximum appetite levels of the core metrics or by type of risks or in the case of an exceeded of a limit of the basic structure, approved by the corporate bodies, the situation will be reported to the Risks Committee, after analysis of the executive areas in the corresponding maximum level committees. After the report of the Risk Committee, it will be reported to the corporate bodies that have approved the exceeded metric in each case. In any case, information will be provided on the corrective measures that may be applicable, as the case may be, and which should be agreed by the corporate bodies or, in the executive sphere, by the corresponding area

Risk Function: CRO. Organizational structure and committees

The head of the risk function at executive level is the Group's CRO, who carries out his functions independently and with the necessary authority, rank, experience, knowledge and resources. He is appointed by the Board as a member of its senior management and has direct access to its corporate bodies (Board, Executive Standing Committee and Risk Committee), to whom he reports regularly on the status of risks in the Group.

The CRO, for a better performance of its functions, is supported in the performance of its functions by a structure consisting of cross-sectional risk units in the corporate area and the specific risk units in the geographical and/or business areas of the Group. Each of the latter units is headed by a Chief Risk Officer for the geographical and/or business area who, within his/her area of responsibility, carries out risk management and control functions and is responsible for applying the corporate policies and rules approved at Group level in a consistent manner, adapting them if necessary to local requirements and reporting to the local corporate bodies.

The Chief Risk Officers of the geographical and/or business areas report both to the Group's CRO and to the head of their geographical and/or business area. This dual reporting system aims to ensure that the local risk management function is independent from the operating functions and enable its alignment with the Group's corporate risk policies and goals.

The risk management function, as defined above, consists of risk units from the corporate area, which carry out cross-sectional functions, and risk units from the geographical and/or business areas.

■ The corporate area's risk units develop and submit to the Group CRO the proposal for the Group's Risk Appetite Framework, the corporate policies, rules and global procedures and infrastructures within the framework approved by the corporate bodies; they ensure their application and report either directly or through the CRO to the Bank's corporate bodies. Their functions include:

- Management of the different types of risks at Group level in accordance with the strategy defined by the corporate bodies.
- Risk planning aligned with the risk appetite framework principles.
- Monitoring and control of the Group's risk profile in relation to the risk appetite framework approved by the Bank's corporate bodies, providing accurate and reliable information with the required frequency and in the necessary format.

- Prospective analyses to enable an evaluation of compliance with the risk appetite framework in stress scenarios and the analysis of risk mitigation mechanisms.
- Management of the technological and methodological developments required for implementing the Model in the Group.
- Design of the Group's Internal Control model and definition of the methodology, corporate criteria and procedures for identifying and prioritizing the risk inherent in each unit's activities and processes.
- Validation of the models used and the results obtained by them in order to verify their adaptation to the different uses to which they are applied.

■ The risk units in the business units develop and present to the Chief Risk Officer of the geographical and/or business area the risk appetite framework proposal applicable in each geographical and/or business area, independently and always within the Group's strategy/risk appetite framework. They also ensure that the corporate policies and rules approved consistently at a Group level are applied, adapting them if necessary to local requirements; they are provided with appropriate infrastructures for management and control of their risks, within the global risk infrastructure framework defined by the corporate areas; and they report to their corporate bodies and/or to senior management, as appropriate.

The local risk units thus work with the corporate area risk units in order to adapt to the risk strategy at Group level and share all the information necessary for monitoring the development of their risks.

The risk function has a decision-making process to perform its functions, underpinned by a structure of committees, where the Global Risk Management Committee (GRMC) acts as the top-level committee within the risk function. It proposes, examines and, where applicable, approves, among others, the internal risk regulatory framework and the procedures and infrastructures needed to identify, assess, measure and manage the material risks faced by the Group in carrying out its business, and the determination of risk limits by portfolio. The members of this Committee are the Group's CRO and the heads of the risk units of the corporate area and of the most representative geographical and/or business areas.

The Global Risk Management Committee (GRMC) carries out its functions assisted by various support committees which include:

- Global Technical Operations Committee: It is responsible for analyzing and decision-making related to wholesale credit risk admission in certain customer segments.
- Monitoring, Assessment & Reporting Committee: It guarantees and ensures the appropriate development of aspects related to risk identification, assessment, monitoring and reporting, with an integrated and cross-cutting vision.
- Asset Allocation Committee: The executive body responsible for analysis and decision-making on all credit risk matters related to the processes intended for obtaining a balance between risk and return.
- Technology & Analytics Committee: It ensures an appropriate decision-making process regarding the development, implementation and use of the tools and models required to achieve an appropriate management of those risks to which the BBVA Group is exposed.
- Global Market Risk Unit Global Committee: It is responsible for formalizing, supervising and communicating the monitoring of trading desk risk in all the Global Markets business units, as well as coordinating and approving GMRU key decisions activity, and developing and proposing to GRMC the corporate regulation of the unit.
- Corporate Operational and Outsourcing Risk Admission Committee: It identifies and assesses the operational risks of new businesses, new products and services, and outsourcing initiatives.

- Retail Risk Committee: It ensures the alignment of the practices and processes of the retail credit risk cycle with the approved risk tolerance and with the business growth and development objectives established in the corporate strategy of the Group.

Each geographical and/or business area has its own risk management committee (or committees), with objectives and contents similar to those of the corporate area, which perform their duties consistently and in line with corporate risk policies and rules, whose decisions are reflected in the corresponding minutes.

Under this organizational scheme, the risk management function ensures the risk strategy, the regulatory framework, and standardized risk infrastructures and controls are integrated and applied across the entire Group. It also benefits from the knowledge and proximity to customers in each geographical and/or business area, and transmits the corporate risk culture to the Group's different levels. Moreover, this organization enables the risks function to conduct and report to the corporate bodies integrated monitoring and control of the entire Group's risks.

Internal Risk Control and Internal Validation

BBVA has a specific Internal Risk Control unit whose main function is to ensure there is an adequate internal regulatory framework in place, together with a process and measures defined for each type of risk identified in the Bank, (and for other types of risk that could potentially affect the Bank, to oversee their application and operation, and to ensure that the risk strategy is integrated into the Bank's management. In this regard, The Internal Risk Control unit verifies the performance of their duties by the units that develop the risk models, manage the processes and execute the control. Its scope is global both geographically and in terms of type of risk.

The Director of Group Internal Control Risk is responsible for the function, and reports its activities and work plans to the CRO and the Risk Committee of the Board, besides attending to it on issues deemed necessary.

For these purposes the Internal Risks Control department has a Technical Secretary's Office, which offers the Committee the technical support it needs to better perform its duties.

The unit has a structure of teams at both corporate level and in the most relevant geographical areas in which the Group operates. As in the case of the corporate area, local units are independent of the business areas that execute the processes, and of the units that execute the controls. They report functionally to the Internal Risk Control unit. This unit's lines of action are established at Group level, and it is responsible for adapting and executing them locally, as well as for reporting the most relevant aspects.

Additionally, the Group has an Internal Validation unit, which reviews the performance of its duties by the units that develop risk models and of those who use them to manage. Its functions include, among others, review and independent validation, internally, of the models used for the control and management of the Group's risks.

5.1.2 Risk appetite framework

The Group's risk appetite framework, approved by the Board, determines the risks (and their level) that the Group is willing to assume to achieve its business objectives considering an organic evolution of its business. These are expressed in terms of solvency, liquidity and funding, profitability and income recurrence or other metrics, which are reviewed periodically as well as in case of material changes to the entity's business or relevant corporate transactions. The definition of the risk appetite has the following goals:

- To express the maximum levels of risk it is willing to assume, at both Group and geographical and/or business area level.

- To establish a set of guidelines for action and a management framework for the medium and long term that prevent actions from being taken (at both Group and geographical and/or business area level) that could compromise the future viability of the Group.
- To establish a framework for relations with the geographical and/or business areas that, while preserving their decision-making autonomy, ensures they act consistently, avoiding uneven behavior.
- To establish a common language throughout the organization and develop a compliance-oriented risk culture.
- Alignment with the new regulatory requirements, facilitating communication with regulators, investors and other stakeholders, thanks to an integrated and stable risk management framework.

Risk appetite framework is expressed through the following elements:

Risk appetite statement

It sets out the general principles of the Group's risk strategy and the target risk profile. The 2017 Risk appetite statement is:

BBVA Group's risk policy is designed to achieve a moderate risk profile for the entity, through: prudent management and a responsible universal banking business model targeted to value creation, risk-adjusted return and recurrence of results; diversified by geography, asset class, portfolio and clients; and with presence in emerging and developed countries, maintaining a medium/low risk profile in every country, and focusing on a long term relationship with the client.

Core metrics

Based on the risk appetite statement, statements are established to set down the general risk management principles in terms of solvency, liquidity and funding, profitability and income recurrence.

- **Solvency:** a sound capital position, maintaining resilient capital buffer from regulatory and internal requirements that supports the regular development of banking activity even under stress situations. As a result, BBVA proactively manages its capital position, which is tested under different stress scenarios from a regular basis.
- **Liquidity and funding:** A sound balance-sheet structure to sustain the business model. Maintenance of an adequate volume of stable resources, a diversified wholesale funding structure, which limits the weight of short term funding and ensures the access to the different funding markets, optimizing the costs and preserving a cushion of liquid assets to overcome a liquidity survival period under stress scenarios.
- **Profitability and income recurrence:** A sound margin-generation capacity supported by a recurrent business model based on the diversification of assets, a stable funding and a customer focus; combined with a moderate risk profile that limits the credit losses even under stress situations; all focused on allowing income stability and maximizing the risk-adjusted profitability.

The core metrics define, in quantitative terms, the principles and the target risk profile set out in the risk appetite statement and are in line with the strategy of the Group. Each metric have three thresholds (traffic-light approach) ranging from a standard business management to higher deterioration levels: Management reference, Maximum appetite and Maximum capacity. The Group's Core metrics are:

	Metric
Solvency	Economic Solvency
	Regulatory Solvency: CET1 Fully Loaded
Liquidity and Funding	Loan to Stable Customer Deposits (LTSCD)
	Liquidity Coverage Ratio (LCR)
Income recurrence and profitability	Net margin / Average Total Assets
	Cost of Risk
	Return on Equity (ROE)

Metrics by type of risk

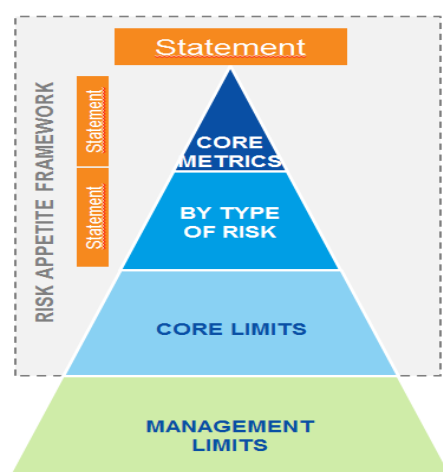
Based on the core metrics, statements are established for each type of risk reflecting the main principles governing the management of that risk and several metrics are calibrated, compliance with which enables compliance with the core metrics and the appetite risk statement of the Group. By type of risk metrics have a maximum appetite threshold.

Basic limits structure (core limits)

The purpose of the basic limits structure or core limits is to shape the Risk Appetite Framework at geographical area risk type, asset type and portfolio level, ensuring that the management of risks on an ongoing basis is within the thresholds set forth for "by type of risk".

In addition to this framework, there's a level of management limits level that is defined and managed by the risk function developing the core limits, in order to ensure that the anticipatory management of risks by subcategories or by subportfolios complies with that core limits and, in general, with the Risk Appetite Framework.

The following graphic summarizes the structure of BBVA's Risk appetite framework:



The corporate risk area works with the various geographical and/or business areas to define their risk appetite framework, which will be coordinated with and integrated into the Group's risk appetite to ensure that its profile fits as defined.

The Group Risk Appetite Framework expresses the levels and types of risk that the Bank is willing to assume to be able to implement its strategic plan with no relevant deviations, even in situations of stress. The Risk

Appetite Framework is integrated into the management and the processes for defining the Risk Appetite Framework proposals and strategic and budgetary planning at Group level are coordinates.

As explained above, the core metrics of BBVA Risk Appetite Framework measure Groups performance in terms of solvency, liquidity and funding, profitability and income recurrence; most of the core metrics are accounting related or regulatory metrics which are published regularly to the market in the BBVA Group annual report and in the quarterly financial reports. During 2017, the Group risk profile evolved in line with the Risk Appetite metrics.

5.1.3 Decisions and processes

The transfer of risk appetite framework to ordinary management is supported by three basic aspects:

- A standardized set of regulations.
- Risk planning.
- Comprehensive management of risks over their life cycle.

Standardized regulatory framework

The corporate risk area is responsible for the definition and proposal of the corporate policies, specific rules, procedures and schemes of delegation based on which risks decisions should take within the Group.

This process aims for the following objectives:

- Hierarchy and structure: well-structured information through a clear and simple hierarchy creating relations between documents that depend on each other.
- Simplicity: an appropriate and sufficient number of documents.
- Standardization: a standardized name and content of document.
- Accessibility: ability to search for, and easy access to, documentation through the corporate risk management library.

The approval of corporate policies for all types of risks corresponds to the corporate bodies of the Bank, while the corporate risk area endorses the remaining regulations.

Risk units of geographical and/ or business areas comply with this set of regulations and, where necessary, adapt it to local requirements for the purpose of having a decision process that is appropriate at local level and aligned with the Group policies. If such adaptation is necessary, the local risk area must inform the corporate area of GRM, who must ensure the consistency of the regulatory body at the Group level and, therefore, if necessary, give prior approval to the modifications proposed by the local risk areas.

Risk planning

Risk planning ensures that the risk appetite framework is integrated into management through a cascade process for establishing limits and profitability adjusted to the risk profile, in which the function of the corporate area risk units and the geographical and/or business areas is to guarantee the alignment of this process with the Group's Risk Appetite Framework in terms of solvency, liquidity and funding, profitability and income recurrence.

There are tools in place that allow the risk appetite framework defined at aggregate level to be assigned and monitored by business areas, legal entities, types of risk, concentrations and any other level considered necessary.

The risk planning process is aligned and taken into consideration within the rest of the Group's planning framework so as to ensure consistency.

Comprehensive management

All risks must be managed comprehensively during their life cycle, and be treated differently depending on the type.

The risk management cycle is composed of five elements:

- Planning: with the aim of ensuring that the Bank's activities are consistent with the target risk profile and guaranteeing solvency in the development of the strategy.
- Assessment: a process focused on identifying all the risks inherent to the activities carried out by the Bank.
- Formalization: includes the risk origination, approval and formalization stages.
- Monitoring and reporting: continuous and structured monitoring of risks and preparation of reports for internal and/or external (market, investors, etc.) consumption.
- Active portfolio management: focused on identifying business opportunities in existing portfolios and new markets, businesses and products.

5.1.4 Assessment, monitoring and reporting

Assessment, monitoring and reporting is a cross-cutting element that ensures that the Model has a dynamic and proactive vision to enable compliance with the risk appetite framework approved by the corporate bodies, even in adverse scenarios. The materialization of this process has the following objectives:

- Assess compliance with the risk appetite framework at the present time, through monitoring of the core metrics, metrics by type of risk and the basic structure of limits.
- Assess compliance with the risk appetite framework in the future, through the projection of the risk appetite framework variables, in both a baseline scenario determined by the budget and a risk scenario determined by the stress tests.
- Identify and assess the risk factors and scenarios that could compromise compliance with the risk appetite framework, through the development of a risk repository and an analysis of the impact of those risks.
- Act to mitigate the impact in the Bank of the identified risk factors and scenarios, ensuring this impact remains within the target risk profile.
- Monitor the key variables that are not a direct part of the risk appetite framework, but that condition its compliance. These can be either external or internal.

This process is integrated in the activity of the risk units, both of the corporate area and in the business units, and it is carried out during the following phases:

- Identification of the risk factors that can compromise the performance of the Group or of the geographical and/or business areas in relation to the defined risk thresholds.

- Assessment of the impact of the materialization of the risk factors on the metrics that define the Risk Appetite Framework based on different scenarios, including stress scenarios.
- Response to unwanted situations and proposals for readjustment to enable a dynamic management of the situation, even before it takes place.
- Monitoring of the Group's risk profile and of the identified risk factors, through internal, competitor and market indicators, among others, to anticipate their future development.
- Reporting: Complete and reliable information on the development of risks for the corporate bodies and senior management, with the frequency and completeness appropriate to the nature, significance and complexity of the reported risks. The principle of transparency governs all reporting of risk information.

5.1.5 Infrastructure

The infrastructure is an element that must ensure that the Group has the human and technological resources needed for effective management and supervision of risks in order to carry out the functions set out in the Group's risk Model and the achievement of their objectives.

With respect to human resources, the Group's risk function has an adequate workforce, in terms of number, skills, knowledge and experience.

With regards to technology, the Bank's risk function ensures the integrity of management information systems and the provision of the infrastructure needed for supporting risk management, including tools appropriate to the needs arising from the different types of risks for their admission, management, assessment and monitoring.

The principles that govern the Bank risk technology are:

- Standardization: the criteria are consistent across the Group, thus ensuring that risk handling is standardized at geographical and/or business area level.
- Integration in management: the tools incorporate the corporate risk policies and are applied in the Group's day-to-day management.
- Automation of the main processes making up the risk management cycle.
- Appropriateness: provision of adequate information at the right time.

Through the "Risk Analytics" function, the Bank has a corporate framework in place for developing the measurement techniques and models. It covers all the types of risks and the different purposes and uses a standard language for all the activities and geographical/business areas and decentralized execution to make the most of the Group's global reach. The aim is to continually evolve the existing risk models and generate others that cover the new areas of the businesses that develop them, so as to reinforce the anticipation and proactiveness that characterize the Group's risk function.

Also the risk units of geographical and/or business areas have sufficient means from the point of view of resources, structures and tools to develop a risk management in line with the corporate model.

5.2 Risk factors

As mentioned earlier, BBVA has processes in place for identifying risks and analyzing scenarios that enable the Group to manage risks in a dynamic and proactive way.

The risk identification processes are forward-looking to ensure the identification of emerging risks and take into account the concerns of both the business areas, which are close to the reality of the different geographical areas, and the corporate areas and senior management.

Risks are captured and measured consistently using the methodologies deemed appropriate in each case. Their measurement includes the design and application of scenario analyses and stress testing and considers the controls to which the risks are subjected.

As part of this process, a forward projection of the risk appetite framework variables in stress scenarios is conducted in order to identify possible deviations from the established thresholds. If any such deviations are detected, appropriate measures are taken to keep the variables within the target risk profile.

To this extent, there are a number of emerging risks that could affect the Bank's business trends. These risks are described in the following main blocks:

Macroeconomic and geopolitical risks

Global growth has improved during 2017, and is more synchronized across developed and emerging markets, which makes the recovery more sustainable. Healthy global trade growth and calm financial markets, which rely on the support from central banks and the lack of inflation pressure, also contribute to the more upbeat outlook. The performance of the most advanced economies is solid, especially the Eurozone, where global demand adds to domestic factors and reduced political uncertainty. Growth momentum in The United States will be supported in the short term by the recently approved tax reform, although its long-term impact is unlikely to be large. As regards emerging economies, China's growth moderation continues, with a mix of policies oriented to diminish financial imbalances, while economic activity in Latin America recovers against a background of higher commodity prices and favorable global funding conditions.

The uncertainty around these positive economic perspectives has a downward bias but continues to be elevated. First, following a long period of exceptionally loose monetary policies, the main central banks are tapering their support, with uncertainty on their impact on markets and economies given the background of high leverage and signs of overvaluation in some financial assets. A second source of uncertainty is related with the political support to the multilateral global governance of trade. Third, both global geopolitics and domestic politics in some countries are relevant for the economic perspectives within the BBVA's footprint.

In this regard, the Group's geographical diversification remains a key element in achieving a high level of revenue recurrence, despite the background conditions and economic cycles of the economies in which it operates.

Regulatory and reputational risks

- Financial institutions are exposed to a complex and ever-changing regulatory and legal environment defined by governments and regulators. This can affect their ability to grow and the capacity of certain businesses to develop, and result in stricter liquidity and capital requirements with lower profitability ratios. The Bank constantly monitors changes in the regulatory framework (such as IFRS 9, Basel IV, etc.) that allow for anticipation and adaptation to them in a timely manner, adopt best practices and more efficient and rigorous criteria in its implementation.
- The financial sector is under ever closer scrutiny by regulators, governments and society itself. Negative news or inappropriate behavior can significantly damage the Group's reputation and affect its ability to develop a sustainable business. The attitudes and behaviors of the group and its

members are governed by the principles of integrity, honesty, long-term vision and best practices through, inter alia, internal control model, the Code of Conduct and Responsible Business Strategy of the Bank.

Business, operational and legal risks




- New technologies and forms of customer relationships: Developments in the digital world and in information technologies pose significant challenges for financial institutions, entailing threats (new competitors, disintermediation, etc). but also opportunities (new framework of relations with customers, greater ability to adapt to their needs, new products and distribution channels, etc.). Digital transformation is a priority for the Group as it aims to lead digital banking of the future as one of its objectives.
- Technological risks and security breaches: The Group is exposed to new threats such as cyber-attacks, theft of internal and customer databases, fraud in payment systems, etc. that require major investments in security from both the technological and human point of view. The Group gives great importance to the active operational and technological risk management and control. One example was the early adoption of advanced models for management of these risks (AMA - Advanced Measurement Approach).
- The financial sector is exposed to increasing litigation, so the financial institutions face a large number of proceedings which economic consequences are difficult to determine. The Group manages and monitors these proceedings to defend its interests, where necessary allocating the corresponding provisions to cover them, following the expert criteria of internal lawyers and external attorneys responsible for the legal handling of the procedures, in accordance with applicable legislation.

5.3 Credit risk



Credit risk arises from the probability that one party to a financial instrument will fail to meet its contractual obligations for reasons of insolvency or inability to pay and cause a financial loss for the other party.

It is the most important risk for the Group and includes counterparty risk, issuer risk, settlement risk and country risk management.

The principles underpinning credit risk management in BBVA are as follows:

-  Availability of basic information for the study and proposal of risk, and supporting documentation for approval, which sets out the conditions required by the relevant body.
-  Sufficient generation of funds and asset solvency of the customer to assume principal and interest repayments of loans owed.
-  Establishment of adequate and sufficient guarantees that allow effective recovery of the operation, this being considered a secondary and exceptional method of recovery when the first has failed.

Credit risk management in the Bank has an integrated structure for all its functions, allowing decisions to be taken objectively and independently throughout the life cycle of the risk.

-  At Group level: frameworks for action and standard rules of conduct are defined for handling risk, specifically, the circuits, procedures, structure and supervision.
-  At the business area level: they are responsible for adapting the Group's criteria to the local realities of each geographical area and for direct management of risk according to the decision-making circuit:

- Retail risks: in general, the decisions are formalized according to the scoring tools, within the general framework for action of each business area with regard to risks. The changes in weighting and variables of these tools must be validated by the corporate GRM area.
- Wholesale risks: in general, the decisions are formalized by each business area within its general framework for action with regard to risks, which incorporates the delegation rule and the Group's corporate policies.

5.3.1 Maximum Credit risk exposure

BBVA maximum credit risk exposure (see definition below) by headings in the balance sheet as of December 31, 2017 and 2016 is provided below. It does not consider the availability of collateral or other credit enhancements to guarantee compliance with payment obligations. The details are broken down by financial instruments and counterparties.

Maximum Credit Risk Exposure (Millions of euros)			
	Notes	2017	2016
Financial assets held for trading		13,888	15,417
Debt securities	8.1	7,686	11,544
Equity instruments	8.1	6,202	3,873
Customer lending		-	-
Other financial assets designated at fair value through profit or loss	9	648	-
Loans and advances to customers		648	-
Debt securities		-	-
Equity instruments		-	-
Available-for-sale financial assets		24,205	29,004
Debt securities	10.1	21,827	25,498
Equity instruments	10.2	2,378	3,506
Loans and receivables		250,018	259,581
Loans and advances to central banks	11.2	28	-
Loans and advances to credit institutions	11.2	22,110	26,609
Loans and advances to customers		217,375	221,966
Government		19,142	21,857
Agriculture		1,341	1,285
Industry		22,331	23,039
Real estate and construction		21,627	25,989
Trade and finance		32,083	28,515
Loans to individuals		100,552	102,949
Other		20,299	18,332
Debt securities	11.4	10,505	11,006
Held-to-maturity investments	12	8,354	11,424
Derivatives (trading and hedging)		31,597	37,255
Total Financial Assets Risk		328,710	352,681
Loan commitments given	29	54,631	60,863
Financial guarantees given	29	11,336	18,697
Other Commitments given	29	36,504	31,306
Total Loan commitments and financial guarantees		102,471	110,866
Total Maximum Credit Exposure		431,181	463,547

(*) Without considering derivatives whose counterparty are BBVA Group companies.

The maximum credit exposure of the table above is determined by type of financial asset as explained below:

- In the case of financial assets recognized in the bank's balance sheets, exposure to credit risk is considered equal to its gross carrying amount, not including certain valuation adjustments (impairment losses, hedges and others), with the sole exception of derivatives and hedging derivatives.
- The maximum credit risk exposure on financial guarantees granted is the maximum that the Group would be liable for if these guarantees were called in, and that is their carrying amount.
- The calculation of risk exposure for derivatives is based on the sum of two factors: the derivatives fair value and their potential risk (or "add-on").
 - The first factor, market value, reflects the difference between original commitments and market values on the reporting date (mark-to-market). As indicated in Note 2.2.1 to the financial statements, derivatives are accounted for as of each reporting date at fair value.
 - The second factor, potential risk ('add-on'), is an estimate of the maximum increase to be expected on risk exposure over a derivative market value (at a given statistical confidence level) as a result of future changes in the fair value over the remaining term of the derivatives.

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

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The breakdown by counterparty and product of loans and advances, net of impairment losses, classified in the different headings of the assets, as of December 31, 2017 and 2016 is shown below:

December 2017 (Millions of euros)

	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
On demand and short notice	-	222	-	1,206	8,942	1,897	12,267
Credit card debt		1	-	1	117	1,900	2,019
Trade receivables		800	-	160	9,299	63	10,322
Finance leases	-	55	-	3	3,190	206	3,454
Reverse repurchase loans	28	1,093	13,513	10,812	-	-	25,446
Other term loans	-	15,576	1,827	6,151	52,418	94,115	170,087
Advances that are not loans	-	1,973	6,765	820	1,130	96	10,784
Loans and advances	28	19,720	22,105	19,153	75,096	98,277	234,379
<i>of which: mortgage loans [Loans collateralized by immovable property]</i>		447	-	232	12,885	83,387	96,951
<i>of which: other collateralized loans</i>		446	13,507	10,816	1,760	425	26,954
<i>of which: credit for consumption</i>						8,726	8,726
<i>of which: lending for house purchase</i>						82,462	82,462
<i>of which: project finance loans</i>					7,024		7,024

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December 2016 (Millions of euros)

	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
On demand and short notice	-	372	-	1,760	8,371	1,759	12,262
Credit card debt		1	-	1	107	1,717	1,826
Trade receivables		1,042	-	140	9,254	70	10,506
Finance leases	-	42	-	4	2,805	199	3,050
Reverse repurchase loans	-	544	14,907	6,666	-	-	22,117
Other term loans	-	17,357	5,104	5,298	54,323	96,805	178,887
Advances that are not loans	-	2,405	6,585	1,980	773	94	11,837
Loans and advances	-	21,763	26,596	15,849	75,633	100,644	240,485
<i>of which: mortgage loans [Loans collateralized by immovable property]</i>		440	-	203	14,722	87,757	103,122
<i>of which: other collateralized loans</i>		544	14,908	6,669	1,870	596	24,587
<i>of which: credit for consumption</i>						7,240	7,240
<i>of which: lending for house purchase</i>						86,423	86,423
<i>of which: project finance loans</i>					7,918		7,918

5.3.2 Mitigation of credit risk, collateralized credit risk and other credit enhancements

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

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

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

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

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

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

- Financial instruments held for trading: The guarantees or credit enhancements obtained directly from the issuer or counterparty are implicit in the clauses of the instrument.
- Derivatives and hedging derivatives: In derivatives, credit risk is minimized through contractual netting agreements, where positive- and negative-value derivatives with the same counterparty are offset for their net balance. There may likewise be other kinds of guarantees, depending on counterparty solvency and the nature of the transaction.
- Financial assets designated at fair value through profit or loss and Available-for-sale financial assets: The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent to the structure of the instrument.
- Loans and receivables:
 - Loans and advances to credit institutions: These usually only have the counterparty's personal guarantee.
 - Loans and advances to customers: Most of these operations are backed by personal guarantees extended by the counterparty. There may also be collateral to secure loans and advances to customers (such as mortgages, cash guarantees, pledged securities and other collateral), or to obtain other credit enhancements (bonds, hedging, etc.).

- Debt securities: The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent to the structure of the instrument.
- Collateralized loans granted by the Bank as of December 31, 2017 and 2016 excluding balances deemed impaired, is broken down in the previous tables.
- Financial guarantees, other contingent risks and drawable by third parties: These have the counterparty's personal guarantee.

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

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

Scoring

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

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

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

Rating

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

The main difference between ratings and scorings is that the latter are used to assess retail products, while ratings use a wholesale banking customer approach. Moreover, scorings only include objective variables,

while ratings add qualitative information. And although both are based on statistical studies, adding a business view, rating tools give more weight to the business criterion compared to scoring tools.

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

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

The table below shows the abridged scale used to classify the BBVA Group's outstanding risk as of December 31, 2017:

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

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

The tables below outline the distribution of exposure, including derivatives, by internal ratings, to corporates, financial entities and institutions (excluding sovereign risk), of the main BBVA Group entities as of December 31, 2017 and 2016:

Credit Risk Distribution by Internal Rating	2017		2016	
	Amount (Millions of Euros)	%	Amount (Millions of Euros)	%
AAA/AA	37,675	17.16%	34,713	15.72%
A	60,544	27.58%	49,879	22.59%
BBB+	34,850	15.88%	38,844	17.59%
BBB	22,608	10.30%	20,870	9.45%
BBB-	31,469	14.34%	31,643	14.33%
BB+	10,598	4.83%	19,448	8.81%
BB	5,534	2.52%	7,812	3.54%
BB-	5,182	2.36%	5,880	2.66%
B+	4,662	2.12%	4,388	1.99%
B	3,034	1.38%	1,784	0.81%
B-	1,361	0.62%	1,542	0.70%
CCC/CC	2,007	0.91%	4,004	1.81%
Total	219,523	100.00%	220,807	100.00%

5.3.4 Financial assets past due but not impaired

The table below provides details by counterpart and by product of past due risks but not considered to be impaired, as of December 31, 2017 and December 31, 2016, listed by their first past-due date; as well as the breakdown of the debt securities and loans and advances individually and collectively estimated, and the specific allowances for individually estimated and for collectively estimated (see Note 2.2.1):

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December 2017 (Millions of euros)

	Past due but not impaired			Impaired assets	Carrying amount of the impaired assets	Specific allowances for financial assets, individually and collectively estimated	Collective allowances for incurred but not reported losses	Accumulated write-offs
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days					
Debt securities	-	-	-	33	19	(14)	(10)	-
Loans and advances	181	36	50	13,244	7,661	(5,583)	(1,343)	(23,090)
Central Banks	-	-	-	-	-	-	-	-
General governments	69	3	13	166	125	(42)	(2)	(25)
Credit institutions	-	-	-	4	-	(4)	(1)	-
Other financial corporations	-	-	-	3	1	(2)	(6)	(1)
Non-financial corporations	97	23	24	7,138	3,274	(3,863)	(674)	(16,746)
Households	14	11	13	5,934	4,261	(1,672)	(660)	(6,318)
TOTAL	181	36	50	13,277	7,680	(5,597)	(1,353)	(23,090)
Loans and advances by product, by collateral and by subordination								
On demand (call) and short notice (current account)	16	6	7	351	140	(211)		
Credit card debt	3	2	1	60	13	(47)		
Trade receivables	50	7	3	377	229	(148)		
Finance leases	2	1	1	134	5	(129)		
Reverse repurchase loans	-	-	-	-	-	-		
Other term loans	109	21	38	12,322	7,274	(5,048)		
Advances that are not loans	-	-	-	-	-	-		
<i>of which: mortgage loans (Loans collateralized by immovable property)</i>	2	9	17	9,598	6,359	(3,239)		
<i>of which: other collateralized loans</i>	2	1	-	64	29	(35)		
<i>of which: credit for consumption</i>	3	3	3	364	96	(267)		
<i>of which: lending for house purchase</i>	2	4	5	4,839	3,824	(1,015)		
<i>of which: project finance loans</i>	5	-	-	244	180	(65)		

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December 2016 (Millions of euros)

	Past due but not impaired			Impaired assets	Carrying amount of the impaired assets	Specific allowances for financial assets, individually and collectively estimated	Collective allowances for incurred but not reported losses	Accumulated write-offs
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days					
Debt securities	-	-	-	216	96	(120)	(27)	-
Loans and advances	496	37	44	16,741	8,976	(7,765)	(1,663)	(21,601)
Central Banks	-	-	-	-	-	-	-	-
General governments	63	-	2	292	253	(39)	(2)	(13)
Credit institutions	-	-	-	5	-	(5)	(8)	(5)
Other financial corporations	18	-	1	8	5	(3)	(11)	-
Non-financial corporations	387	24	26	10,412	4,448	(5,963)	(888)	(17,347)
Households	28	12	15	6,024	4,270	(1,754)	(754)	(4,237)
TOTAL	496	37	44	16,957	9,073	(7,884)	(1,691)	(21,601)
Loans and advances by product, by collateral and by subordination	-	-	-					
On demand (call) and short notice (current account)	23	8	2	470	193	(277)		
Credit card debt	4	2	1	50	12	(39)		
Trade receivables	28	2	2	247	54	(193)		
Finance leases	11	1	1	197	68	(129)		
Reverse repurchase loans	-	-	-	-	-	-		
Other term loans	431	24	38	15,777	8,649	(7,128)		
Advances that are not loans	-	-	-	-	-	-		
<i>of which: mortgage loans (Loans collateralized by immovable property)</i>	16	12	22	12,687	7,600	(5,087)		
<i>of which: other collateralized loans</i>	1	1	-	70	37	(33)		
<i>of which: credit for consumption</i>	3	3	3	347	83	(264)		
<i>of which: lending for house purchase</i>	15	5	8	5,015	3,872	(1,143)		
<i>of which: project finance loans</i>	136	-	-	152	13	(139)		

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The breakdown of loans and advances of loans and receivables, impaired and accumulated impairment by sectors as of December 31, 2017 and 2016 is as follows:

December 2017 (Millions of euros)

	Non-performing	Accumulated impairment or Accumulated changes in fair value due to credit risk	Non-performing loans and advances as a % of the total
100 Basis-Point Increase	166	(44)	0.8%
100 Basis-Point Decrease	4	(5)	-
100 Basis-Point Increase	3	(8)	-
100 Basis-Point Decrease	7,138	(4,538)	9.0%
Agriculture, forestry and fishing	95	(52)	7.1%
Mining and quarrying	28	(16)	1.8%
Manufacturing	835	(517)	5.6%
Electricity, gas, steam and air conditioning supply	105	(52)	2.0%
Water supply	27	(10)	4.8%
Construction	2,828	(1,656)	24.1%
Wholesale and retail trade	1,197	(690)	11.6%
Transport and storage	125	(69)	2.8%
Accommodation and food service activities	288	(122)	9.5%
Information and communication	80	(52)	2.4%
Real estate activities	960	(900)	9.7%
Professional, scientific and technical activities	181	(118)	5.6%
Administrative and support service activities	148	(93)	7.0%
Public administration and defense, compulsory social security	4	(3)	2.8%
Education	20	(9)	9.4%
Human health services and social work activities	38	(13)	5.2%
Arts, entertainment and recreation	55	(27)	8.7%
Other services	124	(139)	2.1%
Households	5,934	(2,332)	5.9%
LOANS AND ADVANCES	13,244	(6,927)	5.4%

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December 2016 (Millions of euros)

	Non-performing	Accumulated impairment or Accumulated changes in fair value due to credit risk	Non-performing loans and advances as a % of the total
100 Basis-Point Increase	292	(41)	1.3%
100 Basis-Point Decrease	5	(13)	-
100 Basis-Point Increase	8	(14)	0.1%
100 Basis-Point Decrease	10,412	(6,851)	12.6%
Agriculture, forestry and fishing	104	(56)	8.1%
Mining and quarrying	32	(28)	2.1%
Manufacturing	1,099	(668)	7.7%
Electricity, gas, steam and air conditioning supply	128	(84)	1.9%
Water supply	26	(7)	3.9%
Construction	5,098	(3,150)	33.5%
Wholesale and retail trade	1,205	(801)	12.1%
Transport and storage	129	(80)	3.4%
Accommodation and food service activities	408	(173)	13.1%
Information and communication	88	(41)	3.4%
Real estate activities	1,246	(760)	11.5%
Professional, scientific and technical activities	382	(293)	12.5%
Administrative and support service activities	148	(82)	5.8%
Public administration and defense, compulsory social security	10	(9)	5.0%
Education	20	(9)	9.3%
Human health services and social work activities	32	(11)	4.3%
Arts, entertainment and recreation	61	(29)	10.4%
Other services	195	(572)	3.7%
Households	6,024	(2,508)	5.8%
LOANS AND ADVANCES	16,741	(9,428)	6.8%

The changes in the year 2017 and 2016 of impaired financial assets and guarantees are as follow:

Changes in Impaired Financial Assets and Contingent Risks (Millions of euros)		
	2017	2016
Balance at the beginning	17,507	17,017
1) Additions	3,606	4,420
2) Decreases	(4,215)	(4,405)
Net additions (1)+(2)	(608)	15
Transfers to write-off	(3,078)	(3,336)
Exchange differences and others (*)	35	3,811
Balance at the end	13,856	17,507
Recoveries on entries (%)	117%	100%

(*) Reflects the total amount of impaired loans derecognized from the balance sheet throughout the period as a result of mortgage foreclosures and real estate assets received in lieu of payment as well as monetary recoveries (see Note 19 to the consolidated financial statement for additional information).

The changes in the year 2017 and 2016 in financial assets derecognized from the accompanying balance sheet as their recovery is considered unlikely (hereinafter "write-offs"), is shown below:

Changes in Impaired Financial Assets Written-Off from the Balance Sheet (Millions of euros)			
	Notes	2017	2016
Balance at the beginning		21,601	16,905
Increase:		3,934	6,421
Assets of remote collectability		3,078	3,336
Past-due and not collected income		856	1,180
Contributions by mergers		-	1,905
Decrease:		(2,434)	(1,728)
Re-financing or restructuring		(7)	(31)
Cash recovery	42	(446)	(448)
Foreclosed assets		(88)	(150)
Sales of written-off		(460)	-
Debt forgiveness		(1,105)	(845)
Time-barred debt and other causes		(328)	(254)
Net exchange differences		(11)	3
Balance at the end		23,090	21,601

As indicated in Note 2.2.1, although they have been derecognized from the balance sheet, the BBVA Group continues to attempt to collect on these written-off financial assets, until the rights to receive them are fully extinguished, either because it is time-barred financial asset, the financial asset is condoned, or other reasons.

5.3.5 Impaired assets and impairment losses

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

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December 2017 (Millions of euros)

	Opening balance	Increases due to amounts set aside for estimated loan losses during the period	Decreases due to amounts reversed for estimated loan losses during the period	Decreases due to amounts taken against allowances	Transfers between allowances	Other adjustments	Closing balance	Recoveries recorded directly to the statement of profit or loss
Equity instruments								
Specific allowances for financial assets, individually and collectively estimated	(7,884)	(3,171)	2,100	3,075	279	4	(5,597)	446
Debt securities	(120)	(21)	4	-	123	-	(14)	-
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	(15)	(5)	4	-	16	-	-	-
Other financial corporations	(2)	-	-	-	-	-	(2)	-
Non-financial corporations	(103)	(17)	-	-	107	-	(12)	-
Loans and advances	(7,765)	(3,150)	2,096	3,075	156	4	(5,583)	446
Central banks	-	-	-	-	-	-	-	-
General governments	(39)	(50)	33	14	-	-	(42)	1
Credit institutions	(5)	-	2	-	-	-	(4)	-
Other financial corporations	(3)	-	1	23	(23)	-	(2)	-
Non-financial corporations	(5,963)	(2,443)	1,848	2,628	63	4	(3,863)	305
Households	(1,754)	(656)	212	411	116	-	(1,672)	140
Collective allowances for incurred but not reported losses on financial assets	(1,691)	(408)	579	2	161	3	(1,353)	-
Debt securities	(27)	(3)	20	-	-	-	(10)	-
Loans and advances	(1,663)	(405)	559	2	161	3	(1,343)	-
Total	(9,575)	(3,579)	2,679	3,078	440	7	(6,950)	446

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December 2016 (Millions of euros)

	Opening balance	Increases due to amounts set aside for estimated loan losses during the period	Decreases due to amounts reversed for estimated loan losses during the period	Decreases due to amounts taken against allowances	Transfers between allowances	Other adjustments (*)	Closing balance	Recoveries recorded directly to the statement of profit or loss
Equity instruments								
Specific allowances for financial assets, individually and collectively estimated	(7,248)	(3,761)	1,857	3,330	501	(2,563)	(7,884)	448
Debt securities	(21)	(164)	3	64	-	(1)	(120)	-
Central Banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	(20)	-	-	5	-	-	(15)	-
Other financial corporations	(2)	(26)	-	26	-	-	(2)	-
Non-financial corporations	-	(138)	3	33	-	(1)	(103)	-
Loans and advances	(7,227)	(3,597)	1,854	3,267	501	(2,562)	(7,765)	448
Central Banks	-	-	-	-	-	-	-	-
General governments	(27)	1	19	6	(28)	(10)	(39)	1
Credit institutions	(16)	-	-	-	10	-	(5)	-
Other financial corporations	(8)	2	7	-	4	(9)	(3)	-
Non-financial corporations	(5,868)	(2,733)	1,548	2,803	30	(1,742)	(5,963)	279
Households	(1,307)	(867)	279	458	484	(801)	(1,754)	168
Collective allowances for incurred but not reported losses on financial assets	(1,423)	262	264	5	194	(993)	(1,691)	-
Debt securities	(68)	(12)	-	-	53	-	(27)	-
Loans and advances	(1,355)	274	264	5	142	(993)	(1,663)	-
Total	(8,672)	(3,500)	2,121	3,336	696	(3,556)	(9,575)	448

(*) Includes the impact of the merger of Catalunya Banc

5.4 Market risk

5.4.1 Trading portfolio activities

Market risk originates as a result of movements in the market variables that impact the valuation of traded financial products and assets. The main risks generated can be classified as follows:

- **Interest-rate risk:** This arises as a result of exposure to movements in the different interest-rate curves involved in trading. Although the typical products that generate sensitivity to the movements in interest rates are money-market products (deposits, interest-rate futures, call money swaps, etc.) and traditional interest-rate derivatives (swaps and interest-rate options such as caps, floors, swaptions, etc.), practically all the financial products are exposed to interest-rate movements due to the effect that such movements have on the valuation of the financial discount.
- **Equity risk:** This arises as a result of movements in share prices. This risk is generated in spot positions in shares or any derivative products whose underlying asset is a share or an equity index. Dividend risk is a sub-risk of equity risk, arising as an input for any equity option. Its variation may affect the valuation of positions and it is therefore a factor that generates risk on the books.
- **Exchange-rate risk:** This is caused by movements in the exchange rates of the different currencies in which a position is held. As in the case of equity risk, this risk is generated in spot currency positions, and in any derivative product whose underlying asset is an exchange rate. In addition, the quanto effect (operations where the underlying asset and the instrument itself are denominated in different currencies) means that in certain transactions in which the underlying asset is not a currency, an exchange-rate risk is generated that has to be measured and monitored.
- **Credit-spread risk:** Credit spread is an indicator of an issuer's credit quality. Spread risk occurs due to variations in the levels of spread of both corporate and government issues, and affects positions in bonds and credit derivatives.
- **Volatility risk:** This occurs as a result of changes in the levels of implied price volatility of the different market instruments on which derivatives are traded. This risk, unlike the others, is exclusively a component of trading in derivatives and is defined as a first-order convexity risk that is generated in all possible underlying assets in which there are products with options that require a volatility input for their valuation.

The metrics developed to control and monitor market risk in BBVA Group are aligned with best practices in the market and are implemented consistently across all the local market risk units.

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

The standard metric used to measure market risk is Value at Risk (VaR), which indicates the maximum loss that may occur in the portfolios at a given confidence level (99%) and time horizon (one day). This statistic is widely used in the market and has the advantage of summing up in a single metric the risks inherent to trading activity, taking into account how they are related and providing a prediction of the loss that the trading book could sustain as a result of fluctuations in equity prices, interest rates, foreign exchange rates and credit spread. In addition, for some positions other risks also need to be considered, such as credit spread risk, basis risk, volatility risk and correlation risk.

Most of the headings on the bank's balance sheet subject to market risk are positions whose main metric for measuring their market risk is VaR.

With respect to the risk measurement models used in BBVA Group, the Bank of Spain has authorized the use of the internal model to determine bank capital requirements deriving from risk positions on the BBVA S.A. and BBVA Bancomer trading book, which jointly account for around 70% and 66% of the Group's trading-book market risk. For the rest of the geographical areas (South America, Garanti and Compass), bank capital for the risk positions in the trading book is calculated using the standard model.

The current management structure includes the monitoring of market-risk limits, consisting of a scheme of limits based on VaR (Value at Risk), economic capital (based on VaR measurements) and VaR sub-limits, as well as stop-loss limits for each of the BBVA's business units.

The model used estimates VaR in accordance with the "historical simulation" methodology, which involves estimating losses and gains that would have taken place in the current portfolio if the changes in market conditions that took place over a specific period of time in the past were repeated. Based on this information, it infers the maximum expected loss of the current portfolio within a given confidence level. This model has the advantage of reflecting precisely the historical distribution of the market variables and not assuming any specific distribution of probability. The historical period used in this model is two years.

VaR figures are estimated following two methodologies:

- VaR without smoothing, which awards equal weight to the daily information for the previous two years. This is currently the official methodology for measuring market risks for the purpose of monitoring compliance with risk limits.
- VaR with smoothing, which gives a greater weight to more recent market information. This metric supplements the previous one.

In the case of South America, a parametric methodology is used to measure risk in terms of VaR except in BBVA Chile and BBVA Colombia, where historical simulation methodology is used.

At the same time, and following the guidelines established by the Spanish and European authorities, BBVA incorporates metrics in addition to VaR with the aim of meeting the Bank of Spain's regulatory requirements with respect to the calculation of bank capital for the trading book. Specifically, the new measures incorporated in the Group since December 2011 (stipulated by Basel 2.5) are:

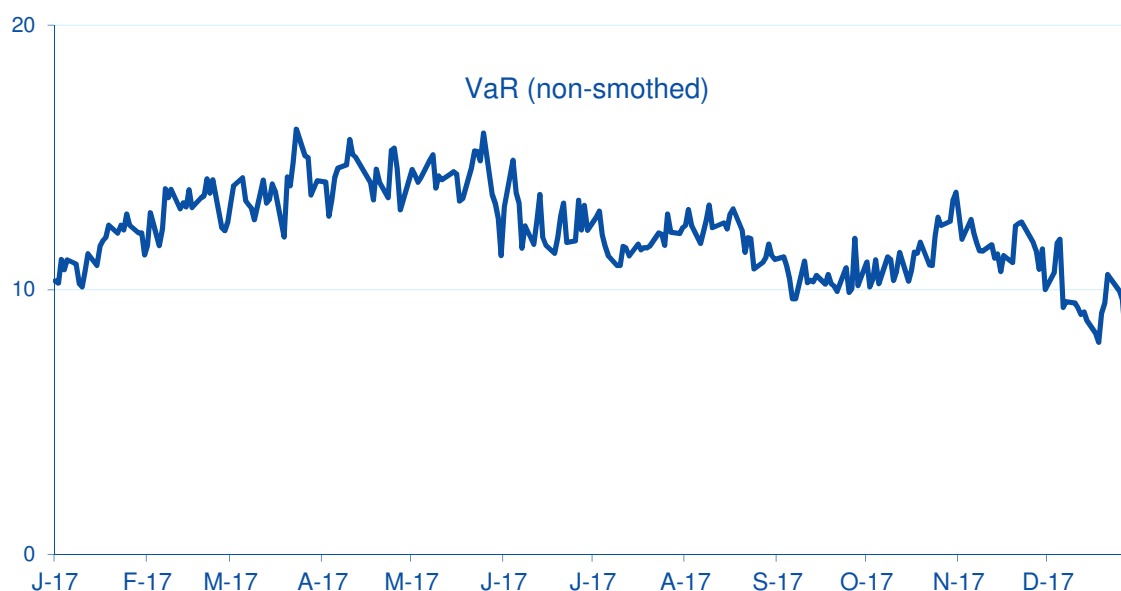
- VaR: In regulatory terms, the charge for VaR Stress is added to the charge for VaR and the sum of both (VaR and VaR Stress) is calculated. This quantifies the loss associated with movements in the risk factors inherent in market operations (interest rate, FX, equity, credit, etc.). Both VaR and Stressed VaR are re-scaled by a regulatory multiplication factor, set at 3 and by the square root of 10, to calculate the capital charge.
- Specific Risk: Incremental Risk Capital ("IRC"). Quantification of the risks of default and rating downgrade of the bond and credit derivative positions on the trading book. The specific risk capital IRC is a charge exclusively for those geographical areas with an approved internal model (BBVA S.A. and Bancomer). The capital charge is determined based on the associated losses (at 99.9% over a time horizon of 1 year under the constant risk assumption) resulting from the rating migration and/or default status of the asset's issuer. Also included is the price risk in sovereign positions for the indicated items.
- Specific Risk: Securitizations and Correlation Portfolios. Capital charge for securitizations and for the correlation portfolio to include the potential losses associated with the rating level of a given credit structure (rating). Both are calculated using the standardized approach. The perimeter of the correlation portfolios is referred to FTD-type market operations and/or market CDO tranches, and only for positions with an active market and hedging capacity.

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

Market risk in 2017

The Group's market risk remains at low levels compared with the aggregates of risks managed by BBVA, particularly in the case of credit risk. This is due to the nature of the business. In 2017, the market risk of trading book decrease slightly versus the previous year and, in terms of VaR, stood at €9 million at the close of the period.

The average VaR for 2017 stood at €12 million, in comparison with the €11 million registered in 2016, with a high for the year on day March 24, 2017 at €16 million.



By type of market risk assumed by the Bank's trading portfolio, the main risk factor in BBVA is linked to Volatility and correlation, accounting for 42% of the total weight at the end of 2017, increasing its relative weight (vs. 36% at the end of 2016). Interest rates (this figure includes the spread risk) amounts 31%, its relative weight is lower than the figure at the end of 2016 (46%). Exchange-rate risk accounts for 16%, an increase on the figure 12 months prior (14%), while equity risk accounts for 11%, higher than the 4% accounted at the end of 2016.

Market risk by risk factor (Millions of euros)		
	2017	2016
Interest + credit spread	8	12
Exchange rate	4	4
Equity	3	1
Volatility	11	10
Diversification effect (*)	(18)	(16)
Total	9	11
Average VaR	12	11
Maximum VaR	16	15
Minimum VaR	8	8

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

Validation of the model

The internal market risk model is validated on a regular basis by backtesting in both BBVA S.A. and Bancomer.

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

Two types of backtesting have been carried out in 2017:

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

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

In the period between the end of 2016 and the end of 2017, it was carried out the backtesting of the internal VaR calculation model, comparing the daily results obtained with the estimated risk level estimated by the VaR calculation model. At the end of the year the comparison showed the model was working correctly, within the "green" zone (0-4 exceptions), thus validating the model, as has occurred each year since the internal market risk model was approved for the Group.

Stress test analysis

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

Historical scenarios

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

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

Simulated scenarios

Unlike the historical scenarios, which are fixed and therefore not suited to the composition of the risk portfolio at all times, the scenario used for the exercises of economic stress is based on Resampling methodology. This methodology is based on the use of dynamic scenarios are recalculated periodically depending on the main risks held in the trading portfolios. On a data window wide enough to collect different periods of stress (data are taken from January 1, 2008 until today), a simulation is performed by resampling of historic observations, generating a loss distribution and profits to analyze most extreme of births in the selected historical window. The advantage of this methodology is that the period of stress is not predetermined, but depends on the portfolio maintained at each time, and making a large number of simulations (10,000 simulations) allows a richer information for the analysis of expected shortfall than what is available in the scenarios included in the calculation of VaR.

The main features of this approach are: a) The generated simulations respect the correlation structure of the data, b) Flexibility in the inclusion of new risk factors and c) allows to introduce a lot of variability in the simulations (desirable to consider extreme events).

5.4.2 Structural risk

The Assets and Liabilities Committee (ALCO) is the main responsible body for the management of structural risks relating to liquidity/funding, interest rates, currency rates, equity and solvency. Every month, with the assistance of the CEO and representatives from the areas of Finance, Risks and Business Areas, this committee monitors the above risks and is presented with proposals for managing them for its approval. These management proposals are made proactively by the Finance area, taking into account the risk appetite framework and with the aim of guaranteeing recurrent earnings and financial stability and preserving the entity's solvency. All the balance-sheet management units have a local ALCO, assisted constantly by the members of the Corporate Center. There is also a corporate ALCO where the management strategies in the Group's subsidiaries are monitored and presented.

Structural interest-rate risk

The structural interest-rate risk (SIRR) is related to the potential impact that variations in market interest rates have on an entity's net interest income and equity. In order to properly measure SIRR, BBVA takes into account the main sources that generate this risk: reprising risk, yield curve risk, option risk and basis risk, which are analyzed from two complementary points of view: net interest income (short term) and economic value (long term).

ALCO monitors the interest-rate risk metrics and the Assets and Liabilities Management unit carries out the management proposals for the structural balance sheet. The management objective is to ensure the stability of net interest income and book value in the face of changes in market interest rates, while respecting the

internal solvency and limits in the different balance-sheets and for BBVA Group as a whole; and complying with current and future regulatory requirements.

BBVA's structural interest-rate risk management control and monitoring is based on a set of metrics and tools that enable the Entity's risk profile to be monitored correctly. A wide range of scenarios are measured on a regular basis, including sensitivities to parallel movements in the event of different shocks, changes in slope and curve, as well as delayed movements. Other probabilistic metrics based on statistical scenario-simulating methods are also assessed, such as income at risk (IaR) and economic capital (EC), which are defined as the maximum adverse deviations in net interest income and economic value, respectively, for a given confidence level and time horizon. Impact thresholds are established on these management metrics both in terms of deviations in net interest income and in terms of the impact on economic value. The process is carried out separately for each currency to which the Group is exposed, and the diversification effect between currencies and business units is considered after this.

In order to guarantee its effectiveness, the model is subjected to regular internal validation, which includes backtesting. In addition, interest-rate risk exposures of the Banking book are subjected to different stress scenarios in order to reveal balance sheet vulnerabilities under extreme scenarios. This testing includes an analysis of adverse macroeconomic scenarios designed specifically by BBVA Research, together with a wide range of potential scenarios that aim to identify interest-rate environments that are particularly damaging for the Entity. This is done by generating extreme scenarios of a breakthrough in interest rate levels and historical correlations, giving rise to sudden changes in the slopes and even to inverted curves.

The model is necessarily underpinned by an elaborate set of hypotheses that aim to reproduce the behavior of the balance sheet as closely as possible to reality. Especially relevant among these assumptions are those related to the behavior of "accounts with no explicit maturity", for which stability and remuneration criterions are established, consistent with an adequate segmentation by type of product and customer, and prepayment estimates (implicit optionality). The hypotheses are reviewed and adapted, at least on an annual basis, to signs of changes in behavior, kept properly documented and reviewed on a regular basis in the internal validation processes.

The impacts on the metrics are assessed both from a point of view of economic value (gone concern) and from the perspective of net interest income, for which a dynamic model (going concern) consistent with the corporate assumptions of earnings forecasts is used.

In 2017 in Europe monetary policy has remained expansionary, maintaining rates at 0%. In The United States the rising rate cycle initiated by the Federal Reserve in 2015 has been intensified. In Mexico and Turkey, the upward cycle has continued because of weak currencies and inflation prospects. In South America, monetary policy has been expansive, with rate declines in most of the economies where the Group operates, with the exception of Argentina, where rates increased during 2017.

BBVA maintains his positive sensitivity to interest rate upshocks related to both Net Interest Income and Economic Value. Risk to downshocks remains at bounded levels in 2017, in accordance with the Risk Appetite Framework, and constrained by the small room to down-shocks.

Structural equity risk

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

Structural management of equity portfolios is the responsibility of the BBVA units specializing in this area. Their activity is subject to the corporate risk management policies for equity positions in the equity portfolio. The aim is to ensure that they are handled consistently with BBVA's business model and appropriately to its risk tolerance level, thus enabling long-term business sustainability.

The BBVA risk management systems also make it possible to anticipate possible negative impacts and take appropriate measures to prevent damage being caused to the Entity. The risk control and limitation mechanisms are focused on the exposure, annual operating performance and economic capital estimated for each portfolio. Economic capital is estimated in accordance with a corporate model based on Monte Carlo simulations, taking into account the statistical performance of asset prices and the diversification existing among the different exposures.

Structural equity risk, measured in terms of economic capital, has decreased in the period as a result of the reduction of the stake in China Citic Bank, along with lower positioning in some sectors. Stress tests and analyses of sensitivity to different simulated scenarios are carried out periodically to analyze the risk profile in more depth. They are based on both past crisis situations and forecasts made by BBVA Research. This checks that the risks are limited and that the tolerance levels set by the Group are not at risk.

Backtesting is carried out on a regular basis on the risk measurement model used.

With regard to the equity markets, the world indexes have closed the year 2017 with significant increases helped by a positive macro environment. However, the European indexes, and especially the Spanish one, have lagged despite their positive performance. In the case of the IBEX (+7% in the year), the index have been partly penalized in the second half of the year by the political tensions in Catalonia.

5.4.3 Financial instrument netting

Financial assets and liabilities may be netted, i.e. they are presented for a net amount on the balance sheet only when the Group's entities comply with the provisions of IAS 32-Paragraph 42, so they have both the legal right to net recognized amounts, and the intention of settling the net amount or of realizing the asset and simultaneously paying the liability.

In addition, the Bank has unnetted assets and liabilities on the balance sheet for which there are master netting arrangements in place, but for which there is neither the intention nor the right to settle. The most common types of events that trigger the netting of reciprocal obligations are bankruptcy of the entity, swifter accumulation of indebtedness, failure to pay, restructuring and dissolution of the entity.

In the current market context, derivatives are contracted under different framework contracts being the most widespread developed by the International Swaps and Derivatives Association (ISDA) and, for the Spanish market, the Framework Agreement on Financial Transactions (CMOF). Almost all portfolio derivative transactions have been concluded under these framework contracts, including in them the netting clauses mentioned in the preceding paragraph as "Master Netting Agreement", greatly reducing the credit exposure on these instruments. Additionally, in contracts signed with professional counterparts, the collateral agreement annexes called Credit Support Annex (CSA) are included, thereby minimizing exposure to a potential default of the counterparty.

Moreover, in transactions involving assets purchased or sold under a purchase agreement there has greatly increased the volume transacted through clearing houses that articulate mechanisms to reduce counterparty risk, as well as through the signature of various master agreements for bilateral transactions, the most widely used being the Global Master Repurchase Agreement (GMRA), published by ICMA (International Capital Market Association), to which the clauses related to the collateral exchange are usually added within the text of the master agreement itself.

The assets and liabilities subject to contractual netting rights at the time of their settlement are presented below as of December 31, 2017.

December 2017 (Millions of euros)						
	Gross Amounts Recognized (A)	Gross Amounts Offset in the Condensed Consolidated Balance Sheets (B)	Net Amount Presented in the Condensed Consolidated Balance Sheets (C=A-B)	Financial Instruments	Cash Collateral Received/ Pledged	Net Amount (E=C-D)
Trading and hedging derivatives	49,681	11,584	38,097	28,583	6,487	3,027
Reverse repurchase, securities borrowing and similar agreements	25,447	-	25,447	25,739	141	-434
Total Assets	75,127	11,584	63,543	54,323	6,628	2,593
Trading and hedging derivatives	49,209	11,785	37,424	28,584	7,247	1,594
Repurchase, securities lending and similar agreements	29,628	-	29,628	29,718	20	-111
Total Liabilities	78,837	11,785	67,052	58,302	7,267	1,483

The amount of recognized financial instruments within derivatives includes the effect in case of compensation with counterparties with which the bank holds netting agreements, while, for repos, it reflects the market value of the collateral associated with the transaction.

5.5 Liquidity risk

5.5.1 Management of liquidity

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

A liquidity pool is maintained at an individual entity level, both in BBVA, S.A. and in the banking subsidiaries. The table below shows the liquidity available by instrument as of December 31, 2017 based on the prudential supervisory information:

December 2017 (Millions of Euros)		BBVA Eurozone (1)
Cash and balances with central banks		15,634
Assets for credit operations with central banks		47,429
Central governments issues		26,784
Of Which: Spanish government securities		20,836
Other issues		20,645
Loans		-
Other non-eligible liquid assets		7,987
ACCUMULATED AVAILABLE BALANCE		71,050
AVERAGE BALANCE		67,823

(1) Includes BBVA, S.A., Banco Bilbao Vizcaya Argentaria (Portugal), S.A. and rest of Eurasia.

December 2016 (Millions of Euros)	
	BBVA Eurozone (1)
Cash and balances with central banks	16,038
Assets for credit operations with central banks	50,706
Central governments issues	30,702
Of Which: Spanish government securities	23,353
Other issues	20,005
Loans	-
Other non-eligible liquid assets	6,884
ACCUMULATED AVAILABLE BALANCE	73,629
AVERAGE BALANCE	68,322
(1)	Includes BBVA, S.A. and Banco Bilbao Vizcaya Argentaria (Portugal), S.A.

Assets and Liabilities Management unit manages BBVA Group's liquidity and funding. It plans and executes the funding of the long-term structural gap of each LMUs and proposes to ALCO the actions to adopt in this regard in accordance with the policies and limits established by the Standing Committee.

As first core element, The Bank's target in terms of liquidity and funding risk is characterized through the Liquidity Coverage Ratio (LCR) and the Loan-to-Stable-Customer-Deposits (LtSCD) ratio. LCR is a regulatory measurement aimed at ensuring entities' resistance in a scenario of liquidity stress within a time horizon of 30 days. BBVA, within its risk appetite framework and its limits and alerts scheme, has established a level of requirement for compliance with the LCR ratio both for the Group as a whole and for each of the LMUs individually. The internal levels required are geared to comply sufficiently and efficiently in advance with the implementation of the regulatory requirement of 2018, at a level above 100%.

LCR ratio in Europe came into force on 1st October 2015, with an initial 60% minimum requirement, progressively increased (phased-in) up to 100% in 2018. Throughout the year 2017, LCR level at BBVA Group has been comfortably above 100%. As of December 2017, the ratio level is 128%. Although this regulatory requirement is mandatory at a Group level and Eurozone banks, BBVA is also well above this minimum.

The LtSCD measures the relation between the net credit investment and stable funds. The aim is to preserve a stable funding structure in the medium term for each of the LMUs making up BBVA Group, taking into account that maintaining an adequate volume of stable customer funds is key to achieving a sound liquidity profile.

Customer funds captured and managed by business units are defined as stable customer funds. These funds usually show little sensitivity to market changes and are largely non-volatile in terms of aggregate amounts per operation, thanks to customer linkage to the unit. Stable funds in each LMU are calculated by analyzing the behavior of the balance sheets of the different customer segments identified as likely to provide stability to the funding structure, and by prioritizing an established relationship and applying bigger haircuts to the funding lines of less stable customers. The main base of stable funds is composed of deposits by individual customers and small businesses.

For the purpose of establishing the (maximum) target levels for LtSCD in each LMU and providing an optimal funding structure reference in terms of risk appetite, GRM-Structural Risks identifies and assesses the economic and financial variables that condition the funding structures in the various geographical areas.

The second core element in liquidity and funding risk management is to achieve proper diversification of the funding structure, avoiding excessive reliance on short-term funding and establishing a maximum level of short-term borrowing comprising both wholesale funding as well as funds from customers. Regarding long-term funding, the maturity profile does not show significant concentrations, which enables adaptation of the anticipated issuance schedule to the best financial conditions of the markets. Finally, concentration risk is monitored at the LMU level, with a view to ensuring the right diversification both per counterparty and per instrument type.

The third core element promotes the short-term resilience of the liquidity risk profile, making sure that each LMU has sufficient collateral to address the risk of wholesale markets closing. Basic Capacity is the short-term liquidity risk management and internal control metric that is defined as the relationship between the available explicit assets and the maturities of wholesale liabilities and volatile funds, at different terms, with special relevance being given to 30-day maturities.

Stress analyses are also a basic element of the liquidity and funding risk monitoring system, as they help anticipate deviations from the liquidity targets and limits set out in the risk appetite as well as establish tolerance ranges at different management levels. They also play a key role in the design of the Liquidity Contingency Plan and in defining the specific measures for action for realigning the risk profile.

For each of the scenarios, a check is carried out whether the Bank has a sufficient liquid assets to meet the liquidity commitments/outflows in the various periods analyzed. The analysis considers four scenarios, one core and three crisis-related: systemic crisis; unexpected internal crisis with a considerable rating downgrade and/or affecting the ability to issue in wholesale markets and the perception of business risk by the banking intermediaries and the bank's customers; and a mixed scenario, as a combination of the two aforementioned scenarios. Each scenario considers the following factors: liquidity existing on the market, customer behavior and sources of funding, impact of rating downgrades, market values of liquid assets and collateral, and the interaction between liquidity requirements and the performance of the bank's asset quality.

The results of these stress analyses carried out regularly reveal that BBVA has a sufficient buffer of liquid assets to deal with the estimated liquidity outflows in a scenario such as a combination of a systemic crisis and an unexpected internal crisis, during a period in general longer than 3 months for LMUs, including a major downgrade in the bank's rating (by up to three notches).

Beside the results of stress exercises and risk metrics, Early Warning Indicators play an important role in the corporate model and also in the Liquidity Contingency Plan. These are mainly financing structure indicators, related to asset encumbrance, counterparty concentration, outflows of customer deposits, unexpected use of credit lines, and market indicators, which help to anticipate potential risks and capture market expectations.

In the Euro Liquidity Management Unit (LMU), solid liquidity and funding situation, where activity has continued to generate liquidity through the decrease of Credit Gap and the good performance of the customer liabilities. In addition, during 2017 the Euro LMU made issues in the public market for €7,100 million, which has allowed it to obtain funding at favorable price conditions.

In this context, BBVA has maintained its objective of strengthening the funding structure of the different Group entities based on growing their self-funding from stable customer funds, while guaranteeing a sufficient buffer of fully available liquid assets, diversifying the various sources of funding available, and optimizing the generation of collateral available for dealing with stress situations in the markets.

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

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRS for banks. See Note 52). This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

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December 2017. Contractual Maturities (Millions of euros)

	Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 9 Months	9 to 12 Months	1 to 2 Years	2 to 3 Years	3 to 5 Years	Over 5 Years	Total
ASSETS											
Cash, cash balances at central banks and other demand deposits	2,857	14,093	-	-	-	-	-	-	-	-	16,949
Deposits in credit entities	-	489	35	28	10	10	-	11	-	1,328	1,911
Deposits in other financial institutions	-	1,218	2,467	212	100	192	227	352	488	2,181	7,438
Reverse repo, securities borrowing and margin lending	-	17,107	3,999	1,921	340	426	815	30	727	226	25,590
Loans and Advances	-	9,092	12,393	11,915	5,944	7,454	16,831	16,024	23,041	80,806	183,500
Securities' portfolio settlement	-	570	2,480	1,698	1,707	11,755	2,872	2,657	2,634	28,564	54,937

December 2017. Contractual Maturities (Millions of euros)

	Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 9 Months	9 to 12 Months	1 to 2 Years	2 to 3 Years	3 to 5 Years	Over 5 Years	Total
LIABILITIES	-	929	1,443	1,327	145	1,144	1,587	3,328	11,354	20,459	41,716
Wholesale funding	1,767	4,242	1,041	444	64	101	140	130	51	1,357	9,337
Deposits in financial institutions	10,360	3,909	1,393	340	166	169	253	224	415	3,192	20,421
Deposits in other financial institutions and international agencies	122,207	9,441	9,732	7,271	5,556	6,715	4,993	1,911	881	1,608	170,315
Customer deposits	-	28,559	3,118	1,456	376	766	113	23,675	385	1,620	60,068
Security pledge funding	-	(25)	(29)	86	35	43	337	89	13	322	870

Figures originally reported in the year 2016 in accordance to the applicable regulation, without restatements.

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRS for banks. See Note 52). This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

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December 2016. Contractual Maturities (Millions of euros)

	Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 9 Months	9 to 12 Months	1 to 2 Years	2 to 3 Years	3 to 5 Years	Over 5 Years	Total
ASSETS											
Cash, cash balances at central banks and other demand deposits	3,399	13,099	-	-	-	-	-	-	-	-	16,497
Deposits in credit entities	-	739	61	49	105	428	1	-	28	1,929	3,339
Deposits in other financial institutions	-	669	2,071	205	88	380	2,463	426	666	1,983	8,952
Reverse repo, securities borrowing and margin lending	-	18,620	1,500	523	-	428	500	285	124	189	22,170
Loans and Advances	-	9,122	14,371	8,299	6,183	6,485	16,923	14,089	24,690	85,541	185,702
Securities' portfolio settlement	-	225	2,491	2,380	1,125	2,744	13,648	4,094	5,337	31,151	63,196

December 2016. Contractual Maturities (Millions of euros)

	Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 9 Months	9 to 12 Months	1 to 2 Years	2 to 3 Years	3 to 5 Years	Over 5 Years	Total
LIABILITIES											
Wholesale funding	-	7,026	1,980	3,938	1,768	4,603	4,740	1,687	8,465	21,263	55,470
Deposits in financial institutions	1,949	3,558	469	196	396	332	53	10	-	2,328	9,291
Deposits in other financial institutions and international agencies	12,670	4,502	6,039	2,013	1,693	761	5	4	51	253	27,992
Customer deposits	96,186	10,172	11,116	9,852	8,947	9,442	5,368	4,647	775	1,875	158,379
Securitiy pledge funding	-	22,791	3,327	522	486	912	51	174	23,795	1,608	53,666
Derivatives, net	-	(2,017)	(1)	(1)	(3)	4	-	(1)	-	-	(2,018)

Figures originally reported in the year 2016 in accordance to the applicable regulation, without restatements.

5.5.2 Encumbered Assets

As of December 31, 2017, the encumbered (given as collateral for certain liabilities) and unencumbered assets are broken down as follows:

2017 Assets (Millions of euros)				
	Encumbered assets		Unencumbered assets	
	Book value	Fair value	Book value	Fair Value
Equity instruments	2,296	2,296	6,285	6,262
Debt Securities	12,871	12,793	35,499	35,187
Other assets	64,844		169,534	

The committed value of "Loans and Advances and other assets" corresponds mainly to loans linked to the issue of covered bonds, territorial bonds or long-term securitized bonds (see Note 20) as well as those used as a guarantee to access certain funding transactions with central banks. Debt securities and equity instruments respond to underlying that are delivered in repos with different types of counterparties, mainly clearing houses or credit institutions, and to a lesser extent central banks. Collateral provided to guarantee derivative operations is also included as committed assets.

As of December 31, 2017 collateral pledge mainly due to repurchase agreements and securities lending, and those which could be committed in order to obtain funding are provided below:

2017 Collateral received (Millions of euros)			
	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Fair value of collateral received or own debt securities issued not available for encumbrance
Collateral received			
Equity instruments	74	5	-
Debt securities	21,235	8,098	-
Other collateral received	-	-	-
Own debt securities issued other than own covered bonds or ABSs	3	161	-

As of December 31, 2017, financial liabilities issued related to encumbered assets in financial transactions as well as their book value were as follows:

2017 Sources of encumbrance (Millions of euros)		
	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Book value of financial liabilities		
Derivatives	7,994	7,995
Loans and Advances	60,408	68,767
Outstanding subordinated debt	18,785	23,079
Other sources	1,480	1,480

5.6 Operational Risk

Operational risk is defined as one that could potentially cause losses due to human errors, inadequate or faulty internal processes, system failures or external events. This definition includes legal risk and excludes strategic and/or business risk and reputational risk.

Operational risk is inherent to all banking activities, products, systems and processes. Its origins are diverse (processes, internal and external fraud, technology, human resources, commercial practices, disasters, suppliers).

Operational risk management framework

Operational risk management in the Group is based on the value-adding drivers generated by the advanced measurement approach (AMA), as follows:

- Active management of operational risk and its integration into day-to-day decision-making means:
 - Knowledge of the real losses associated with this type of risk.
 - Identification, prioritization and management of real and potential risks.
 - The existence of indicators that enable the Bank to analyze operational risk over time, define warning signals and verify the effectiveness of the controls associated with each risk.

The above helps create a proactive model for making decisions about control and business, and for prioritizing the efforts to mitigate relevant risks in order to reduce the Group's exposure to extreme events.

- Improved control environment and strengthened corporate culture.
- Generation of a positive reputational impact.
- Model based on three lines of defense, aligned with international best practices.

Operational Risk Management Principles

Operational risk management in BBVA Group should:

- Be aligned with the risk appetite framework statement set out by the Board of Directors of BBVA.
- Anticipate the potential operational risks to which the Group would be exposed as a result of new or modified products, activities, processes, systems or outsourcing decisions, and establish procedures to enable their evaluation and reasonable mitigation prior to their implementation.
- Establish methodologies and procedures to enable a regular reassessment of the relevant operational risks to which the Group is exposed in order to adopt appropriate mitigation measures in each case, once the identified risk and the cost of mitigation (cost/benefit analysis) have been considered, while preserving the Group's solvency at all times.
- Identify the causes of the operational losses sustained by the Group and establish measures to reduce them. Procedures must therefore be in place to enable the capture and analysis of the operational events that cause those losses.
- Analyze the events that have caused operational risk losses in other institutions in the financial sector and promote, where appropriate, the implementation of the measures needed to prevent them from occurring in the Group.
- Identify, analyze and quantify events with a low probability of occurrence and high impact in order to ensure their mitigation. Due to their exceptional nature, it is possible that such events may not be included in the loss database or, if they are, they have impacts that are not representative.
- Have an effective system of governance in place, where the functions and responsibilities of the areas and bodies involved in operational risk management are clearly defined.

These principles reflect BBVA Group's vision of operational risk, on the basis that the resulting events have an ultimate cause that should always be identified, and that the impact of the events is reduced significantly by controlling that cause.

Irrespective of the adoption of all the possible measures and controls for preventing or reducing both the frequency and severity of operational risk events, BBVA ensures at all times that sufficient capital is available to cover any expected or unexpected losses that may occur.

6 Fair value of financial instruments

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

All financial instruments, both assets and liabilities are initially recognized at fair value, which at that point is equivalent to the transaction price, unless there is evidence to the contrary in an active market. Subsequently, depending on the type of financial instrument, it may continue to be registered at fair value through adjustments in the profit and loss or equity.

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

The process for determining the fair value established in the entity to ensure that financial assets and liabilities are properly valued, BBVA has established, at a geographic level, a structure of New Product Committees responsible for validating and approving new products or types of assets and liabilities before being contracted. The members of these committees, responsible for valuation, are independent from the business (see Note 5).

These areas are required to ensure, prior to the approval stage, the existence of not only technical and human resources, but also adequate informational sources to measure these financial assets and liabilities, in accordance with the rules established by the Global Valuation Area and using models that have been validated and approved by the Department of Risk Analytics that reports to Global Risk Management.

Additionally, for financial assets and liabilities that show significant uncertainty in inputs or model parameters used for assessment, criteria is established to measure said uncertainty and activity limits are set based on these. Finally, these measurements are compared, as much as possible, against other sources such as the measurements obtained by the business teams or those obtained by other market participants.

The process for determining the fair value required the classification of the financial assets and liabilities according to the measurement processes used set forth below:

- **Level 1:** Measurement using market observable quoted prices for the financial instrument in question, secured from independent sources and referred to active markets - according to the Group policies. This level includes listed debt securities, listed equity instruments, some derivatives and mutual funds.
- **Level 2:** Measurement that applies techniques using significant inputs drawn from observable market data.
- **Level 3:** Measurement using techniques where some of the material inputs are not taken from market observable data. As of December 31, 2017, the affected instruments accounted for approximately 0.16% of financial assets and 0.03% of the Group's financial liabilities registered at fair value. Model selection and validation is undertaken by control areas outside the market area.

Below is a comparison of the carrying amount of the Bank's financial instruments in the accompanying balance sheets and their respective fair values.

Fair Value and Carrying Amount (Millions of euros)

		2017		2016	
	Notes	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS					
Cash and balances with central banks	7	18,503	18,503	15,855	15,855
Financial assets held for trading	8	50,424	50,424	57,440	57,440
Financial assets designated at fair value through profit or loss	9	648	648	-	-
Available-for-sale financial assets	10	24,205	24,205	29,004	29,004
Loans and receivables	11	244,232	245,865	251,487	253,285
Held-to-maturity investments	12	8,355	8,402	11,424	11,507
Derivatives – Hedge accounting	13	1,561	1,561	1,586	1,586
LIABILITIES					
Financial liabilities held for trading	8	43,703	43,703	48,265	48,265
Financial liabilities at amortized cost	20	305,797	308,546	319,884	324,812
Hedging derivatives	13	1,327	1,327	1,488	1,488

Not all assets and liabilities are recorded at fair value, so below we provide the information on financial instruments at fair value and subsequently the information of those recorded at cost with an assigned value, although this value is not used when accounting for these instruments.

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

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

Fair Value of financial Instruments by Levels (Millions of euros)

	Notes	2017			2016		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS							
Financial assets held for trading	8	14,768	35,368	288	16,053	41,207	180
Loans and advances		-	-	-	-	-	-
Debt securities		7,498	168	20	11,109	412	24
Equity instruments		6,089	33	80	3,769	7	96
Derivatives		1,181	35,167	187	1,175	40,788	60
Financial assets designated at fair value through profit or loss	9	-	648	-	-	-	-
Available-for-sale financial assets	10	23,473	488	160	28,066	752	30
Debt securities		21,193	480	154	24,717	751	30
Equity instruments		2,280	8	6	3,349	1	-
Hedging Derivatives	13	-	1,561	-	-	1,586	-
LIABILITIES							
Financial liabilities held for trading	8	8,710	34,874	119	8,230	39,989	47
Derivatives		1,105	34,874	119	916	39,989	47
Short positions		7,606	-	-	7,314	-	-
Hedging Derivatives	13	-	1,327	-	-	1,488	-

The heading "Available-for-sale financial assets" in the accompanying balance sheets as of December 31, 2017 and 2016 additionally includes €84 and €156 million, respectively, accounted for at cost, as indicated in the section of this Note entitled "Financial instruments at cost". Also, under the heading "Financial assets designated at fair value through profit or loss" includes a balance of €648 million euros, classified as Level 2.

The following table sets forth the main measurement techniques, hypothesis and inputs used in the estimation of fair value of the financial instruments classified under Levels 2 and 3, based on the type of financial asset and liability and the corresponding balances as of December 31, 2017:

December 2017. Fair Value of financial Instruments by Levels (Millions of euros).					
	Level 2	Level 3	Valuation technique(s)	Observable inputs	Unobservable inputs
ASSETS					
Financial assets held for trading	35,368	288			
Loans and advances	-	-	Present-value method (Discounted future cash flows)	<ul style="list-style-type: none"> - Issuer's credit risk - Current market interest rates 	
Debt securities	168	20	Present-value method (Discounted future cash flows)	<ul style="list-style-type: none"> - Issuer's credit risk - Current market interest rates 	<ul style="list-style-type: none"> - Prepayment rates - Issuer's credit risk
Equity instruments	33	80	Comparable pricing (Observable price in a similar market) Present-value method	<ul style="list-style-type: none"> - Brokers quotes - Market operations 	- NAV provided by the administrator of the fund
Derivatives	35,167	187			
Interest rate			Interest rate products (Interest rate swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR	<ul style="list-style-type: none"> - Exchange rates - Market quoted future prices 	<ul style="list-style-type: none"> - Beta - Correlation between tenors
Equity			Future and Equity Forward: Discounted future cash flows Equity Options: Local Volatility, Moment adjustment	<ul style="list-style-type: none"> - Market interest rates - Underlying assets prices: shares, funds, commodities 	<ul style="list-style-type: none"> - Volatility of volatility - Assets correlation
Foreign exchange and gold			Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local Volatility, moments adjustment	<ul style="list-style-type: none"> - Market observable volatilities - Issuer credit spread levels 	<ul style="list-style-type: none"> - Volatility of volatility - Assets correlation
Credit			Credit Derivatives: Default model and Gaussian copula	<ul style="list-style-type: none"> - Quoted dividends - Market listed correlations 	<ul style="list-style-type: none"> - Correlation default - Credit spread
Commodities			Commodities: Moment adjustment and Discounted cash flows		
Financial assets designated at fair value through profit or loss	648	-			
Loans and advances	648	-	Present-value method (Discounted future cash flows)	<ul style="list-style-type: none"> - Issuer credit risk - Current market interest rates 	<ul style="list-style-type: none"> - Prepayment rates - Issuer credit risk
Debt securities	-	-	Present-value method (Discounted future cash flows)	<ul style="list-style-type: none"> - Issuer credit risk - Current market interest rates 	<ul style="list-style-type: none"> - Prepayment rates - Issuer credit risk
Equity instruments	-	-	Comparable pricing (Observable price in a similar market) Present-value method	<ul style="list-style-type: none"> - Brokers quotes - Market operations 	- NAV provided by the administrator of the fund
Available-for-sale financial assets	488	160			
Debt securities	480	154	Present-value method (Discounted future cash flows)	<ul style="list-style-type: none"> - Issuer's credit risk - Current market interest rates 	<ul style="list-style-type: none"> - Prepayment rates - Issuer credit risk
Equity instruments	8	6	Comparable pricing (Observable price in a similar market) Present-value method	<ul style="list-style-type: none"> - Brokers quotes - Market operations 	- NAV provided by the administrator of the fund
Hedging derivatives	1,561	-			
Interest rate			Interest rate products (Interest rate swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR	<ul style="list-style-type: none"> - Exchange rates - Market quoted future prices 	
Equity			Future and Equity Forward: Discounted future cash flows Equity Options: Local Volatility, Moment adjustment	<ul style="list-style-type: none"> - Market interest rates - Underlying assets prices: shares, funds, commodities 	
Foreign exchange and gold			Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local Volatility, moments adjustment	<ul style="list-style-type: none"> - Market observable volatilities - Issuer credit spread levels 	
Credit			Credit Derivatives: Default model and Gaussian copula	<ul style="list-style-type: none"> - Quoted dividends - Market listed correlations 	
Commodities			Commodities: Moment adjustment and Discounted cash flows		

December 2017. Fair Value of financial Instruments by Levels (Millions of euros).

	Level 2	Level 3	Valuation technique(s)	Observable inputs	Unobservable inputs
LIABILITIES-					
Financial liabilities held for trading	34,874	119			
Derivatives	34,874	119			
Interest rate		Interest rate products (Interest rate swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White y LGM Other Interest rate options: Black, Hull-White y LGM Constant Maturity Swaps: SABR		- Beta - Correlation between tenors - Interes rates volatility	
Equity		Future and Equity Forward: Discounted future cash flows Equity Options: Local Volatility, Moment adjustment	- Exchange rates - Market quoted future prices - Market interest rates	- Volatility of volatility - Assets correlation	
Foreign exchange and gold		Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local Volatility, moments ajustment	- Underlying assests prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Volatility of volatility - Assets correlation	
Credit		Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility	
Commodities		Commodities: Moment adjustment and Discounted cash flows			
Short positions	-	Present-value method (Discounted future cash flows)		- Correlation default - Credit spread - Recovery rates - Interest rate yield	
Financial liabilities designated at fair value through profit or loss	-	Present-value method (Discounted future cash flows)	- Prepayment rates - Issuer´s credit risk - Current market interest rates		
Derivatives - Hedge accounting	1,327	-			
Interest rate		Interest rate products (Interest rate swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White y LGM Other Interest rate options: Black, Hull-White y LGM Constant Maturity Swaps: SABR		- Beta - Correlation between tenors - Interes rates volatility	
Equity		Future and Equity Forward: Discounted future cash flows Equity Options: Local Volatility, Moment adjustment	- Exchange rates - Market quoted future prices - Market interest rates	- Volatility of volatility - Assets correlation	
Foreign exchange and gold		Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local Volatility, moments ajustment	- Underlying assests prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Volatility of volatility - Assets correlation	
Credit		Credit Derivatives: Default model and Gaussian copula		- Correlatio default - Credit spread - Recovery rates - Interest rate yield - Default volatility	
Commodities		Commodities: Moment adjustment and Discounted cash flows			

Quantitative information of non-observable inputs used to calculate Level 3 valuations is presented below:

Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Max	Average	Units
Debt Securities	Net Present Value	Credit Spread	-	78.27	399.93	b.p.
		Recovery Rate	7.70%	32.70%	34.58%	%
	Comparable pricing		-	82.15%	207.70%	%
Equity instruments	Net Asset Value					
	Comparable pricing					
Credit Option	Gaussian Copula	Correlation Default	35.19%	43.92%	57.82%	%
Corporate Bond Option	Black 76	Price Volatility	-	-	-	vegas
Equity OTC Option	Heston	Forward Volatility Skew	56.63	56.63	56.63	vegas
	Local Volatility	Dividends				
		Volatility	1.89	22.96	77.03	vegas
FX OTC Options	Black Scholes/Local Vol	Volatility	0.78	7.67	15.47	vegas
Interest Rate Option	Libor Market Model	Beta	0.25	9.00	18.00	%
		Correlation Rate/Credit	(100)	-	100	%
		Credit Default Volatility	-	-	-	vegas

The main techniques used for the assessment of the main instruments classified in Level 3, and its main unobservable inputs, are described below:

- The net present value: This model uses the future cash flows of each instrument, which are established in the different contracts, and discounted to their present value. This model often includes many observable market parameters, but may also include unobservable market parameters directly, as described below:
 - Credit Spread: represents the difference in yield of an instrument and the reference rate, reflecting the additional return that a market participant would require to take the credit risk of that instrument. Therefore, the credit spread of an instrument is part of the discount rate used to calculate the present value of future cash flows.
 - Recovery rate: defines how the percentage of principal and interest recovered from a debt instrument that has defaulted.
- Comparable prices: prices of comparable instruments and benchmarks are used to calculate its yield from the entry price or current rating making further adjustments to account for differences that may exist between valued asset and it is taken reference. It can also be assumed that the price of an instrument is equivalent to the comparable instrument.
- Net asset value: represents the total value of the assets and liabilities of a fund and is published by the fund manager thereof.
- Gaussian copula: dependent on credit instruments of various references, the joint density function to integrate to value is constructed by a Gaussian copula that relates the marginal densities by a normal distribution, usually extracted from the correlation matrix of events approaching default by CDS issuers.
- Black 76: variant of Black Scholes model, which main application is the valuation of bond options, caps floors and swaptions to directly model the behavior of the Forward and not the own Spot.
- Black Scholes: The Black Scholes model postulates log-normal distribution for the prices of securities, so that the expected return under the risk neutral measure is the risk free interest rate. Under this

assumption, the price of vanilla options can be obtained analytically, so that inverting the Black- Scholes formula, the implied volatility for process of the price can be calculated.

- Heston: the model, typically applied to equity options assumes stochastic behavior of volatility. According to which, the volatility follows a process that reverts to a long-term level and is correlated with the underlying instrument. As opposed to local volatility models, in which the volatility evolves deterministically, the Heston model is more flexible, allowing it to be similar to that observed in the short term today.
- Libor market model: This model assumes that the dynamics of the interest rate curve can be modeled based on the set of forwards that compose the process. The correlation matrix is parameterized on the assumption that the correlation between any two forwards decreases at a constant rate, beta, to the extent of the difference in their respective due dates. The multifactorial frame of this model makes it ideal for the valuation of instruments sensitive to the slope or curve.
- Local Volatility: In the local volatility models of the volatility, instead of being static, evolves over time according to the level of moneyness of the underlying, capturing the existence of smiles. These models are appropriate for pricing path dependent options when use Monte Carlo simulation technique is used.

Adjustments to the valuation for risk of default

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

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

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

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

The impact recorded under "Net gains (losses) on financial asset and liabilities" in the income statement for the year ended December 31, 2017 corresponding to the credit risk assessment of the asset derivative positions as "Credit Valuation Adjustment" (CVA) and liabilities derivative position as "Debit Valuation Adjustment" (DVA), increased to €-125 million and €39 million, respectively. The impact recorded under "Gains or (-) losses on financial assets and liabilities held for trading, net" in the income statement corresponding to the mentioned adjustments was a net impact of €-25 million. Additionally, as of December 31, 2017, €-10 million related to the "Funding Valuation Adjustments" ("FVA") were recognized in the consolidated balance sheet.

Financial assets and liabilities classified as Level 3

The changes in the balance of Level 3 financial assets and liabilities included in the accompanying balance sheets during the year 2017 and 2016, are as follows:

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Balance at the beginning	210	47	180	37
Changes in fair value recognized in profit and loss (*)	(20)	(26)	36	(6)
Changes in fair value not recognized in profit and loss	(5)	-	-	-
Acquisitions, disposals and liquidations	180	98	(23)	15
Net transfers to level 3	82	-	16	-
Exchange differences and others	-	-	-	-
Balance at the end	448	119	210	47

(*) Corresponds to securities remain in balance as of December 31, 2017 and 2016.

Valuation adjustments are recorded in the income statement under the heading "Gains or losses on financial assets and liabilities designated at fair value through profit or loss"

In 2017, the profit/loss on sales of financial instruments classified as level 3 recognized in the accompanying income statement was not material.

Transfers between levels

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

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

The financial instruments transferred between the different levels of measurement in 2017 are at the following amounts in the accompanying balance sheets as of December 31, 2017:

Transfer between levels (Millions of euros)							
	From:	Level 1		Level 2		Level 3	
	To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
ASSETS							
Financial assets held for trading		14	1	38	7	-	-
Available-for-sale financial assets		101	50	130	25	-	-
Hedging Derivatives							
Total		115	50	169	31	-	-
LIABILITIES-							
		-	-	-	-	-	-
Total		-	-	-	-	-	-

The amount of financial instruments that were transferred between levels of valuation for 2017 is insignificant relative to the total portfolios, basically corresponding to the above revisions of the classification between levels because these assets had modified some of its features. Specifically:

- The transfers between Tier 1 and 2 were generally produced mainly in debt securities, which are either no longer listed on an active market (transfer from Tier 1 to 2) or are just starting to be listed (transfer from Tier 2 to 1).
- The transfers from Tier 2 to Tier 3 are mainly as a result of equity issuances.

Sensitivity Analysis

Sensitivity analysis is performed on products with significant unobservable inputs (products included in level 3), in order to obtain a reasonable range of possible alternative valuations. This analysis is carried out on a monthly basis, based on the criteria defined by the Global Valuation Area taking into account the nature of the methods used for the assessment and the reliability and availability of inputs and proxies used. In order to establish, with a sufficient degree of certainty, the valuating risk that is incurred in such assets without applying diversification criteria between them.

As of December 31, 2017, the effect on the income and equity of changing the main hypotheses used for the measurement of Level 3 financial instruments for other reasonably possible models, taking the highest (most favorable hypotheses) or lowest (least favorable hypotheses) value of the range deemed probable, would be as follows:

Financial Assets Level 3: Sensitivity Analysis (Millions of euros)

	Potential Impact on Consolidated Income Statement		Potential Impact on Total Equity	
	Most Favorable Hypothesis	Least Favorable Hypothesis	Most Favorable Hypothesis	Least Favorable Hypothesis
ASSETS				
Financial assets held for trading	7	(18)	-	-
Available-for-sale financial assets	-	-	12	(20)
Hedging Derivatives	-	-	-	-
LIABILITIES-	-	-	-	-
Financial liabilities held for trading	1	-	-	-
Total	7	(18)	12	(20)

6.2 Fair value of financial instruments carried at cost

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

- The fair value of "Cash and balances with central banks and other demand deposits" has been assimilated to their book value, as it is mainly short-term balances.
- The fair value of the "Loans and receivables", Held to maturity unlisted investments" and "financial liabilities at amortized cost" was estimated using the method of discounted expected future cash flows using market interest rates at the end of each year. Additionally, factors such as credit spreads and prepayment rates are taken into account.

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

Fair Value of financial Instruments at amortized cost by Levels (Millions of euros)

	Notes	2017			2016		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS-							
Cash and cash balances at central banks	7	18,503	-	-	15,855	-	-
Loans and receivables	11	-	9,271	236,593	-	10,991	242,293
Held-to-maturity investments	12	8,392	10	-	11,496	11	-
LIABILITIES-							
Financial liabilities at amortized cost	20	-	-	308,546	-	-	324,812

The main valuation methods, hypotheses and inputs used to estimate the fair value of financial instruments accounted for at cost and classified in levels 2 and 3 is shown below. These are broken down by type of financial instrument and the balances correspond to those at December 31, 2017:

Fair Value of financial Instruments by Levels (Millions of euros)

	Level 2	Level 3	Valuation technique(s)	Observable inputs
ASSETS				
Loans and receivables	9,271	236,593		
Central Banks	-	28		- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to credit institutions	-	22,491	Present-value method (Discounted future cash flows)	- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to customers	-	212,843		- Credit spread - Prepayment rates - Interest rate yield
Debt securities	9,271	1,231		- Credit spread - Interest rate yield
Held-to-maturity investments	10	-		
Debt securities	10	-	Present-value method (Discounted future cash flows)	- Credit spread - Interest rate yield
LIABILITIES				
Financial liabilities at amortized cost	-	308,546		
Central Banks	-	28,132		
Loans and advances to credit institutions	-	40,763		
Loans and advances to customers	-	195,271	Present-value method (Discounted future cash flows)	- Issuer's credit risk - Prepayment rates - Interest rate yield
Debt securities	-	36,125		
Other financial liabilities	-	8,255		

Financial instruments at cost

As of December 31, 2017 and 2016, equity instruments, derivatives with these equity instruments as underlying assets, and certain discretionary profit-sharing arrangements in some companies, are recognized at cost in the balance sheets because their fair value could not be reliably determined, as they are not traded in organized markets and, thus, their unobservable inputs are significant. On the above dates, the balance of these financial instruments recognized in the portfolio of available-for-sale financial assets amounted to €84 million and €156 million, respectively.

The table below outlines the financial assets and liabilities carried at cost that were sold in 2017 and 2016:

Sales of Financial Instruments at Cost (Millions of euros)

	2017	2016
Amount of Sale (A)	21	149
Carrying Amount at Sale Date (B)	15	8
Gains (Losses) (A-B)	6	141

7 Cash and cash balances at centrals and banks and other demands deposits and Financial liabilities measured at amortized cost

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

Cash and cash balances at central banks (Millions of euros)			
		2017	2016
Cash on hand		906	879
Cash balances at central banks		15,858	14,913
Other demand deposits		1,739	63
Total		18,503	15,855

Financial liabilities measured at amortised cost. Deposits from Central Banks (Millions of euros)			
	Notes	2017	2016
Deposits from Central Banks		26,095	26,514
Repurchase agreements	31	2,037	115
Total	20.1	28,132	26,629

8 Financial assets and liabilities held for trading

8.1 Breakdown of the balance

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

Financial Assets and Liabilities Held-for-Trading (Millions of euros)			
	Notes	2017	2016
ASSETS			
Derivatives		36,536	42,023
Equity instruments	5.3.1	6,202	3,873
Debt securities	5.3.1	7,686	11,544
Total		50,424	57,440
LIABILITIES			
Trading derivatives		36,097	40,951
Short positions		7,606	7,314
Other financial liabilities		-	-
Total		43,703	48,265

8.2 Debt securities

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

Financial Assets Held-for-Trading. Debt securities by issuer (Millions of euros)

	2017	2016
Issued by Central Banks	3	-
Issued by public administrations	6,727	10,146
Issued by financial institutions	477	609
Other debt securities	479	789
Total	7,686	11,544

The debt securities included under Financial Assets Held for Trading earned average annual interest of 0.463% in 2017 (0.324% in 2016).

8.3 Equity instruments

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

Financial Assets Held-for-Trading. Equity instruments by Issuer (Millions of euros)

	2017	2016
Shares of Spanish companies		
Credit institutions	617	781
Other sectors	549	935
Subtotal	1,166	1,716
Shares of foreign companies		
Credit institutions	342	246
Other sectors	3,934	1,753
Subtotal	4,276	1,999
Shares in the net assets of mutual funds	760	158
Total	6,202	3,873

8.4 Derivatives

The derivatives portfolio arises from the Bank's need to manage the risks incurred by it in the course of normal business activity, as well as commercializing these products to large corporations, mutual funds, etc. As of December 31, 2017 and 2016, derivatives are principally contracted in over-the-counter (OTC) markets, with credit entities other financial corporations, and are related to foreign-exchange, interest-rate and equity risk.

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

Diciembre 2017 - Derivatives by type of risk / by product or by type of market (Millions of euros)

	Assets	Liabilities	Notional amount - Total
Interest rate	24,506	22,961	1,988,907
OTC options	2,413	2,544	208,736
OTC other	22,093	20,418	1,761,910
Organized market options	-	-	600
Organized market other	-	-	17,662
Equity	1,701	2,144	92,720
OTC options	462	949	33,935
OTC other	57	91	6,717
Organized market options	1,181	1,105	47,568
Organized market other	-	-	4,500
Foreign exchange and gold	9,848	10,464	398,334
OTC options	205	161	25,378
OTC other	9,643	10,303	372,956
Organized market options	-	-	-
Organized market other	-	-	-
Credit	481	527	28,432
Credit default swap	481	527	28,232
Credit spread option	-	-	200
Total return swap	-	-	-
Other	-	-	-
Commodity	-	-	-
Other	-	-	-
DERIVATIVES	36,536	36,097	2,508,392
<i>Of which: OTC - credit institutions</i>	<i>20,680</i>	<i>22,979</i>	<i>823,292</i>
<i>Of which: OTC - other financial corporations</i>	<i>11,018</i>	<i>10,019</i>	<i>1,519,487</i>
<i>Of which: OTC - other</i>	<i>3,656</i>	<i>1,994</i>	<i>95,284</i>

Diciembre 2016 - Derivatives by type of risk / by product or by type of market (Millions of euros)

	Assets	Liabilities	Notional amount - Total
Interest rate	27,265	25,540	1,477,601
OTC options	3,270	3,379	210,629
OTC other	23,994	22,161	1,251,133
Organized market options	1	-	1,311
Organized market other	-	-	14,528
Equity	2,008	1,985	87,107
OTC options	745	990	44,538
OTC other	89	79	4,109
Organized market options	1,174	916	34,916
Organized market other	-	-	3,544
Foreign exchange and gold	12,504	13,198	378,670
OTC options	297	398	23,978
OTC other	12,207	12,800	354,691
Organized market options	-	-	-
Organized market other	-	-	-
Credit	246	229	16,136
Credit default swap	246	229	15,986
Credit spread option	-	-	150
Total return swap	-	-	-
Other	-	-	-
Commodity	-	-	-
Other	-	-	-
DERIVATIVES	42,023	40,951	1,959,514
<i>Of which: OTC - credit institutions</i>	<i>25,693</i>	<i>27,835</i>	<i>816,295</i>
<i>Of which: OTC - other financial corporations</i>	<i>10,391</i>	<i>8,923</i>	<i>990,992</i>
<i>Of which: OTC - other</i>	<i>4,764</i>	<i>3,277</i>	<i>97,927</i>

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

As of December 31, 2017, the heading "Financial assets designated at fair value through profit or loss" includes temporary acquisitions of assets for a nominal amount of \$750 million (€648 million) (see Note 5.3.1).

Said registry has been made to reduce inconsistencies (asymmetries) between said operations and those used to manage their risk.

10 Available-for-sale financial assets

10.1 Breakdown of the balance

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

Available-for-Sale Financial Assets (Millions of euros)			
	Notes	2017	2016
Debt securities	5.3.1	21,848	25,640
Impairment losses		(21)	(142)
Subtotal		21,827	25,498
Equity instruments	5.3.1	3,598	3,603
Impairment losses		(1,220)	(97)
Subtotal		2,378	3,506
Total		24,205	29,004

10.2 Debt securities

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

December 2017 - Available-for-sale financial assets. Debt Securities.(Millions of euros)

	Amortized Cost (*)	Unrealized Gains	Unrealized Losses	Book Value
Domestic Debt Securities				
Spanish Government and other government agency debt securities	13,636	437	(14)	14,059
Other debt securities	986	21	-	1,007
Issue by Central Banks	-	-	-	-
Issue by credit institutions	271	3	-	274
Issue by other issuers	715	18	-	733
Subtotal	14,622	458	(14)	15,066
Foreign Debt Securities				
Mexico	490	9	-	499
Mexican Government and other government agency debt securities	131	4	-	135
Other debt securities	359	5	-	364
Issue by Central Banks	-	-	-	-
Issue by credit institutions	-	-	-	-
Issue by other issuers	359	5	-	364
The United States	786	6	(3)	789
Government securities	137	-	-	137
US Treasury and other US Government agencies	137	-	-	137
States and political subdivisions	-	-	-	-
Other debt securities	649	6	(3)	652
Issue by Central Banks	-	-	-	-
Issue by credit institutions	30	1	-	31
Issue by other issuers	619	5	(3)	621
Turkey	-	-	-	-
Turkey Government and other government agency debt securities	-	-	-	-
Other debt securities	-	-	-	-
Issued by Central Banks	-	-	-	-
Issued by credit institutions	-	-	-	-
Issued by other issuers	-	-	-	-
Other countries	5,317	227	(71)	5,473
Other foreign governments and other government agency debt securities	4,297	219	(63)	4,453
Other debt securities	1,020	8	(8)	1,020
Issue by Central Banks	46	-	-	46
Issue by credit institutions	176	1	(1)	176
Issue by other issuers	798	7	(7)	798
Subtotal	6,593	242	(74)	6,761
Total	21,215	700	(88)	21,827

December 2016 - Available-for-sale financial assets. Debt Securities (Millions of euros)				
	Amortized Cost (*)	Unrealized Gains	Unrealized Losses	Book Value
Domestic Debt Securities				
Spanish Government and other government agency debt securities	13,288	372	(16)	13,644
Other debt securities	1,072	9	(1)	1,080
Issue by Central Banks	-	-	-	-
Issue by credit institutions	224	2	-	226
Issue by other issuers	848	7	(1)	854
Subtotal	14,360	381	(17)	14,724
Foreign Debt Securities				
Mexico	627	2	(9)	620
Mexican Government and other government agency debt securities	133	-	(3)	130
Other debt securities	494	2	(6)	490
Issue by Central Banks	-	-	-	-
Issue by credit institutions	-	-	-	-
Issue by other issuers	494	2	(6)	490
The United States	1,809	11	(22)	1,798
Government securities	157	-	-	157
US Treasury and other US Government agencies	157	-	-	157
States and political subdivisions	-	-	-	-
Other debt securities	1,652	11	(22)	1,641
Issue by Central Banks	-	-	-	-
Issue by credit institutions	34	1	-	35
Issue by other issuers	1,618	10	(22)	1,606
Turkey	-	-	-	-
Turkey Government and other government agency debt securities	-	-	-	-
Other debt securities	-	-	-	-
Issued by Central Banks	-	-	-	-
Issued by credit institutions	-	-	-	-
Issued by other issuers	-	-	-	-
Other countries	8,187	270	(101)	8,356
Other foreign governments and other government agency debt securities	4,822	251	(72)	5,001
Other debt securities	3,365	19	(29)	3,355
Issue by Central Banks	16	-	-	16
Issue by credit institutions	216	1	(1)	216
Issue by other issuers	3,133	18	(28)	3,123
Subtotal	10,623	283	(132)	10,774
Total	24,983	664	(149)	25,498

The credit ratings of the issuers of debt securities in the available-for-sale portfolio as of December 31, 2017 and 2016, are as follows:

Available-for-sale financial assets. Debt Securities by Rating

	December 2017		December 2016	
	Book value (Millions of Euros)	%	Book value (Millions of Euros)	%
AAA	-	-	175	-
AA+	35	0.2%	116	-
AA	194	0.9%	123	0.2%
AA-	30	0.1%	69	0.8%
A+	148	0.7%	536	-
A	145	0.7%	303	-
A-	149	0.7%	576	-
BBB+	15,326	70.2%	19,158	59.2%
BBB	4,725	21.6%	1,387	3.3%
BBB-	144	0.7%	1,246	29.3%
BB+ or below	166	0.8%	1,086	-
Without rating	765	3.5%	721	7.2%
Total	21,827	100.0%	25,498	100.0%

10.3 Equity instruments

The breakdown of the balance under the heading "Equity instruments" as of December 31, 2017 and 2016 is as follows:

December 2017 - Available-for-sale financial assets. Equity Instruments. December 2017 (Millions of euros)

	Amortized Cost	Unrealized Gains	Unrealized Losses	Book Value
Equity instruments listed				
Listed Spanish company shares	2,163	-	-	2,163
Credit institutions	-	-	-	-
Other entities	2,163	-	-	2,163
Listed foreign company shares	56	5	(3)	58
United States	-	-	-	-
Other countries	56	5	(3)	58
Subtotal	2,219	5	(3)	2,221
Unlisted equity instruments				
Unlisted Spanish company shares	31	23	-	54
Credit institutions	4	-	-	4
Other entities	27	23	-	50
Unlisted foreign companies shares	87	16	-	103
United States	73	16	-	89
Other countries	14	-	-	14
Subtotal	118	39	-	157
Total	2,337	44	(3)	2,378

December 2016 - Available-for-sale financial assets. Equity Instruments (Millions of euros)

	Amortized Cost	Unrealized Gains	Unrealized Losses	Book Value
Equity instruments listed				
Listed Spanish company shares	3,564	1	(950)	2,615
Credit institutions	-	-	-	-
Other entities	3,564	1	(950)	2,615
Listed foreign company shares	657	91	(13)	735
United States	-	-	-	-
Other countries	657	91	(13)	735
Subtotal	4,221	92	(963)	3,350
Unlisted equity instruments				
Unlisted Spanish company shares	48	-	-	48
Credit institutions	4	-	-	4
Other entities	44	-	-	44
Unlisted foreign companies shares	108	-	-	108
United States	81	-	-	81
Other countries	27	-	-	27
Subtotal	156	-	-	156
Total	4,377	92	(963)	3,506

10.4 Gains/losses

The changes in the gains/losses, net of taxes, recognized under the equity heading “Accumulated other comprehensive income – Items that may be reclassified to profit or loss- Available-for-sale financial assets” in the accompanying balance sheets are as follows:

Accumulated other comprehensive income-Items that may be reclassified to profit or loss - Available-for-Sale Financial Assets (Millions of euros)

	2017	2016
Balance at the beginning	(205)	458
Valuation gains and losses	142	217
Income tax	37	(80)
Amounts transferred to income	609	(800)
Other reclassifications	-	-
Balance at the end	583	(205)
<i>Of which:</i>		
Debt securities	547	660
Equity instruments	36	(865)

Debt securities

In 2017, the unrealized losses recognized under the heading “Accumulated other comprehensive income - Items that may be reclassified to profit or loss– Available-for-sale financial assets” resulting from equity instruments are not significant in the accompanying consolidated financial statements.

Equity instruments

As of December 31, 2017, the Banks most significant investment in equity instruments classified as available for sale was the participation in Telefónica, S.A. (Telefónica), which accounted for approximately 70% of the portfolio of equity instruments classified as available for sale financial assets, so that the Bank periodically monitors the valuation of this participation, taking into account the volatility of the share price and the estimated amount recoverable through its sale in the market.

BBVA considers that the use of volatility is an appropriate reference for categorizing investments with similar risk profiles when determining if there is a significant prolonged decline in value. The comparison of the volatility of Telefónica's shares with other market benchmarks shows a clearly lower level of volatility in these shares.

As of December 29, 2017 (last session of the year), the share price of Telefónica closed at 8.125 euros per share, so the unrealized losses recognized under the heading "Accumulated other comprehensive income - Items that may be reclassified to profit or loss- Available-for-sale financial assets" resulting from equity instrument, it would amount to 1,123 million euros.

As of December 31, 2017, the Bank carried out the analysis described in note 2 of the accompanying financial statements, recording the aforementioned unrealized losses under the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss - Available-for-sale financial assets" in the income statement for the year 2017.

As mentioned above, these losses were recorded in "Accumulated other comprehensive income", therefore the total equity of the Bank is not affected.

11. Loans and receivables

10.1 Breakdown of the balance

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

Loans and Receivables (Millions of euros)		
	2017	2016
Loans and advances to central banks	28	-
Loans and advances to credit institutions	22,105	26,596
Loans and advances to customers	211,597	213,890
Debt securities	10,502	11,001
Total	244,232	251,487

10.2 Loans and advances to credit institutions

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

Loans and Advances to Central Banks and Credit Institutions (Millions of euros)			
	Notes	2017	2016
Loans and advances to central banks	5.3.1	28	-
Loans and advances to credit institutions	5.3.1	22,110	26,609
Reverse repurchase agreements	31	13,513	14,907
Other loans		8,596	11,702
Total gross		22,138	26,609
Impairment losses	5.3.4 / 5.3.1	(5)	(13)
Total		22,133	26,596

10.3 Loans and advances to customers

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

Loans and Advances to Customers (Millions of euros)			
	Notes	2017	2016
On demand and short notice		12,267	12,262
Credit card debt		2,019	1,826
Trade receivables		10,322	10,506
Finance leases		3,454	3,050
Reverse repurchase loans	31	11,257	7,210
Other term loans		168,259	173,783
Advances that are not loans		4,019	5,252
Total (*)		211,597	213,890
<i>Of which:</i>			
Impaired assets	5.3.4	13,240	16,736
Impairment losses	5.3.4	(6,921)	(9,414)

As of December 31, 2017, 19% of "Loans and advances to customers" with a maturity greater than one year were concluded with fixed-interest rates and 81% with variable interest rates. As of December 31, 2017, 10% of "Loans and advances to customers" with a maturity greater than one year were concluded with fixed-interest rates and 9% with variable interest rates.

The heading "Loans and receivables – Loans and advances to customers" in the accompanying balance sheets also includes certain mortgage loans that, as mentioned in Note 5.6 and pursuant to the Mortgage Market Act, are considered a suitable guarantee for the issue of long-term mortgage covered bonds (see Appendix X). Additionally, this heading also includes certain loans that have been securitized and that have not been derecognized since the Bank has retained substantially all the related risks or rewards due to the fact that it has granted subordinated debt or other types of credit enhancements that absorb either substantially all expected credit losses on the asset transferred or the probable variation in attendant net cash flows.

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

Securitized Loans (Millions of euros)		
	2017	2016
Securitized mortgage assets	28,044	28,443
Other securitized assets	3,872	3,364
Total securitized assets	31,916	31,807

10.4 Debt securities

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

Debt securities (Millions of euros)			
	Notes	2017	2016
Government		3,985	4,094
Credit institutions		28	12
Other sectors (*)		6,492	6,900
Total gross	5.3.1	10,505	11,006
Impairment losses	5.3.5	(3)	(5)
Total net		10,502	11,001

In the year 2016, some debt securities were reclassified from this heading to "Held-to-maturity investments" (see Note 12).

The following table shows the fair value and carrying amounts of these reclassified financial assets:

Debt Securities reclassified to "Loans and receivables" from "Available-for-sale financial assets" (Millions of euros)						
	As of Reclassification date		As of December 31, 2017		As of December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
General Governments	853	853	713	732	731	747
Other sectors	9	9	3	3	113	116
Total	862	862	715	735	844	863

The following table presents the amount recognized in 2017 income statement from the valuation at amortized cost of the reclassified financial assets, as well as the impact recognized on the income statement and under the heading "Total Equity - Accumulated other comprehensive income", as of December 31, 2017, if the reclassification was not performed is included in the following table.

Effect on Income Statement and Other Comprehensive Income (Millions of euros)						
	2017			2016		
	Recognized in	Effect of not Reclassifying		Recognized in	Effect of not Reclassifying	
	Income Statement	Income Statement	Equity "Valuation Adjustments"	Income Statement	Income Statement	Equity "Valuation Adjustments"
General Governments	26	26	4	22	22	(5)
Total	26	26	4	22	22	(5)

12 Held-to-maturity investments

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

Held-to-Maturity Investments (Millions of euros)			
	Notes	December 2017	December 2016
Government and other government agency debt securities		8,103	10,783
Credit institutions		203	551
Other		48	90
Total	5.3.1	8,354	11,424

As of December 31, 2017 and 2016, the credit ratings of the issuers of debt securities classified as held-to-maturity investments were as follows:

Held to maturity investments. Debt Securities by Rating					
	December 2017		December 2016		
	Book value (Millions of Euros)	%	Book value (Millions of Euros)	%	
AAA	-	-	-	-	
AA+	-	-	-	-	
AA	41	0.5%	43	0.2%	
AA-	-	-	134	0.8%	
A+	55	0.7%	-	-	
A	-	-	-	-	
A-	-	-	-	-	
BBB+	5,667	67.8%	10,472	59.2%	
BBB	2,420	29.0%	591	3.3%	
BBB-	-	-	44	29.3%	
BB+ or below	-	-	-	-	
Without rating	171	2.1%	141	7.2%	
Total	8,354	100.0%	11,424	100.0%	

In the year 2016, some debt securities were reclassified from "Available-for-sale financial assets" to "Held-to-maturity investments" amounted to €11,162 million, due to the intention the Bank regarding how to manage such securities, is held to maturity.

The following table shows the fair value and carrying amounts of these reclassified financial assets:

Debt Securities reclassified to "Held to Maturity Investments" from "Available for sale assets" (Millions of euros)						
	As of Reclassification date		As of December 31, 2017		As of December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
General Governments	10,321	10,321	6,270	6,298	8,948	8,991
Credit institutions	614	614	203	204	551	553
Other sectors	227	227	48	49	90	91
Total	11,162	11,162	6,521	6,551	9,589	9,635

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

The following table presents the amount recognized in the 2017 income statement from the valuation at amortized cost of the reclassified financial assets, as well as the impact recognized on the income statement and under the heading "Total Equity - Accumulated other comprehensive income", as of December 31, 2017, if the reclassification was not performed.

Effect on Income Statement and Other Comprehensive Income (Millions of euros)						
	2017			2016		
	Recognized in	Effect of not Reclassifying		Recognized in	Effect of not Reclassifying	
	Income Statement	Income Statement	Equity "Accumulated other comprehensive income"	Income Statement	Income Statement	Equity "Accumulated other comprehensive income"
General Governments	163	163	(18)	211	211	(76)
Credit institutions	7	7	(1)	14	14	(8)
Other sectors	2	2	0	5	5	(1)
Total	172	172	(18)	230	230	(86)

13 Hedging derivatives and fair value changes of the hedged items in portfolio hedge of interest rate risk

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

Hedging derivatives and fair value changes of the hedged items in portfolio hedge of interest rate risk (Millions of euros)		
	2017	2016
ASSETS-		
Derivatives – Hedge accounting	1,561	1,586
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(25)	17
LIABILITIES-		
Derivatives – Hedge accounting	1,327	1,488
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(7)	-

As of December 31, 2017 and 2016, the main positions hedged by the Bank and the derivatives assigned to hedge those positions were:

■ Fair value hedging:

- Available-for-sale fixed-interest debt securities and loans and receivables: The interest rate risk of these securities is hedged using interest rate derivatives (fixed-variable swaps) and forward sales.
- Long-term fixed-interest debt securities issued by the Bank: the interest rate risk of these securities is hedged using interest rate derivatives (fixed-variable swaps).
- Fixed-interest loans: The equity price risk of these instruments is hedged using interest rate derivatives (fixed-variable swaps).

- Fixed-interest and/or embedded derivative deposit portfolio hedges: it covers the interest rate risk through fixed-variable swaps. The valuation of the borrowed deposits corresponding to the interest rate risk is in the heading "Fair value changes of the hedged items in portfolio hedges of interest rate risk".

Cash-flow hedges

Most of the hedged items are floating interest-rate loans and asset hedges linked to the inflation of the available for sale portfolio. This risk is hedged using foreign-exchange and interest-rate swaps, inflation and FRA's ("Forward Rate Agreement").

Net foreign-currency investment hedges

The risks hedged are foreign-currency investments in the Bank's subsidiaries based abroad. This risk is hedged mainly with foreign-exchange options and forward currency sales and purchases.

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

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

Derivatives - Hedge accounting. Breakdown by type of risk and type of hedge. December 2017 (Millions of euros)

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Interest rate	1,090	768	1,419	979
OTC options	110	111	120	118
OTC other	979	657	1,299	861
Organized market options	-	-	-	-
Organized market other	-	-	-	-
Equity	-	-	-	-
Foreign exchange and gold	-	-	-	-
Credit	-	-	-	-
Commodity	-	-	-	-
Other	-	-	-	-
FAIR VALUE HEDGES	1,090	768	1,419	979
Interest rate	137	386	36	225
OTC options	-	-	-	-
OTC other	137	386	36	225
Organized market options	-	-	-	-
Organized market other	-	-	-	-
Equity	-	-	-	-
Foreign exchange and gold	-	-	89	70
OTC options	-	-	89	70
OTC other	-	-	-	-
Organized market options	-	-	-	-
Organized market other	-	-	-	-
Credit	-	-	-	-
Commodity	-	-	-	-
Other	-	-	-	-
CASH FLOW HEDGES	137	386	125	295
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	301	15	-	-
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	33	158	42	214
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	-	-	-	-
DERIVATIVES-HEDGE ACCOUNTING	1,561	1,327	1,586	1,488
<i>of which: OTC - credit institutions</i>	<i>1,173</i>	<i>1,178</i>	<i>1,500</i>	<i>1,386</i>
<i>of which: OTC - other financial corporations</i>	<i>388</i>	<i>139</i>	<i>86</i>	<i>84</i>
<i>of which: OTC - other</i>	<i>-</i>	<i>10</i>	<i>-</i>	<i>18</i>

The cash flows forecasts for the coming years for cash flow hedging recognized on the accompanying balance sheet as of December 31, 2017 are:

Cash Flows of Hedging Instruments (Millions of euros)

	From 3 Months or Less	From 3 Months to 1 Year	From 1 to 5 Years	More than 5 Years	Total
Receivable cash inflows	13	38	186	133	370
Payable cash outflows	23	63	266	172	524

The above cash flows will have an effect on the income statements until the year 2026.

In 2017 and 2016, there was no reclassification in the accompanying income statements of any amount corresponding to cash flow hedges that was previously recognized in equity.

As of December 31, 2017 and 2016 there was no hedge accounting that did not pass the effectiveness test.

14 Investments in subsidiaries, joint ventures and associates

14.1 Investments in Group entities

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

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

Subsidiaries: Breakdown by entities (Millions of euros)		
	2017	2016
Subsidiaries		
By currency:	42,722	42,656
In euros	16,467	17,112
In foreign currencies	26,255	25,544
By share price	42,722	42,656
Listed	7,076	6,335
Unlisted	35,646	36,321
Impairment losses	(12,418)	(12,833)
Total	30,304	29,823

The changes in 2017 and 2016 in the balance under this heading in the balance sheets, disregarding the balance of the impairment losses, are as follows:

Subsidiaries: Changes in the Year (Millions of euros)		
	2017	2016
Balance at the beginning	42,656	36,772
Acquisitions and capital increases	1,026	15
Losses due to merger transactions	-	6,326
Disposals and capital reductions	(551)	(80)
Transfers	(67)	(1)
Exchange differences and others	(342)	(376)
Balance at the end	42,722	42,656

Changes in the holdings in Group entities

The most notable transactions performed in 2017 and 2016 are as follows:

Significant changes in the Group in 2017

Investments

On February 21, 2017, BBVA Group entered into an agreement for the acquisition from Dogus Holding A.S. and Dogus Arastirma Gelistirme ve Musavirlik Hizmetleri A.S of 41,790,000.000 shares of Turkiye Garanti Bankasi, A.S. ("Garanti Bank"), amounting to 9.95% of the total issued share capital of Garanti Bank. On March 22, 2017, the sale and purchase agreement was completed, and therefore BBVA's total stake in Garanti Bank as of December 31, 2017 amounts to 49.85%.

Ongoing divestitures

Offer for the acquisition of BBVA's stake in BBVA Chile

On November 28, 2017, BBVA received a binding offer from The Bank of Nova Scotia group ("Scotiabank") for the acquisition, at a price of approximately \$2,200 million of BBVA's stake in Banco Bilbao Vizcaya Argentaria, Chile ("BBVA Chile") as well as in other companies of the Group in Chile which operations are complementary to the banking business (amongst them, BBVA Seguros Vida, S.A.). BBVA owns, directly and indirectly, approximately 68.19% of BBVA Chile share capital. On December 5, 2017, BBVA accepted the Offer and entered into a sale and purchase agreement.

The Offer received does not include BBVA's stake in the automobile financing companies of Forum group and in other Chilean entities from BBVA's Group which are engaged in corporate activities of BBVA Group.

Completion of the transaction is subject to obtaining the relevant regulatory approvals.

Agreement for the creation of a "joint-venture" and transfer of the real estate business in Spain

On November 29, 2017, BBVA reached an agreement with a subsidiary of Cerberus Capital Management, L.P. ("Cerberus") for the creation of a "joint venture" to which the majority of the real estate business of BBVA in Spain will be transferred (the "Business"). BBVA will contribute the Business to a single company (the "Company") and will sell 80% of the shares of such Company to Cerberus at the closing date of the transaction.

The Business comprises: (i) foreclosed real estate assets (the "REOs"), with a gross book value of approximately €13,000 million, taking as starting point the situation of the REOs on June 26, 2017; and (ii) the necessary assets and employees to manage the Business in an autonomous manner. For the purpose of the agreement with Cerberus, the whole Business was valued at approximately €5,000 million.

Considering the valuation of the whole Business previously mentioned and assuming that all the Business' REOs on June 26, 2017 will be contributed to the Company, the sale price for 80% of the shares would amount to approximately €4,000 million. The price finally paid will be determined by the volume of REOs effectively contributed that may vary depending on, among other matters, the sales carried out from the date of reference 26 June 2017 until the date of closing of the transaction and the fulfilment of the usual conditions in this kind of transactions.

The transaction as a whole is subject to obtaining the relevant authorizations from the competent authorities and it is not expected to have significant impact on the Consolidated Financial Statements when completed.

Refund of premium in BBV América, S.L.

On July 31, 2017, BBVA received a refund of the issue premium of BBV América, S.L. amounting to 400 million euros.

Sale of BBVA Autorenting, S.A.

On September 22, 2017, BBVA Autorenting, S.A. has been sold generating a capital gain of 51 million euros. The shareholding had previously been reclassified to the heading "Non-current assets and disposable groups of items that have been classified as held for sale" (see Note 19), for which reason it is included in the Transfers line of the previous table.

Significant changes in the Group in 2016

Mergers

The BBVA Group, at its Board of Directors meeting held on March 31, 2016, adopted a resolution to begin a merger process of BBVA S.A. (absorbing company), Catalunya Banc, S.A., Banco Depositario BBVA, S.A. y Unoe Bank, S.A.

This transaction was part of the corporate reorganization of its banking subsidiaries in Spain, was successfully completed throughout 2016 and has no impact in the Financial Statements both from the accounting and the solvency stand points.

14.2 Investments in joint ventures and associates

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

Joint Ventures Entities and Associates: Breakdown by entities (Millions of euros)

	2017	2016
Associates Entities		
By currency	519	468
In euros	401	393
In foreign currencies	118	75
By share price	519	468
Listed	-	-
Unlisted	519	468
Impairment losses	(86)	(91)
Subtotal	433	377
Joint ventures		
By currency	59	19
In euros	59	19
In foreign currencies	-	-
By share price	59	19
Listed	-	-
Unlisted	59	19
Impairment losses	(1)	(1)
Subtotal	58	18
Total	491	395

The investments in associates as of December 31, 2017, as well as the most important data related to them, can be seen in Appendix III.

The following is a summary of the gross changes in 2017 and 2016 under this heading in the accompanying balance sheets:

Joint Ventures Entities and Associates: Changes in the Year (Millions of euros)

	2017	2016
Balance at the beginning	487	605
Acquisitions and capital increases	91	231
Losses due to merger transactions	-	4
Disposals and capital reductions	-	(6)
Transfers	(1)	(342)
Exchange differences and others	1	(5)
Balance at the end	578	487

The variation during the year 2017 is mainly explained by the increase of BBVA Group stakes in Testa Residencial, S.A. and Metrovacesa Suelo y Promociones, S.A. through its contribution to the capital increases carried out by both entities

The 2016 movement was mainly explained, by:

- In January 2016, two capital increases were made of Metrovacesa through a debt swap and a contribution of real estate assets, which provided the bank 194 million euros, including the share premium.
- In March 2016, there was a partial split of Metrovacesa, S.A in favor of a beneficiary company from a new constitution denominated Metrovacesa Suelo y Promocion, S.A, through the transfer in block and by universal succession of the patrimony belonging to its branch activity of floor and real estate promotion.
- In October 2016, there was a total split of Metrovacesa, S.A through its extinction and division of its patrimony in three parts (Commercial Patrimony, Residential Patrimony and Non-Strategic Patrimony) that was transmitted in block and by universal succession to Merlin Properties, SOCIMI, S.A, Testa Residencial, SOCIMI, S.A and Metrovacesa Promoción y Arrendamiento, S.A, respectively.
- As result of the previous mentioned splits, the Bank received equity interests in the corresponding beneficiary companies. In the case of Merlin Properties, SOCIMI, S.A, 4.97% of its capital was received, having been transferred to the heading "Available-for-sale financial assets (see Note 10).

14.3 Notifications about acquisition of holdings

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

14.4 Impairment

The breakdown of the changes in impairment losses in 2017 and 2016 under this heading is as follows:

Impairment losses (Millions of euros)			
	Notes	2017	2016
Balance at the beginning		12,925	5,778
Increase in impairment losses charged to income	43	74	316
Decrease in impairment losses credited to income	43	(281)	(169)
Losses due to merger transactions		-	7,101
Amount used		(42)	(7)
Transfers and other movements		(171)	(94)
Balance at the end		12,505	12,925

15 Tangible assets

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

Tangible Assets. Breakdown by Type of Assets and Changes in the year 2017 (Millions of euros)

		For Own Use			Total Tangible Asset of Own Use	Investment Properties	Total
	Notes	Land and Buildings	Work in Progress	Furniture, Fixtures and Vehicles			
Revalued cost							
Balance at the beginning		1,443	2	3,567	5,012	32	5,044
Additions		-	-	100	100	-	100
Retirements		-	-	(188)	(188)	-	(188)
Transfers		(217)	(2)	(38)	(257)	1	(256)
Exchange difference and other		-	-	(4)	(4)	-	(4)
Balance at the end		1,226	-	3,437	4,663	33	4,696
Accrued depreciation							
Balance at the beginning		265	-	2,586	2,851	5	2,856
Additions	40	14	-	191	205	-	205
Retirements		-	-	(167)	(167)	-	(167)
Transfers		(44)	-	(25)	(69)	-	(69)
Exchange difference and other		-	-	(4)	(4)	-	(4)
Balance at the end		235	-	2,581	2,816	5	2,821
Impairment							
Balance at the beginning		316	-	-	316	16	332
Additions	43	4	-	7	11	-	11
Retirements		(3)	-	-	(3)	-	(3)
Transfers		(57)	-	-	(57)	-	(57)
Exchange difference and other		-	-	(7)	(7)	-	(7)
Balance at the end		260	-	-	260	16	276
Net tangible assets							
Balance at the beginning		862	2	981	1,845	11	1,856
Balance at the end		731	-	856	1,587	12	1,599

Tangible Assets. Breakdown by Type of Assets and Changes in the year 2016 (Millions of euros)

		For Own Use			Total Tangible Asset of Own Use	Investment Properties	Total
	Notes	Land and Buildings	Work in Progress	Furniture, Fixtures and Vehicles			
Revalued cost							
Balance at the beginning		852	61	3,100	4,013	10	4,023
Additions		-	-	169	169	-	169
Contributions from merger transactions (*)		554	-	432	986	246	1,232
Retirements		-	-	(143)	(143)	-	(143)
Transfers		34	(59)	10	(15)	(224)	(239)
Exchange difference and other		3	-	(1)	2	-	2
Balance at the end		1,443	2	3,567	5,012	32	5,044
Accrued depreciation -							
Balance at the beginning		172	-	2,173	2,345	1	2,346
Additions	40	14	-	206	220	2	222
Contributions from merger transactions		80	-	337	417	11	428
Retirements		-	-	(123)	(123)	-	(123)
Transfers		-	-	(6)	(6)	(9)	(15)
Exchange difference and other		(1)	-	(1)	(2)	-	(2)
Balance at the end		265	-	2,586	2,851	5	2,856
Impairment							
Balance at the beginning		152	-	-	152	4	156
Additions	43	4	-	14	18	-	18
Contributions from merger transactions		-	-	-	-	94	94
Retirements		(2)	-	-	(2)	-	(2)
Transfers		(1)	-	-	(1)	(85)	(86)
Exchange difference and other		163	-	(14)	149	3	152
Balance at the end		316	-	-	316	16	332
Net tangible assets -							
Balance at the beginning		528	61	927	1,516	5	1,521
Balance at the end		862	2	981	1,845	11	1,856

(*) Mainly as result of the integration of the companies Catalunya Banc, S.A., Custodian Bank BBVA, S.A. And Unoe Bank, S.A. as indicated in Note 14.

As of December 31, 2017 and 2016, the fully depreciated tangible assets still in use amounted to €1,630 million and €1,555 million, respectively.

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

Branches by Geographical Location (Number of branches)		
	2017	2016
Spain	3,019	3,303
Rest of the world	14	20
Total	3,033	3,323

As of December 31, 2017 and 2016, the percentage of branches leased from third parties in Spain was 70.02% and 70.48%, respectively.

16 Intangible assets

The breakdown of the balance under this heading in the balance sheets as of December 31, 2017 and 2016 relates mainly to the net balance of the disbursements made on the acquisition of computer software. The average life of the Bank's intangible assets is 5 years.

The breakdown of the changes in 2017 and 2016 in the balance under this heading in the balance sheets is as follows:

Other Intangible Assets. Changes Over the Period (Millions of euros)			
	Notes	2017	2016
Balance at the beginning		942	853
Additions		275	321
Contributions from merger transactions		-	121
Amortization in the year	40	(335)	(353)
Balance at the end	-	882	942

"Contributions from merger transactions" in the table above reflects the intangible assets of the merged company Catalunya Banc, S.A."

17. Tax assets and liabilities

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

Banco Bilbao Vizcaya Argentaria, S.A. and its tax-consolidable subsidiaries file consolidated tax returns. The subsidiaries of Argentaria, which had been in Tax Group 7/90, were included in Tax Group 2/82 from 2000, since the merger had been carried out under the tax neutrality system provided for in Title VIII, Chapter VIII of Corporation Tax Law 43/1995. On 30 December 2002, the pertinent notification was made to the Ministry of Economy and Finance to extend its taxation under the consolidated taxation regime indefinitely, in accordance with current legislation. Similarly, on the occasion of the acquisition of Unnim Group in 2012, the companies composing the Tax Group No. 580/11 which met the requirements became part of the tax group 2/82 from January 1, 2013. Lastly, on the occasion of the acquisition of Catalunya Banc Group in 2015, the companies composing the Tax Group No. 585/11 which met the requirements became part of the tax group 2/82 from January 1, 2016.

In 2016, the Bank carried corporate restructuring operations, under the special regime for mergers, divisions, transfers of assets and exchanges of securities provided for in Chapter VII of Title VII of the Corporate Tax Law, approved by Law 27/2014, of November 27. The information requirements under the above legislation are included in the financial statements for 2016 as well as in the merger by absorption deed, other official documents and internal records of the Bank, available to the tax authorities.

In 2013, 2011 and 2009, the Bank also participated in corporate restructuring operations subject to the special regime for mergers, splits, transfers of assets and exchanges of securities under Chapter VIII of Title VII of the Corporation Tax Act, approved by Royal Legislative Decree 4/2004, of March 5. The reporting requirements under the above legislation are included in the financial statements of the relevant entities for 2013, 2011 and 2009 as well as in the merger by absorption deed, other official documents and internal records of the Bank, available to the tax authorities.

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

17.1 Years open for review by the tax authorities

At the date these financial statements were prepared, the Bank has 2014 and subsequent years open for review by the tax authorities for the main taxes applicable to it.

In 2017, as a result of the tax audit conducted by the tax authorities, tax inspection proceedings were issued against several Group companies for the years up to and including 2013, having been all signed in acceptance. These proceedings became final in 2017.

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

17.2 Reconciliation

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

Reconciliation of the Corporate Tax Expense Resulting from the Application of the Standard Rate and the Expense Registered by this Tax (Millions of euros)		
	2017	2016
Corporation tax	732	448
Decreases due to permanent differences:	-	-
Tax credits and tax relief at consolidated Companies	(23)	(27)
Other items net	(547)	(686)
Net increases (decreases) due to temporary differences	29	425
Charge for income tax and other taxes		
Deferred tax assets and liabilities recorded (utilized)	(29)	(425)
Income tax and other taxes accrued in the period	162	(265)
Adjustments to prior years' income tax and other taxes	195	95
Income tax and other taxes	357	(170)

The item "Other taxes" of the above table includes in 2017 the effect in income tax of those dividends and capital gains entitled to avoid double taxation of €765 million.

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

Under the regulations in force until December 31, 2001, the Bank and the savings banks which would form Unnim Banc and Catalunya Banc were available to the tax deferral for reinvestment. The information related to this tax credit can be found in the corresponding annual reports.

From 2002 to 2014, the Bank availed itself to the tax credit for reinvestment of extraordinary income obtained on the transfer for consideration of properties and shares representing ownership interests of more than 5%. The acquisition of shares over the 5% figure in each period was allocated to fulfill the reinvestment commitments which are a requirement of the previously mentioned tax credit.

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

Year	Millions of Euros
2002	276
2003	27
2004	332
2005	80
2006	410
2007	1,047
2008	71
2009	23
2010	35
2011	5
2012	4
2013	70
2014	2

Additionally, due to the merger of Unnim Banc, the Bank assumes the commitment of maintenance during the time required by the tax legislation of the assets in which Caixa d'Estalvis de Sabadell, Caixa d'Estalvis de Terrassa and Caixa d'Estalvis Unió de Caixes Manlleu Sabadell y Terrassa materialized in previous years the reinvestment of extraordinary profits for the implementation of a corresponding deduction. The amount of income qualifying for the deduction indicated is as follows:

Year	Millions of Euros
2008	61
2009	59
2010	202

Finally, due to the merger of Catalunya Banc, the Bank assumes the commitment of maintenance during the time required by the tax legislation of the assets in which Caixa d'Estalvis de Catalunya, Caixa d'Estalvis de Tarragona, Caixa d'Estalvis de Manresa and Caixa d'Estalvis Unió de Caixes de Catalunya, Tarragona i Manresa materialized in previous years the reinvestment of extraordinary profits for the implementation of a corresponding deduction. The amount of income qualifying for this deduction indicated is as follows:

Year	Millions of Euros
2005	1
2006	22
2007	111
2008	82
2009	10
2010	107

In 2017, following the approval of Royal Decree-Law 3/2016, of December 2, by which certain measures in the tax field directed to the consolidation of the public finances and other urgent measures in social matter are adopted, the Bank has included in its tax base €128 million as a reversal of the impairment losses on instruments representing participation in the capital or in the equity of companies which have been tax

deductible from the tax base of Corporate Income Tax in tax periods started prior to 1 January 2013. Likewise, as a consequence of the sale and liquidation of companies during the year, it will no longer be necessary to integrate income for an amount of €140 million. The amount pending to be included in the tax base at closure and from the investees amounted to €292 million approximately.

Millions of Euros	
	2017
Pending addition to taxable income as of December 31, 2016 (*)	560
Decrease income (included) 2016	(128)
Sales and liquidations 2017	(140)
Pending addition to taxable income as of December 31, 2017	292

(*)Includes outstanding balances pending to be integrated by Catalunya Banc, S.A.

17.3 Tax recognized in equity

In addition to the income tax registered in the income statements, in 2017 and 2016 the Bank recognized the following amounts in equity:

Tax Recognized in Total Equity (Millions of euros)		
	2017	2016
Charges to total equity		
Debt securities	(235)	(283)
Equity instruments	(5)	-
Other	-	(5)
Subtotal	(240)	(288)
Credits to total equity		
Debt securities	-	-
Equity instruments	-	6
Other	75	73
Subtotal	75	79
Total	(165)	(209)

17.4 Current and deferred taxes

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

Tax Assets and Liabilities. Breakdown (Millions of euros)

	2017	2016	Variation
Tax assets-			
Current tax assets	1,030	756	274
Deferred tax assets	11,881	11,638	243
Pensions	273	215	58
Financial Instruments	352	349	3
Other assets	284	266	18
Impairment losses	62	206	(144)
Other	286	357	(71)
Secured tax assets (*)	9,355	9,125	230
Tax losses	1,269	1,120	149
Total	12,911	12,394	517
Tax Liabilities-			
Current tax liabilities	123	127	(4)
Deferred tax liabilities	1,116	1,288	(172)
Charge for income tax and other taxes	1,116	1,288	(172)
Total	1,239	1,415	(176)

(*) The Law guaranteeing the deferred tax assets have been approved in Spain in 2013.

Based on the available information, including historical profit levels and projections that the Bank handles for the coming years results, it is considered that sufficient taxable income to recover deferred tax assets above would be generated when they become deductible under the provisions of tax legislation.

With respect to the changes in assets and liabilities due to deferred tax contained in the above table, the following should be pointed out:

- The decrease in deferred tax assets related to Impairment losses is due mainly to the reduction of accounting provisions for credit risk. The decrease in deferred tax liabilities is due to the reduction of valuation adjustments and deferred tax related to financial instruments.
- The increase in guaranteed tax assets is due to the adjustments on the corporate income tax finally presented for year 2016 and adjustments of the tax audit of the years from 2010 to 2013, closed in 2017. The increase in tax losses is mainly due to the generation in 2017 of negative tax bases and deductions.

Of the assets and liabilities due to deferred tax contained in the above table, those included in section 18.3 above have been recognized against the entity's equity, and the rest against earnings for the year.

From the guaranteed tax assets contained in the above table, the detail of the items and amounts guaranteed by the Spanish Government is as follows:

Secured tax assets (Millions of euros)

	2017	2016
Pensions	1,924	1,927
Impairment losses	7,431	7,198
Total	9,355	9,125

As a result of the merger by absorption of Catalunya Banc, S.A., the Bank has subrogated in the right to offset negative tax bases and deductions pending compensation in the transferor as of December 31, 2015. With respect to these tax credits, the Bank has maintained the criteria adopted in previous years by Catalunya Banc, S.A., according to which the transferor entity only recognized in the balance sheet those tax assets that have the guaranteed condition.

18. Other assets and liabilities

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

Other Assets and Liabilities (Millions of euros)			
	Notes	2017	2016
ASSETS			
Insurance contracts linked to pensions	22	2,142	2,426
Rest of other assets		1,626	1,283
Transactions in progress		49	83
Accruals		190	335
Unaccrued prepaid expenses		49	53
Other prepayments and accrued income		142	282
Other items		1,387	865
Total		3,768	3,709
LIABILITIES			
Transactions in transit		70	33
Accrued interest		947	978
Unpaid accrued expenses		776	751
Other accrued expenses and deferred income		172	227
Other items		1,190	1,082
Total		2,207	2,092

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

The composition of the balance under the heading “Non-current assets and disposal groups classified as held for sale” in the accompanying balance sheets, broken down by the origin of the assets, is as follows:

Non-current assets and disposal groups classified as held for sale: Breakdown by items (Millions of euros)		
	2017	2016
Foreclosures and recoveries	2,991	3,488
Foreclosures	2,863	3,349
Recoveries from financial leases	128	139
Other assets from tangible assets	414	323
Property, plant and equipment	414	323
Operating leases	-	-
Investment properties	-	-
Business sale - Assets	-	-
Accrued amortization (*)	(65)	(42)
Impairment losses	(1,114)	(1,253)
Total Non-current assets and disposal groups classified as held for sale	2,226	2,515

(*) Corresponds to the accumulated depreciation of assets before classification as “Non-current assets and disposal groups classified as held for sale”.

The changes in the balances under this heading in 2017 and 2016 are as follows:

Non-Current Assets Held-for-Sale. Changes in the year 2017 (Millions of euros)

	Foreclosed Assets				
	Foreclosed Assets through Auction Proceeding	Recovered Assets from Finance Leases	From Own Use Assets (*)	Other assets (**)	Total
Cost (1)	Notes				
Balance at the beginning	3,349	138	281	-	3,768
Additions	597	27	1	-	625
Contributions from merger transactions	-	-	-	-	-
Retirements (sales and other decreases)	(826)	(32)	(121)	(68)	(1,047)
Transfers, other movements and exchange differences	(257)	(5)	188	68	(6)
Balance at the end	2,863	128	349	-	3,340

Impairment (2)

Balance at the beginning		1,044	32	177	-	1,253
Additions	45	38	13	1	-	52
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(221)	(6)	(42)	-	(269)
Other movements and exchange differences		19	2	57	-	78
Balance at the end		880	41	193	-	1,114
Balance at the end of Net carrying value (1)-(2)		1,983	87	156	-	2,226

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

(**) Corresponding to BBVA Autorenting, S.A. (see Note 14).

Non-Current Assets Held-for-Sale. Changes in the year 2016 (Millions of euros)

	Foreclosed Assets		From Own Use Assets (*)	Other assets	Total
	Foreclosed Assets through Auction Proceeding	Recovered Assets from Finance Leases			
Cost (1)	Notes				
Balance at the beginning	2,666	166	186	-	3,018
Additions	629	42	3	-	674
Contributions from merger transactions	402	-	147	-	549
Retirements (sales and other decreases)	(555)	(62)	(61)	-	(678)
Transfers, other movements and exchange differences	207	(8)	6	-	205
Balance at the end	3,349	138	281	-	3,768

Impairment (2)

Balance at the beginning		537	38	103	-	678
Additions	45	60	2	7	-	69
Contributions from merger transactions		212	-	-	-	212
Retirements (sales and other decreases)		(124)	(5)	(33)	-	(162)
Other movements and exchange differences		359	(3)	100	-	456
Balance at the end		1,044	32	177	-	1,253
Balance at the end of Net carrying value (1)-(2)		2,305	106	104	-	2,515

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

The table below shows the non-current assets held for sale from foreclosures or recoveries:

Non-Current Assets Held for Sale. From Foreclosures or Recoveries (Millions of euros)		
	2017	2016
Residential assets	1,675	1,961
Industrial assets	367	417
Agricultural assets	28	33
Total	2,070	2,411

The table below shows the length of time for which the main assets from foreclosures or recoveries that were on the balance sheet as of December 31, 2017 and 2016 had been held:

Non-Current Assets Held for Sale. Period of Ownership (Millions of euros)		
	2017	2016
Up to one year	267	298
From 1 to 3 years	740	1,084
From 3 to 5 years	656	719
Over 5 years	407	310
Total	2,070	2,411

In 2017 and 2016, some of the sales of these assets were financed by the Bank. The amount of the loans granted to the buyers of these assets in those years totaled €201 million and €210 million, respectively, with a mean percentage financed of 91% and 93%, respectively, of the price of sale. The total nominal amount of these loans, which are recognized under "Loans and receivables", is €1,520 million and €1,320 million, as of December 31, 2017 and 2016, respectively.

As of December 31, 2017 and 2016, there were no gains not recognized in the income statement from the sale of assets financed by the Bank.

20. Financial liabilities at amortized cost

20.1 Breakdown of the balance

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

Financial liabilities measured at amortised cost (Millions of euros)			
	Notes	2017	2016
Deposits		263,376	279,552
Deposits from Central Banks	7	28,132	26,629
Deposits from Credit Institutions		40,599	44,977
Customer deposits		194,645	207,946
Debt securities issued		34,166	33,174
Other financial liabilities		8,255	7,158
Total		305,797	319,884

20.2 Deposits from credit institutions

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

Deposits from credit institutions (Millions of euros)			
	Notes	2017	2016
Deposits with agreed maturity		15,749	17,027
Demand deposits		1,908	3,005
Repurchase agreements	31	22,942	24,945
Total		40,599	44,977

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

December 2017 Deposits from Credit Institutions (Millions of euros)				
	Demand Deposits & Reciprocal Accounts	Deposits with Agreed Maturity	Repurchase Agreements	Total
Spain	744	3,997	879	5,620
Rest of Europe	591	7,777	21,704	30,072
Mexico	63	55	-	118
South America	415	755	-	1,170
The United States	22	1,442	-	1,464
Rest of the world	73	1,723	359	2,155
Total	1,908	15,749	22,942	40,599

December 2016 Deposits from Credit Institutions (Millions of euros)(*)				
	Demand Deposits & Reciprocal Accounts	Deposits with Agreed Maturity	Repurchase Agreements	Total
Spain	924	5,153	817	6,894
Rest of Europe	1,120	7,944	23,620	32,684
Mexico	286	-	-	286
South America	460	900	-	1,360
The United States	131	1,328	-	1,459
Rest of the world	83	1,652	508	2,243
Total	3,004	16,977	24,945	44,926

(*) Interest accrued not included

20.3 Customer deposits

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

Customer deposits (Millions of euros)			
	Notes	2017	2016
Government and other government agencies		7,845	7,375
Demand deposits		126,808	105,851
Fixed-term deposits		54,915	85,989
Reverse repos	31	4,648	6,230
Other accounts		429	2,500
Total		194,645	207,946

Previous table includes as of 31, December 2017 and 2016, subordinated deposits amounted to €430 million and €2,942 million, respectively, vinculated to subordinated debt issues and preferred shares launched by BBVA International Preferred, S.A.U., BBVA Subordinated Capital, S.A.U., BBVA Global Finance, Ltd., Caixa

Terrassa Societat de Participacions Preferents, S.A. Unipersonal and CaixaSabadell Preferents, S.A. Unipersonal which are unconditionally and irrevocably secured by the Bank.

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

December 2017 - Customer Deposits (Millions of euros)

	2017				
	Demand Deposits	Savings Deposits	Deposits with Agreed Maturity	Repos	Total
Spain	93,773	34,884	41,779	2,659	173,095
Rest of Europe	3,687	311	8,520	1,989	14,507
Mexico	203	22	288	-	513
South America	533	102	1,354	-	1,989
The United States	181	23	2,476	-	2,680
Rest of the world	595	196	1,070	-	1,861
Total	98,972	35,538	55,487	4,648	194,645

December 2016 - Customer Deposits (Millions of euros)(*)

	2016				
	Demand Deposits	Savings Deposits	Deposits with Agreed Maturity	Repos	Total
Spain	64,542	41,464	67,902	1,900	175,808
Rest of Europe	3,903	426	15,225	4,307	23,861
Mexico	268	24	337	-	629
South America	449	143	1,364	-	1,956
The United States	191	40	1,791	8	2,030
Rest of the world	415	160	2,665	-	3,240
Total	69,768	42,257	89,284	6,215	207,524

(*) Interest accrued not included

20.4 Debt certificates issued

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

Debt securities issued (Millions of euros)		
	2017	2016
In Euros	30,339	30,161
Promissory bills and notes	967	-
Non-convertible bonds and debentures	7,589	2,509
Mortgage Covered bonds (**)	12,318	20,376
Other securities	500	600
Accrued interest and others (*)	711	1,840
Subordinated liabilities	8,254	4,836
Convertible	4,500	4,000
Convertible perpetual securities	4,500	4,000
Non-convertible	3,671	770
Preferred Stock	-	14
Other subordinated liabilities	3,671	756
Valuation adjustments (*)	83	66
In Foreign Currency	3,827	3,013
Promissory bills and notes	404	-
Non-convertible bonds and debentures	1,097	1,443
Mortgage Covered bonds (**)	112	121
Accrued interest and others (*)	11	18
Subordinated liabilities	2,203	1,431
Convertible	2,085	1,423
Convertible perpetual securities	2,085	1,423
Non-convertible	117	-
Preferred Stock	-	-
Other subordinated liabilities	117	-
Valuation adjustments (*)	1	8
Total	34,166	33,174

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

(**) See Appendix X.

As of December 31, 2017, 36% of "Debt securities issued" have fixed-interest rates and 64% have variable interest rates.

The total cost of the accrued interest under "Debt securities issued" in 2017 and 2016 totaled €550 million and €793 million, respectively.

As of December 31, 2017 and 2016 the accrued interest pending payment from promissory notes and bills and bonds and debentures amounted to €275 million and €465 million, respectively.

The headings "Nonconvertible bonds and debentures at floating interest rate" and "Non-convertible bonds and debentures at fixed rate" as of December 31, 2017 include several issues, the latest maturing in 2039.

The "Covered Bonds" account as of December 31, 2017 includes issues with various maturities, the latest in 2037.

Subordinated liabilities included in this heading and in Note 20.3, and accordingly, for debt seniority purposes, they rank behind ordinary debt, but ahead of the Bank's shareholders, without prejudice to any different seniority that may exist between the different types of subordinated debt instruments according to

the terms and conditions of each issue. The breakdown of this heading in the accompanying balance sheets, disregarding valuation adjustments, by currency of issuance and interest rate is shown in Appendix VII.

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

During 2017, for certain issuances initially carried out by companies belonging to the BBVA Group, a replacement has been carried out as issuer of these companies by BBVA, S.A. This change has been carried out for issuances initially made by BBVA Senior Finance S.A. Unipersonal in euros and in currency, for a total amount of €1,367 million as well as subordinated issuances made by BBVA Subordinated Capital, S.A. Unipersonal, amounting to €1,618 million. Deposit contracts between the Bank and the aforementioned companies have also been cancelled. This has meant the reclassification of these amounts from "Customer deposits" (see Note 20.3) to "Debt certificates issued".

During 2017, € 8,385 million of mortgage bond issues were amortized. New issues of non-convertible bonds and debentures in euros and subordinated non-convertible liabilities in euros were made amounting to € 4,290 and € 2,986 million respectively.

- Perpetual securities eventually convertible.

On May 24, 2017 and November 14, 2017, BBVA carried out issuances of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of €500 million and €1,000 million, respectively (see Note 23).

On April 8, 2016, BBVA issued perpetual securities eventually convertible into new ordinary shares of BBVA, (Additional level I capital instruments) without pre-emption rights, for a total amount of €1,000 million (see Note 23).

On February 10, 2015, BBVA issued perpetual securities eventually convertible into new ordinary shares of BBVA, (Additional level I capital instruments) without pre-emption rights, for a total amount of €1,500 million.

Such issuances were targeted only towards qualified foreign investors. and in any case would not be made or subscribed in Spain or by Spanish-resident investors.

These convertible perpetual securities could be subject into common shares if the trigger event occurs, that is, if BBVA's Common Equity Tier 1 capital ratio falls below 5.125% among other events.

These issuances may be fully amortized, to option of BBVA, only in the cases included in its terms and conditions, and in any case, in accordance with the provisions of the applicable regulations.

20.5 Other financial liabilities

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

Other financial liabilities (Millions of euros)		
	2017	2016
Creditors for other financial liabilities	4,412	3,662
Collection accounts	2,614	1,964
Creditors for other payment obligations	1,229	1,007
Dividend payable but pending payment (*)	-	525
Total	8,255	7,158

(*) Corresponding to the cash dividend declared in December 2017 and 2016 and paid in January 2018 and 2017 (see Note 3).

The information required by Final Provision second of Law 31/2014 of December 3, amending Additional Provision third of Law 15/2010, of July 5, amending the Law 3/2004 of December 29, through which measures for combating late payment are set, is as follows:

Payments made and pending payments (*)				
	2017		2016	
	BBVA SPAIN	BBVA GROUP IN SPAIN	BBVA SPAIN	BBVA GROUP IN SPAIN
Average payment period to suppliers (days)	29	29	33	33
Ratio of outstanding payment transactions (days)	30	29	34	33
Ratio outstanding payment transactions (days)	20	19	21	22
Total payments (Millions of euros)	2,410	2,497	2,426	2,568
Total pending payments (Millions of euros)	124	128	92	96

(*) It is considered on time payments made within 60 days, and not on time those which exceeds 60 days.

The data shown 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, so data relating to "Other financial liabilities other liabilities - Trade pay " is included in the balance.

21. Provisions

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

Provisions: Breakdown by concepts (Millions of euros)		
	2017	2016
Pensions and other post employment defined benefit obligations	4,594	5,271
Other long term employee benefits	31	32
Provisions for taxes and other legal contingencies	329	-
Commitments and guarantees given	272	658
Rest provisions	2,379	2,956
Total	7,605	8,917

(*) As of December 31, 2016, this caption includes provisions for different items, the most significant being those arising from the merger of Catalunya Banc and the provision of € 577 million made by the "floor clauses" (*clausulas suelo*).

The changes in 2017 and 2016 in the balances under this heading in the accompanying balance sheets are as follows:

Provisions for pensions and similar obligations. Changes Over the Period (Millions of euros)			
	Notes	2017	2016
Balance at the beginning		5,303	5,177
Add			
Charges to income for the year			
Interest expenses and similar charges		27	49
Personnel expenses		4	4
Provision expenses		277	253
Charges to equity		-	10
Transfers and other changes		-	569
Less			
Benefit payments		(692)	(735)
Employer contributions		(294)	(24)
Balance at the end		4,625	5,303

Provisions for Taxes, Legal Contingents and Other Provisions, Changes Over the Period (Millions of euros)		
	2017	2016
Balance at beginning	3,614	1,032
Additions	1,409	1,339
Acquisition of subsidiaries	-	-
Unused amounts reversed during the period	(855)	(386)
Amount used and other variations	(1,188)	1,629
Balance at the end	2,980	3,614

Ongoing legal proceedings and litigation

The financial sector is facing an environment of greater regulatory and litigious pressure. In this environment, BBVA is frequently party to individual or collective legal actions arising in the ordinary course of business. According to the procedural status of these proceedings and the criteria of the legal counsel, BBVA considers that, as of December 31, 2017, none of such actions is material, individually or as a whole, and with no significant impact on the operating results, liquidity or financial situation at a Group consolidated or individual level of the Bank. As of December 31, 2017, BBVA's Management believes that the provisions made in respect of such legal proceedings are adequate.

In 2016, the judicial procedure related to the clauses of limitation of interest rates in mortgage loans with consumers (the so-called "cláusulas suelo") was considered material. In relation to this issue, after the preliminary ruling to the Court of Justice of the European Union (CJEU), and after the analysis carried out on the portfolio of mortgage loans to consumers to which a floor clause had been applied, BBVA endowed a provision of €577 million (with an impact on the attributed profit of approximately €404 million) recorded in the consolidated profit and loss account for 2016, to cover potential claims. This provision has been used for this purpose during the year 2017. The additional provisions that have been made during the year 2017, to cover the possible claims that may arise in relation to this matter, have not been significant.

22. Post-employment and other employee benefit commitments

As stated in Note 2.9, the Bank has assumed commitments with employees including short-term employee benefits (Note 39.1), defined contribution and defined benefit plans, as well as other long-term employee benefits.

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

The Employee Welfare System in place at the Bank supersedes and improves the terms and conditions of the collective labor agreement for the banking industry; including benefits in the event of retirement, death and disability for all employees, including those hired after March 8, 1980. The Bank externally funded all its pension commitments with active and retired employees pursuant to Royal Decree 1588/1999, of October 15. These commitments are instrumented in external pension plans, insurance contracts with non-Group companies and insurance contracts with BBVA Seguros, S.A. de Seguros y Reaseguros, which is 99.96% owned by the Banco Bilbao Vizcaya Argentaria Group.

The table below shows a breakdown of recorded balance sheet liabilities relating to defined benefit plans as at December 31, 2017 and 2016:

Net Liability (asset) on the Balance Sheet (Millions of euros)

	2017	2016
Pension commitments	3,376	3,744
Early retirement commitments	2,204	2,555
Other long-term employee benefits	31	32
Total commitments	5,611	6,331
Pension plan assets	986	1,028
Early retirement plan assets	-	-
Other long-term plan assets	-	-
Total plan assets	986	1,028
Total net liability/asset on the balance sheet	4,625	5,303
of which:		
Provisions- Provisions for pensions and similar obligations	4,594	5,271
Provisions-Other long-term employee benefits	31	32
Insurance contracts linked to pensions	2,142	2,426

The following table shows defined benefit plan costs recorded in the income statement for fiscal years 2017 and 2016:

Income Statement and Equity Impact (Millions of euros)

	Notes	2017	2016
Interest and similar expenses		27	49
Interest expense		27	49
Interest income		-	-
Personnel expenses		43	53
Defined contribution plan expense	39.1	38	46
Defined benefit plan expense	39.1	1	3
Other benefit expenses		4	4
Provision (net)		268	239
Early retirement expense		224	233
Past service cost expense		1	(3)
Remeasurements (*)		32	3
Other provision expenses		11	6
Total Effects in Income Statements: Debit (Credit)		338	341
Total Effects on Equity: Debit (Credit) (**)		(1)	10

(*) Actuarial losses (gains) on remeasurement of the net defined benefit liability relating to early retirements in Spain and other long-term employee benefits that are charged to the income statement (see Note 2.9).

(**) Actuarial gains (losses) on remeasurement of the net defined benefit pension liability before income taxes (see Note 2.9).

22.1 Defined benefit plans

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

The change in these commitments as of December 31, 2017 and 2016 was as follows:

Defined Benefit Plans (Millions of euros)

	2017				2016			
	Defined Benefit Obligation	Plan Assets	Net Liability (asset)	Insurance contracts linked to pensions	Defined Benefit Obligation	Plan Assets	Net Liability (asset)	Insurance contracts linked to pensions
Balance at the beginning	6,299	1,028	5,271	2,426	6,210	1,033	5,177	2,151
Current service cost	5	-	5	-	7	-	7	-
Interest income or expense	81	17	64	37	109	20	89	40
Contributions by plan participants	-	-	-	-	-	-	-	-
Employer contributions	-	7	(7)	-	-	9	(9)	-
Past service costs ⁽¹⁾	225	-	225	-	230	-	230	-
Remeasurements:	(41)	9	(50)	(81)	245	66	179	166
Return on plan assets ⁽²⁾	-	9	(9)	(81)	-	66	(66)	166
From changes in demographic assumptions	(3)	-	(3)	-	(1)	-	(1)	-
From changes in financial assumptions	(23)	-	(23)	-	187	-	187	-
Other actuarial gain and losses	(15)	-	(15)	-	59	-	59	-
Benefit payments	(909)	(115)	(794)	(138)	(936)	(118)	(818)	(136)
Settlement payments	-	-	-	-	(43)	-	(43)	-
Business combinations and disposals	-	-	-	-	402	22	380	205
Transformation to defined contribution	(82)	-	(82)	(67)	-	-	-	-
Effect on changes in foreign exchange rates	(7)	(5)	(2)	-	(17)	(13)	(4)	-
Other effects	9	45	(36)	(35)	92	9	83	-
Balance at the end	5,580	986	4,594	2,142	6,299	1,028	5,271	2,426

(1) Including gains and losses arising from settlements.

(2) Excluding interest, which is recorded under "Interest income or expense".

The balance under the heading "Provisions – Pensions and other post-employment defined benefit obligations" of the accompanying balance sheet as of December 31, 2017 includes €341 million for commitments for post-employment benefits maintained with previous members of the Board of Directors and the Bank's Management Committee.

Both the costs and the present value of the commitments are determined by independent qualified actuaries using the "projected unit credit" method.

In order to guarantee the good governance of these plans, the Bank has established an Employee Benefits Committee including members from the different areas to ensure that all decisions are made taking into consideration all of the associated impacts.

The following table sets out the key actuarial assumptions used in the valuation of these commitments as at December 31, 2017 and 2016:

Actuarial Assumptions. Commitments in Spain

	2017	2016
Discount rate	1.24%	1.50%
Rate of salary increase	-	1.50%
Mortality tables	PERM/F 2000P	PERM/F 2000P

Discount rate shown as of December, 31, 2017, corresponds to the weighted average rate, the actual discount rates used 0.50% and 1.75% depending on the type of commitment.

The discount rate used to value future benefit cashflows has been determined by reference to Eurozone high quality corporate bonds (see Note 2.2.9).

The expected return on plan assets has been set in line with the adopted discount rate.

Assumed retirement ages have been set by reference to the earliest age at which employees are entitled to retire or the contractually agreed age in the case of early retirements.

Changes in the main assumptions can affect the calculation of the commitments. Should the discount rate have increased or decreased by 50 basis points, an impact on equity for the commitments in Spain would have been registered amounting to approximately €27 million net of tax.

In addition to the commitments to employees shown above, the Group has other less material long-term employee benefits. These include leave and long-service awards, which consist of either an established monetary award or shares in Banco Bilbao Argentaria A.A. granted to employees when they complete a given number of years of qualifying service. As of December 31, 2017 and 2016 the value of these commitments amounted to €31 and €32 million respectively. These amounts are recorded under the heading "Provisions - Other long-term employee benefits" of the accompanying balance sheet (see Note 21).

Information on the various commitments is provided in the following sections.

Pension commitments

These commitments correspond mainly to retirement, death and disability pensions in payment. They are covered by insurance contracts, pension funds and internal provisions.

The change in pension commitments as of December 31, 2017 and 2016 is as follows:

Pensions commitments (Millions of euros)								
	2017				2016			
	Defined Benefit Obligation	Plan Assets	Net Liability (asset)	Insurance contracts linked to pensions	Defined Benefit Obligation	Plan Assets	Net Liability (asset)	Insurance contracts linked to pensions
Balance at the beginning	3,744	1,028	2,716	2,426	3,521	1,033	2,488	2,151
Current service cost	5	-	5	-	7	-	7	-
Interest income or expense	58	17	41	37	66	20	46	40
Contributions by plan participants	-	-	-	-	-	-	-	-
Employer contributions	-	7	(7)	-	-	9	(9)	-
Past service costs ⁽¹⁾	1	-	1	-	(3)	-	(3)	-
Remeasurements:	(82)	9	(91)	(81)	237	66	171	166
Return on plan assets ⁽²⁾	-	9	(9)	(81)	-	66	(66)	166
From changes in demographic assumptions	(3)	-	(3)	-	(1)	-	(1)	-
From changes in financial assumptions	(69)	-	(69)	-	162	-	162	-
Other actuarial gain and losses	(10)	-	(10)	-	76	-	76	-
Benefit payments	(274)	(115)	(159)	(138)	(275)	(118)	(157)	(136)
Settlement payments	-	-	-	-	(43)	-	(43)	-
Business combinations and disposals	-	-	-	-	237	22	215	205
Defined contribution transformation	(82)	-	(82)	(67)	-	-	-	-
Effect on changes in foreign exchange rates	(7)	(5)	(2)	-	(17)	(13)	(4)	-
Other effects	13	45	(32)	(35)	14	9	5	-
Balance at the end	3,376	986	2,390	2,142	3,744	1,028	2,716	2,426

Of Which:

Vested benefit obligation relating to current employees	3,263	3,564
Vested benefit obligation relating to retired employees	113	180

- (1) Including gains and losses arising from settlements.
- (2) Excluding interest, which is recorded under "Interest income or expense".

In Spain, local regulation requires that pension and death benefit commitments must be funded, either through a qualified pension plan or an insurance contract.

These commitments are covered by insurance contracts which meet the requirements of the accounting standard regarding the non-recoverability of contributions. However, a significant number of the insurance contracts are with BBVA Seguros, S.A. –BBVA related party – and consequently these policies cannot be considered plan assets under IAS 19. For this reason, the liabilities insured under these policies are fully recognized under the heading "Provisions – Pensions and other post-employment defined benefit obligations" of the accompanying balance sheet (see Note 21), while the related assets held by the insurance company are included under the heading "Insurance contracts linked to pensions".

In addition there are commitments covered by insurance contracts with insurance companies not related to the Bank and can therefore be considered qualifying insurance policies and plan assets under IAS 19. These commitments are therefore shown in the accompanying balance sheets for the net amount of the commitment less plan assets. As of December 31, 2017 and 2016, the plan assets related to the aforementioned insurance contracts equaled the amount of the commitments covered; therefore, no amount for this item is included in the accompanying balance sheets.

Pension benefits are paid by the insurance companies with whom BBVA has insurance contracts and to whom all insurance premiums have been paid. The premiums are determined by the insurance companies using "cash flow matching" techniques to ensure that benefits can be met when due, guaranteeing both the actuarial and interest rate risk.

The Bank signed a Social Benefit Standardization Agreement for its employees in Spain. The agreement standardizes the existing social benefits for the different groups of employees and, in some cases where a service was provided, quantified it as an annual amount in cash.

In addition, some overseas branches of the Bank maintain defined-benefit pension commitments with some of their active and inactive personnel. These arrangements are closed to new entrants who instead participate in defined-contribution plans.

Early retirement commitments

In 2017 the Bank offered certain employees the possibility of taking retirement or early retirement before the age stipulated in the collective labor agreement in force. This offer was accepted by 724 employees (601 in 2016). The commitments to early retirees include the compensation and indemnities and contributions to external pension funds payable during the period of early retirement.

The change in these commitments during financial years 2017 and 2016 is shown below:

Early retirement commitments (Millions of euros)

	2017			2016		
	Defined Benefit Obligation	Plan Assets	Net Liability (asset)	Defined Benefit Obligation	Plan Assets	Net Liability (asset)
Balance at the beginning	2,555	-	2,555	2,689	-	2,689
Current service cost	-	-	-	-	-	-
Interest income or expense	23	-	23	43	-	43
Contributions by plan participants	-	-	-	-	-	-
Employer contributions	-	-	-	-	-	-
Past service costs ⁽¹⁾	224	-	224	233	-	233
Remeasurements:	41	-	41	8	-	8
Return on plan assets ⁽²⁾	-	-	-	-	-	-
From changes in demographic assumptions	-	-	-	-	-	-
From changes in financial assumptions	46	-	46	25	-	25
Other actuarial gain and losses	(5)	-	(5)	(17)	-	(17)
Benefit payments	(635)	-	(635)	(661)	-	(661)
Settlement payments	-	-	-	-	-	-
Business combinations and disposals	-	-	-	165	-	165
Transformation to defined contribution	-	-	-	-	-	-
Effect on changes in foreign exchange rates	-	-	-	-	-	-
Other effects	(4)	-	(4)	78	-	78
Balance at the end	2,204	-	2,204	2,555	-	2,555

(1) Including gains and losses arising from settlements.

(2) Excluding interest, which is recorded under "Interest income or expense".

The valuation and account treatment of these commitments is the same as that of the pension commitments, except for the treatment of actuarial gains and losses (see Note 2.9).

Estimated benefit payments

The estimated payments over the next 10 years are as follows:

Estimated Future Payments (Millions of euros)

	2018	2019	2020	2021	2022	2023 - 2027
Commitments in Spain	752	680	595	499	401	1,099
Of which:						
Early retirements	543	477	396	307	218	286

22.2 Defined contribution plans

The Bank sponsors defined contribution plans, in some cases with employees making contributions which are matched by the employer.

These contributions are accrued and charged to the income statement in the corresponding financial year (see Note 2.9). No liability is therefore recognized in the accompanying balance sheets for this purpose.

23. Common stock

As of December 31, 2017, BBVA's common stock amounted to €3,267,264,424.20 divided into 6,667,886.580 fully subscribed and paid-up registered shares, all of the same class and series, at €0.49 par value each, represented through book-entry accounts. All of the Bank shares carry the same voting and

dividend rights, and no single stockholder enjoys special voting rights. Each and every share is part of the Bank's common stock.

The Bank's shares are traded on the Spanish stock market, as well as on the London and Mexico stock markets. BBVA American Depositary Shares (ADSs) traded on the New York Stock Exchange.

As of December 31, 2017, State Street Bank and Trust Co., Chase Nominees Ltd and The Bank of New York Mellon SA NV in their capacity as international custodian/depositary banks, held 12.53%, 6.48%, and 3.80% of BBVA common stock, respectively. Of said positions held by the custodian banks, BBVA is not aware of any individual shareholders with direct or indirect holdings greater than or equal to 3% of BBVA common stock outstanding.

On October 18, 2017, the Blackrock, Inc. reported to the Spanish Securities and Exchange Commission (CNMV) that, it now has an indirect holding of BBVA common stock totaling 5.939%, of which 5.708% are voting rights attributed to shares and 0.231% are voting rights through financial instruments.

BBVA is not aware of any direct or indirect interests through which control of the Bank may be exercised. BBVA has not received any information on stockholder agreements including the regulation of the exercise of voting rights at its annual general meetings or restricting or placing conditions on the free transferability of BBVA shares. No agreement is known that could give rise to changes in the control of the Bank.

The changes in the heading "Paid up capital" of the accompanying consolidated balance sheets are due to the following common stock increases:

Capital Increase		
	Number of Shares	Common Stock (Millions of Euros)
As of December 31, 2015	6,366,680,118	3,120
Dividend option - April 2016	113,677,807	56
Dividend option - October 2016	86,257,317	42
As of December 31, 2016	6,566,615,242	3,218
Dividend Option . April 2017	101,271,338	50
As of December 31, 2017	6,667,886,580	3,267

"Dividend Option" Program in 2017:

The AGM of BBVA held on March 17, 2017 adopted, under agenda item three, a capital increase to be charged to voluntary reserves to implement the shareholder remuneration system called the "Dividend Option" this year in similar conditions to those agreed in 2014, 2015 and 2016, conferring on the Board of Directors, in accordance with article 297.1.a) of the Spanish Companies Act, the authority to set the date on which the capital increase should be carried out, within one year of the date of approval of the AGM resolution.

By virtue of such resolution, the Board of Directors of BBVA resolved, on March 29, 2017, to execute the capital increase to be charged to voluntary reserves in accordance with the terms and conditions approved by the AGM mentioned above. As a result, BBVA's share capital was increased by an amount of €49,622,955.62 through the issuance of 101,271,338 newly-issued BBVA ordinary shares at €0.49 par value each (see Note 3).

“Dividend Option” Program in 2016:

The AGM held on March 11, 2016, under agenda item three, adopted four capital increase resolutions to be charged to voluntary reserves to once again implement the shareholder remuneration program called the “Dividend Option” (see Note 3), conferring on the Board of Directors, in accordance with article 297.1 a) of the Spanish Companies Act, the authority to set the date on which said capital increases should be carried out, within one year of the date of approval of the AGM resolution, including the power not to implement any of the resolutions, when deemed advisable.

On March 31, 2016, the Board of Directors of BBVA approved the execution of the first of the capital increases charged to voluntary reserves, in accordance with the terms and conditions agreed by the aforementioned AGM. As a result of this increase, the Bank’s capital increased by €55,702,125.43 through the issuance of 113,677,807 ordinary shares at €0.49 par value each (see Note 3).

On September 28, 2016, BBVA’s Board of Directors approved the execution of the second of the capital increases charged to voluntary reserves in accordance with the terms and conditions agreed by the aforementioned AGM. As a result of this increase, the Bank’s capital increased by €42,266,085.33 through the issuance of 86,257,317 ordinary shares at €0.49 par value each (see Note 3).

Convertible and/or exchangeable securities:

The AGM held on March 17, 2017, resolved, under agenda item five, to confer authority to the Board of Directors to issue securities convertible into newly issued BBVA shares, on one or several occasions, within the maximum term of five years to be counted from the approval date of the authorization, up to a maximum overall amount of €8 billion or its equivalent in any other currency. Likewise, the AGM resolved to confer to the Board of Directors the authority to totally or partially exclude shareholders’ pre-emptive subscription rights within the framework of a specific issue of convertible securities, although this power was limited to ensure the nominal amount of the capital increases resolved or effectively carried out to cover the conversion of mandatory convertible issuances of this authority (without prejudice to anti-dilution adjustments), with exclusion of pre-emptive subscription rights and of those likewise resolved or carried out with exclusion of pre-emptive subscription rights in use of the authority to increase the share capital conferred by the AGM held on March 17, 2017 under agenda item four, do not exceed the maximum nominal amount, overall, of 20% of the share capital of BBVA at the time of the authorization, this limit not being applicable to contingent convertible issues.

In use of the authority mentioned above, BBVA carried out, on May 24, 2017 the fifth issuance of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of €500 million. This issuance is listed in the Global Exchange Market of the Irish Stock Exchange and was targeted only at qualified investors, not being offered to, and not being subscribed for, in Spain or by Spanish residents. The issuance qualifies as additional tier 1 capital of the Bank and the Group in accordance with Regulation EU 575/2013 (see Note 20.4).

Likewise, in use of such authority, BBVA carried out, on November 14, 2017 the sixth issuance of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of \$1,000 million. This issuance is listed in the Global Exchange Market of the Irish Stock Exchange and was targeted only at qualified investors, not being offered to, and not being subscribed for, in Spain or by Spanish residents. The qualification of this issuance as additional tier 1 capital has been requested (see Note 20.4).

In past years, BBVA has carried out, in use of the authority to issue convertible securities conferred by the AGM held on March 16, 2012 (in effect until March 16, 2017), four additional issuances of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription

rights of shareholders (in April 2013 for an amount of \$1.5 billion, in February 2014 and February 2015 for an amount of €1.5 billion each one, and in April 2016 for an amount of €1 billion). These issuances were targeted only at qualified investors and foreign private banking clients not being offered to, and not being subscribed for, in Spain or by Spanish residents. The first two issuances are listed in the Singapore Exchange Securities Trading Limited and the last two issuances are listed in the Global Exchange Market of the Irish Stock Exchange. Furthermore, these four issuances qualify as additional tier 1 capital of the Bank and the Group in accordance with Regulation UE 575/2013 (see Note 20.4).

Capital increase

BBVA's AGM held on March 17, 2017 resolved, under agenda item four, to confer authority on the Board of Directors to increase Bank's share capital, on one or several occasions, subject to provisions in the law and in the Company Bylaws that may be applicable at any time, within the legal term of five years of the approval date of the authorization, up to the maximum amount corresponding to 50% of Bank's share capital at the time on which the resolution was adopted, likewise conferring authority to the Board of Directors to totally or partially exclude shareholders' pre-emptive subscription rights over any specific issue that may be made under such authority; although the power to exclude pre-emptive subscription rights was limited, such that the nominal amount of the capital increases resolved or effectively carried out with the exclusion of pre-emptive subscription rights in use of the referred authority and those that may be resolved or carried out to cover the conversion of mandatory convertible issues that may equally be made with the exclusion of pre-emptive subscription rights in use of the authority to issue convertible securities conferred by the AGM held on March 17, 2017, under agenda item five (without prejudice to the anti-dilution adjustments) shall not exceed the nominal maximum overall amount of 20% of the share capital of BBVA at the time of the authorization.

As of the date of this document, the Bank's Board of Directors has not exercised the authority conferred by the AGM.

24. Share premium

As of December 31, 2017 and 2016, the balance under this heading in the accompanying balance sheets was €23,992 million.

The amended Spanish Corporation Act expressly permits the use of the share premium balance to increase capital and establishes no specific restrictions as to its use.

25. Retained earnings, Revaluation reserves and Other

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

Reserves. Breakdown by concepts (Millions of euros)		
	2017	2016
Restricted reserves:		
Legal reserve	644	624
Restricted reserve	159	201
Revaluation Royal Decree-Law 7/1996	12	20
Voluntary reserves:		
Voluntary and others	8,643	8,521
Total	9,457	9,366

25.1 Legal reserve

Under the amended Corporations Act, 10% of any profit made each year must be transferred to the legal reserve. These provisions must be made until the legal reserve reaches 20% of the share capital.

The legal reserve can be used to increase the common stock provided that the remaining reserve balance does not fall below 10% of the increased capital. While it does not exceed 20% of the common stock, it can only be allocated to offset losses exclusively in the case that there are not sufficient reserves available.

25.2 Restricted reserves

As of December 31, 2017 and 2016, the Bank's restricted reserves are as follows:

Restricted Reserves (Millions of euros)		
	2017	2016
Restricted reserve for retired capital	88	88
Restricted reserve for Parent Company shares and loans for those shares	69	111
Restricted reserve for redenomination of capital in euros	2	2
Total	159	201

The restricted reserve for retired capital originated in the reduction of the nominal par value of the BBVA shares made in April 2000.

The most significant heading corresponds to restricted reserves related to the amount of shares issued by the Bank in its possession at each date, as well as the amount of customer loans outstanding on those dates that were granted for the purchase of, or are secured by, the Bank's shares.

Finally, pursuant to Law 46/1998 on the Introduction of the Euro, a restricted reserve is recognized as a result of the rounding effect of the redenomination of the Bank's common stock in euros.

25.3 Revaluation and regularizations of the balance sheet

Prior to the merger, Banco de Bilbao, S.A. and Banco de Vizcaya, S.A. availed themselves of the legal provisions applicable to the regularization and revaluation of balance sheets. Thus, on December 31, 1996, Banco Bilbao Vizcaya, S.A. revalued its tangible assets pursuant to Royal Decree-Law 7/1996 of June 7 by applying the maximum coefficients authorized, up to the limit of the market value arising from the existing valuations. As a result of these updates, the increases in the cost and depreciation of tangible fixed assets were calculated and allocated as follows.

Following the review of the balance of the "Revaluation reserve pursuant to Royal Decree-Law 7/1996 of June 7" account by the tax authorities in 2000, this balance could only be used, free of tax, to offset recognized losses and to increase share capital until January 1, 2007. From that date, the remaining balance of this account can also be allocated to unrestricted reserves, provided that the surplus has been depreciated or the revalued assets have been transferred or derecognized.

The breakdown of the calculation and movement to voluntary reserves under this heading are:

Revaluation and Regularization of the Balance Sheet (Millions of euros)		
	2017	2016
Legal revaluations and regularizations of tangible assets:		
Cost	187	187
Less		
Single revaluation tax (3%)	(6)	(6)
Balance as of December 31, 1999	181	181
Rectification as a result of review by the tax authorities in 2000	(5)	(5)
Transfer to voluntary reserves	(164)	(156)
Total	12	20

26. Treasury shares

In 2017 and 2016 the Group companies performed the following transactions with shares issued by the Bank:

Financial Assets Held-for-Trading: Equity instruments by Issuer (Millions of euros)				
	2017		2016	
	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros
Balance at beginning	7,230,787	48	38,917,665	309
+ Purchases	238,065,297	1,674	379,850,939	2,004
- Sales and other changes	(231,956,502)	(1,622)	(411,537,817)	(2,263)
+/- Derivatives on BBVA shares	-	(4)	-	(1)
+/- Other changes	-	-	-	-
Balance at the end	13,339,582	96	7,230,787	48
<i>Of which:</i>				
Held by BBVA, S.A.	-	-	2,789,894	22
Held by Corporación General Financiera, S.A.	13,339,582	96	4,440,893	26
Held by other subsidiaries	-	-	-	-
Average purchase price in Euros	7.03		5.27	
Average selling price in Euros	6.99		5.50	
Net gain or losses on transactions (Shareholders' funds-Reserves)		1		(30)

The percentages of treasury stock held by the Bank in 2017 and 2016 are as follows:

Treasury Stock	2017			2016		
	Min	Max	Closing	Min	Max	Closing
% treasury stock	0.004%	0.278%	0.200%	0.081%	0.756%	0.110%

The number of BBVA shares accepted by the Bank in pledge as of December 31, 2017 and 2016 is as follows:

Shares of BBVA Accepted in Pledge		
	2017	2016
Number of shares in pledge	64,633,003	90,731,198
Nominal value	0.49	0.49
% of share capital	0.97%	1.38%

The number of BBVA shares owned by third parties but managed by a company in the Group as of December 31, 2017 and 2016 is as follows:

Shares of BBVA Owned by Third Parties but Managed by the Group

	2017	2016
Number of shares owned by third parties	34,597,310	85,766,602
Nominal value	0.49	0.49
% of share capital	0.52%	1.31%

27. Accumulated other comprehensive income

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

Accumulated other comprehensive income (Millions of euros)

	2017	2016
Items that will not be reclassified to profit or loss	(38)	(43)
Actuarial gains or (-) losses on defined benefit pension plans	(38)	(43)
Non-current assets and disposal groups classified as held for sale	-	-
Other adjustments	-	-
Items that may be reclassified to profit or loss	447	(319)
Hedge of net investments in foreign operations [effective portion]	-	-
Foreign currency translation	-	13
Hedging derivatives. Cash flow hedges [effective portion]	(136)	(127)
Available-for-sale financial assets	583	(205)
Non-current assets and disposal groups classified as held for sale	-	-
Total	409	(362)

The balances recognized under these headings are presented net of tax.

28. Capital base and capital management

Capital base

As of December 31, 2017 and 2016, equity is calculated in accordance with current regulation on minimum capital base requirements for Spanish credit institutions –both as individual entities and as consolidated group– and how to calculate them, as well as the various internal capital adequacy assessment processes they should have in place and the information they should disclose to the market.

The minimum capital base requirements established by the current regulation are calculated according to the Group's exposure to credit and dilution risk, counterparty and liquidity risk relating to the trading portfolio, exchange-rate risk and operational risk. In addition, the Group must fulfill the risk concentration limits established in said regulation and the internal corporate governance obligations.

As a result of the Supervisory Review and Evaluation Process (SREP) carried out by the European Central Bank (ECB), BBVA has received a communication from the ECB requiring BBVA to maintain, effective from the 1st of January 2018, a (i) CET1 phased-in capital of 8.438% at a consolidated level and 7.875% at an individual level; and (ii) a phased-in total capital ratio of 11.938% at the consolidated level and 11.375% at the individual level.

This total consolidated capital ratio of 11.938% includes: i) the minimum CET1 capital ratio required under Pillar 1 (4.5%); ii) Pillar 1 Additional Tier 1 capital requirements (1.5%); iii) Pillar 1 Tier 2 capital requirements (2%); iv) Pillar 2 CET1 capital requirements (1.5%); v) the capital conservation buffer (CCB) (1.875% CET1 phased-in) and vi) the Other Systemic Important Institution buffer (OSII) (0.563% CET1 phased-in).

Since BBVA has been excluded from the list of global systemically important financial institutions in 2017 (which is updated every year by the Financial Stability Board (FSB)), as of January 1, 2018, the G-SIB buffer will not apply to BBVA in 2018, (notwithstanding the possibility that the FSB or the supervisor may include BBVA on it in the future).

However, the supervisor has informed BBVA that it is included on the list of other systemically important financial institutions, and a D-SIB buffer of 0.75% of the fully-loaded ratio applies at the consolidated level. It will be implemented gradually from January 1, 2016 to January 1, 2019.

The Group's bank capital in accordance with the aforementioned applicable regulation, considering entities scope required by the above regulation, as of December 31, 2017 and 2016 is shown below:

Eligible capital resources (Millions of euros)		
	December 2017 (*) (**)	December 2016 (***)
Capital	3,267	3,218
Share premium	23,992	23,992
Retained earnings, revaluation reserves and other reserves	25,443	23,641
Other equity instruments, net	54	54
Treasury shares	(96)	(48)
Attributable to the parent company	3,519	3,475
Attributable dividend	(1,043)	(1,510)
Total Equity	55,136	52,821
Accumulated other comprehensive income	(8,792)	(5,458)
Non-controlling interests	6,979	8,064
Shareholders' equity	53,323	55,428
Intangible assets	(6,627)	(5,675)
Fin. treasury shares	(48)	(82)
Indirect treasury shares	(134)	(51)
Deductions	(6,809)	(5,808)
Temporary CET 1 adjustments	(273)	(129)
<i>Capital gains from the Available-for-sale debt instruments portfolio</i>	(256)	(402)
<i>Capital gains from the Available-for-sale equity portfolio</i>	(17)	273
Differences from solvency and accounting level	(189)	(120)
Other adjustments and deductions	(462)	(249)
Common Equity Tier 1 (CET 1)	(3,715)	(2,001)
Additional Tier 1 before Regulatory Adjustments	42,337	47,370
Total Regulatory Adjustments of Additional Tier 1	6,296	6,114
Tier 1	(1,656)	(3,401)
Tier 2	46,977	50,083
Other deductions	9,137	8,810
Total Capital (Total Capital=Tier 1 + Tier 2)	56,114	58,893
Total Minimum equity required (**)	40,238	37,923

(*) Provisional data.

(**) Includes updates on the calculation of Structural FX RWA, pending confirmation by ECB and the subordinated debt (Tier2) issued by Garanti pending approval by ECB.

(***) Figures originally reported in the Prudential Relevance Report corresponding to the year 2016, without restatements.

As of December 31, 2017, the phased-in Common Equity Tier 1 (CET1) stood at 11.7%, accounting a decrease with respect to December 2016 of 47 basis points. The negative effect on the minority interests and deductions due to the regulatory phase-in calendar of 80% in 2017 compared to 60% in 2016 has an impact of -56 basis points which is compensated by the organic generation of capital leaning against the recurrence of the results, net of dividends paid and remunerations.

It should be noted that CET1 ratio was affected by corporate transactions carried out during 2017, in particular the acquisition of an additional 9.95% stake in Garanti (see Note 14.1) and the sale of 1.7% in CNCB. Both transactions had a combined negative impact on the ratio of -13 basis points.

Additionally, BBVA Group has registered a negative charge in the income statements of 2017 up to €1,123 million due to the unrealized losses from its shares in Telefonica. However, this impact does not affect the equity or the capital ratio since these unrealized losses were already accounted for.

During 2017 BBVA Group continued to strengthen its capital position with the issuance of new perpetual securities eventually convertible into shares, classified as additional TIER1 equity instruments (contingent convertible) amounting to €500 million and \$1,000 million (the latter in the American market, with the prospectus registered at the Securities and Exchange Commission and not yet included in the Group's TIER1 capital as of December 31, 2017).

Regarding TIER2, BBVA, S.A. issued subordinated debts with a total amount of €1,500 million; and Garanti issued a subordinated debt of \$750 million.

Finally, the total phased-in capital ratio stood at 15.5% reflecting the effects discussed above.

These levels are above the requirements established by the ECB in its SREP letter and the systemic buffers applicable to BBVA Group for the CET1 ratio in 2017 (11.125%).

Risk-weighted assets decreased approximately by 7% compared to December 31, 2016, mainly explained by the impact of the general depreciation of certain local currencies and the efficient management and allocation of capital in line with the strategic objectives of the Group.

The increase in minimum capital requirements is mainly due to the consideration of the aforementioned new prudential capital requirements applicable to BBVA.

The comparison of the amounts as of December 31, 2017 with respect to the amounts as of December 31, 2016 according to their respective existing regulations on both periods is as follows:

Eligible capital BBVA S.A. resources (Millions of euros)		
	2017 (*)	2016
Core Capital	34,882	35,239
Basic equity	40,604	41,001
Additional equity	3,892	2,814
Total Equity	44,495	43,814
Minimum equity required	15,805	16,058

(*) Provisional data and calculated according to CRD-IV

Capital management

Capital management in the BBVA Group has a two fold aim:

- Maintain a level of capitalization according to the business objectives in all countries in which it operates and, simultaneously,
- Maximize the return on shareholders' funds through the efficient allocation of capital to the different units, a good management of the balance sheet and appropriate use of the various instruments forming the basis of the Group's equity: shares, preferred securities and subordinate debt.

This capital management is carried out determining the capital base and the solvency ratios established by the prudential and minimum capital requirements also have to be met for the entities subject to prudential supervision in each country.

The current regulation allows each entity to apply its own internal ratings-based (IRB) approach to risk assessment and capital management, subject to Bank of Spain approval. The BBVA Group carries out an integrated management of these risks in accordance with its internal policies and its internal capital estimation model has received the Bank of Spain's approval for certain portfolios (see 7).

29. Commitments and guarantees given

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

Loan commitments, financial guarantees and other commitments (Millions of euros)			
	Notes	2017	2016
Loan commitments given	5.3.1	54,631	60,863
<i>of which: defaulted</i>		261	230
Central banks		1	1
General governments		1,776	3,111
Credit institutions		863	849
Other financial corporations		2,414	3,497
Non-financial corporations		35,199	38,705
Households		14,378	14,700
Financial guarantees given	5.3.1	11,336	18,697
<i>of which: defaulted</i>		154	176
Central banks		-	-
General governments		229	102
Credit institutions		503	429
Other financial corporations		5,174	10,811
Non-financial corporations		5,292	7,193
Households		138	162
Other Commitments given	5.3.1	36,504	31,306
<i>of which: defaulted</i>		425	374
Central banks		7	12
General governments		58	74
Credit institutions		14,722	8,723
Other financial corporations		3,952	4,928
Non-financial corporations		17,653	17,463
Households		112	106
Total Loan commitments and financial guarantees		102,471	110,866

As of December 31, 2017, the provisions of loan commitments given, financial guarantees given and other commitments and guarantees given, registered in the balance sheet amounted €83 million, €75 million and €114 million, respectively.

Since a significant portion of the amounts above will reach maturity without any payment obligation materializing for the companies, the aggregate balance of these commitments cannot be considered as an actual future requirement for financing or liquidity to be provided by the Bank to third parties.

In 2017 and 2016 no issuances of debt securities carried out by associated entities, joint ventures or non-Group entities have been guaranteed.

30. Other contingent assets and liabilities

As of December 31, 2017 and 2016, there were no contingent assets or liabilities for significant amounts other than those registered in these Financial Statements.

31. Purchase and sale commitments and future payment obligations

The breakdown of the sale and purchase commitments of the Bank as of December 31, 2017 and 2016 is as follows:

Purchase and Sale Commitments (Millions of euros)			
	Notes	2017	2016
Financial instruments sold with repurchase commitments		29,627	31,290
Central Banks	7	2,037	115
Credit Institutions	20.2	22,942	24,945
General governments	20.3	-	-
Other sectors	20.3	4,648	6,230
Financial instruments purchased with resale commitments		24,798	22,117
Central Banks		28	-
Credit Institutions	11.2	13,513	14,907
General governments	11.3	446	544
Other sectors	11.3	10,811	6,666

Future payment obligations other than those mentioned in the notes above correspond mainly to long-term (over 5 year) obligations amounting to around €2,351 million for leases payable derived from operating lease contracts.

32. Transactions for the account of third parties

As of December 31, 2017 and 2016, the details of the most significant items under this heading are as follows:

Transactions on Behalf of Third Parties: Breakdown by concepts (Millions of euros)		
	2017	2016
Financial instruments entrusted by third parties	576,780	464,774
Conditional bills and other securities received for collection	3,879	3,388
Securities lending	3,423	2,387
Total	584,082	470,549

As of December 31, 2017 and 2016, the off-balance sheet customer funds managed by the Bank are as follows:

Off-Balance Sheet Customer Funds by Type (Millions of euros)

	2017	2016
Collective investment	43,294	37,907
Pension funds	19,964	19,386
Saving insurance contracts	8,385	8,774
Customer portfolios managed on a discretionary basis	8,253	8,210
Total	79,896	74,277

33. Interest income and expense

33.1 Interest income

The breakdown of the interest income recognized in the accompanying income statement is as follows:

Interest Income. Breakdown by Origin (Millions of euros)

	Notes	2017	2016
Financial assets held for trading		49	47
Financial assets designated at fair value through profit or loss		10	-
Available-for-sale financial assets		393	817
Loans and receivables		4,136	4,402
Held-to-maturity investments		207	254
Hedging derivatives		(294)	540
Cash flow hedges (effective portion)		22	(1)
Fair value hedges		(316)	541
Other Assets		6	2
Liabilities interest income		353	174
Total	50.5	4,860	6,236

The amounts recognized in equity during both years in connection with hedging derivatives and the amounts derecognized from equity and taken to the income statement during those years are disclosed in the accompanying statements of recognized income and expenses.

33.2 Interest expenses

The following table shows the adjustments in expenses resulting from hedge accounting, broken down by type of hedge:

Interest Expenses. Breakdown by Origin (Millions of euros)

	2017	2016
Financial liabilities held for trading	34	-
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	1,549	2,122
Hedging derivatives and interest rate risk	(456)	389
Cash flow hedges	(7)	(14)
Fair value hedges	(449)	403
Other liabilities	43	62
Assets interest expenses	227	140
Total	1,397	2,713

34. Dividend income

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

Dividend Income (Millions of euros)		
	2017	2016
Investments in associates	4	14
Investments in jointly controlled entities	-	5
Investments in group Entities	3,280	2,424
Other shares and dividend income	271	411
Total	3,555	2,854

35. Fee and commission income

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

Fee and Commission Income (Millions of euros)		
	2017	2016
Bills receivables	20	25
Demand accounts	152	144
Credit and debit cards	376	336
Checks	7	7
Transfers and others payment orders	109	98
Insurance product commissions	133	124
Commitment fees	96	99
Contingent risks	162	170
Asset Management	38	36
Securities fees	118	89
Custody securities	93	90
Other fees and commissions	699	668
Total	2,003	1,886

36. Fee and commission expenses

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

Fee and Commission Expenses (Millions of euros)		
	2017	2016
Commissions for selling insurance	-	-
Credit and debit cards	156	132
Transfers and others payment orders	3	3
Other fees and commissions	227	218
Total	386	353

37. Gains (losses) on financial assets and liabilities (net) hedge accounting and exchange differences

The breakdown of the balance under this heading, by source of the related items, in the accompanying income statements is as follows:

Gains or losses on financial assets and liabilities. Breakdown by Heading of the Balance Sheet (Millions of euros)		
	2017	2016
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	634	955
Available-for-sale financial assets	565	955
Loans and receivables	75	(1)
Other	(6)	1
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	18	-
Gains or losses on financial assets and liabilities held for trading, net	32	(70)
Gains or losses from hedge accounting, net	(227)	(62)
Subtotal	457	823
Exchange Differences	435	305
Total	892	1,128

The breakdown of the balance (excluding the exchange differences) under this heading in the accompanying income statements by the nature of the financial instruments is as follows:

Gains or losses on financial assets and liabilities. Breakdown by nature of the Financial Instrument (Millions of euros)		
	2017	2016
Debt instruments	556	1,010
Equity instruments	438	187
Loans and advances to customers	18	(1)
Derivatives	(549)	(233)
<i>Derivatives held for trading</i>	(322)	(171)
Interest rate agreements	-	(209)
Security agreements	(275)	53
Commodity agreements	-	-
Credit derivative agreements	(47)	(15)
Foreign-exchange agreements	-	-
Other agreements	-	-
<i>Hedging Derivatives Ineffectiveness</i>	(226)	(62)
Fair value hedges	(226)	(62)
Hedging derivative	(195)	(137)
Hedged item	(31)	75
Cash flow hedges	-	-
Customer deposits	-	-
Other	(6)	(140)
Total	457	823

In addition, in 2017 and 2016, under the heading “Gains or losses on financial assets and liabilities held for trading, net” of the income statements, net amounts of negative €235 million and positive €151 million, respectively, are registered for transactions with foreign exchange derivatives.

38. Other operating income and expenses

The breakdown of the balance under the heading “Other operating income” and in the accompanying income statements is as follows:

Other operating income (Millions of euros)		
	2017	2016
Real estate income	26	20
Financial income from non-financial services	55	56
Rest of operating income	78	63
Total	159	140

The breakdown of the balance under the heading “Other operating expenses” in the accompanying income statements is as follows:

Other operating expenses (Millions of euros)			
	Notes	2017	2016
Contributions to guaranteed banks deposits funds	1.7	263	270
Real estate agencies		82	105
Other operating expenses		121	129
Total		466	504

39. Administration costs

39.1 Personnel expenses

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

Personnel Expenses (Millions of euros)			
	Notes	2017	2016
Wages and salaries		1,842	1,905
Social security costs		372	386
Defined contribution plan expense	22	38	46
Defined benefit plan expense	22	1	3
Other personnel expenses		129	162
Total		2,382	2,502

The breakdown of the number of employees in the Bank as of December 31, 2017 and 2016, by categories and gender, is as follows:

Number of Employees at the end of year. Professional Category and Gender				
	2017		2016	
	Male	Female	Male	Female
Management Team	788	236	797	232
Other line personnel	11,011	11,030	11,414	11,211
Clerical staff	1,205	1,778	1,367	1,859
General Services	-	-	3	1
Branches abroad	347	238	397	255
Total	13,351	13,282	13,978	13,558

Note 50.5 provides information about the average number of employees by gender.

Share-based employee remuneration

The amounts registered under the heading “Personnel expenses - Other personnel expenses” in the income statements for the years 2017 and 2016, corresponding to the plans for remuneration based on equity instruments in force in each year, amounted to €31 million and €49 million for BBVA, respectively. These amounts have been registered with a balancing entry under the heading “Stockholders’ funds – Other equity instruments” in the accompanying balance sheets, net of tax effect.

The specifications of the Bank remuneration plans based on equity instruments are described below.

System of Variable Remuneration in Shares

In BBVA, the annual variable remuneration applying generally to all employees consists of one incentive, to be paid in cash, awarded once a year and linked to the achievement of predetermined objectives and to a sound risk management (hereinafter, the “Annual Variable Remuneration”).

According to the remuneration policy for BBVA Group, in force until 2016, the specific settlement and payment system for the Annual Variable Remuneration applicable to those employees and senior managers whose professional activities have a significant impact on the Group’s risk profile including the executive directors and members of BBVA Senior Management (hereinafter, the “Identified Staff”), which includes, among others, the payment in shares of part of their Annual Variable Remuneration.

This remuneration policy was approved, with respect to BBVA directors, by the Annual General Shareholders’ Meeting held on March 13, 2015.

The specific rules of the settlement and payment system of 2016 Annual Variable Remuneration which have given rise to the delivery of shares in 2017 to executive directors and members of the Senior Management are described in Note 54, while the rules listed below were established to the rest of the Identified Staff:

- The Annual Variable Remuneration of Identified Staff members would be paid in equal parts in cash and in BBVA shares.
- The payment of 40% of the Annual Variable Remuneration, both in cash and in shares, would be deferred in its entirety for a three-year period. Its accrual and payment would be subject to compliance with certain multi-year performance indicators related to the share performance and the Group’s fundamental control and risk management metrics regarding solvency, liquidity and profitability, which would be calculated over the deferral period (hereinafter “Multi-year Performance Indicators”). These Multi-year Performance Indicators could lead to a reduction in the amounts deferred, and might even bring it down to zero, but they would not be used under any circumstances to increase the aforementioned deferred remuneration.
- All the shares delivered pursuant to the rules indicated above would be withheld for a period of one year from the date of delivery. This withholding would be applied over the net amount of the shares, after discounting the necessary part to pay any tax accruing on the shares received.
- A prohibition was also established against hedging, both regarding vested shares that were withheld and shares whose delivery was pending.
- Moreover, circumstances were established under which the payment of the deferred Annual Variable Remuneration could be limited or impeded (“malus” clauses), as well as the adjustment to update these deferred parts.

- Finally, the variable component of the remuneration corresponding to a financial year for the Identified Staff would be limited to a maximum amount of 100% of the fixed component of total remuneration, unless the General Meeting resolved to increase such limit which, in any event, could not exceed 200% of the fixed component of total remuneration.

In this regard, the Annual General Meeting resolved, in line with applicable legislation, the application of the maximum level of variable remuneration up to 200% of the fixed remuneration for a specific group of employees whose professional activities have a material impact on the Group's risk profile, and to enlarge this group, whose variable remuneration will be subject to the maximum threshold of 200% of the fixed component of their total remuneration. This is entirely consistent with the Recommendations Report issued by the BBVA's Board of Directors.

According to the settlement and payment scheme indicated, during 2017, members of the Identified Staff received a total amount of 6,481,409 shares corresponding to the initial payment corresponding to 2016 Annual Variable Remuneration to be delivered in shares.

Additionally, the remuneration policy prevailing until 2014 provided for a specific settlement and payment scheme for the variable remuneration of the Identified Staff that established a three-year deferral period for the Annual Variable Remuneration, being the deferred amount paid in thirds over this period in equal parts, in cash and in BBVA shares.

According to this prior scheme, during 2017, the members of the Identified Staff received the shares corresponding to the deferred parts of the Annual Variable Remuneration from previous years, and their corresponding adjustments in cash, delivery of which corresponded in 2017, were delivered to the beneficiary members of the Identified Staff, resulting in (i) a total amount of 943,955 shares corresponding to the second deferred third of the 2014 Annual Variable Remuneration and €697,583 as adjustments for updates of the shares granted; and (ii) a total amount of 437,069 shares corresponding to the last deferred third of the 2013 Annual Variable Remuneration and €501,318 in adjustments for updates.

The information on the delivery of shares to executive Directors and senior management corresponding to the deferred parts of the Annual Variable Remuneration from previous years and their corresponding adjustments in cash, are detailed in Note 49.

According to this regulation, during 2017 a number of 49,798 shares corresponding to the initial payment of 2016 Annual Variable Remuneration were delivered to these beneficiaries.

Additionally, during 2017 the shares corresponding to the deferred parts of the Annual Variable Remuneration and their corresponding adjustments in cash, were delivered to these beneficiaries, giving rise in 2017, of a total of 10,485 shares corresponding to the first deferred third of the 2015 Annual Variable Remuneration, and €3,869 as adjustments for updates of the shares granted; a total of 7,201 shares corresponding to the second third of the 2014 Annual Variable Remuneration, and €5,322 as adjustments for updates of the shares granted; and a total of 5,757 shares corresponding to the final third of the 2013 Annual Variable Remuneration, and €6,603 as adjustments for updates of the shares granted.

During 2017, a number of 331,111 shares corresponding to this programme were delivered.

Remuneration policy applicable from 2017 onwards

The Bank has modified its remuneration policy applicable to the Identified Staff and to BBVA Directors for the years 2017, 2018 and 2019, aimed at improving alignment with new regulatory requirements, best market practices and BBVA's organization and internal strategy. This policy was approved, with respect to Identified Staff, by the Board of Directors held in 9 February 2017 and by the General Shareholders' Meeting held on March 17, 2017.

The new remuneration policy includes a specific settlement and payment system of the Annual Variable Remuneration applicable to the Identified Staff, including directors and senior management, under the following rules, among others:

- A significant percentage of variable remuneration – 60% in the case of executive directors, Senior Management and those Identified Staff members with particularly high variable remuneration, and 40% for the rest of the Identified Staff– shall be deferred over a five- year period, in the case of executive directors and Senior Management, and over a three-year period, for the remaining Identified Staff.
- 50% of the variable remuneration of each year (including both upfront and deferred portions), shall be established in BBVA shares, albeit a larger proportion (60%) in shares shall be deferred in the case of executive directors and Senior Management.
- The variable remuneration will be subject to ex ante adjustments, so that it will not be accrued, or will be accrued in a reduced amount, should a certain level of profit or capital ratio not be obtained. Likewise, the Annual Variable Remuneration will be reduced upon performance assessment in the event of negative evolution of the Bank's results or other parameters such as the level of achievement of budgeted targets.
- The deferred component of the variable remuneration (in shares and in cash) may be reduced in its entirety, yet not increased, based on the result of multi-year performance indicators aligned with the Bank's fundamental risk management and control metrics, related to the solvency, capital, liquidity, funding or profitability, or to the share performance and recurring results of the Group.
- During the entire deferral period (5 or 3 years, as applicable) and retention period, variable remuneration shall be subject to malus and clawback arrangements, both linked to a downturn in financial performance of the Bank, specific unit or area, or individual, under certain circumstances.
- All shares shall be withheld for a period of one year after delivery, except for those shares required to honor the payment of taxes.
- No personal hedging strategies or insurance may be used in connection with remuneration and responsibility that may undermine the effects of alignment with sound risk management
- The deferred amounts in cash subject to multi-year performance indicators that are finally paid shall be subject to updating, in the terms determined by the Bank's Board of Directors, upon proposal of the Remunerations Committee, whereas deferred amounts in shares shall not be updated.
- Finally, the variable component of the remuneration of the Identified Staff members shall be limited to a maximum amount of 100% of the fixed component of total remuneration, unless the General Meeting resolves to increase this percentage up to 200%.

In this regard, the General Meeting held on March, 17 2017 resolved to increase the maximum level of variable remuneration to 200% of the fixed component for a number of the Identified Staff, in the terms indicated in the Report of Recommendations issued for this purpose by the Board of Directors dated 9 February 2017.

In accordance with the new remuneration policy applicable to the Identified Staff, malus and clawback arrangements will be applicable to the Annual Variable Remuneration awarded as of the year 2016, inclusive, for each member of the Identified Staff.

According to this new policy, the first disbursement in shares will be the upfront payment of the 2017 Annual Variable Remuneration, in equal parts in BBVA shares and in cash, which will take place in 2018.

39.2 General and administrative expenses

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

Administrative Expenses. Breakdown by main concepts (Millions of euros)			
		2017	2016
Technology and systems		496	483
Communications		66	64
Advertising		104	139
Property, fixtures and materials		404	454
Of which: Rent expenses (*)		290	325
Taxes		22	10
Other administration expenses		563	595
Total		1,655	1,745

(*) The Bank does not expect to terminate the lease contracts early.

40. Depreciation

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

Depreciation (Millions of euros)			
	Notes	2017	2016
Tangible assets	15	205	222
For own use		191	206
Investment properties		14	16
Assets leased out under financial lease		-	-
Other Intangible assets	16	335	353
Total		540	575

41. Provisions or reversal of provisions

In 2017 and 2016, the net provisions charged to in this heading of the income statement were as follows:

Provisions or reversal of provisions (Millions of euros)			
		2017	2016
Pensions and other post employment defined benefit obligations		237	228
Commitments and guarantees given		(378)	7
Other Provisions		943	952
Total		802	1,187

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

The impairment losses on financial assets broken down by the nature of these assets in the accompanying income statements are as follows:

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss (Millions of euros)			
	Notes	2017	2016
Available-for-sale financial assets		1,126	180
Debt securities		3	174
Other equity instruments	10.4	1,123	6
Financial assets at amortized cost		8	12
Held-to-maturity investments		-	-
Loans and receivables		451	757
Of which: Recovery of written-off assets	5.3.4	(446)	(448)
Total		1,585	949

43. Impairment or reversal of impairment on non-financial assets and investments in subsidiaries, joint ventures or associates.

The impairment losses on non-financial assets and investments in subsidiaries, joint ventures or associates broken down by the nature of these assets in the accompanying income statements is as follows:

Impairment or reversal of impairment on Investments in subsidiaries, joint ventures or associates (Millions of euros)			
	Notes	2017	2016
Investments in subsidiaries, joint ventures or associates	14	(207)	147
Total		(207)	147

Impairment or reversal of impairment on non-financial assets (Millions of euros)			
	Notes	2017	2016
Intangible assets	16	-	-
Tangible assets	15	8	16
Total		8	16

44. Gains (losses) on derecognized of non-financial assets and subsidiaries, net

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

Gains or losses on derecognition of non-financial assets and investments in subsidiaries, joint ventures and associates, net (Millions of euros)		
	2017	2016
Gains		
Disposal of investments in subsidiaries	-	13
Disposal of tangible assets and other	-	-
Losses:		
Disposal of investments in subsidiaries	(1)	(1)
Disposal of tangible assets and other	-	-
Total	(1)	12

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

The main items included in the balance under this heading in the accompanying income statements are as follows:

Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (Millions of euros)			
	Notes	2017	2016
Gains for real estate (Note 14)		(13)	(4)
Of which:			
Foreclosed		(31)	2
Sale of buildings for own use		18	(6)
Impairment of non-current assets held for sale	19	(52)	(69)
Gains on sale of available-for-sale financial assets		-	-
Other gains and losses		51	-
Total		(14)	(73)

46. Statements of cash flows

Cash flows from operating activities decreased in 2017 by €20 million (€6,281 million in 2016). The most significant causes of the increase are linked to “Loans and receivables” and “Other operating assets”.

The most significant variations in cash flows from investment activities decreased in 2017 by €1,995 million euros (€1,048 million in 2016) corresponded to main variations in the headings “Held-to-maturity investments” and “Non-current assets for sale”.

Cash flows from financing activities increased in 2017 by €106 million (€501 million up in 2016), corresponded to the most significant changes in the acquisition and disposal of own equity instruments.

The table below shows the breakdown of the main cash flows related to investing activities as of December 31, 2017 and 2016:

Main Cash Flows in Investing Activities 2017 (Millions of euros)

	Cash Flows in Investment Activities	
	Investments (-)	Divestments (+)
Tangible assets	(100)	21
Intangible assets	(276)	-
Investments	(1,117)	508
Subsidiaries and other business units	-	-
Non-current assets held for sale and associated liabilities	(625)	815
Held-to-maturity investments	-	2,576
Other settlements related to investing activities	-	193

Main Cash Flows in Investing Activities 2016 (Millions of euros)

	Cash Flows in Investment Activities	
	Investments (-)	Divestments (+)
Tangible assets	(170)	20
Intangible assets	(320)	-
Investments	(246)	93
Subsidiaries and other business units	-	-
Non-current assets held for sale and associated liabilities	(674)	511
Held-to-maturity investments	(1,758)	1,321
Other settlements related to investing activities	-	175

The heading “Non-current assets held for sale and associated liabilities” in the above tables includes transactions of a non-cash nature related to the foreclosed assets received as payment for past-due loans.

47. Accountant fees and services

The details of the fees for the services contracted by BBVA for the year ended December 31, 2017 with its auditors and other audit entities are as follows:

Fees for Audits Conducted and Other Related Services (Millions of euros) (**)	
	2017
Audits of the companies audited by firms belonging to the KPMG worldwide organization and other reports related with the audit (*)	13.2
Other reports required pursuant to applicable legislation and tax regulations issued by the national supervisory bodies of the countries in which the Group operates, reviewed by firms belonging to the KPMG worldwide organization	0.5
Fees for audits conducted by other firms	-
(*) Including fees pertaining to annual legal audits (€11.7 million)	
(**) Regardless of the billed period.	

In addition, in 2017, the Bank contracted services (other than audits) as follows:

Other Services Rendered (Millions of euros)	
	2017
Firms belonging to the KPMG worldwide organization	0.2

This total of contracted services includes the detail of the services provided by KPMG Auditores, S.L. to BBVA, S.A. or its controlled companies at the date of preparation of these financial statements as follows:

Fees for Audits Conducted (*) (Millions of euros)	
	2017
Legal audit of BBVA, S.A. or its companies under control	6.8
Other audit services of BBVA, S.A. or its companies under control	5.0
Limited Review of BBVA, S.A. or its companies under control	0.9
Reports related to issuances	0.4
Assurance jobs and other required by the regulator	0.2
Other	-
(*) Services provided KPMG Auditors, S.L. only to companies located in Spain.	

The services provided by the auditors meet the independence requirements established under Audit of Accounts Law (Law 22/2015) and under the Sarbanes-Oxley Act of 2002 adopted by the Securities and Exchange Commission (SEC); accordingly they do not include the performance of any work that is incompatible with the auditing function.

48. Related-party transactions

As a financial institution, BBVA engages in transactions with related parties in the normal course of business. All of these transactions are of little relevance and are carried out under normal market conditions.

48.1 Transactions with significant shareholders

As of December 31, 2017 there were no shareholders considered significant (see Note 23).

48.2 Transactions with BBVA Group entities

The balances of the main aggregates in the accompanying balance sheets arising from the transactions carried out by the Group companies, which consist of ordinary business and financial transactions carried out under normal market conditions, are as follows:

Balances arising from transactions with Entities of the Group (Millions of euros)		
	2017	2016
Assets:		
Loans and advances to credit institutions	1,598	2,422
Loans and advances to customers	12,537	12,157
Debt securities	119	320
Liabilities:		
Deposits from credit institutions	1,273	2,189
Customer deposits	10,514	18,625
Debt certificates	-	-
Memorandum accounts:		
Financial guarantees given	6,310	14,052
Contingent commitments	2,472	2,638

The balances of the main aggregates in the accompanying income statements arising from the transactions carried out by the Bank with Group companies, which consist of ordinary business and financial transactions carried out under normal market conditions, are as follows:

Balances of Income Statement arising from transactions with Entities of the Group (Millions of euros)		
	2017	2016
Income statement:		
Financial Incomes	168	157
Financial Costs	215	317
Fee and commission income	541	559
Fee and commission expenses	98	60

There are no other material effects in the financial statements arising from dealings with these companies, other than the effects arising from using the equity method and from the insurance policies to cover pension or similar commitments, which are described in Note 22.

In addition, as part of its normal activity, the Bank has entered into agreements and commitments of various types with shareholders of subsidiaries and associates, which have no material effects on the financial statements.

48.3 Transactions with members of the Board of Directors and Senior Management

The information on the remuneration of the members of the BBVA Board of Directors and Senior Management is included in Note 49.

As of December 31, 2017 and December 31, 2016, there were no loans granted by the Group's entities to the members of the Board of Directors. The amount availed against the loans by the Group's entities to the members of Senior Management on those same dates (excluding the executive directors) amounted to €4,049 and €5,573 thousand, respectively.

As of December 31, 2017 and December 31, 2016, there were no loans granted to parties related to the members of the Board of Directors. As of December 31, 2017 and 2016 the amount availed against the loans to parties related to members of the Senior Management amounted to €85 and €98 thousand, respectively.

As of December 31, 2017 and 2016 no guarantees had been granted to any member of the Board of Directors.

As of December 31, 2017 and December 31, 2016, the amount availed against guarantees arranged with members of the Senior Management totaled €28 thousand.

As of December 31, 2017 and 2016 the amount availed against commercial loans and guarantees arranged with parties related to the members of the Bank's Board of Directors and the Senior Management totaled €8 thousands, and €8 thousand, respectively.

48.4 Transactions with other related parties

In the years ended December 31, 2017 and 2016 the Bank did not conduct any transactions with other related parties that are not in the ordinary course of its business, which were not carried out at arm's-length market conditions and of marginal relevance; whose information is not necessary to give a true picture of the BBVA Group's net equity, net earnings and financial situation.

49. Remuneration and other benefits of the Board of Directors and Members of the Bank's Management Committee

Remuneration of non-executive directors received in 2017

The remuneration paid to the non-executive members of the Board of Directors during 2017 is indicated below. The figures are given individually for each non-executive director and itemized:

Remuneration for non-executive directors (Thousands of euros)								
	Board of Directors	Executive Committee	Audit & Compliance Committee	Risks Committee	Remunerations Committee	Appointments Committee	Technology and Cybersecurity Committee	Total
Tomás Alfaro Drake	129	-	71	-	25	102	43	370
José Miguel Andrés Torrecillas	129	-	179	107	-	41	-	455
José Antonio Fernández Rivero	129	167	-	-	43	-	25	363
Belén Garijo López	129	-	71	-	80	-	-	280
Sunir Kumar Kapoor	129	-	-	-	-	-	43	172
Carlos Loring Martínez de Irujo	129	167	-	107	25	-	-	427
Lourdes Máiz Carro	129	-	71	-	25	41	-	266
José Maldonado Ramos	129	167	-	62	-	41	-	399
Juan Pi Llorens	129	-	71	125	45	-	43	412
Susana Rodríguez Vidarte	129	167	-	107	-	41	-	443
Total (1)	1,287	667	464	508	243	265	154	3,587

(1) Includes the amounts for memberships of the different committees during the year 2017. The composition of these committees was modified on May 31, 2017.

In addition, José Luis Palao García-Suelto and James Andrew Stott, who ceased as directors on March 17, 2017 and on May 31, 2017, respectively, received a total amount of €70 thousand and €178 thousand, respectively, as members of the Board of Directors and of the different Board committees.

Moreover, during 2017, €126 thousand has been paid in healthcare and casualty insurance premiums for the non-executive members of the Board of Directors.

Remuneration of executive directors received in the year 2017

During the year 2017, the executive directors have received the amount of the fixed remuneration corresponding to that year, established in the Remuneration Policy for BBVA Directors applicable during financial years 2017, 2018 and 2019. The Policy was approved by the General Meeting held on March 17, 2017 by a majority of 96.54%.

Likewise, the executive directors have received the annual variable remuneration corresponding to the year 2016 which payment vested during the first quarter of 2017, in accordance with the settlement and payment system established under the former remuneration policy for directors, approved by the General Meeting held on March 13, 2015.

In accordance with that settlement and payment system:

- The upfront payment of the annual variable remuneration for executive directors corresponding to the year 2016 has been paid in equal parts in cash and in BBVA shares.
- The remaining 50% of the annual variable remuneration, both in cash and in shares, has been deferred in its entirety for a three-year period, with its accrual and payment subject to compliance with a series of multi-year indicators.
- All the shares delivered pursuant to the indicated rules will be withheld for a one-year period from the date of delivery. This withholding will be applied to the net amount of the shares, after discounting the amount necessary to honor the payment of taxes accruing on the shares received.
- A prohibition against hedging has been established, both regarding withheld vested shares and shares pending delivery.
- The deferred part of the annual variable remuneration will be subject to updating under the terms established by the Board of Directors.
- The variable component of the remuneration of executive directors corresponding to the year 2016 is limited to a maximum amount of 200% of the fixed component of total remuneration, as agreed by the General Meeting.

Furthermore, following approval of the new Remuneration Policy for BBVA Directors by the 2017 General Meeting, the annual variable remuneration awarded as of the year 2016, inclusive, is subject to arrangements for the reduction ("malus") and recoupment ("clawback") of variable remuneration during the entire deferral and retention period, in the terms mentioned in said Policy.

Likewise, in accordance with the settlement and payment system applicable to the annual variable remuneration of the years 2014 and 2013, pursuant to the applicable policy for said years, the executive directors have received the deferred parts of the annual variable remuneration of those years, delivery of which was due in the first quarter of year 2017.

Pursuant to the above, the remuneration paid to the executive directors during 2017 is shown below. The figures are given individually for each executive director and itemized:

Remuneration of executive directors (Thousands of Euros)

	Fixed remuneration	2016 annual variable remuneration in cash (1)	Deferred variable remuneration in cash from previous years (2)	Total cash 2017	2016 annual variable remuneration in BBVA shares (1)	Deferred variable remuneration in BBVA shares from previous years (2)	Total shares 2017
Group Executive Chairman	2,475	734	622	3,831	114,204	66,947	181,151
Chief Executive Officer	1,965	591	182	2,738	91,915	19,703	111,618
Head of Global Economics, Regulation & Public Affairs ("Head of GERPA")	834	89	50	972	13,768	5,449	19,217
Total	5,274	1,414	853	7,541	219,887	92,099	311,986

(1) Amounts corresponding to 50% of 2016 annual variable remuneration.

(2) Amounts corresponding to the sum of the deferred parts of the annual variable remuneration from previous years (2014 and 2013), and their corresponding updating in cash, payment or delivery of which has been made in 2017, in accordance with the settlement and payment system, as broken down below:

- 2nd third of deferred annual variable remuneration from 2014:

Under this item, the executive directors have received: €321 thousand and 37,392 BBVA shares in the case of the Group Executive Chairman; €101 thousand and 11,766 BBVA shares in the case of the Chief Executive Officer; and €32 thousand and 3,681 BBVA shares in the case of the executive director Head of GERPA.

- 3rd third of deferred annual variable remuneration from 2013:

Under this item, the executive directors have received: €301 thousand and 29,555 BBVA shares in the case of the Group Executive Chairman; €81 thousand and 7,937 BBVA shares in the case of the Chief Executive Officer; and €18 thousand and 1,768 BBVA shares in the case of the executive director Head of GERPA.

As at year-end 2017, the last third corresponding to the deferred variable remuneration of the year 2014 is pending payment, delivery of which will correspond in the first quarter of the year 2018, in accordance with the settlement and payment system established for that year.

In accordance with the conditions established in the settlement and payment system previously mentioned, 50% of executive directors' annual variable remuneration corresponding to the years 2015 and 2016 remains deferred, to be paid in future years, where applicable, according to the aforementioned system.

Likewise, executive directors have received, during 2017, remuneration in kind, which includes insurance premiums and others, for a total overall amount of €217 thousand, of which €16 thousand correspond to the Group Executive Chairman; €121 thousand to the Chief Executive Officer; and €79 thousand to the executive director Head of GERPA.

Annual variable remuneration of executive directors for the year 2017

Following year-end 2017, the variable remuneration for executive directors corresponding to that year has been determined, applying the conditions established at the beginning of 2017, as set forth in the Remuneration Policy for BBVA Directors, approved by the General Meeting held on 17 March 2017, in the following terms:

- 40% of the annual variable remuneration corresponding to 2017 will be paid, during the first quarter of 2018, in equal parts in cash and in shares, which amounts to €660 thousand and 90,933 BBVA shares in the case of the Group Executive Chairman; €562 thousand and 77,493 BBVA shares in the case of the Chief Executive Officer; and €87 thousand and 12,029 BBVA shares in the case of the executive director Head of GERPA.
- The remaining 60% will be deferred for a five-year period, subject to compliance with the multi-year performance indicators (the "Deferred Component"), which will vest, 40% in cash and 60% in shares, under the following schedule: 60% of the Deferred Component after the third year of deferral; 20% after the fourth year of deferral; and 20% after the fifth year of deferral.

The Deferred Component of the annual variable remuneration will be subject to compliance with the multi-year performance indicators determined by the Board of Directors at the beginning of the year, calculated over the first three years of deferral. The application of these indicators may lead to a reduction of the Deferred Component, even in its entirety, but in no event lead to an increase in its amount.

Moreover, in accordance with the settlement and payment system established in the Remuneration Policy for BBVA Directors:

- Shares delivered to executive directors as annual variable remuneration shall be withheld for a one-year period from the date of delivery. Upon reception of the shares, executive directors will not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration for at least three years after their delivery. The foregoing shall not apply to the transfer of those shares required to honor the payment of taxes.
- The annual variable remuneration deferred in cash will be subject to updating in the terms established by the Board of Directors.
- Executive directors shall not be allowed to use personal hedging strategies or insurance in connection with remuneration and responsibility that may undermine the effects of alignment with sound risk management.
- The variable component of the remuneration of executive directors for the year 2017 will be limited to a maximum amount of 200% of the fixed component of total remuneration, as approved by the General Meeting.
- Finally, the entire annual variable remuneration of executive directors will be subject to malus and clawback arrangements during the entire deferral and retention period.

The amounts corresponding to the deferred shares are recorded under the item “own share based compensation schemes - equity” and the amounts corresponding to cash are recorded under the item “Other Liabilities – Accrued interest” of the consolidated balance sheet at 31 December 2017.

Remuneration of the members of the Senior Management received in 2017

During 2017, members of Senior Management have received the amount of the fixed remuneration corresponding to that year and the annual variable remuneration corresponding to the year 2016, which payment vested during the first quarter of the year 2017, according to the settlement and payment system set forth in the remuneration policy applicable to the Senior Management in that year.

In accordance with this settlement and payment system:

- The upfront payment of 2016 annual variable remuneration for members of the Senior Management has been paid in equal parts in cash and in BBVA shares.
- The remaining 50% of the annual variable remuneration, both in cash and in shares, has been deferred in its entirety for a three-year period, and its accrual and vesting shall be subject to compliance with a series of multi-year indicators.
- All the shares delivered pursuant to the indicated rules shall be withheld for a one-year period from the date of delivery. This withholding will be applied to the net amount of the shares, after discounting the amount necessary to honor the payment of taxes accruing on the shares received.
- A prohibition against hedging has been established, both regarding withheld vested shares and shares pending delivery.

- The deferred part of the annual variable remuneration will be subject to updating under the terms established by the Board of Directors.
- The variable component of the remuneration corresponding to the year 2016 for the Senior Management is limited to a maximum amount of 200% of the fixed component of total remuneration as agreed by the General Meeting.

Furthermore, the annual variable remuneration awarded as of the year 2016, inclusive, is subject to arrangements for the reduction ("malus") and recoupment ("clawback") of variable remuneration during the entire deferral and retention period.

Pursuant to the above, the remuneration paid during the year 2017 to members of the Senior Management as a whole, excluding executive directors, is shown below (itemized):

Remuneration of members of the Senior Management (Thousands of Euros)

	Fixed remuneration	2016 annual variable remuneration in cash (1)	Deferred variable remuneration in cash from previous years (2)	Total cash 2017	2016 annual variable remuneration in BBVA shares (1)	Deferred variable remuneration in BBVA shares from previous years (2)	Total shares 2017
Total members of the Senior Management (*)	15,673	2,869	1,016	19,558	441,596	110,105	551,701

(*) This section includes aggregate information regarding those who were members of the Senior Management, excluding executive directors, as at December, 31, 2017 (15 members).

(1) Amounts corresponding to 50% of 2016 annual variable remuneration.

(2) Amounts corresponding to the sum of the deferred parts of the annual variable remuneration from previous years (2014 and 2013), and their corresponding updating in cash, payment or delivery of which has been made in 2017 to members of the Senior Management who were entitled to them, as broken down below:

- 2nd third of deferred annual variable remuneration from 2014: corresponds to an aggregate amount of €555 thousand and 64,873 BBVA shares.
- 3rd third of deferred annual variable remuneration from 2013: corresponds to an aggregate amount of €461 thousand and 45,232 BBVA shares.

As at year-end 2017, the last third corresponding to the deferred variable remuneration of the year 2014 is pending payment, delivery of which will correspond in the first quarter of the year 2018, in accordance with the settlement and payment system established for that year.

Likewise, 50% of members of the Senior Management's annual variable remuneration corresponding to the years 2015 and 2016 remains deferred, to be paid in future years, where applicable, according to the settlement and payment system established for said years.

Additionally, members of the Senior Management as a whole, excluding executive directors, have received remuneration in kind during the year 2017, which includes insurance premiums and others, for a total overall amount of €684 thousand.

Remuneration system in shares with deferred delivery for non-executive directors

BBVA has a remuneration system in shares with deferred delivery for its non-executive directors, which was approved by the General Meeting held on March 18, 2006 and extended by resolutions of the General Meeting held on March 11, 2011 and on March 11, 2016, for a further five-year period in each case.

This system is based on the annual allocation to non-executive directors of a number of "theoretical shares", equivalent to 20% of the total remuneration in cash received by each director in the previous year, calculated according to the average closing prices of the BBVA share during the sixty trading sessions prior to the Annual General Meetings approving the corresponding financial statements for each year.

These shares will be delivered to each beneficiary, where applicable, on the date they leave directorship for any reason other than serious breach of their duties.

The number of "theoretical shares" allocated in the first semester of 2017 to each non-executive director beneficiary of the remuneration system in shares with deferred delivery, corresponding to 20% of the total remuneration received in cash by said directors in 2016, is as follows:

	Theoretical shares allocated in 2017	Theoretical shares accumulated at December 31, 2017
Tomás Alfaro Drake	10,630	73,082
José Miguel Andrés Torrecillas	14,002	23,810
José Antonio Fernández Rivero	11,007	102,053
Belén Garijo López	7,313	26,776
Sunir Kumar Kapoor	4,165	4,165
Carlos Loring Martínez de Irujo	11,921	86,891
Lourdes Máiz Carro	7,263	15,706
José Maldonado Ramos	10,586	67,819
Juan Pi Llorens	10,235	42,609
Susana Rodríguez Vidarte	13,952	92,558
Total (1)	101,074	535,469

- (1) In addition, in the first semester of 2017, 8,752 theoretical shares were allocated to José Luis Palao García-Suelto and 10,226 theoretical shares were allocated to James Andrew Stott, who ceased as directors on March 17, 2017 and on May 31, 2017 respectively.

Pension commitments

The Bank has undertaken pension commitments in favor of the Chief Executive Officer and the executive director Head of GERPA, in accordance with the Bylaws, the Remuneration Policy for BBVA Directors and their respective contracts entered into with the Bank, to cover retirement, disability and death.

As regards the Chief Executive Officer, the Remuneration Policy for BBVA Directors provides for a new benefits framework whereby his previous defined-benefits system has been transformed into a defined-contribution system, according to which he is entitled, provided he does not leave his position as Chief Executive Officer due to serious breach of his duties, to a retirement benefit when he reaches the legal retirement age, in the form of capital or as income, which amount shall result from the funds accumulated by the Bank until December 2016 to cover the commitments under his previous benefits scheme and the sum of the annual contributions made by the Bank as of January 1, 2017, to cover said benefit under the new pension scheme, along with the corresponding accumulated yields.

Should the contractual relationship be terminated before he reaches the retirement age, for reason other than serious breach of his duties, the retirement benefit to which the Chief Executive Officer is entitled, when he reaches the age legally established, shall be calculated on the basis of the contributions made by the Bank up to that date, along with the corresponding accumulated yields, with no additional contributions to be made by the Bank upon leave of directorship.

The amount established in the Remuneration Policy for BBVA Directors for the Chief Executive Officer, as annual contribution to cover the retirement benefit under the new defined-contribution scheme, amounts to €1,642 thousand, amount which shall be updated in the same proportion as the annual fixed remuneration for the Chief Executive Officer, in the terms established in said Policy.

Likewise, pursuant to the Policy, 15% of the agreed annual contribution, mentioned above, shall be based on variable components and be considered "discretionary pension benefits", thus subject to the conditions of

delivery in shares, retention and clawback established in applicable regulations, as well as to those other conditions of variable remuneration applicable to them pursuant to the aforementioned Policy.

On the other hand, the Bank will assume payment of the annual insurance premiums in order to top up the coverage of death and disability of the Chief Executive Officer's benefits scheme, in the terms established in the Remuneration Policy for BBVA Directors.

Pursuant to the foregoing, in the year 2017 an amount of €1,853 thousand has been recorded to attend the benefits commitments undertaken with the Chief Executive Officer, amount which includes the contribution to retirement coverage (€1,642 thousand), as well as to death and disability (€211 thousand), with the total accumulated fund to cover retirement commitments amounting €17,503 thousand, as at December 31, 2017.

15% of the agreed annual contribution to retirement (€246 thousand) has been registered in the year 2017 as "discretionary pension benefits" and, following year-end 2017, said amount has been adjusted according to the criteria established for the determination of the Chief Executive Officer's annual variable remuneration for 2017. Accordingly, the "discretionary pension benefits" for the year 2017 have been determined in an amount of €288 thousand, amount which will be included in the accumulated fund in the year 2018, subject to the same conditions as the Deferred Component of annual variable remuneration for the year 2017, as well as the remaining conditions established for these benefits in the Remuneration Policy for BBVA Directors.

As regards the executive director Head of GERPA, the pension scheme established in the Remuneration Policy for BBVA Directors establishes an annual contribution of 30% of his fixed remuneration as of January 1, 2017, to cover retirement benefit, as well as payment of the corresponding annual insurance premiums in order to top up the coverage of death and disability.

As in the case of the Chief Executive Officer, 15% of the agreed annual contribution, mentioned above, shall be based on variable components and be considered "discretionary pension benefits", thus subject to the conditions of delivery in shares, retention and clawback established in applicable regulations, as well as to those other conditions of variable remuneration applicable to them pursuant to the aforementioned Policy.

The executive director Head of GERPA shall be entitled, when he reaches the retirement age, to the benefits arising from the contributions made by the Bank to cover pension commitments, plus the corresponding accumulated yields up to that date, provided he does not leave his position due to serious breach of his duties. In the event of voluntary termination of contractual relationship by the director before retirement, benefits shall be limited to 50% of the contributions made by the Bank to that date, along with the corresponding accumulated yields, with the Bank's contributions ceasing upon leave of directorship.

Pursuant to the foregoing, in the year 2017 an amount of €393 thousand has been recorded to attend the benefits commitments undertaken with the executive director Head of GERPA, amount which includes the contribution to retirement coverage (€250 thousand), as well as to death and disability (€143 thousand), with the total accumulated fund to cover retirement commitments amounting €842 thousand, as at December 31, 2017.

15% of the agreed annual contribution to retirement (€38 thousand) has been registered in the year 2017 as "discretionary pension benefits" and, following year-end 2017, said amount has been adjusted according to the criteria established for the determination of the executive director Head of GERPA's annual variable remuneration for 2017. Accordingly, the "discretionary pension benefits" for the year 2017 have been determined in an amount of €46 thousand, amount which will be included in the accumulated fund in the year 2018, subject to the same conditions as the Deferred Component of annual variable remuneration for the year 2017, as well as the remaining conditions established for these benefits in the Remuneration Policy for BBVA Directors.

There are no other pension obligations undertaken in favor of other executive directors.

Likewise, an amount of €5,630 thousand has been recorded to attend the benefits commitments undertaken with members of the Senior Management, excluding executive directors, amount which includes the contribution to retirement coverage (€4,910 thousand), as well as to death and disability (€720 thousand), with the total accumulated fund to cover retirement commitments with the Senior Management amounting €55,689 thousand, as at December 31, 2017.

As in the case of executive directors, 15% of the annual contributions agreed for members of the Senior Management shall be based on variable components and be considered "discretionary pension benefits", thus subject to the conditions of delivery in shares, retention and clawback established in applicable regulations, as well as to those other conditions of variable remuneration applicable to them pursuant to the remuneration policy applicable to Senior Management.

Pursuant to the foregoing, from the annual contribution to cover retirement recorded in 2017, an amount of €585 thousand has been recorded in the year 2017 as "discretionary pension benefits" and, following year-end 2017, said amount has been adjusted according to the criteria established for the determination of the Senior Management's annual variable remuneration for 2017. Accordingly, the "discretionary pension benefits" for the year 2017 have been determined in an amount of €589 thousand, amount which will be included in the accumulated fund in the year 2018, subject to the same conditions as the Deferred Component of annual variable remuneration for the year 2017, as well as the remaining conditions established for these benefits in the remuneration policy applicable to members of the Senior Management.

Extinction of contractual relationship

In accordance with the Remuneration Policy for BBVA Directors, approved by the 2017 General Meeting, the Bank has no commitments to pay severance indemnity to executive directors.

The new contractual framework defined in the aforementioned Policy for the Chief Executive Officer and the executive director Head of GERPA includes a post-contractual non-compete agreement for a period of two years, after they cease as BBVA executive directors, in accordance to which they shall receive remuneration in an amount equivalent to one annual fixed remuneration for every year of duration of the non-compete arrangement, which shall be paid periodically over the course of the two years, provided that leave of directorship is not due to retirement, disability or serious breach of duties.

50. Other information

50.1 Environmental impact

Given the activities in which it engages, the Bank has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial situation and profits. Consequently, as of December 31, 2017, there is no item in the accompanying financial statements that requires disclosure in an environmental information report pursuant to Ministry of Economy Order JUS/206/2009, dated January 28, and consequently no specific disclosure of information on environmental matters is included in these statements.

50.2 Breakdown of agents of credit institutions

Appendix XIII contains a list of the Bank's agents as required by article 21 of Royal Decree 84/2015, dated February 13, of the Ministry of Economy and Finance.

50.3 Report on the activity of the Customer Care Service and the Customer Ombudsman

The report on the activity of the Customer Care Service and the Customer Ombudsman, required pursuant to Article 17 of Ministry of Economy Order ECO/734/2004 dated March 11, is included in the Management Report accompanying these financial statements.

50.4 Mortgage market policies and procedures

The disclosure required by Bank of Spain Circular 5/2011 under the provisions of Spanish Royal Decree 716/2009, of April 24, (implementing certain aspects of Act 2/1981, of March 25, on the regulation of the mortgage market and other mortgage and financial market regulations) is detailed in Appendix X.

50.5 Reporting requirements of the Spanish National Securities Market Commission (CNMV)

Dividends paid in the year

The table below presents the dividends per share paid in cash in 2016 and 2017 (cash basis accounting, regardless of the year in which they are accrued), but not including other shareholder remuneration such as the "Dividend Option". For a complete analysis of all remuneration awarded to shareholders in 2017 (see Note 3).

Dividends Paid ("Dividend Option" not included)

	2017			2016		
	% Over Nominal	Euros per Share	Amount (Millions of Euros)	% Over Nominal	Euros per Share	Amount (Millions of Euros)
Ordinary shares	34.69%	0.17	1,125	32.65%	0.16	1,028
Rest of shares	-	-	-	-	-	-
Total dividends paid in cash (*)	34.69%	0.17	1,125	32.65%	0.16	1,028
Dividends with charge to income	34.69%	0.17	1,125	32.65%	0.16	1,028
Dividends with charge to reserve or share premium	-	-	-	-	-	-
Dividends in kind	-	-	-	-	-	-

Interest income by geographical area

The breakdown of the balance under the heading "Interest Income" in the accompanying income statements by geographical area is as follows:

Interest Income. Breakdown by Geographical Area (Millions of euros)

	Notes	2017	2016
Domestic		4,511	5,914
Foreign		349	322
European Union		150	145
Rest of OECD		110	85
Rest of countries		89	92
Total	33.1	4,860	6,236

Average number of employees by gender

The breakdown of the average number of employees in the Bank in 2017 and 2016, by gender, is as follows:

Average number of employees

	2017		2016	
	Male	Female	Male	Female
Management Team	791	235	806	232
Other line personnel	11,130	11,050	10,851	10,347
Clerical staff	1,255	1,806	1,345	1,677
General Services	-	-	3	1
Branches abroad	364	239	441	278
Total	13,540	13,330	13,445	12,534

During 2017 and 2016, the average number of handicap employees with disabilities greater than or equal to 33% was 155 employees and 151, respectively.

50.6 Responsible lending and consumer credit granting

BBVA has incorporated the best practices of responsible lending and consumer credit granting, and has policies and procedures that contemplate these practices complying with the provisions of the Order of the Ministry of Finance EHA / 2899/2011, of 28 October, transparency and customer protection of banking services, as well as the Bank of Spain Circular 5/2012, of 27 June, on transparency of banking services and responsible lending. Specifically, the Corporate Retail Credit Risk Policy (approved by the Executive Committee of the Board of Directors of the Bank on April 3, 2013) and Specific Rules derived from it, establish policies, practices and procedures in relation to responsible granting of loans and consumer credit.

In compliance with Bank of Spain Circular 3/2014, of July 30, the following summary of those policies contained in the Corporate Retail Credit Risk Policy BBVA is provided:

- The need to adapt payment plans with sources of income generation;
- The evaluation requirements of affordability;
- The need to take into account the level of expected retirement income of the borrower;
- The need to take account of existing financial obligations payments;
- In cases where, for commercial reasons or the type of rate/currency, the offer to the borrowers includes contractual clauses or contracting financial products to hedge interest rate and exchange rate risks;
- The need, when there is collateral, to establish a reasonable relationship between the amount of the loan and its potential extensions and value of collateral, regardless revaluations thereof;
- The need for extreme caution in the use of appraisal values on credit operations that have real estate as an additional borrower's personal guarantee;

- The periodic review of the value of collateral taken to hedge loans;
- A number of elements of management in order to ensure independence in the activity of appraisal companies;
- The need to warn customers of potential consequences in terms of cost by default interest and other expenses that would continue in default;
- Debt renegotiation criteria (refinancing and restructurings);
- The minimum documentation that operations should have in order to be granted and during its term.

In order to maintain an effective monitoring of these policies, BBVA has the following control mechanisms:

- Validations and computer controls built into the workflows of analysis, decision and contracting operations, in order to embed these principles in management;
- Alignment between the specifications of the product catalog with the policies of responsible lending;
- Different areas of sanction to ensure adequate hierarchy decision levels in response to the complexity of operations;
- A reporting scheme that allows to monitor the proper implementation of the policies of responsible lending.

51. Subsequent events

From January 1, 2018 to the date of preparation of these financial statements, no other subsequent events not mentioned above in these financial statements have taken place that significantly affect the Bank's earnings or its equity position.

52. Explanation added for translation into English

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



Appendices

APPENDIX I. BBVA Group Consolidated Financial Statements



Consolidated balance sheets as of December 31, 2017, 2016 and 2015

ASSETS (Millions of Euros)			
	2017	2016 (*)	2015 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	42,680	40,039	29,282
FINANCIAL ASSETS HELD FOR TRADING	64,695	74,950	78,326
Derivatives	35,265	42,955	40,902
Equity instruments	6,801	4,675	4,534
Debt securities	22,573	27,166	32,825
Loans and advances to central banks	-	-	-
Loans and advances to credit institutions	-	-	-
Loans and advances to customers	56	154	65
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	2,709	2,062	2,311
Equity instruments	1,888	1,920	2,075
Debt securities	174	142	173
Loans and advances to central banks	-	-	-
Loans and advances to credit institutions	-	-	62
Loans and advances to customers	648	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS	69,476	79,221	113,426
Equity instruments	3,224	4,641	5,116
Debt securities	66,251	74,580	108,310
LOANS AND RECEIVABLES	431,521	465,977	471,828
Debt securities	10,339	11,209	10,516
Loans and advances to central banks	7,300	8,894	17,830
Loans and advances to credit institutions	26,261	31,373	29,317
Loans and advances to customers	387,621	414,500	414,165
HELD-TO-MATURITY INVESTMENTS	13,754	17,696	-
HEDGING DERIVATIVES	2,485	2,833	3,538
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	(25)	17	45
JOINT VENTURES, ASSOCIATES AND UNCONSOLIDATED SUBSIDIARIES	1,588	765	879
Joint ventures	256	229	243
Associates	1,332	536	636
INSURANCE AND REINSURANCE ASSETS	421	447	511
TANGIBLE ASSETS	7,191	8,941	9,944
Property, plants and equipment	6,996	8,250	8,477
For own use	6,581	7,519	8,021
Other assets leased out under an operating lease	415	732	456
Investment properties	195	691	1,467
INTANGIBLE ASSETS	8,464	9,786	10,052
Goodwill	6,062	6,937	6,915
Other intangible assets	2,402	2,849	3,137
TAX ASSETS	16,888	18,245	17,779
Current	2,163	1,853	1,901
Deferred	14,725	16,391	15,878
OTHER ASSETS	4,359	7,274	8,565
Insurance contracts linked to pensions	-	-	-
Inventories	229	3,298	4,303
Rest	4,130	3,976	4,263
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	23,853	3,603	3,369
TOTAL ASSETS	690,059	731,856	749,855

(*) Presented for comparison purposes only.

BBVA Group

Consolidated balance sheets as of December 31, 2017, 2016 and 2015

LIABILITIES AND EQUITY (Millions of Euros)			
	2017	2016 (*)	2015 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	46,182	54,675	55,202
Trading derivatives	36,169	43,118	42,149
Short positions	10,013	11,556	13,053
Deposits from central banks	-	-	-
Deposits from credit institutions	-	-	-
Customer deposits	-	-	-
Debt certificates	-	-	-
Other financial liabilities	-	-	-
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	2,222	2,338	2,649
Deposits from central banks	-	-	-
Deposits from credit institutions	-	-	-
Customer deposits	-	-	-
Debt certificates	-	-	-
Other financial liabilities	2,222	2,338	2,649
Of which: Subordinated liabilities	-	-	-
FINANCIAL LIABILITIES AT AMORTIZED COST	543,713	589,210	606,113
Deposits from central banks	37,054	34,740	40,087
Deposits from credit institutions	54,516	63,501	68,543
Customer Deposits	376,379	401,465	403,362
Debt certificates	63,915	76,375	81,980
Other financial liabilities	11,850	13,129	12,141
Of which: Subordinated liabilities	17,316	17,230	16,109
HEDGING DERIVATIVES	2,880	2,347	2,726
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	(7)	-	358
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	9,223	9,139	9,407
PROVISIONS	7,477	9,071	8,852
Provisions for pensions and similar obligations	5,407	6,025	6,299
Other long term employee benefits	67	69	68
Provisions for taxes and other legal contingencies	756	418	616
Provisions for contingent risks and commitments	578	950	714
Other provisions	669	1,609	1,155
TAX LIABILITIES	3,298	4,668	4,656
Current	1,114	1,276	1,238
Deferred	2,184	3,392	3,418
OTHER LIABILITIES	4,550	4,979	4,610
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	17,197	-	-
TOTAL LIABILITIES	636,736	676,428	694,573

(*) Presented for comparison purposes only.

BBVA Group

Consolidated balance sheets for the years ended December 31, 2017, 2016 and 2015

LIABILITIES AND EQUITY (Continued) (Millions of Euros)			
	2017	2016 (*)	2015 (*)
SHAREHOLDERS' FUNDS	55,136	52,821	50,639
Capital	3,267	3,218	3,120
Paid up capital	3,267	3,218	3,120
Unpaid capital which has been called up	-	-	-
Share premium	23,992	23,992	23,992
Equity instruments issued other than capital	-	-	-
Other equity	54	54	35
Retained earnings	25,474	23,688	22,588
Revaluation reserves	12	20	22
Other reserves	(44)	(67)	(98)
Reserves or accumulated losses of investments in subsidiaries, joint ventures and associates	(44)	(67)	(98)
Other	-	-	-
Less: Treasury shares	(96)	(48)	(309)
Profit or loss attributable to owners of the parent	3,519	3,475	2,642
Less: Interim dividends	(1,043)	(1,510)	(1,352)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	(8,792)	(5,458)	(3,349)
Items that will not be reclassified to profit or loss	(1,183)	(1,095)	(859)
Actuarial gains or (-) losses on defined benefit pension plans	(1,183)	(1,095)	(859)
Non-current assets and disposal groups classified as held for sale	-	-	-
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates	-	-	-
Other adjustments	-	-	-
Items that may be reclassified to profit or loss	(7,609)	(4,363)	(2,490)
Hedge of net investments in foreign operations [effective portion]	1	(118)	(274)
Foreign currency translation	(9,159)	(5,185)	(3,905)
Hedging derivatives. Cash flow hedges [effective portion]	(34)	16	(49)
Available-for-sale financial assets	1,641	947	1,674
Non-current assets and disposal groups classified as held for sale	(26)	-	-
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates	(31)	(23)	64
MINORITY INTERESTS (NON-CONTROLLING INTEREST)	6,979	8,064	7,992
Valuation adjustments	(3,378)	(2,246)	(1,333)
Rest	10,358	10,310	9,325
TOTAL EQUITY	53,323	55,428	55,282
TOTAL EQUITY AND TOTAL LIABILITIES	690,059	731,856	749,855

MEMORANDUM ITEM (OFF-BALANCE SHEET EXPOSURES) (Millions of Euros)			
	2017	2016 (*)	2015 (*)
Guarantees given	47,671	50,540	49,876
Contingent commitments	108,881	117,573	135,733
(*) Presented for comparison purposes only.			

BBVA Group

Consolidated income statements for the years ended December 31, 2017, 2016 and 2015

CONSOLIDATED INCOME STATEMENTS (MILLIONS OF EUROS)			
	2017	2016 (*)	2015 (*)
Interest income	29,296	27,708	24,783
Interest expense	(11,537)	(10,648)	(8,761)
NET INTEREST INCOME	17,758	17,059	16,022
Dividend income	334	467	415
Share of profit or loss of entities accounted for using the equity method	4	25	174
Fee and commission income	7,150	6,804	6,340
Fee and commission expense	(2,229)	(2,086)	(1,729)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	985	1,375	1,055
Gains (losses) on financial assets and liabilities held for trading, net	218	248	(409)
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(56)	114	126
Gains (losses) from hedge accounting, net	(209)	(76)	93
Exchange differences, net	1,030	472	1,165
Other operating income	1,439	1,272	1,315
Other operating expense	(2,223)	(2,128)	(2,285)
Income from insurance and reinsurance contracts	3,342	3,652	3,678
Expense from insurance and reinsurance contracts	(2,272)	(2,545)	(2,599)
GROSS INCOME	25,270	24,653	23,362
Administration costs	(11,112)	(11,366)	(10,836)
Personnel expenses	(6,571)	(6,722)	(6,273)
Other administrative expenses	(4,541)	(4,644)	(4,563)
Depreciation and amortization	(1,387)	(1,426)	(1,272)
Provisions or reversal of provisions	(745)	(1,186)	(731)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(4,803)	(3,801)	(4,272)
Financial assets measured at cost	-	-	-
Available-for-sale financial assets	(1,127)	(202)	(23)
Loans and receivables	(3,677)	(3,597)	(4,248)
Held to maturity investments	1	(1)	-
NET OPERATING INCOME	7,222	6,874	6,251
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	-	-	-
Impairment or reversal of impairment on non-financial assets	(364)	(521)	(273)
Tangible assets	(42)	(143)	(60)
Intangible assets	(16)	(3)	(4)
Other assets	(306)	(375)	(209)
Gains (losses) on derecognition of non financial assets and subsidiaries, net	47	70	(2,135)
Negative goodwill recognized in profit or loss	-	-	26
Profit (loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	26	(31)	734
OPERATING PROFIT BEFORE TAX	6,931	6,392	4,603
Tax expense or income related to profit or loss from continuing operations	(2,169)	(1,699)	(1,274)
PROFIT FROM CONTINUING OPERATIONS	4,762	4,693	3,328
Profit from discontinued operations, net	-	-	-
PROFIT	4,762	4,693	3,328
Attributable to minority interest (non-controlling interest)	1,243	1,218	686
Attributable to owners of the parent	3,519	3,475	2,642
	2017	2016 (*)	2015 (*)
EARNINGS PER SHARE (Euros)	0.48	0.49	0.37
Basic earnings per share from continued operations	0.48	0.49	0.37
Diluted earnings per share from continued operations	0.48	0.49	0.37
Basic earnings per share from discontinued operations	-	-	-
Diluted earnings per share from discontinued operations	-	-	-

(*)Presented for comparison purposes only.



Consolidated statements of changes in equity for the years ended December 31, 2017, 2016 and 2015

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (MILLIONS OF EUROS)

2017	Capital	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Non-controlling interest		Total
												Valuation adjustments	Rest	
Balances as of January 1, 2017	3,218	23,992	-	54	23,688	20	(67)	(48)	3,475	(1,510)	(5,458)	(2,246)	10,310	55,428
Total income/expense recognized	-	-	-	-	-	-	-	-	3,519	-	(3,334)	(1,133)	1,243	295
Other changes in equity	50	-	-	-	1,786	(8)	24	(48)	(3,475)	467	-	-	(1,195)	(2,400)
Issuances of common shares	50	-	-	-	(50)	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	9	-	(9)	-	-	(900)	-	-	(290)	(1,189)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,674)	-	-	-	-	-	(1,674)
Sale or cancellation of treasury shares	-	-	-	-	1	-	-	1,626	-	-	-	-	-	1,627
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	-	1,932	(8)	41	-	(3,475)	1,510	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(22)	-	-	-	-	-	-	-	-	-	(22)
Other increases or (-) decreases in equity	-	-	-	22	(107)	-	(7)	-	-	(144)	-	-	(905)	(1,141)
Balances as of December 31, 2017	3,267	23,992	-	54	25,474	12	(44)	(96)	3,519	(1,043)	(8,792)	(3,378)	10,358	53,323

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRS for banks. See Note 52). This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

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Consolidated statements of changes in equity for the years ended December 31, 2017, 2016 and 2015

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (MILLIONS OF EUROS)

2016 (*)	Capital	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Non-controlling interest		Total
												Valuation adjustments	Rest	
Balances as of January 1, 2016	3,120	23,992	-	35	22,588	22	(98)	(309)	2,642	(1,352)	(3,349)	(1,333)	9,325	55,281
Total income/expense recognized	-	-	-	-	-	-	-	-	3,475	-	(2,109)	(913)	1,218	1,671
Other changes in equity	98	-	-	19	1,100	(2)	31	260	(2,642)	(158)	-	-	(233)	(1,526)
Issuances of common shares	98	-	-	-	(98)	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	93	-	(93)	-	-	(1,301)	-	-	(234)	(1,535)
Purchase of treasury shares	-	-	-	-	-	-	-	(2,004)	-	-	-	-	-	(2,004)
Sale or cancellation of treasury shares	-	-	-	-	(30)	-	-	2,264	-	-	-	-	-	2,234
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	-	1,166	(2)	126	-	(2,642)	1,352	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(16)	3	-	-	-	-	-	-	-	-	(12)
Other increases or (-) decreases in equity	-	-	-	35	(34)	-	(2)	-	-	(210)	-	-	2	(209)
Balances as of December 31, 2016	3,218	23,992	-	54	23,688	20	(67)	(48)	3,475	(1,510)	(5,458)	(2,246)	10,310	55,428

(*) Presented for comparison purposes only.

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRS for banks. See Note 52). This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

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Consolidated statements of changes in equity for the years ended December 31, 2017, 2016 and 2015

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (MILLIONS OF EUROS)

2015 (*)	Capital	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Non-controlling interest		Total
												Valuation adjustments	Rest	
Balances as of January 1, 2015	3,024	23,992	-	66	20,281	23	633	(350)	2,618	(841)	(348)	(53)	2,563	51,609
Total income/expense recognized	-	-	-	-	-	-	-	-	2,642	-	(3,000)	(1,280)	686	(953)
Other changes in equity	96	-	-	(32)	2,308	(1)	(731)	41	(2,618)	(512)	-	-	6,075	4,626
Issuances of common shares	96	-	-	-	(96)	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	86	-	(86)	-	-	(1,222)	-	-	(146)	(1,368)
Purchase of treasury shares	-	-	-	-	-	-	-	(3,278)	-	-	-	-	-	(3,278)
Sale or cancellation of treasury shares	-	-	-	-	6	-	-	3,319	-	-	-	-	-	3,325
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	-	2,423	(1)	(645)	-	(2,618)	841	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(48)	14	-	-	-	-	-	-	-	-	(34)
Other increases or (-) decreases in equity	-	-	-	16	(126)	-	-	-	-	(131)	-	-	6,221	5,980
Balances as of December 31, 2015	3,120	23,992	-	35	22,588	22	(98)	(309)	2,642	(1,352)	(3,349)	(1,333)	9,325	55,281

(*) Presented for comparison purposes only.



Statements of Recognized Income and Expenses for the year ended December 31, 2017, 2016 and 2015.

CONSOLIDATED FINANCIAL STATEMENTS OF RECOGNIZED INCOME AND EXPENSES (MILLIONS OF EUROS)			
	2017	2016 (*)	2015 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	4,762	4,693	3,328
OTHER RECOGNIZED INCOME (EXPENSES)	(4,467)	(3,022)	(4,280)
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	(91)	(240)	(74)
Actuarial gains and losses from defined benefit pension plans	(96)	(303)	(135)
Non-current assets available for sale	-	-	-
Entities under the equity method of accounting	-	-	8
Income tax related to items not subject to reclassification to income statement	5	63	53
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	(4,376)	(2,782)	(4,206)
Hedge of net investments in foreign operations [effective portion]	80	166	88
Valuation gains or (losses) taken to equity	112	166	88
Transferred to profit or loss	-	-	-
Other reclassifications	(32)	-	-
Foreign currency translation	(5,110)	(2,167)	(2,911)
Valuation gains or (losses) taken to equity	(5,119)	(2,120)	(3,154)
Transferred to profit or loss	(22)	(47)	243
Other reclassifications	31	-	-
Cash flow hedges [effective portion]	(67)	80	4
Valuation gains or (losses) taken to equity	(122)	134	47
Transferred to profit or loss	55	(54)	(43)
Transferred to initial carrying amount of hedged items	-	-	-
Other reclassifications	-	-	-
Available-for-sale financial assets	719	(694)	(3,196)
Valuation gains or (losses) taken to equity	384	438	(1,341)
Transferred to profit or loss	347	(1,248)	(1,855)
Other reclassifications	(12)	116	-
Non-current assets held for sale	(20)	-	-
Valuation gains or (losses) taken to equity	-	-	-
Transferred to profit or loss	-	-	-
Other reclassifications	(20)	-	-
Entities accounted for using the equity method	(13)	(89)	861
Income tax	35	(78)	948
TOTAL RECOGNIZED INCOME/EXPENSES	295	1,671	(952)
Attributable to minority interest [non-controlling interests]	110	305	(594)
Attributable to the parent company	185	1,366	(358)

(*) Presented for comparison purposes only.

BBVA Group

Consolidated statements of cash flows for the years ended December 31, 2017, 2016 and 2015

CONSOLIDATED FINANCIAL STATEMENTS OF RECOGNIZED INCOME AND EXPENSES (MILLIONS OF EUROS)			
	2017	2016 (*)	2015 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	4,762	4,693	3,328
OTHER RECOGNIZED INCOME (EXPENSES)	(4,467)	(3,022)	(4,280)
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	(91)	(240)	(74)
Actuarial gains and losses from defined benefit pension plans	(96)	(303)	(135)
Non-current assets available for sale	-	-	-
Entities under the equity method of accounting	-	-	8
Income tax related to items not subject to reclassification to income statement	5	63	53
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	(4,376)	(2,782)	(4,206)
Hedge of net investments in foreign operations [effective portion]	80	166	88
Valuation gains or (losses) taken to equity	112	166	88
Transferred to profit or loss	-	-	-
Other reclassifications	(32)	-	-
Foreign currency translation	(5,110)	(2,167)	(2,911)
Valuation gains or (losses) taken to equity	(5,119)	(2,120)	(3,154)
Transferred to profit or loss	(22)	(47)	243
Other reclassifications	31	-	-
Cash flow hedges [effective portion]	(67)	80	4
Valuation gains or (losses) taken to equity	(122)	134	47
Transferred to profit or loss	55	(54)	(43)
Transferred to initial carrying amount of hedged items	-	-	-
Other reclassifications	-	-	-
Available-for-sale financial assets	719	(694)	(3,196)
Valuation gains or (losses) taken to equity	384	438	(1,341)
Transferred to profit or loss	347	(1,248)	(1,855)
Other reclassifications	(12)	116	-
Non-current assets held for sale	(20)	-	-
Valuation gains or (losses) taken to equity	-	-	-
Transferred to profit or loss	-	-	-
Other reclassifications	(20)	-	-
Entities accounted for using the equity method	(13)	(89)	861
Income tax	35	(78)	948
TOTAL RECOGNIZED INCOME/EXPENSES	295	1,671	(952)
Attributable to minority interest [non-controlling interests]	110	305	(594)
Attributable to the parent company	185	1,366	(358)

(*) Presented for comparison purposes only.

BBVA Group

Consolidated statements of cash flows for the years ended December 31, 2017, 2016 and 2015

CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (MILLIONS OF EUROS)

	2017	2016 (*)	2015 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)	2,055	6,623	23,101
1. Profit for the year	4,762	4,693	3,328
2. Adjustments to obtain the cash flow from operating activities:	8,526	6,784	18,327
Depreciation and amortization	1,387	1,426	1,272
Other adjustments	7,139	5,358	17,055
3. Net increase/decrease in operating assets	(4,894)	(4,428)	(12,954)
Financial assets held for trading	5,662	1,289	4,691
Other financial assets designated at fair value through profit or loss	(783)	(2)	337
Available-for-sale financial assets	5,032	14,445	3,360
Loans and receivables	(14,503)	(21,075)	(20,498)
Other operating assets	(302)	915	(844)
4. Net increase/decrease in operating liabilities	(3,916)	1,273	15,674
Financial liabilities held for trading	(6,057)	361	(2,475)
Other financial liabilities designated at fair value through profit or loss	19	(53)	120
Financial liabilities at amortized cost	2,111	(7)	21,422
Other operating liabilities	11	972	(3,393)
5. Collection/Payments for income tax	(2,423)	(1,699)	(1,274)
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	2,902	(560)	(4,411)
1. Investment	(2,339)	(3,978)	(6,416)
Tangible assets	(777)	(1,312)	(2,171)
Intangible assets	(564)	(645)	(571)
Investments in joint ventures and associates	(101)	(76)	(41)
Subsidiaries and other business units	(897)	(95)	(3,633)
Non-current assets held for sale and associated liabilities	-	-	-
Held-to-maturity investments	-	(1,850)	-
Other settlements related to investing activities	-	-	-
2. Divestments	5,241	3,418	2,005
Tangible assets	518	795	224
Intangible assets	47	20	2
Investments in joint ventures and associates	18	322	1
Subsidiaries and other business units	936	73	9
Non-current assets held for sale and associated liabilities	1,002	900	1,683
Held-to-maturity investments	2,711	1,215	-
Other collections related to investing activities	9	93	86
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	(98)	(1,113)	127
1. Payments	(5,763)	(4,335)	(5,717)
Dividends	(1,698)	(1,599)	(879)
Subordinated liabilities	(2,098)	(502)	(1,419)
Treasury stock amortization	-	-	-
Treasury stock acquisition	(1,674)	(2,004)	(3,273)
Other items relating to financing activities	(293)	(230)	(146)
2. Collections	5,665	3,222	5,844
Subordinated liabilities	4,038	1,000	2,523
Treasury stock increase	-	-	-
Treasury stock disposal	1,627	2,222	3,321
Other items relating to financing activities	-	-	-
D) EFFECT OF EXCHANGE RATE CHANGES	(4,266)	(3,463)	(6,781)
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)	594	1,489	12,036
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	44,955	43,466	31,430
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (E+F)	45,549	44,955	43,466
COMPONENTS OF CASH AND EQUIVALENT AT END OF THE YEAR (Millions of Euros)			
	2017	2016 (*)	2015 (*)
Cash	6,416	7,413	7,192
Balance of cash equivalent in central banks	39,132	37,542	36,275
Other financial assets	-	-	-
Less: Bank overdraft refundable on demand	-	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	45,549	44,955	43,466

(*) Presented for comparison purposes only.

APPENDIX II. Additional information on consolidated subsidiaries composing the BBVA Group as of December 31, 2017

Additional Information on Consolidated Subsidiaries and consolidated structured entities composing the BBVA Group

Company	Location	Activity	% Legal share of participation		Millions of Euros (*)					
			Direct	Indirect	Total	Affiliate Entity Data				
						Net Carrying Amount	Assets 31.12.17	Liabilities 31.12.17	Equity 31.12.17	Profit (Loss) 31.12.17
4D INTERNET SOLUTIONS, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	18	18	1	20	(3)
ACTIVOS MACORP, S.L.	SPAIN	REAL ESTATE	50.63	49.37	100.00	18	24	5	3	16
ALCALA 120 PROMOC. Y GEST.IMMOB. S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	15	26	10	14	1
ANIDA DESARROLLOS INMOBILIARIOS, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	-	284	413	56	(185)
ANIDA GERMANIA IMMOBILIEN ONE, GMBH	GERMANY	IN LIQUIDATION	-	100.00	100.00	-	-	-	-	-
ANIDA GRUPO INMOBILIARIO, S.L. (**)	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	-	2,040	2,689	(161)	(488)
ANIDA INMOBILIARIA, S.A. DE C.V.	MEXICO	INVESTMENT COMPANY	-	100.00	100.00	163	116	-	109	7
ANIDA OPERACIONES SINGULARES, S.A. (***)	SPAIN	REAL ESTATE	-	100.00	100.00	-	4,066	4,451	(99)	(286)
ANIDA PROYECTOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	91	94	3	84	7
ANIDAPORT INVESTITMENTOS IMOBILIARIOS, UNIPESSOAL, LTDA	PORTUGAL	REAL ESTATE	-	100.00	100.00	29	87	81	8	(2)
APLICA NEXTGEN OPERADORA S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	-	-	-	-
APLICA NEXTGEN SERVICIOS S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	-	-	-	-
APLICA TECNOLOGIA AVANZADA OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	8	7	-	-
APLICA TECNOLOGIA AVANZADA SERVICIOS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	4	3	-	-
APLICA TECNOLOGIA AVANZADA, S.A. DE C.V.- ATA	MEXICO	SERVICES	100.00	-	100.00	203	268	74	181	13
ARIZONA FINANCIAL PRODUCTS, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	816	816	-	816	-
ARRAHONA AMBIT, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	-	61	49	(37)	48
ARRAHONA IMMO, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	53	220	76	133	11
ARRAHONA NEXUS, S.L. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	199	166	(109)	141
ARRAHONA RENT, S.L.U.	SPAIN	REAL ESTATE	-	100.00	100.00	9	10	-	9	1
ARRELS CT FINSOL, S.A. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	264	214	(91)	141
ARRELS CT LLOGUER, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	1	52	44	(13)	20
ARRELS CT PATRIMONI I PROJECTES, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	-	74	63	(36)	47
ARRELS CT PROMOU, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	-	34	23	(12)	23
BAHIA SUR RESORT, S.C.	SPAIN	INACTIVE	99.95	-	99.95	1	1	-	1	-
BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S.A.	PORTUGAL	BANKING	100.00	-	100.00	252	4,029	3,805	220	4
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.	CHILE	BANKING	-	68.19	68.19	863	19,114	17,848	1,121	145
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY, S.A.	URUGUAY	BANKING	100.00	-	100.00	110	2,705	2,515	166	24
BANCO CONTINENTAL, S.A.	PERU	BANKING	-	46.12	46.12	910	19,666	17,693	1,597	377
BANCO INDUSTRIAL DE BILBAO, S.A.	SPAIN	BANKING	-	99.93	99.93	97	63	2	(2)	63
BANCO OCCIDENTAL, S.A.	SPAIN	BANKING	49.43	50.57	100.00	17	18	-	18	-
BANCO PROVINCIAL OVERSEAS N.V.	CURACAO	BANKING	-	100.00	100.00	47	369	324	42	3
BANCO PROVINCIAL S.A. - BANCO UNIVERSAL	VENEZUELA	BANKING	1.46	53.75	55.21	31	958	877	97	(16)
BANCOMER FINANCIAL SERVICES INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	2	2	-	2	-
BANCOMER FOREIGN EXCHANGE INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	13	13	-	9	4
BANCOMER PAYMENT SERVICES INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1	2	1	1	-
BANCOMER TRANSFER SERVICES, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	54	129	75	43	11
BBV AMERICA, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	79	571	-	599	(28)
BBVA AGENCIA DE SEGUROS COLOMBIA LTDA	COLOMBIA	INSURANCES SERVICES	-	100.00	100.00	-	-	-	-	-
BBVA ASESORIAS FINANCIERAS, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	2	3	1	1	1

(*) Information on foreign companies at exchange rate on December 31, 2017

(**) These companies have equity loans from BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

(***) This company has an equity loan from ANIDA GRUPO INMOBILIARIO, S.L.

(****) These companies have an equity loan from UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS, S.A.

Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

Company	Location	Activity	% Legal share of participation			Millions of Euros (*)				
			Direct	Indirect	Total	Affiliate Entity Data				Profit (Loss) 31.12.17
						Net Carrying Amount	Assets 31.12.17	Liabilities 31.12.17	Equity 31.12.17	
BBVA ASSET MANAGEMENT ADMINISTRADORA GENERAL DE FONDOS S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	14	18	3	8	6
BBVA ASSET MANAGEMENT CONTINENTAL S.A. SAF	PERU	FINANCIAL SERVICES	-	100.00	100.00	14	16	2	11	4
BBVA ASSET MANAGEMENT, S.A. SOCIEDAD FIDUCIARIA (BBVA FIDUCIARIA)	COLOMBIA	FINANCIAL SERVICES	-	100.00	100.00	28	33	5	20	8
BBVA ASSET MANAGEMENT, S.A., SGIC	SPAIN	OTHER INVESTMENT	17.00	83.00	100.00	38	114	55	21	38
BBVA AUTOMERCANTIL, COMERCIO E ALUGER DE VEICULOS AUTOMOVEIS,LDA.	PORTUGAL	FINANCIAL SERVICES	100.00	-	100.00	4	20	15	5	-
BBVA BANCO FRANCES, S.A.	ARGENTINA	BANKING	39.97	26.58	66.55	157	9,173	8,019	947	207
BBVA BANCOMER GESTION, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	21	37	16	7	15
BBVA BANCOMER OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	45	235	190	38	7
BBVA BANCOMER SEGUROS SALUD, S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	11	19	8	9	2
BBVA BANCOMER SERVICIOS ADMINISTRATIVOS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	28	156	129	16	11
BBVA BANCOMER, S.A. INSTITUCION DE BANCA MULTIPLE, GRUPO FINANCIERO BBVA BANCOMER	MEXICO	BANKING	-	100.00	100.00	7,426	82,50	75,07	5,596	1,83
BBVA BRASIL BANCO DE INVESTIMENTO, S.A.	BRASIL	BANKING	100.00	-	100.00	16	34	4	27	3
BBVA BROKER, CORREDURIA DE SEGUROS Y REASEGUROS, S.A.	SPAIN	INSURANCES SERVICES	99.94	0.06	100.00	-	17	4	9	5
BBVA BROKER, S.A.	ARGENTINA	INSURANCES SERVICES	-	95.00	95.00	-	5	2	(1)	4
BBVA COLOMBIA, S.A.	COLOMBIA	BANKING	77.41	18.06	95.47	355	16,16	14,94	1,045	174
BBVA COMPASS BANCSHARES, INC	UNITED	INVESTMENT COMPANY	100.00	-	100.00	11,70	10,86	35	10,42	406
BBVA COMPASS FINANCIAL CORPORATION	UNITED	FINANCIAL SERVICES	-	100.00	100.00	217	416	199	220	(3)
BBVA COMPASS INSURANCE AGENCY, INC	UNITED	INSURANCES SERVICES	-	100.00	100.00	28	29	1	21	7
BBVA COMPASS PAYMENTS, INC	UNITED	INVESTMENT COMPANY	-	100.00	100.00	69	69	-	54	15
BBVA CONSOLIDAR SEGUROS, S.A.	ARGENTINA	INSURANCES SERVICES	87.78	12.22	100.00	10	133	85	17	31
BBVA CONSULTING (BEIJING) LIMITED	CHINA	FINANCIAL SERVICES	-	100.00	100.00	-	2	-	2	-
BBVA CONSULTORIA, S.A.	SPAIN	SERVICES	-	100.00	100.00	4	5	-	5	-
BBVA CONSUMER FINANCE ENTIDAD DE DESARROLLO A LA PEQUEÑA Y MICRO EMPRESA, EDPYME, S.A. (BBVA	PERU	FINANCIAL SERVICES	-	100.00	100.00	18	125	108	17	(1)
BBVA CORREDORA TECNICA DE SEGUROS LIMITADA	CHILE	INSURANCES SERVICES	-	100.00	100.00	7	14	7	(1)	8
BBVA CORREDORES DE BOLSA LIMITADA	CHILE	SECURITIES DEALER	-	100.00	100.00	68	647	579	62	6
BBVA DATA & ANALYTICS, S.L.	SPAIN	SERVICES	-	100.00	100.00	6	4	1	2	-
BBVA DINERO EXPRESS, S.A.U	SPAIN	PAYMENT ENTITIES	100.00	-	100.00	2	5	2	4	-
BBVA DISTRIBUIDORA DE SEGUROS S.R.L.	URUGUAY	INSURANCES SERVICES	-	100.00	100.00	4	4	-	2	2
BBVA FACTORING LIMITADA (CHILE)	CHILE	PENSION FUNDS	-	100.00	100.00	10	58	48	10	-
BBVA FINANZIA, S.p.A	ITALY	FINANCIAL SERVICES	100.00	-	100.00	4	15	11	4	-
BBVA FRANCES ASSET MANAGMENT S.A. SOCIEDAD GERENTE DE FONDOS COMUNES DE INVERSIÓN.	ARGENTINA	FINANCIAL SERVICES	-	100.00	100.00	12	19	6	2	12
BBVA FRANCES VALORES, S.A.	ARGENTINA	SECURITIES DEALER	-	100.00	100.00	7	10	2	4	3
BBVA FUNDOS, S.GESTORA FUNDOS PENSOES,S.A.	PORTUGAL	PENSION FUNDS	-	100.00	100.00	1	19	1	17	1
BBVA GLOBAL FINANCE LTD.	CAYMAN	FINANCIAL SERVICES	100.00	-	100.00	-	171	167	4	-
BBVA GLOBAL MARKETS B.V.	NETHERLAND	FINANCIAL SERVICES	100.00	-	100.00	-	2,398	2,397	1	-
BBVA INMOBILIARIA E INVERSIONES, S.A.	CHILE	REAL ESTATE	-	68.11	68.11	5	43	36	7	-
BBVA INSTITUICAO FINANCEIRA DE CREDITO, S.A.	PORTUGAL	FINANCIAL SERVICES	49.90	50.10	100.00	40	379	331	45	3
BBVA INTERNACIONAL PREFERRED, S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	36	35	1	-
BBVA INVERSIONES CHILE, S.A.	CHILE	INVESTMENT COMPANY	61.22	38.78	100.00	483	1,394	100	1,101	193
BBVA IRELAND PLC	IRELAND	FINANCIAL SERVICES	100.00	-	100.00	180	577	379	191	8

(*) Information on foreign companies at exchange rate on December 31, 2017

Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

Company	Location	Activity	% Legal share of participation			Millions of Euros (*)				
			Direct	Indirect	Total	Affiliate Entity Data				
						Net Carrying Amount	Assets 31.12.17	Liabilities 31.12.17	Equity 31.12.17	Profit (Loss) 31.12.17
BBVA LEASING MEXICO, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	51	837	717	97	23
BBVA LUXINVEST, S.A.	LUXEMBOURG	INVESTMENT COMPANY	36.00	64.00	100.00	3	213	209	(64)	68
BBVA MEDIACION OPERADOR DE BANCA-SEGUROS VINCULADO, S.A.	SPAIN	INSURANCES SERVICES	-	100.00	100.00	10	82	51	16	15
BBVA NOMINEES LIMITED	UNITED KINGDOM	SERVICES	100.00	-	100.00	-	-	-	-	-
BBVA OP3N S.L. (**)	SPAIN	SERVICES	-	100.00	100.00	-	2	3	-	(1)
BBVA OP3N, INC.	UNITED STATES	SERVICES	-	100.00	100.00	2	3	1	7	(5)
BBVA PARAGUAY, S.A.	PARAGUAY	BANKING	100.00	-	100.00	23	1,784	1,621	132	32
BBVA PENSIONES, SA, ENTIDAD GESTORA DE FONDOS DE PENSIONES	SPAIN	PENSION FUNDS MANAGEMENT	100.00	-	100.00	13	53	15	27	11
BBVA PLANIFICACION PATRIMONIAL, S.L.	SPAIN	FINANCIAL SERVICES	80.00	20.00	100.00	-	1	-	1	-
BBVA PREVISION AFP S.A. ADM.DE FONDOS DE PENSIONES	BOLIVIA	PENSION FUNDS MANAGEMENT	75.00	5.00	80.00	1	23	13	4	5
BBVA PROCUREMENT SERVICES AMERICA DEL SUR SpA	CHILE	SERVICES	-	100.00	100.00	6	9	3	6	-
BBVA PROPIEDAD, S.A.	SPAIN	REAL ESTATE INVESTMENT COMPANY	-	100.00	100.00	874	874	5	921	(51)
BBVA RE DAC	IRELAND	INSURANCES SERVICES	-	100.00	100.00	39	72	23	40	9
BBVA REAL ESTATE MEXICO, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
BBVA RENTAS E INVERSIONES LIMITADA	CHILE	INVESTMENT COMPANY	-	100.00	100.00	294	295	1	229	65
BBVA RENTING, S.A.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	90	665	565	95	5
BBVA SECURITIES INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	178	368	190	162	16
BBVA SEGUROS COLOMBIA, S.A.	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	10	83	63	13	7
BBVA SEGUROS DE VIDA COLOMBIA, S.A.	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	14	404	289	74	41
BBVA SEGUROS DE VIDA, S.A.	CHILE	INSURANCES SERVICES	-	100.00	100.00	71	201	129	62	10
BBVA SEGUROS, S.A., DE SEGUROS Y REASEGUROS	SPAIN	INSURANCES SERVICES	99.96	-	99.96	1,039	18,231	16,989	948	294
BBVA SENIOR FINANCE, S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	1,765	1,764	1	-
BBVA SERVICIOS CORPORATIVOS LIMITADA	CHILE	SERVICES	-	100.00	100.00	3	11	8	-	3
BBVA SERVICIOS, S.A.	SPAIN	COMMERCIAL	-	100.00	100.00	-	8	1	7	-
BBVA SOCIEDAD DE LEASING INMOBILIARIO, S.A.	CHILE	FINANCIAL SERVICES	-	97.49	97.49	28	82	53	26	3
BBVA SUBORDINATED CAPITAL S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	121	120	1	-
BBVA SUIZA, S.A. (BBVA SWITZERLAND)	SWITZERLAND	BANKING	100.00	-	100.00	98	859	753	98	7
BBVA TRADE, S.A. (***)	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	1	42	37	13	(8)
BBVA VALORES COLOMBIA, S.A. COMISIONISTA DE BOLSA	COLOMBIA	SECURITIES DEALER	-	100.00	100.00	4	4	-	5	(1)
BBVA WEALTH SOLUTIONS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	6	6	-	5	1
BEEVA TEC OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	1	1	-	-
BEEVA TEC, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	3	2	1	-
BILBAO VIZCAYA HOLDING, S.A.	SPAIN	INVESTMENT COMPANY	89.00	11.00	100.00	35	227	28	187	12
BLUE INDICO INVESTMENTS, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	21	46	27	17	2
CAIXA MANRESA IMMOBILIARIA ON CASA, S.L. (****)	SPAIN	REAL ESTATE	100.00	-	100.00	-	2	5	(3)	-
CAIXA MANRESA IMMOBILIARIA SOCIAL, S.L. (****)	SPAIN	REAL ESTATE	100.00	-	100.00	-	4	4	-	-
CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS, S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	1	76	74	2	-
CAIXASABADELL PREFERENTS, S.A.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	91	90	1	-
CAIXASABADELL TINELIA, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	41	42	-	41	-
CARTERA E INVERSIONES S.A., CIA DE	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	92	55	38	21	(3)

(*) Information on foreign companies at exchange rate on December 31, 2017

(**) These companies have an equity loan from BILBAO VIZCAYA HOLDING, S.A.

(***) These companies have an equity loan from CARTERA E INVERSIONES S.A., CIA DE.

(****) These companies have an equity loan from BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

			% Legal share of participation		Millions of Euros (*)						
						Affiliate Entity Data					
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 31.12.17	Liabilities 31.12.17	Equity 31.12.17	Profit (Loss) 31.12.17	
CASA DE BOLSA BBVA BANCOMER. S.A. DE C.V.	MEXICO	SECURITIES DEALER	-	100.00	100.00	46	60	14	14	32	
CATALONIA GEBIRA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	-	4	4	(4)	4	
CATALONIA PROMODIS 4, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	-	8	8	(5)	5	
CATALUNYACAIXA ASSEGURANCES GENERALS, S.A.	SPAIN	INSURANCES SERVICES	100.00	-	100.00	42	49	23	22	3	
CATALUNYACAIXA CAPITAL, S.A.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	104	113	10	96	8	
CATALUNYACAIXA INMOBILIARIA, S.A. (**)	SPAIN	REAL ESTATE	100.00	-	100.00	310	388	94	74	221	
CATALUNYACAIXA SERVEIS, S.A.	SPAIN	SERVICES	100.00	-	100.00	2	9	6	3	-	
CDD GESTIONII, S.R.L.	ITALY	REAL ESTATE	100.00	-	100.00	5	6	-	6	-	
CETACTIUS, S.L. (**)	SPAIN	REAL ESTATE	100.00	-	100.00	-	2	22	(20)	(1)	
CIDESSA DOS, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	15	15	1	15	-	
CIDESSA UNO, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	5	199	84	75	40	
CIERVANA, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	53	61	-	60	-	
CLUB GOLF HACIENDA EL ALAMO, S.L.	SPAIN	REAL ESTATE	-	97.87	97.87	-	-	-	-	-	
COMERCIALIZADORA CORPORATIVA SAC	PERU	FINANCIAL SERVICES	-	50.00	50.00	-	1	1	-	-	
COMERCIALIZADORA DE SERVICIOS FINANCIEROS, S.A.	COLOMBIA	SERVICES	-	100.00	100.00	3	9	6	2	1	
COMPANIA CHILENA DE INVERSIONES, S.L.	SPAIN	INVESTMENT COMPANY	99.97	0.03	100.00	580	920	339	442	139	
COMPASS BANK	UNITED STATES	BANKING	-	100.00	100.00	10,083	76,898	66,816	9,708	375	
COMPASS CAPITAL MARKETS, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	6,789	6,789	-	6,729	60	
COMPASS GP, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	41	51	10	41	-	
COMPASS INSURANCE TRUST	UNITED STATES	INSURANCES SERVICES	-	100.00	100.00	-	-	-	-	-	
COMPASS LIMITED PARTNER, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	5,932	5,932	-	5,873	59	
COMPASS LOAN HOLDINGS TRS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	68	68	-	67	-	
COMPASS MORTGAGE CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	2,661	2,720	59	2,607	54	
COMPASS MORTGAGE FINANCING, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-	
COMPASS SOUTHWEST, LP	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	4,906	4,907	-	4,847	59	
COMPASS TEXAS MORTGAGE FINANCING, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-	
CONSOLIDAR A.F.J.P., S.A.	ARGENTINA	IN LIQUIDATION	46.11	53.89	100.00	-	2	1	-	-	
CONTENTS AREA, S.L.	SPAIN	SERVICES	-	100.00	100.00	6	7	1	6	-	
CONTINENTAL BOLSA, SDAD. AGENTE DE BOLSA, S.A.	PERU	SECURITIES DEALER	-	100.00	100.00	5	11	6	4	1	
CONTINENTAL DPR FINANCE COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	63	63	-	-	
CONTINENTAL SOCIEDAD TITULIZADORA, S.A.	PERU	FINANCIAL SERVICES	-	100.00	100.00	1	1	-	1	-	
CONTRATACION DE PERSONAL, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	5	9	4	4	1	
COPROMED S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	-	-	-	-	
CORPORACION GENERAL FINANCIERA, S.A.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	510	1,821	140	1,448	232	
COVAULT, INC	UNITED STATES	SERVICES	-	100.00	100.00	-	-	-	-	-	
CX PROPIETAT, FII	SPAIN	REAL ESTATE INVESTMENT COMPANY	94.96	-	94.96	48	51	-	60	(9)	
DALLAS CREATION CENTER, INC	UNITED STATES	SERVICES	-	100.00	100.00	-	6	6	3	(3)	
DATA ARCHITECTURE AND TECHNOLOGY S.L.	SPAIN	SERVICES	-	51.00	51.00	-	5	3	-	2	

(*) Information on foreign companies at exchange rate on December 31, 2017

(**) These companies have an equity loan from BANCO BILBAO VIZCAYA ARGENTARIA, S.A

Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

Company	Location	Activity	% Legal share of participation			Millions of Euros (*)				
			Direct	Indirect	Total	Affiliate Entity Data				Profit (Loss) 31.12.17
						Net Carrying Amount	Assets 31.12.17	Liabilities 31.12.17	Equity 31.12.17	
DENIZEN FINANCIAL, INC.	UNITED	SERVICES	-	100.00	100.00	1	1	-	1	-
DEUTSCHE BANK MEXICO SA FIDEICOMISO F/1859	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	15	15	-	-
DEUTSCHE BANK MEXICO SA FIDEICOMISO F/1860	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	14	14	-	-
DISTRITO CASTELLANA NORTE, S.A.	SPAIN	REAL ESTATE	-	75.54	75.54	86	128	14	11	(3)
ECASA, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	19	22	3	12	7
EL ENCINAR METROPOLITANO, S.A.	SPAIN	REAL ESTATE	-	99.05	99.05	6	7	-	6	-
EL MILANILLO, S.A. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	10	8	1	7	-
EMPRENDIMIENTOS DE VALOR S.A.	URUGUAY	FINANCIAL SERVICES	-	100.00	100.00	3	7	4	3	-
ENTIDAD DE PROMOCION DE NEGOCIOS, S.A.	SPAIN	OTHER HOLDING	-	99.86	99.86	15	19	-	19	-
ENTRE2 SERVICIOS FINANCIEROS, E.F.C., S.A.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	9	9	-	9	-
ESPAIS SABADELL PROMOCIONS INMOBILIARIES, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	7	8	-	8	-
EUROPEA DE TITULIZACION, S.A., S.G.F.T.	SPAIN	FINANCIAL SERVICES	88.24	-	88.24	2	43	2	38	4
EXPANSION INTERCOMARCAL, S.L.	SPAIN	INVESTMENT	100.00	-	100.00	29	29	-	26	3
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON DERECHO DE REVERSION	MEXICO	REAL ESTATE	-	42.40	42.40	1	1	-	1	-
F/253863 EL DESEO RESIDENCIAL	MEXICO	REAL ESTATE	-	65.00	65.00	-	1	-	1	-
F/403035-9 BBVA HORIZONTES RESIDENCIAL	MEXICO	REAL ESTATE	-	65.00	65.00	-	-	-	-	-
FIDEICOMISO 28991-8 TRADING EN LOS MCADOS FINANCIEROS	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	2	2	-	2	-
FIDEICOMISO F/29764-8 SOCIO LIQUIDADOR DE OPERACIONES FINANCIERAS DERIVADAS	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	52	52	-	48	4
FIDEICOMISO F/403112-6 DE ADMINISTRACION DOS LAGOS	MEXICO	REAL ESTATE	-	100.00	100.00	1	1	-	1	-
FIDEICOMISO HARES BBVA BANCOMER F/ 47997-2	MEXICO	OTHER HOLDING	-	100.00	100.00	14	17	2	13	1
FIDEICOMISO LOTE 6.1 ZARAGOZA	COLOMBIA	REAL ESTATE	-	59.99	59.99	-	2	-	2	-
FIDEICOMISO N.989, EN THE BANK OF NEW YORK MELLON, S.A. INSTITUCION DE BANCA MULTIPLE, FIDUCIARIO (FIDEIC. 00989 6	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	90	90	(5)	5
FIDEICOMISO Nº 711, EN BANCO INVEX, S.A., INSTITUCION DE BANCA MULTIPLE, INVEX GRUPO FINANCIERO, FIDUCIARIO (FIDEIC.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	17	18	-	-
FIDEICOMISO Nº 752, EN BANCO INVEX, S.A., INSTITUCION DE BANCA MULTIPLE, INVEX GRUPO FINANCIERO, FIDUCIARIO (FIDEIC.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	9	9	-	-
FIDEICOMISO Nº 847, EN BANCO INVEX, S.A., INSTITUCION DE BANCA MULTIPLE, INVEX GRUPO FINANCIERO, FIDUCIARIO (FIDEIC.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	48	48	(1)	1
FIDEICOMISO SCOTIABANK INVERLAT S A F100322908	MEXICO	REAL ESTATE	-	100.00	100.00	7	14	8	8	(1)
FINANCEIRA DO COMERCIO EXTERIOR S.A.R.	PORTUGAL	INACTIVE	100.00	-	100.00	-	-	-	-	-
FINANCIERA AYUDAMOS S.A. DE C.V., SOFOMER	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	20	23	3	12	8
FODECOR, S.L.	SPAIN	REAL ESTATE	-	60.00	60.00	-	1	-	-	-
FORUM COMERCIALIZADORA DEL PERU, S.A.	PERU	SERVICES	-	100.00	100.00	2	1	-	1	-
FORUM DISTRIBUIDORA DEL PERU, S.A.	PERU	FINANCIAL SERVICES	-	100.00	100.00	5	26	21	4	1
FORUM DISTRIBUIDORA, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	37	304	269	30	5
FORUM SERVICIOS FINANCIEROS, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	22	2,55	2,34	15	57
FUTURO FAMILIAR, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	3	2	1	-
G NETHERLANDS BV	NETHERLANDS	INVESTMENT	-	100.00	100.00	34	346	46	30	(2)
GARANTI BANK SA	ROMANIA	BANKING	-	100.00	100.00	26	2,15	1,88	25	26
GARANTI BILISIM TEKNOLOJISI VE TIC. TAS	TURKEY	SERVICES	-	100.00	100.00	23	18	3	13	2
GARANTI DIVERSIFIED PAYMENT RIGHTS FINANCE COMPANY	CAYMAN	FINANCIAL SERVICES	-	100.00	100.00	-	3,39	3,39	-	-
GARANTI EMEKLILIK VE HAYAT AS	TURKEY	INSURANCES	-	84.91	84.91	30	499	140	28	78
GARANTI FACTORING HIZMETLERI AS	TURKEY	FINANCIAL SERVICES	-	81.84	81.84	38	760	713	40	7

(*) Information on foreign companies at exchange rate on December 31, 2017

(**) This company has an equity loan from ANIDA OPERACIONES SINGULARES, S.A.

Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

Company	Location	Activity	% Legal share of participation			Millions of Euros (*)				
			Direct	Indirect	Total	Net Carrying Amount	Affiliate Entity Data			
							Assets 31.12.17	Liabilities 31.12.17	Equity 31.12.17	Profit (Loss) 31.12.17
GARANTI FILO SIGORTA ARACILIK HIZMETLERI A.S.	TURKEY	INSURANCES SERVICES	-	100.00	100.00	-	-	-	-	-
GARANTI FILO YONETIM HIZMETLERI A.S.	TURKEY	SERVICES	-	100.00	100.00	2	398	391	2	5
GARANTI FINANSAL KIRALAMA A.S.	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	208	1,199	990	203	5
GARANTI HIZMET YONETIMI A.S.	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	-	1	-	1	-
GARANTI HOLDING BV	NETHERLANDS	INVESTMENT COMPANY	-	100.00	100.00	229	340	-	340	-
GARANTI KONUT FINANSMANI DANISMANLIK HIZMETLERI AS (GARANTI MORTGAGE)	TURKEY	SERVICES	-	100.00	100.00	-	1	-	-	-
GARANTI KULTUR AS	TURKEY	SERVICES	-	100.00	100.00	-	1	-	-	-
GARANTI ODEME SISTEMLERI A.S.(GOSAS)	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	-	8	5	3	-
GARANTI PORTFOY YONETIMI AS	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	16	18	3	11	5
GARANTI YATIRIM MENKUL KIYMETLER AS	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	26	40	14	14	12
GARANTI YATIRIM ORTAKLIGI AS	TURKEY	INVESTMENT COMPANY	-	3.30	99.97	-	8	-	7	1
GARANTIBANK INTERNATIONAL NV	NETHERLANDS	BANKING	-	100.00	100.00	591	4,267	3,678	563	26
GARRAF MEDITERRANIA, S.A. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	1	2	1	-	1
GESCAT LLEVANT, S.L. (***)	SPAIN	REAL ESTATE	-	100.00	100.00	1	5	4	(2)	3
GESCAT LLOGUERS, S.L. (***) (****)	SPAIN	REAL ESTATE	100.00	-	100.00	-	9	20	(10)	(1)
GESCAT POLSKA, SP. ZOO	POLAND	REAL ESTATE	100.00	-	100.00	9	9	-	12	(3)
GESCAT SINEVA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	6	6	-	(1)	7
GESCAT, GESTIO DE SOL, S.L. (****)	SPAIN	REAL ESTATE	100.00	-	100.00	-	29	46	(22)	5
GESCAT, VIVENDES EN COMERCIALIZTACIO, S.L. (****) (*****)	SPAIN	REAL ESTATE	100.00	-	100.00	-	182	590	(393)	(15)
GESTION DE PREVISION Y PENSIONES, S.A.	SPAIN	PENSION FUNDS MANAGEMENT	60.00	-	60.00	9	29	3	21	6
GESTION Y ADMINISTRACION DE RECIBOS, S.A. - GARS A	SPAIN	SERVICES	-	100.00	100.00	1	2	1	2	-
GRAN JORGE JUAN, S.A.	SPAIN	REAL ESTATE	100.00	-	100.00	395	983	588	381	14
GRUPO FINANCIERO BBVA BANCOMER, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	99.98	-	99.98	6,678	8,337	1	6,200	2,136
GUARANTY BUSINESS CREDIT CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	31	31	-	31	-
GUARANTY PLUS HOLDING COMPANY	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	-	-	-	2	(2)
GUARANTY PLUS PROPERTIES LLC-2	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
GUARANTY PLUS PROPERTIES, INC-1	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
HABITATGES FINVER, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	-	3	1	(1)	2
HABITATGES INVERVIC, S.L.	SPAIN	REAL ESTATE	-	35.00	35.00	-	-	-	(14)	14
HABITATGES JUVIPRO, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	-	1	1	-	1
HOLAMUNO AGENTE DE SEGUROS VINCULADO, S.L.U. (****)	SPAIN	INSURANCES SERVICES	-	100.00	100.00	-	1	1	-	(1)
HOLVI PAYMENT SERVICE OY	FINLAND	FINANCIAL SERVICES	-	100.00	100.00	22	5	1	10	(6)
HOMEOWNERS LOAN CORPORATION	UNITED STATES	IN LIQUIDATION	-	100.00	100.00	7	8	1	7	-
HUMAN RESOURCES PROVIDER, INC	UNITED STATES	SERVICES	-	100.00	100.00	365	366	-	362	4
HUMAN RESOURCES SUPPORT, INC	UNITED STATES	SERVICES	-	100.00	100.00	361	361	-	358	3
INFORMACIO I TECNOLOGIA DE CATALUNYA, S.L.	SPAIN	SERVICES	76.00	-	76.00	-	6	5	1	-
INMESP DESARROLLADORA, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	24	33	8	24	-
INMUEBLES Y RECUPERACIONES CONTINENTAL S.A	PERU	REAL ESTATE	-	100.00	100.00	39	40	2	37	2
INPAU, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	25	25	-	2	24
INVERAHORRO, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	10	91	82	13	(4)

(*) Information on foreign companies at exchange rate on December 31, 2017

(**) This company has an equity loan from UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS, S.A.

(***) These companies have an equity loan from CATALUNYA ACAIXA IMMOBILIARIA, S.A.

(****) These companies have an equity loan from BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

Company	Location	Activity	% Legal share of participation			Millions of Euros (*)				
			Direct	Indirect	Total	Affiliate Entity Data				
						Net Carrying Amount	Assets 31.12.17	Liabilities 31.12.17	Equity 31.12.17	Profit (Loss) 31.12.17
INVERPRO DESENVOLUPAMENT, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	3	7	4	3	-
INVERSIONES ALDAMA, C.A.	VENEZUELA	IN LIQUIDATION	-	100.00	100.00	-	-	-	-	-
INVERSIONES BANPRO INTERNATIONAL INC. N.V.	CURACAO	INVESTMENT COMPANY	48.00	-	48.00	16	50	2	45	3
INVERSIONES BAPROBA, C.A.	VENEZUELA	FINANCIAL SERVICES	100.00	-	100.00	1	-	-	-	-
INVERSIONES DE INNOVACION EN SERVICIOS FINANCIEROS, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	41	42	1	40	1
INVERSIONES P.H.R.4, C.A.	VENEZUELA	INACTIVE	-	60.46	60.46	-	-	-	-	-
IRIDION SOLUCIONES INMOBILIARIAS, S.L. (**)	SPAIN	REAL ESTATE	100.00	-	100.00	-	2	131	(125)	(4)
JALE PROCAM, S.L.	SPAIN	REAL ESTATE	-	50.00	50.00	-	4	53	(47)	(2)
L'EIX IMMOBLES, S.L. (***)	SPAIN	REAL ESTATE	-	100.00	100.00	-	14	21	(7)	(1)
LIQUIDITY ADVISORS, L.P.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1,051	1,053	2	1,053	(2)
MADIVA SOLUCIONES, S.L.	SPAIN	SERVICES	-	100.00	100.00	5	2	1	1	-
MICRO SPINAL LLC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
MISAPRE, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	2	2	-	2	-
MOMENTUM SOCIAL INVESTMENT HOLDING, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	7	7	-	7	-
MOTORACTIVE IFN SA	ROMANIA	FINANCIAL SERVICES	-	100.00	100.00	37	176	151	22	3
MOTORACTIVE MULTISERVICES SRL	ROMANIA	SERVICES	-	100.00	100.00	-	15	15	-	-
MULTIASISTENCIA OPERADORA S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	-	1	1	-	-
MULTIASISTENCIA SERVICIOS S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	-	-	-	1	-
MULTIASISTENCIA, S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	19	31	12	13	6
NEWCO PERU S.A.C.	PERU	INVESTMENT COMPANY	100.00	-	100.00	124	917	-	744	173
NOET, INC.	UNITED STATES	SERVICES	-	100.00	100.00	2	2	1	4	(2)
NOIDIRI, S.L. (**)	SPAIN	REAL ESTATE	100.00	-	100.00	-	-	12	(11)	-
NOVA TERRASSA 3, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	4	4	-	4	-
OPCION VOLCAN, S.A.	MEXICO	REAL ESTATE	-	100.00	100.00	19	20	2	14	5
OPENPAY S.A.P.I DE C.V.	MEXICO	PAYMENT ENTITIES	-	100.00	100.00	15	1	-	1	-
OPENPAY SERVICIOS S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	-	-	-	-
OPERADORA DOS LAGOS S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	1	-	-	-
OPPLUS OPERACIONES Y SERVICIOS, S.A.	SPAIN	SERVICES	100.00	-	100.00	1	35	11	19	5
OPPLUS S.A.C (En liquidación)	PERU	IN LIQUIDATION	-	100.00	100.00	1	1	-	1	-
P.I. HOLDINGS GPP, LLC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
PARCSUD PLANNER, S.L. (***)	SPAIN	REAL ESTATE	-	100.00	100.00	-	7	6	(3)	3
PARTICIPACIONES ARENAL, S.L.	SPAIN	INACTIVE	-	100.00	100.00	6	8	2	6	-
PECRI INVERSION S.L.	SPAIN	OTHER INVESTMENT COMPANIES	100.00	-	100.00	99	99	-	100	(2)
PENSIONES BBVA BANCOMER, S.A. DE C.V., GRUPO FINANCIERO BBVA BANCOMER	MEXICO	INSURANCES SERVICES	-	100.00	100.00	159	4,059	3,900	113	46
PHOENIX LOAN HOLDINGS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	259	278	19	254	5
PI HOLDINGS NO. 1, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	79	79	-	79	-
PI HOLDINGS NO. 3, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1	1	-	1	-
PORTICO PROCAM, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	25	25	-	25	-
PROCAMVASA, S.A.	SPAIN	REAL ESTATE	-	51.00	51.00	-	-	-	-	-
PROMOCION EMPRESARIAL XX, S.A.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	8	8	-	8	-

(*) Information on foreign companies at exchange rate on December 31, 2017

(**) These companies have an equity loan from BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

(***) These companies have an equity loan from UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS, S.A.

Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

Company	Location	Activity	% Legal share of participation			Millions of Euros (*)				
			Direct	Indirect	Total	Affiliate Entity Data				
						Net Carrying Amount	Assets 31.12.17	Liabilities 31.12.17	Equity 31.12.17	Profit (Loss) 31.12.17
PROMOCIONES Y CONSTRUCCIONES CERBAT. S.L.U.	SPAIN	REAL ESTATE	-	100.00	100.00	9	25	-	25	-
PROMOTORA DEL VALLES, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	-	135	117	(106)	123
PROMOU CT 3AG DELTA, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	1	11	10	(3)	3
PROMOU CT EIX MACIA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	4	5	1	4	1
PROMOU CT GEBIRA, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	-	9	9	(3)	3
PROMOU CT OPENSEGRE, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	4	30	26	(18)	22
PROMOU CT VALLES, S.L.	SPAIN	PAYMENT INSTITUIONS	-	100.00	100.00	2	9	7	2	1
PROMOU GLOBAL, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	6	71	67	(30)	35
PRONORTE UNO PROCAM, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	-	5	4	(10)	11
PROPEL VENTURE PARTNERS GLOBAL, S.L	SPAIN	FINANCIAL SERVICES	-	99.50	99.50	31	35	2	32	1
PROPEL VENTURE PARTNERS US FUND I, L.P.	UNITED STATES	VENTURE CAPITAL	-	100.00	100.00	41	41	-	34	7
PRO-SALUD, C.A.	VENEZUELA	INACTIVE	-	58.86	58.86	-	-	-	-	-
PROVINCIAL DE VALORES CASA DE BOLSA, C.A.	VENEZUELA	SECURITIES DEALER	-	90.00	90.00	-	-	-	-	-
PROVINCIAL SDAD ADMIN.DE ENTIDADES DE INV.COLECTIVA, C.A.	VENEZUELA	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
PROV-INFI-ARRAHONA, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	5	17	12	(4)	9
PROVIVIENDA ENTIDAD RECAUDADORA Y ADMIN.DE APORTES, S.A.	BOLIVIA	PENSION FUNDS MANAGEMENT	-	100.00	100.00	2	7	5	2	-
PUERTO CIUDAD LAS PALMAS, S.A.	SPAIN	REAL ESTATE	-	96.64	96.64	-	31	57	(26)	-
QIPRO SOLUCIONES S.L.	SPAIN	SERVICES	-	100.00	100.00	5	13	3	9	2
RALFI IFN SA	ROMANIA	FINANCIAL SERVICES	-	100.00	100.00	39	128	110	13	4
RENTRUCKS, ALQUILER Y SERVICIOS DE TRANSPORTE, S.A.	SPAIN	INACTIVE	100.00	-	100.00	1	2	-	1	-
RESIDENCIAL CUMBRES DE SANTA FE, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	14	14	-	13	1
RPV COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	1,384	1,384	-	-
RWHC, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	692	692	-	676	16
SATICEM GESTIO, S.L. (***)	SPAIN	REAL ESTATE	100.00	-	100.00	-	11	93	(81)	(1)
SATICEM HOLDING, S.L.	SPAIN	REAL ESTATE	100.00	-	100.00	5	5	-	6	-
SATICEM INMOBILIARIA, S.L.	SPAIN	REAL ESTATE	100.00	-	100.00	20	20	-	19	1
SATICEM IMMOBILES EN ARRENDAMENT, S.L. (***)	SPAIN	REAL ESTATE	100.00	-	100.00	-	26	88	(59)	(3)
SCALDIS FINANCE, S.A.	BELGIUM	INVESTMENT COMPANY	-	100.00	100.00	4	18	-	18	-
SEGUROS BBVA BANCOMER, S.A. DE C.V., GRUPO FINANCIERO BBVA BANCOMER	MEXICO	INSURANCES SERVICES	-	100.00	100.00	304	3,095	2,791	119	185
SEGUROS PROVINCIAL, C.A.	VENEZUELA	INSURANCES SERVICES	-	100.00	100.00	-	-	-	1	-
SERVICIOS CORPORATIVOS BANCOMER, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	4	6	1	4	1
SERVICIOS CORPORATIVOS DE SEGUROS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	2	14	12	1	1
SERVICIOS EXTERNOS DE APOYO EMPRESARIAL, S.A DE C.V.	MEXICO	SERVICES	-	100.00	100.00	8	21	13	6	2
SERVICIOS TECNOLOGICOS SINGULARES, S.A.	SPAIN	SERVICES	-	100.00	100.00	1	1	-	1	-
SIMPLE FINANCE TECHNOLOGY CORP.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	51	64	13	88	(37)
SOCIEDAD DE ESTUDIOS Y ANALISIS FINANCIERO, S.A.	SPAIN	SERVICES	100.00	-	100.00	81	90	9	84	(2)
SOCIEDAD GESTORA DEL FONDO PUBLICO DE REGULACION DEL MERCADO HIPOTECARIO, S.A.	SPAIN	INACTIVE	77.20	-	77.20	-	-	-	-	-
SPORT CLUB 18, S.A. (***)	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	11	13	-	14	(1)
TEXAS LOAN SERVICES, LP.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1,061	1,063	2	1,062	(1)

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(**) This company has an equity loan from UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS, S.A.

(****) These companies have an equity loan from BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRS for banks. See Note 52). This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

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Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

Company	Location	Activity	% Legal share of participation			Millions of Euros (*)				
			Direct	Indirect	Total	Affiliate Entity Data				
						Net Carrying Amount	Assets 31.12.17	Liabilities 31.12.17	Equity 31.12.17	Profit (Loss) 31.12.17
TMF HOLDING INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	13	20	7	13	1
TRIFOI REAL ESTATE SRL	ROMANIA	REAL ESTATE	-	100.00	100.00	1	1	-	1	-
TUCSON LOAN HOLDINGS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	43	43	-	41	2
TURKIYE GARANTI BANKASI A.S.	TURKEY	BANKING	49.85	-	49.85	7,026	70,803	61,635	7,629	1,539
UNITARIA GESTION DE PATRIMONIOS INMOBILIARIOS	SPAIN	REAL ESTATE	-	100.00	100.00	2	3	-	3	-
UNIVERSALIDAD TIPS PESOS E-9	COLOMBIA	FINANCIAL SERVICES	-	100.00	100.00	-	53	24	27	1
UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS, S.A. (**)	SPAIN	REAL ESTATE	100.00	-	100.00	-	956	1,270	(161)	(153)
UPTURN FINANCIAL INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
URBANIZADORA SANT LLORENC, S.A.	SPAIN	INACTIVE	60.60	-	60.60	-	-	-	-	-
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS S.L.	SPAIN	SERVICES	-	51.00	51.00	-	2	2	-	-
VOLJA LUX, SARL	LUXEMBOURG	INVESTMENT COMPANY	-	71.78	71.78	-	2	-	-	1
VOLJA PLUS SL	SPAIN	INVESTMENT COMPANY	75.40	-	75.40	1	2	-	2	-
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA S.A.	ARGENTINA	FINANCIAL SERVICES	-	51.00	51.00	13	226	200	23	3

(*) Information on foreign companies at exchange rate on December 31, 2017

(**) This company has an equity loan from BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

APPENDIX III. Additional information on investments and jointly controlled companies accounted for under the equity method of consolidation in the BBVA Group as of December 31, 2017 (includes the most significant companies that together represent 99.71% of total investments in these companies)

			% Legal share of participation			Millions of Euros (**)				
Company	Location	Activity				Affiliate Entity Data				
			Direct	Indirect	Total	Net Carrying Amount	Assets 31.12.17	Liabilities 31.12.17	Equity 31.12.17	Profit (Loss) 31.12.17
ASSOCIATES										
ADQUIRA ESPAÑA, S.A.	SPAIN	COMMERCIAL	-	40.00	40.00	3	18	11	6	1
ATOM BANK PLC	UNITED KINGDOM	BANKING	29.90	-	29.90	66	1,334	1,162	226	(54)
AUREA, S.A. (CUBA)	CUBA	REAL ESTATE	-	49.00	49.00	4	9	-	8	-
BANK OF HANGZHOU CONSUMER FINANCE CO LTD	CHINA	BANKING	30.00	-	30.00	18	214	156	63	(5)
CANCUN SUN & GOLF COUNTRY CLUB, S.A.P.I. DE C.V.	MEXICO	REAL ESTATE	-	33.33	33.33	26	72	22	50	1
COMPañIA ESPAÑOLA DE FINANCIACION DEL DESARROLLO S.A.	SPAIN	FINANCIAL SERVICES	16.67	-	16.67	21	129	5	116	8
COMPañIA PERUANA DE MEDIOS DE PAGO S.A.C. (VISANET PERU)	PERU	ELECTRONIC MONEY ENTITIES	-	20.28	20.28	2	38	28	3	7
FIDEICOMISO F/00185 FIMPE - FIDEICOMISO F/00185 PARA EXTENDER A LA SOCIEDAD LOS BENEFICIOS DEL ACCESO A LA INFRAESTRUCTURA DE LOS MEDIOS DE PAGO ELECTRONICOS	MEXICO	FINANCIAL SERVICES	-	28.50	28.50	3	11	-	13	(1)
METROVACESA SUELO Y PROMOCION, S.A.	SPAIN	REAL ESTATE	9.44	19.07	28.51	697	2,479	82	2,413	(16)
REDSYS SERVICIOS DE PROCESAMIENTO, S.L.	SPAIN	FINANCIAL SERVICES	20.00	-	20.00	10	130	80	41	8
ROMBO COMPañIA FINANCIERA, S.A.	ARGENTINA	BANKING	-	40.00	40.00	15	390	354	32	3
SERVICIOS ELECTRONICOS GLOBALES, S.A. DE C.V.	MEXICO	SERVICES	-	46.14	46.14	6	13	-	11	2
SERVIEDO SOCIEDAD ESPAÑOLA DE MEDIOS DE PAGO, S.A.	SPAIN	FINANCIAL SERVICES	28.72	-	28.72	9	41	8	29	3
TELEFONICA FACTORING ESPAÑA, S.A.	SPAIN	FINANCIAL SERVICES	30.00	-	30.00	4	48	34	7	7
TESTA RESIDENCIAL SOCIMI SAU	SPAIN	REAL ESTATE	3.88	22.98	26.86	444	2,307	662	1,594	51
JOINT VENTURES										
ADQUIRA MEXICO, S.A. DE C.V. (*)	MEXICO	COMMERCIAL	-	50.00	50.00	2	5	2	3	-
ALTURA MARKETS, SOCIEDAD DE VALORES, S.A. (*)	SPAIN	SECURITIES DEALER	50.00	-	50.00	64	1,953	1,826	120	7
AVANTESPACIA INMOBILIARIA, S.L.(*)	SPAIN	REAL ESTATE	-	30.01	30.01	18	77	18	60	(1)
COMPañIA MEXICANA DE PROCESAMIENTO, S.A. DE C.V. (*)	MEXICO	SERVICES	-	50.00	50.00	6	13	-	11	1
CORPORACION IBV PARTICIPACIONES EMPRESARIALES, S.A. (*)	SPAIN	INVESTMENT COMPANY	-	50.00	50.00	29	63	6	58	-
DESARROLLOS METROPOLITANOS DEL SUR, S.L.(*)	SPAIN	REAL ESTATE	-	50.00	50.00	12	59	34	25	(1)
FERROMOVIL 3000, S.L.(*)	SPAIN	SERVICES	-	20.00	20.00	4	455	431	25	(1)
FERROMOVIL 9000, S.L. (*)	SPAIN	SERVICES	-	20.00	20.00	3	294	276	19	(1)
FIDEICOMISO 1729 INVEX ENAJENACION DE CARTERA (*)	MEXICO	REAL ESTATE	-	32.25	32.25	53	163	-	163	-
FIDEICOMISO F 403853- 5 BBVA BANCOMER SERVICIOS ZIBATA (*)	MEXICO	REAL ESTATE	-	30.00	30.00	27	146	49	90	6
FIDEICOMISO F/402770-2 ALAMAR (*)	MEXICO	REAL ESTATE	-	42.40	42.40	7	17	-	17	-
INVERSIONES PLATCO, C.A. (*)	VENEZUELA	FINANCIAL SERVICES	-	50.00	50.00	2	5	1	7	(3)
PARQUE RIO RESIDENCIAL, S.L. (*)	SPAIN	REAL ESTATE	-	50.00	50.00	10	32	12	20	-
PROMOCIONS TERRES CAVADES, S.A.(*)	SPAIN	REAL ESTATE	-	39.11	39.11	4	15	-	15	-
PSA FINANCE ARGENTINA COMPañIA FINANCIERA, S.A.(*)	ARGENTINA	BANKING	-	50.00	50.00	14	225	197	20	8
RCI COLOMBIA S.A., COMPañIA DE FINANCIAMIENTO (*)	COLOMBIA	FINANCIAL SERVICES	-	49.00	49.00	19	280	241	39	-
REAL ESTATE DEAL II, S.A. (*)	SPAIN	IN LIQUIDATION	20.06	-	20.06	4	18	-	18	-
VITAMEDICA ADMINISTRADORA, S.A. DE C.V (*)	MEXICO	SERVICES	-	51.00	51.00	3	12	6	4	2

APPENDIX IV. Changes and notification of investments and divestments in the BBVA Group in 2017

Acquisitions or Increases of Interest Ownership in Consolidated Subsidiaries

Company	Type of Transaction	Activity	Millions of Euros		% of Voting Rights		Effective Date for the Transaction (or Notification Date)	Category
			Price Paid in the Transactions + Expenses directly attributable to the Transactions	Fair Value of Equity Instruments issued for the Transactions	% Participation (net) Acquired in the Period	Total Voting Rights Controlled after the Transactions		
EUROPEA DE TITULIZACION, S.A., S.G.F.T.	ACQUISITION	FINANCIAL SERVICES	-	-	0.38%	88.24%	16-Mar-17	SUBSIDIARY
COMPASS INSURANCE TRUST WILLMINGTON, DE	FOUNDING	INSURANCES SERVICES	-	-	100.00%	100.00%	30-Jun-17	SUBSIDIARY
P.I.HOLDINGS GPP, LLC	FOUNDING	FINANCIAL SERVICES	-	-	100.00%	100.00%	30-Jun-17	SUBSIDIARY
MICRO SPINAL LLC	FOUNDING	FINANCIAL SERVICES	-	-	100.00%	100.00%	30-Jun-17	SUBSIDIARY
HOLAMUNO AGENTE DE SEGUROS VINCULADO, S.L.U.	FOUNDING	INSURANCES SERVICES	-	-	100.00%	100.00%	22-Feb-17	SUBSIDIARY
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON DERECHO DE REVERSION	FOUNDING	REAL ESTATE	-	-	42.40%	42.40%	1-Feb-17	SUBSIDIARY
DENIZEN FINANCIAL, INC	FOUNDING	SERVICES	-	-	100.00%	100.00%	24-Feb-17	SUBSIDIARY
OPENPAY S.A.P.I DE C.V.	ACQUISITION	PAYMENT ENTITIES	225	-	100.00%	100.00%	28-Apr-17	SUBSIDIARY
BBVA AGENCIA DE SEGUROS COLOMBIA LTDA	FOUNDING	INSURANCES SERVICES	-	-	100.00%	100.00%	28-Apr-17	SUBSIDIARY
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS S.L.	FOUNDING	SERVICES	-	-	51.00%	51.00%	29-May-17	SUBSIDIARY
TURKIYE GARANTI BANKASI A.S	ACQUISITION	BANKING	720,801	-	9.95%	49.85%	22-Mar-17	SUBSIDIARY
CX PROPIETAT, FII	ACQUISITION	REAL ESTATE INVESTMENT FUND	-	-	27.02%	94.96%	30-Nov-17	SUBSIDIARY
PROPEL VENTURE PARTNERS GLOBAL, S.L	FOUNDING	FINANCIAL SERVICES	961	-	99.50%	99.50%	20-Jul-17	SUBSIDIARY
COVAULT, INC	FOUNDING	SERVICES	-	-	100.00%	100.00%	8-Jun-17	SUBSIDIARY
APLICA NEXTGEN SERVICIOS S.A. DE C.V	FOUNDING	SERVICES	-	-	100.00%	100.00%	16-Nov-17	SUBSIDIARY
APLICA NEXTGEN OPERADORA S.A. DE C.V.	FOUNDING	SERVICES	-	-	100.00%	100.00%	16-Nov-17	SUBSIDIARY
UPTURN FINANCIAL INC	FOUNDING	FINANCIAL SERVICES	-	-	100.00%	100.00%	25-Oct-17	SUBSIDIARY
OPENPAY SERVICIOS S.A. DE C.V.	FOUNDING	SERVICES	-	-	100.00%	100.00%	29-Nov-17	SUBSIDIARY
INFORMACIO I TECNOLOGIA DE CATALUNYA, S.L.	ACQUISITION	SERVICES	-	-	26.00%	76.00%	27-Dec-17	SUBSIDIARY
GARANTI HIZMET YONETIMI A.S	ACQUISITION	FINANCIAL SERVICES	-	-	0.60%	100.00%	30-Nov-17	SUBSIDIARY

Disposals or Reduction of Interest Ownership in Consolidated Subsidiaries

Company	Type of Transaction	Activity	Millions of Euros		% of Voting Rights		Effective Date for the Transaction (or Notification Date)	Category
			Profit (Loss) in the Transaction	Changes in the Equity due to the transaction	% Participation Sold in the Period	Total Voting Rights Controlled after the Disposal		
ESPAÑHOLA COMERCIAL E SERVIÇOS, LTDA.	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	30-Apr-17	SUBSIDIARY
BBVA COMERCIALIZADORA LTDA.	LIQUIDATION	BANKING	-	-	100.00%	-	31-Mar-17	SUBSIDIARY
BETESE S.A. DE C.V.	MERGER	INVESTMENT COMPANY	-	-	100.00%	-	15-Feb-17	SUBSIDIARY
HIPOTECARIA NACIONAL, S.A. DE C.V.	MERGER	FINANCIAL SERVICES	-	-	100.00%	-	15-Feb-17	SUBSIDIARY
TEXTIL TEXTURA, S.L.	DISPOSAL	COMMERCIAL	-	-	68.67%	-	1-Jun-17	SUBSIDIARY
VALANZA CAPITAL S.A. UNIPERSONAL	LIQUIDATION	SERVICES	(23)	-	100.00%	-	10-Mar-17	SUBSIDIARY
DESITEL TECNOLOGIA Y SISTEMAS, S.A. DE C.V.	MERGER	SERVICES	-	-	100.00%	-	15-Feb-17	SUBSIDIARY
APLICA SOLUCIONES TECNOLOGICAS CHILE LIMITADA	LIQUIDATION	SERVICES	-	-	100.00%	-	24-Mar-17	SUBSIDIARY
BBVA PARTICIPACIONES MEJICANAS, S.L.	LIQUIDATION	INVESTMENT COMPANY	-	-	100.00%	-	4-Apr-17	SUBSIDIARY
COMPASS MULTISTATE SERVICES CORPORATION	LIQUIDATION	SERVICES	-	-	100.00%	-	1-Jun-17	SUBSIDIARY
COMPASS INVESTMENTS, INC.	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	1-Jun-17	SUBSIDIARY
COMPASS CUSTODIAL SERVICES, INC.	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	1-Jun-17	SUBSIDIARY
BBVA LEASIMO - SOCIEDADE DE LOCAÇÃO FINANCEIRA, S.A.	MERGER	FINANCIAL SERVICES	-	-	100.00%	-	10-Feb-17	SUBSIDIARY
BBVA SEGUROS GENERALES S.A.	LIQUIDATION	INSURANCES SERVICES	-	-	100.00%	-	3-Apr-17	SUBSIDIARY
CATALUNYACAIXA VIDA, S.A.	MERGER	INSURANCES SERVICES	-	-	100.00%	-	31-Jan-17	SUBSIDIARY
AUMERAVILLA, S.L.	LIQUIDATION	REAL ESTATE	(1)	-	100.00%	-	30-Jun-17	SUBSIDIARY
ESPAIS CERDANYOLA, S.L.	DISPOSAL	REAL ESTATE	-	-	97.51%	-	13-Jun-17	SUBSIDIARY
NOVA EGARA-PROCAM, S.L.	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	30-Jun-17	SUBSIDIARY
CORPORACION BETICA INMOBILIARIA, S.A.	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	30-Jun-17	SUBSIDIARY
MILLENNIUM PROCAM, S.L.	LIQUIDATION	REAL ESTATE	(1)	-	100.00%	-	30-Jun-17	SUBSIDIARY
PROVIURE PARC DHABITATGES, S.L.	LIQUIDATION	REAL ESTATE	3	-	100.00%	-	30-Jun-17	SUBSIDIARY
BBVA AUTORENTING, S.A.	DISPOSAL	SERVICES	75	-	100.00%	-	22-Sep-17	SUBSIDIARY
BBVA EMISORA, S.A.	MERGER	FINANCIAL SERVICES	-	-	100.00%	-	7-Sep-17	SUBSIDIARY
GRANFIDUCIARIA	LIQUIDATION	FINANCIAL SERVICES	-	-	90.00%	-	31-Dec-17	SUBSIDIARY
BBVA U.S. SENIOR S.A.U.	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	22-Dec-17	SUBSIDIARY
COMPLEMENTOS INNOVACIÓN Y MODA, S.L.	LIQUIDATION	COMMERCIAL	-	-	100.00%	-	7-Nov-17	SUBSIDIARY
INVESCO MANAGEMENT Nº 1, S.A.	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	9-Nov-17	SUBSIDIARY
INVESCO MANAGEMENT Nº 2, S.A.	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	9-Nov-17	SUBSIDIARY
TEXAS REGIONAL STATUTORY TRUST I	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	31-Dec-17	SUBSIDIARY
GOBERNALIA GLOBAL NET, S.A.	MERGER	SERVICES	-	-	100.00%	-	27-Jul-17	SUBSIDIARY

Disposals or Reduction of Interest Ownership in Consolidated Subsidiaries

Company	Type of Transaction	Activity	Millions of Euros		% of Voting Rights		Effective Date for the Transaction (or Notification Date)	Category
			Profit (Loss) in the Transaction	Changes in the Equity due to the transaction	% Participation Sold in the Period	Total Voting Rights Controlled after the Disposal		
ESTACION DE AUTOBUSES CHAMARTIN, S.A.	LIQUIDATION	SERVICES	-	-	51.00%	-	30-Oct-17	SUBSIDIARY
STATE NATIONAL CAPITAL TRUST I	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	31-Dec-17	SUBSIDIARY
STATE NATIONAL STATUTORY TRUST II	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	31-Dec-17	SUBSIDIARY
TEXASBANC CAPITAL TRUST I	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	1-Nov-17	SUBSIDIARY
COMPASS TEXAS ACQUISITION CORPORATION	MERGER	INVESTMENT COMPANY	-	-	100.00%	-	31-Dec-17	SUBSIDIARY
COMPASS TRUST II	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	30-Nov-17	SUBSIDIARY
CAPITAL INVESTMENT COUNSEL, INC.	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	31-Dec-17	SUBSIDIARY
COMPASS ASSET ACCEPTANCE COMPANY, LLC	LIQUIDATION	FINANCIAL SERVICES	5	-	100.00%	-	31-Dec-17	SUBSIDIARY
COMPASS AUTO RECEIVABLES CORPORATION	MERGER	FINANCIAL SERVICES	-	-	100.00%	-	31-Dec-17	SUBSIDIARY
CB TRANSPORT, INC.	LIQUIDATION	SERVICES	(1)	-	100.00%	-	31-Dec-17	SUBSIDIARY
AMERICAN FINANCE GROUP, INC.	MERGER	FINANCIAL SERVICES	-	-	100.00%	-	30-Nov-17	SUBSIDIARY
FACILEASING, S.A. DE C.V.	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	31-Oct-17	SUBSIDIARY
INNOVATION 4 SECURITY, S.L.	MERGER	SERVICES	-	-	100.00%	-	27-Jul-17	SUBSIDIARY
CONSORCIO DE CASAS MEXICANAS, S.A.P.I. DE C.V.	DISPOSAL	REAL ESTATE	3	-	99.99%	-	31-Dec-17	SUBSIDIARY
HABITATGES INVERCAP, S.L.	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	27-Jul-17	SUBSIDIARY
GESTIO D'ACTIUS TITULITZATS, S.A.	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	31-Dec-17	SUBSIDIARY
INVERCARTERA INTERNACIONAL, S.L.	DISPOSAL	INVESTMENT COMPANY	-	-	100.00%	-	21-Dec-17	SUBSIDIARY
S.B.D. NORD, S.L.	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	27-Jul-17	SUBSIDIARY
PROVIURE, S.L.	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	27-Jul-17	SUBSIDIARY
AREA TRES PROCAM, S.L.	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	27-Jul-17	SUBSIDIARY
PROVIURE CIUTAT DE LLEIDA, S.L.	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	27-Jul-17	SUBSIDIARY
PROVIURE BARCELONA, S.L.	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	27-Jul-17	SUBSIDIARY
ALGARVETUR, S.L.	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	27-Jul-17	SUBSIDIARY
CONJUNT RESIDENCIAL FREIXA, S.L.	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	27-Jul-17	SUBSIDIARY
HABITAT ZENTRUM, S.L.	LIQUIDATION	REAL ESTATE	-	-	50.00%	-	27-Jul-17	SUBSIDIARY
BBVA BANCO FRANCES, S.A.	DILUTION	BANKING	-	-	9.39%	66.55%	31-Jul-17	SUBSIDIARY

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRS for banks. See Note 52). This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

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Business Combinations and Other Acquisitions or Increases of Interest Ownership in Associates and Joint-Ventures Accounted for Under the Equity Method

Company	Type of Transaction	Activity	Millions of Euros		% of Voting Rights		Effective Date for the Transaction (or Notification Date)	Category
			Price Paid in the Transactions + Expenses Directly Attributable to the Transactions	Fair Value of Equity Instruments Issued for the Transactions	% Participation (Net) Acquired in the Period	Total Voting Rights Controlled After the Transactions		
ATOM BANK PLC	DILUTION EFFECT	BANKING	42	-	0.44%	29.90%	30-Nov-17	ASSOCIATED
TESTA RESIDENCIAL SOCIMI SAU	CAPITAL INCREASE	REAL ESTATE INVESTMENT TRUST	340	-	13.10%	26.87%	31-Oct-17	ASSOCIATED
BATEC ORTO DISTRIBUCION S.L.	FOUNDING	COMMERCIAL	-	-	100.00%	100.00%	8-Jun-17	JOINT VENTURE
HABITATGES SOCIALS DE CALAF S.L	CREDITORS AGREEMENT	REAL ESTATE	-	-	40.00%	40.00%	1-May-17	JOINT VENTURE
COMPANIA PERUANA DE MEDIOS DE PAGO S.A.C. (VISANET PERU)	SHARES AWARD	ELECTRONIC MONEY ENTITIES	-	-	20.28%	20.28%	1-Sep-17	ASSOCIATED
SISTARBANC S.R.L.	FOUNDING	FINANCIAL SERVICES	-	-	6.66%	26.66%	31-Aug-17	ASSOCIATED
METROVACESA SUELO Y PROMOCION, S.A.	CAPITAL INCREASE	REAL ESTATE	-	-	7.99%	28.51%	30-Nov-17	ASSOCIATED

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Disposal or Reduction of Interest Ownership in Associates and Joint-Ventures Companies Accounted for Under the Equity Method

Company	Type of Transaction	Activity	Millions of Euros				Effective Date for the Transaction (or Notification Date)	Category
			Profit (Loss) in the Transaction	% Participation Sold in the Period	Total Voting Rights Controlled after the Disposal			
SOCIEDAD ADMINISTRADORA DE FONDOS DE CESANTIA DE CHILE II, S.A.	DISPOSAL	PENSION FUNDS MANAGEMENT	7	48.60%	-		28-Jan-17	ASSOCIATE
DOBIMUS, S.L.	LIQUIDATION	PENSION FUNDS	6	50.00%	-		10-Jan-17	JOINT VENTURE
ESPAIS CATALUNYA INVERSIONS IMMOBILIARIES, S.L.	DISPOSAL	PENSION FUNDS	-	50.84%	-		13-Jun-17	JOINT VENTURE
FACTOR HABAST, S.L.	DISPOSAL	PENSION FUNDS	-	50.00%	-		24-Jan-17	JOINT VENTURE
IMPULS LLOGUER, S.L.	DISPOSAL	PENSION FUNDS	-	100.00%	-		24-Jan-17	JOINT VENTURE
NAVIERA CABO ESTAY, AIE	LIQUIDATION	PENSION FUNDS	-	16.00%	-		01-Feb-17	ASSOCIATE
JARDINES DEL RUBIN, S.A.	LIQUIDATION	PENSION FUNDS	-	50.00%	-		31-Dec-17	JOINT VENTURE
FIDEICOMISO DE ADMINISTRACION 2038-6	LIQUIDATION	PENSION FUNDS	-	33.70%	-		30-Sep-17	ASSOCIATE
METROVACESA PROMOCION Y ARRENDAMIENTO S.A.	MERGER	PENSION FUNDS	-	20.52%	-		30-Nov-17	ASSOCIATE
NUCLI, S.A.	LIQUIDATION	PENSION FUNDS	-	29.47%	-		29-Nov-17	JOINT VENTURE
RESIDENCIAL PEDRALBES-CARRERAS, S.L.	BANKRUPTCY	PENSION FUNDS	-	25.00%	-		22-Dec-17	ASSOCIATE
PROVICAT SANT ANDREU, S.A.	DISPOSAL	PENSION FUNDS	-	50.00%	-		30-Sep-17	JOINT VENTURE
NOVA TERRASSA 30, S.L.	DISPOSAL	PENSION FUNDS	-	51.00%	-		01-Dec-17	JOINT VENTURE
EUROESPAI 2000, S.L.	DISPOSAL	PENSION FUNDS	-	35.00%	-		21-Dec-17	JOINT VENTURE
AGRUPACION DE LA MEDIACION ASEGURADORA DE ENTIDADES FINANCIERAS A.I.E.	LIQUIDATION	PENSION FUNDS	-	25.00%	-		30-Sep-17	ASSOCIATE

APPENDIX V. Fully consolidated subsidiaries with more than 10% owned by non-Group shareholders as of December 31, 2017

Company	Activity	% of Voting Rights Controlled by the Bank		
		Direct	Indirect	Total
BANCO CONTINENTAL, S.A.	BANKING	-	46.12	46.12
BANCO PROVINCIAL S.A. - BANCO UNIVERSAL	BANKING	1.46	53.75	55.21
INVERSIONES BANPRO INTERNATIONAL INC. N.V.	INVESTMENT COMPANY	48.00	-	48.00
PRO-SALUD, C.A.	NO ACTIVITY	-	58.86	58.86
INVERSIONES P.H.R.4, C.A.	NO ACTIVITY	-	60.46	60.46
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.	BANKING	-	68.19	68.19
BBVA INMOBILIARIA E INVERSIONES, S.A.	REAL ESTATE	-	68.11	68.11
COMERCIALIZADORA CORPORATIVA SAC	FINANCIAL SERVICES	-	50.00	50.00
DISTRITO CASTELLANA NORTE, S.A.	REAL ESTATE	-	75.54	75.54
GESTION DE PREVISION Y PENSIONES, S.A.	PENSION FUND MANAGEMENT	60.00	-	60.00
URBANIZADORA SANT LLORENC, S.A.	NO ACTIVITY	60.60	-	60.60
F/403035-9 BBVA HORIZONTES RESIDENCIAL	REAL ESTATE	-	65.00	65.00
F/253863 EL DESEO RESIDENCIAL	REAL ESTATE	-	65.00	65.00
DATA ARCHITECTURE AND TECHNOLOGY S.L.	SERVICES	-	51.00	51.00
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA S.A.	FINANCIAL SERVICES	-	51.00	51.00
FIDEICOMISO LOTE 6.1 ZARAGOZA	REAL ESTATE	-	59.99	59.99
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON DERECHO DE REVERSION	REAL ESTATE	-	42.40	42.40
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS S.L.	SERVICES	-	51.00	51.00
HABITATGES INVERVIC, S.L.	REAL ESTATE	-	35.00	35.00
GARANTI EMEKLILIK VE HAYAT AS	INSURANCES	-	84.91	84.91
FODECOR, S.L.	REAL ESTATE	-	60.00	60.00
INFORMACIO I TECNOLOGIA DE CATALUNYA, S.L.	SERVICES	76.00	-	76.00
PROCAMVASA, S.A.	REAL ESTATE	-	51.00	51.00
JALE PROCAM, S.L.	REAL ESTATE	-	50.00	50.00
VOLJA LUX, SARL	INVESTMENT COMPANY	-	71.78	71.78
VOLJA PLUS SL	INVESTMENT COMPANY	75.40	-	75.40

APPENDIX VI. BBVA Group's structured entities. Securitization funds as of December, 31 2017

Securitization Fund (consolidated)	Company	Origination Date	Millions of Euros	
			Total Securitized Exposures at the Origination Date	Total Securitized Exposures as of December 31, 2017 (*)
2 PS Interamericana	BBVA CHILE S.A.	Oct-04	29	3
AYT CAIXA SABADELL HIPOTECARIO I, FTA	BBVA, S.A.	Jul-08	300	90
AYT HIPOTECARIO MIXTO IV, FTA	BBVA, S.A.	Jun-05	100	21
AYT HIPOTECARIO MIXTO, FTA	BBVA, S.A.	Mar-04	100	15
BACOMCB 07	BBVA BANCOMER, S.A., INSTIT. BANCA	Dec-07	112	-
BACOMCB 08	BBVA BANCOMER, S.A., INSTIT. BANCA	Mar-08	49	-
BACOMCB 08-2	BBVA BANCOMER, S.A., INSTIT. BANCA	Dec-08	246	-
BBVA CONSUMO 6 FTA	BBVA, S.A.	Oct-14	299	100
BBVA CONSUMO 7 FTA	BBVA, S.A.	Jul-15	1,450	924
BBVA CONSUMO 8 FT	BBVA, S.A.	Jul-16	700	651
BBVA CONSUMO 9 FT	BBVA, S.A.	Mar-17	1,375	1,361
BBVA EMPRESAS 4 FTA	BBVA, S.A.	Jul-10	1,700	56
BBVA LEASING 1 FTA	BBVA, S.A.	Jun-07	2,500	64
BBVA PYME 10 FT	BBVA, S.A.	Dec-15	780	266
BBVA RMBS 1 FTA	BBVA, S.A.	Feb-07	2,500	1,111
BBVA RMBS 10 FTA	BBVA, S.A.	Jun-11	1,600	1,224
BBVA RMBS 11 FTA	BBVA, S.A.	Jun-12	1,400	1,077
BBVA RMBS 12 FTA	BBVA, S.A.	Dec-13	4,350	3,450
BBVA RMBS 13 FTA	BBVA, S.A.	Jul-14	4,100	3,375
BBVA RMBS 14 FTA	BBVA, S.A.	Nov-14	700	530
BBVA RMBS 15 FTA	BBVA, S.A.	May-15	4,000	3,435
BBVA RMBS 16 FT	BBVA, S.A.	May-16	1,600	1,449
BBVA RMBS 17 FT	BBVA, S.A.	Nov-16	1,800	1,696
BBVA RMBS 18 FT	BBVA, S.A.	Nov-17	1,800	1,790
BBVA RMBS 2 FTA	BBVA, S.A.	Mar-07	5,000	2,073
BBVA RMBS 3 FTA	BBVA, S.A.	Jul-07	3,000	1,529
BBVA RMBS 5 FTA	BBVA, S.A.	May-08	5,000	2,527
BBVA RMBS 9 FTA	BBVA, S.A.	Apr-10	1,295	900
BBVA UNIVERSALIDAD E10	BBVA COLOMBIA, S.A.	Mar-09	21	-
BBVA UNIVERSALIDAD E11	BBVA COLOMBIA, S.A.	May-09	14	-
BBVA UNIVERSALIDAD E12	BBVA COLOMBIA, S.A.	Aug-09	22	-
BBVA UNIVERSALIDAD E9	BBVA COLOMBIA, S.A.	Dec-08	39	-
BBVA UNIVERSALIDAD N6	BBVA COLOMBIA, S.A.	Aug-12	59	-
BBVA VELA SME 2017-1	BBVA, S.A.	Jun-17	3,000	2,200
BBVA-5 FTPYME FTA	BBVA, S.A.	Nov-06	1,900	17
BBVA-6 FTPYME FTA	BBVA, S.A.	Jun-07	1,500	21
BMERCB 13	BBVA BANCOMER, S.A., INSTIT. BANCA	Jun-13	458	-
FTA TDA-22 MIXTO	BBVA, S.A.	Dec-04	112	27
FTA TDA-27	BBVA, S.A.	Dec-06	275	97
FTA TDA-28	BBVA, S.A.	Jul-07	250	98
GAT ICO FTVPO 1, F.T.H	BBVA, S.A.	Mar-04	40	105
GC FTGENCAT TARRAGONA 1 FTA	BBVA, S.A.	Jun-08	283	35
HIPOCAT 10 FTA	BBVA, S.A.	Jul-06	1,500	353
HIPOCAT 11 FTA	BBVA, S.A.	Mar-07	1,600	362
HIPOCAT 6 FTA	BBVA, S.A.	Jul-03	850	124
HIPOCAT 7 FTA	BBVA, S.A.	Jun-04	1,400	256
HIPOCAT 8 FTA	BBVA, S.A.	May-05	1,500	311
HIPOCAT 9 FTA	BBVA, S.A.	Nov-05	1,000	240
Instrumentos de Titulización Hip- Junior	BANCO CONTINENTAL, S.A.	Dec-07	21	1
TDA 19 FTA	BBVA, S.A.	Mar-04	200	30
TDA 20-MIXTO, FTA	BBVA, S.A.	Jun-04	100	17
TDA 23 FTA	BBVA, S.A.	Mar-05	300	64
TDA TARRAGONA 1 FTA	BBVA, S.A.	Dec-07	397	134

Securitization Fund (not consolidated)	Company	Origination Date	Millions of Euros	
			Total Securitized Exposures at the Origination Date	Total Securitized Exposures as of December 31, 2017 (*)
FTA TDA-18 MIXTO	BBVA, S.A.	Nov-03	91	13

(*) Solvency Scope.

APPENDIX VII. Details of the outstanding subordinated debt and preferred securities issued by the Bank as of December 31, 2017 and 2016

Issue Type and data (Millions of euros)

	2017	2016	Interest rate in force in 2017	Fix (F) or Variable (V)	Maturity date
Non-convertible					
May-08	50	-	3.00%	V	5/19/2023
January-05	50	49	0.69%	V	1/28/2020
August-06	50	40	0.75%	V	8/9/2021
August-06	75	46	0.75%	V	8/9/2021
February-07	-	70	-	V	2/15/2017
February-07	254	255	0.47%	V	2/16/2022
February-17	1,000	-	3.50%	F	10/2/2027
February-17	100	-	4.00%	F	2/24/2032
March-17	65	-	4.00%	F	2/24/2032
March-17	53	-	3.00%	F	3/16/2027
March-17	100	-	5.70%	F	3/31/2032
May-17	17	-	1.60%	F	5/24/2027
May-17	149	-	2.54%	F	5/24/2027
March-07	65	67	0.97%	V	Perpetual
April-07	39	-	0.80%	V	4/4/2022
April-14	1,496	-	3.50%	V	11/5/2024
March-08	125	125	6.03%	V	3/3/2033
July-08	97	100	6.20%	F	7/4/2023
June-09	5	5	4.92%	V	6/10/2024
Convertible					
May-13	1,251	1,423	9.00%	V	Perpetual
February-14	1,500	1,500	7.00%	V	Perpetual
February-15	1,500	1,500	6.75%	V	Perpetual
April-16	1,000	1,000	8.88%	V	Perpetual
May-17	500	-	5.88%	V	Perpetual
November-17	833	-	6.13%	V	Perpetual
Subtotal	10,374	6,180			
Subordinated deposits	429	2,943			
Preferred Stock					
December-07	-	14		V	Perpetual
Total	10,803	9,137			

APPENDIX VIII. Balance sheets held in foreign currency as of December 31, 2017 and 2016

2017 (Millions of euros)

	USD	Pounds Sterling	Other Currencies	Total
Assets				
Financial assets held for trading	1,034	387	481	1,902
Available-for-sale financial assets	1,683	10	224	1,917
Loans and receivables	12,569	1,562	1,612	15,743
Investments in subsidiaries, joint ventures and associates	192	-	26,002	26,194
Tangible assets	4	3	1	8
Other Assets	4,724	62	770	5,556
Total	20,206	2,024	29,090	51,320
Liabilities				
Financial assets held for trading	627	55	193	875
Financial liabilities at amortized cost	22,659	1,595	1,808	26,062
Other Liabilities	231	51	37	319
Total	23,517	1,701	2,038	27,256

2016 (Millions of euros)

	USD	Pounds Sterling	Other Currencies	Total
Assets				
Financial assets held for trading	1,017	195	476	1,688
Available-for-sale financial assets	4,513	554	797	5,864
Loans and receivables	14,548	1,786	2,554	18,888
Investments in subsidiaries, joint ventures and associates	218	52	25,137	25,407
Tangible assets	6	4	1	11
Other Assets	2,672	572	80	3,324
Total	22,974	3,163	29,045	55,182
Liabilities				
Financial assets held for trading	795	124	228	1,147
Financial liabilities at amortized cost	23,094	2,977	2,736	28,807
Other Liabilities	246	66	41	353
Total	24,135	3,167	3,005	30,307

APPENDIX IX. Income statement corresponding to the first and second half of 2017 and 2016

INCOME STATEMENTS (Millions of euros)

	Six months ended June 30, 2017	Six months ended June 30, 2016	Six months ended December, 2017	Six months ended December, 2016
Interest and similar income	2,420	2,457	2,440	3,779
Interest and similar expenses	(707)	(874)	(690)	(1,839)
NET INTEREST INCOME	1,713	1,584	1,750	1,939
Dividend income	1,763	1,951	1,792	903
Fee and commission income	995	831	1,008	1,055
Fee and commission expenses	(187)	(152)	(199)	(201)
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	-	-	18	-
Gains or (-) losses on financial assets and liabilities held for trading, net	20	(139)	12	69
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	458	355	176	600
Gains or (-) losses from hedge accounting, net	(198)	(20)	(29)	(42)
Exchange differences (net)	206	305	229	-
Other operating income	73	66	86	74
Other operating expenses	(192)	(224)	(274)	(280)
GROSS INCOME	4,651	4,556	4,569	4,118
Administration costs	(2,010)	(1,922)	(2,027)	(2,325)
Personnel expenses	(1,188)	(1,101)	(1,194)	(1,401)
General and administrative expenses	(822)	(821)	(833)	(924)
Depreciation	(281)	(263)	(259)	(312)
Provisions or (-) reversal of provisions	(435)	(191)	(367)	(996)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	(314)	(484)	(1,271)	(465)
NET OPERATING INCOME	1,611	1,695	645	21
Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates	5	(66)	202	(81)
Impairment or (-) reversal of impairment on non-financial assets	(4)	(2)	(4)	(14)
Negative goodwill recognised in profit or loss	-	-	-	-
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(15)	(76)	1	3
OPERATING PROFIT BEFORE TAX	1,597	1,552	843	(60)
Tax expense or (-) income related to profit or loss from continuing operation	(139)	(23)	(218)	193
PROFIT FROM CONTINUING OPERATIONS	1,458	1,529	625	133
Profit from discontinued operations (net)	-	-	-	-
PROFIT	1,458	1,529	625	133

APPENDIX X. Information on data derived from the special accounting registry and other information on bonds

The Bank has explicit policies and procedures in place regarding its activities in the mortgage market and in the financing of goods and services export contracts or of internationalization processes of companies, which provide for full compliance with applicable regulations al mercado hipotecario y a la emisión de cédulas.

a) Mortgage market policies and procedures

Information required pursuant to Circular 5/2011 of the Bank of Spain is indicated as follows.

The mortgage origination policy is based in principles focused on assessing the adequate ratio between the amount of the loan, and the payments, and the income of the applicant. Applicants must in all cases prove sufficient repayment ability (present and future) to meet their repayment obligations, for both the mortgage debt and for other debts detected in the financial system. Therefore, the applicant's repayment ability is a key aspect within the credit decision-making tools and retail risk acceptance manuals, and has a high weighting in the final decision.

During the mortgage risk transaction analysis process, documentation supporting the applicant's income (payroll, etc.) is required, and the applicant's position in the financial system is checked through automated database queries (internal and external). This information is used for calculation purposes in order to determine the level of indebtedness/compliance with the remainder of the system. This documentation is kept in the transaction's file.

In addition, the mortgage origination policy assesses the adequate ratio between the amount of the loan and the appraisal value of the mortgaged asset. The policy also establishes that the property to be mortgaged be appraised by an independent appraisal company as established by Circular 3/2010 and Circular 4/2016. BBVA selects those companies whose reputation, standing in the market and independence ensure that their appraisals adapt to the market reality in each region. Each appraisal is reviewed and checked before the loan is granted and, in those cases where the loan is finally granted, it is kept in the transaction's file.

As for issues related to the mortgage market, the Finance area annually defines the strategy for wholesale finance issues,, and more specifically mortgage bond issues, such as mortgage covered bonds or mortgage securitization. The Assets and Liabilities Committee tracks the budget monthly. The volume and type of assets in these transactions is determined in accordance with the wholesale finance plan, the trend of the Bank's "Loans and receivables" outstanding balances and the conditions in the market.

The Board of Directors of the Bank authorizes each of the issues of Mortgage Transfer Certificates and/or Mortgage Participations issued by BBVA to securitize the credit rights derived from loans and mortgage loans. Likewise, the Board of Directors authorizes the establishment of a Base Prospectus for the issuance of fixed-income securities through which the mortgage-covered bonds are implemented.

As established in article 24 of Royal Decree 716/2009, of 24 April, by virtue of which certain aspects of Law 2/1981, of 25 March, of regulation of the mortgage market and other rules of the mortgage and financial system are developed, *"the volume of outstanding mortgage-covered bonds issued by a bank may not exceed 80% of a calculation base determined by adding the outstanding principal of all the loans and mortgage loans in the bank's portfolio that are eligible"* and which are not covered by the issue of Mortgage Bonds, Mortgage Participations or Mortgage Transfer Certificates. For these purposes, in accordance with the aforementioned Royal Decree 716/2009, in order to be eligible, loans and mortgage loans, on a general basis: (i) must be secured by a first mortgage on the freehold; (ii) the loan's amount may not exceed 80% of the appraisal

value for residential mortgages, and 60% for other mortgage lending; (iii) must be established on assets exclusively and wholly owned by the mortgagor; (iv) must have been appraised by an independent appraisal company unrelated to the Group and authorized by the Bank of Spain; and (v) the mortgaged property must be covered at least by a current damage insurance policy.

The Bank has set up a series of controls for mortgage covered bonds, which regularly control the total volume of issued mortgage covered bonds issued and the remaining eligible collateral, to avoid exceeding the maximum limit set by Royal Decree 716/2009, and outlined in the preceding paragraph. In the case of securitizations, the preliminary portfolio of loans and mortgage loans to be securitized is checked according to an agreed procedures engagement, by the Bank's external auditor as required by the Spanish Securities and Exchange Commission. There is also a series of filters through which some mortgage loans and credits are excluded in accordance with legal, commercial and risk concentration criteria.

b) Quantitative information on activities in the mortgage market

The quantitative information on activities in the mortgage market required by Bank of Spain Circular 5/2011 is shown below as of December 31, 2017 and 2016.

b.1) Ongoing operations

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of euros)		
	2017	2016
Nominal value of outstanding loans and mortgage loans	105,539	113,977
<i>Minus: Nominal value of all outstanding loans and mortgage loans that form part of the portfolio, but have been mobilized through mortgage bond holdings or mortgage transfer certificates.</i>	(32,774)	(33,677)
Nominal value of outstanding loans and mortgage loans, excluding securitized loans	72,765	80,300
<i>Of which:</i>		
<i>Loans and mortgage loans which would be eligible if the calculation limits set forth in Article 12 of Spanish Royal Decree 716/2009 were not applied.</i>	48,003	46,987
<i>Minus: Loans and mortgage loans which would be eligible but, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, cannot be used to collateralize any issuance of mortgage bonds.</i>	(1,697)	(2,268)
Eligible loans and mortgage loans that, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, can be used as collateral for the issuance of mortgage bonds	46,306	44,719
<i>Issuance limit: 80% of eligible loans and mortgage loans that can be used as collateral</i>	37,045	35,775
Issued Mortgage-covered bonds	20,153	29,085
Outstanding Mortgage-covered bonds	16,065	24,670
<i>Capacity to issue mortgage-covered bonds</i>	16,892	6,690
<i>Memorandum items:</i>		
<i>Percentage of overcollateralization across the portfolio</i>	361%	276%
<i>Percentage of overcollateralization across the eligible used portfolio</i>	230%	154%
<i>Nominal value of available sums (committed and unused) from all loans and mortgage loans.</i>	3,084	2,917
<i>Of which:</i>		
<i>Potentially eligible</i>	2,471	2,237
<i>Ineligible</i>	613	680
<i>Nominal value of all loans and mortgage loans that are not eligible, as they do not meet the thresholds set in Article 5.1 of Spanish Royal Decree 716/2009, but do meet the rest of the eligibility requirements indicated in Article 4 of the Royal Decree.</i>	16,272	25,282
<i>Nominal value of the replacement assets subject to the issue of mortgage-covered bonds.</i>	-	-

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of euros)			
	2017	2016	
Total loans	(1)	105,539	113,977
Issued mortgage participations	(2)	1,809	2,865
<i>Of which: recognized on the balance sheet</i>		-	695
Issued mortgage transfer certificates	(3)	30,965	30,812
<i>Of which: recognized on the balance sheet</i>		28,954	28,778
Mortgage loans as collateral of mortgages bonds	(4)	-	-
Loans supporting the issuance of mortgage-covered bonds	1-2-3-4	72,765	80,300
Non eligible loans		24,762	33,313
Comply requirements to be eligible except the limit provided for under the article 5.1 of the Spanish Royal Decree 716/2009		16,272	25,282
Other		8,490	8,031
Eligible loans		48,003	46,987
That can not be used as collateral for issuances		1,697	2,268
That can be used as collateral for issuances		46,306	44,719
Loans used to collateralize mortgage bonds		-	-
Loans used to collateralize mortgage-covered bonds		46,306	44,719

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRS for banks. See Note 52). This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

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Mortgage loans. Classification of the nominal values according to different characteristics (Millions of euros)

	2017			2016		
	Total mortgage loans	Eligible Loans(*)	Elegibles that can be used as collateral for issuances (**)	Total mortgage loans	Eligible Loans(*)	Elegibles that can be used as collateral for issuances (**)
TOTAL	72,765	48,003	46,306	80,300	46,987	44,719
By source of the operations						
Originated by the bank	67,134	43,315	41,694	74,220	42,641	40,451
Subrogated by other institutions	795	692	686	904	685	678
Rest	4,836	3,996	3,926	5,176	3,661	3,590
By Currency						
In euros	72,070	47,623	45,945	79,422	46,594	44,341
In foreign currency	695	380	361	878	393	378
By payment situation						
Normal payment	61,013	43,578	43,187	61,264	40,685	40,389
Other situations	11,752	4,425	3,119	19,036	6,302	4,330
By residual maturity						
Up to 10 years	15,482	10,268	9,659	19,762	12,722	11,765
10 to 20 years	29,131	23,344	22,748	30,912	22,417	21,646
20 to 30 years	18,470	11,565	11,153	19,899	9,375	8,910
Over 30 years	9,682	2,826	2,746	9,727	2,473	2,398
By Interest Rate						
Fixed rate	5,578	2,697	2,614	4,460	1,680	1,559
Floating rate	67,187	45,306	43,692	75,840	45,307	43,160
Mixed rate	-	-	-	-	-	-
By Target of Operations						
For business activity	17,111	7,788	6,569	20,913	8,614	6,926
From which: public housing	4,520	1,670	726	6,958	1,894	740
For households	55,654	40,215	39,737	59,387	38,373	37,793
By type of guarantee						
Secured by completed assets/buildings	70,922	47,619	45,989	75,806	46,240	44,237
Residential use	53,543	39,050	38,499	61,338	39,494	38,139
From which: public housing	4,124	3,029	2,981	5,607	3,338	3,213
Commercial	4,610	2,535	2,414	5,453	2,563	2,289
Other	12,769	6,034	5,076	9,015	4,183	3,809
Secured by assets/buildings under construction	1,433	245	191	1,914	413	295
Residential use	522	61	61	1,457	290	187
From which: public housing	8	1	1	57	11	10
Commercial	174	48	48	286	61	53
Other	737	136	82	171	62	55
Secured by land	410	139	126	2,580	334	187
Urban	8	5	2	-	-	-
Non-urban	402	134	124	2,580	334	187

(*) Not taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009

(**) Taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009

December 2017. Nominal value of the total mortgage loans (Millions of euros)

	Loan to Value (Last available appraisal risk)					Total
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60%	Over 60% but less than or equal to 80%	Over 80%	
Home mortgages	14,535	17,225		12,667	-	44,427
Other mortgages	1,827	1,749				3,576
Total	16,362	18,974		12,667		48,003

December 2016. Nominal value of the total mortgage loans (Millions of euros)

	Loan to Value (Last available appraisal risk)					Total
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60%	Over 60% but less than or equal to 80%	Over 80%	
Home mortgages	12,883	15,921	-	14,047	-	42,851
Other mortgages	2,150	1,986	-			4,136
Total	15,033	17,907	-	14,047	-	46,987

Eligible and non eligible mortgage loans. Changes of the nominal values in the period (Millions of euros)

	2017		2016	
	Eligible (*)	Non eligible	Eligible (*)	Non eligible
Balance at the beginning	46,987	33,313	40,373	32,532
Retirements	9,820	15,015	7,458	11,489
Held-to-maturity cancellations	4,614	2,562	3,552	2,084
Anticipated cancellations	2,008	2,582	1,479	1,971
Subrogations to other institutions	33	23	37	30
Rest	3,165	9,848	2,390	7,404
Additions	10,835	6,464	14,072	12,270
Originated by the bank	2,645	3,392	10,051	9,523
Subrogations to other institutions	15	5	283	162
Rest	8,176	3,067	3,738	2,585
Balance at the end	48,003	24,762	46,987	33,313

(*) Not taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009

Mortgage loans supporting the issuance of mortgage-covered bonds. Nominal value (Millions of euros)

	2017	2016
Potentially eligible	2,471	2,237
Ineligible	613	680
Total	3,084	2,917

b.2) Liabilities operations

Issued Mortgage Bonds (Millions of euros)

	2017		2016	
	Nominal value	Average residual maturity	Nominal value	Average residual maturity
Mortgage bonds	-		-	
Mortgage-covered bonds (*)	20,153		29,085	
<i>Of which: Non recognized as liabilities on balance</i>	4,088		4,414	
<i>Of Which: outstanding</i>	16,065		24,670	
Debt securities issued through public offer	12,501		20,773	
Residual maturity up to 1 year	-		8,272	
Residual maturity over 1 year and less than 2 years	-		-	
Residual maturity over 2 years and less than 3 years	2,051		-	
Residual maturity over 3 years and less than 5 years	4,000		4,801	
Residual maturity over 5 years and less than 10 years	6,250		7,500	
Residual maturity over 10 years	200		200	
Debt securities issued without public offer	4,162		4,321	
Residual maturity up to 1 year	-		150	
Residual maturity over 1 year and less than 2 years	-		-	
Residual maturity over 2 years and less than 3 years	50		-	
Residual maturity over 3 years and less than 5 years	1,500		1,550	
Residual maturity over 5 years and less than 10 years	2,612		2,500	
Residual maturity over 10 years	-		121	
Deposits	3,491		3,991	
Residual maturity up to 1 year	791		460	
Residual maturity over 1 year and less than 2 years	380		791	
Residual maturity over 2 years and less than 3 years	246		380	
Residual maturity over 3 years and less than 5 years	793		671	
Residual maturity over 5 years and less than 10 years	571		839	
Residual maturity over 10 years	710		850	
Mortgage participations	-		695	
Mortgage transfer certificates	28,954	279	28,778	286
Issued through public offer	28,954	279	28,778	286
Issued without public offer	-	-	-	-

Given the characteristics of the type of covered bonds issued by the Bank, there is no substituting collateral related to these issues.

The Bank does not hold any derivative financial instruments relating to mortgage bond issues, as defined in the aforementioned Royal Decree.

c) Quantitative information on internationalization covered bonds

Below is the quantitative information of BBVA, S.A. internationalization covered bonds required by Bank of Spain Circular 4/2015 as of December 31, 2017 and 2016.

c.1) Assets operations

Principal outstanding payment of loans (Millions of euros)		
	Nominal value 2017	Nominal value 2016
Eligible loans according to article 34.6 y 7 of the Law 14/2013	3,075	2,631
Minos: Loans that support the issuance of internationalization bonds	-	-
Minos: NPL to be deducted in the calculation of the issuance limit, according to Article 13 del Royal Decree 579/2014	74	29
Total Loans included in the base of all issuance limit	3,001	2,602

c.2) Liabilities operations

INTERNATIONALIZATION COVERED BONDS (Millions of euros)		
	Nominal value 2017	Nominal value 2016
(1) Debt securities issued through public offer (a)	1,500	1,500
<i>of which: Treasury shares</i>	1,500	1,500
Residual maturity up to 1 year	-	-
Residual maturity over 1 year and less than 2 years	1,500	-
Residual maturity over 2 years and less than 3 years	-	1,500
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
(2) Debt securities issued without public offer (a)	-	-
<i>of which: Treasury shares</i>	-	-
Residual maturity up to 1 year	-	-
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	-	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
(3) Deposits (b)	-	-
Residual maturity up to 1 year	-	-
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	-	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
TOTAL: (1) + (2) + (3)	1,500	1,500

	Porcentaje	Porcentaje
Coverage ratio of internationalization covered bonds on loans (c)	50%	58%
(a) Balance that includes all internationalization covered bonds issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).		
(b) Nominative bonds.		
(c) Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee		

Given the characteristics of the Bank's internationalization covered bonds, there are no substitute assets assigned to these issuances.

d) Territorial bonds

d.1) Assets operations

December 2017. Loans that serves as collateral for the territorial bonds			
	Nominal Value(a)		
	Total	Spanish Residents	Residents in other countries of the European Economic Area
Central Governments	473	420	53
Regional Governments	8,882	8,851	31
Local Governments	7,040	7,040	-
Total loans	16,395	16,311	84

(a) Principal pending payment of loans.

December 2016. Loans that serves as collateral for the territorial bonds			
	Nominal Value(a)		
	Total	Spanish Residents	Residents in other countries of the European Economic Area
Central Governments	570	505	65
Regional Governments	9,836	9,805	31
Local Governments	7,771	7,771	-
Total loans	18,177	18,081	96

d.2) Liabilities operations

TERRITORIAL BONDS		
	Nominal value 2017	Nominal value 2016
Territorial bonds issued (a)	9,690	10,739
Issued through a public offering	9,540	10,589
<i>Of which: Treasury stock</i>	9,040	9,489
Residual maturity up to 1 year	-	1,049
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	6,500	-
Residual maturity over 3 years and less than 5 years	2,840	8,500
Residual maturity over 5 years and less than 10 years	200	1,040
Residual maturity over 10 years	-	-
Other issuances	150	150
<i>Of which: Treasury stock</i>	-	-
Residual maturity over 1 year and less than 2 years	150	-
Residual maturity over 2 years and less than 3 years	-	150
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
Coverage ratio of the territorial bonds on loans (b)	59%	59%

- (a) Includes the nominal value of all loans that serve as collateral for the territorial bonds, regardless of the item in which they are included in the balance sheet. Principal pending payment of loans. The territorial bonds include all the instruments issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).
- (b) Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee

APPENDIX XI. Risks related to the developer and real-estate sector in Spain

a) Policies and strategies established by the Group to deal with risks related to the developer and real-estate sector

BBVA has teams specializing in the management of the Real-Estate Sector risk, given its economic importance and specific technical component. This specialization is not only in the Risk-Acceptance teams, but throughout the handling, commercial, problematic management and legal aspects, and includes the research department (BBVA Research), which helps determine the medium/long-term vision needed to manage this portfolio. Specialization has been increased and the management teams in the areas of recovery and the Real Estate Unit itself have been reinforced.

The portfolio management policies, established to address the risks related to the developer and real-estate sector, aim to accomplish, among others, the following objectives: to avoid concentration in terms of customers, products and regions; to estimate the risk profile for the portfolio; and to anticipate possible worsening of the portfolio.

Specific policies for analysis and admission of new developer risk transactions

In the analysis of new operations, the assessment of the commercial operation in terms of the economic and financial viability of the project has been once of the constant points that have helped ensure the success and transformation of construction land operations for our customers' developments.

As regards the participation of the Risk Acceptance teams, they have a direct link and participate in the committees of areas such as Recoveries and the Real Estate Unit. This guarantees coordination and exchange of information in all the processes.

The following strategies have been implemented with customers: avoidance of large corporate transactions, which had already reduced their share in the years of greatest market growth; non-participation in the second-home market; commitment to public housing financing; and participation in land operations with a high level of urban development security, giving priority to land open to urban development.

Risk monitoring policies

The base information for analyzing the real estate portfolios is updated monthly. The tools used include the so-called "watch-list", which is updated monthly with the progress of each client under watch, and the different strategic plans for management of special groups. There are plans that involve an intensification of the review of the portfolio for financing land, while, in the case of ongoing promotions, they are classified for monitoring purposes based on the rate of progress of the projects.

These actions have enabled the Bank to anticipate possible impairment situations, by always keeping an eye on BBVA's position with each customer (whether or not as first creditor). In this regard, key aspects include management of the risk policy to be followed with each customer, contract review, deadline extension, improved collateral, rate review (repricing) and asset purchase.

Proper management of the relationship with each customer requires knowledge of various aspects such as the identification of the source of payment difficulties, an analysis of the company's future viability, the updating of the information on the debtor and the guarantors (their current situation and business course, economic-financial information, debt analysis and generation of funds), and the updating of the appraisal of the assets offered as collateral.

BBVA has a classification of debtors in accordance with legislation in force in each country, usually categorizing each one's level of difficulty for each risk.

Based on the information above, a decision is made whether to use the refinancing tool, whose objective is to adjust the structure of the maturity of the debt to the generation of funds and the customer's payment capacity.

As for the policies relating to risk refinancing with the developer and real-estate sector, they are the same as the general policies used for all of the Group's risks. In the developer and real estate sector, they are based on clear solvency and viability criteria for projects, with demanding terms for guarantees and legal compliance. The policy on refinancing uses outstanding risk rather than nonperforming assets, with a refinancing tool that standardizes criteria and values up to a total of 19 variables when considering any refinancing operation.

In the case of refinancing, the tools used for enhancing the Bank's position are: the search for new intervening parties with proven solvency and initial payment to reduce the principal debt or outstanding interest; the improvement of the debt bond in order to facilitate the procedure in the event of default; the provision of new or additional collateral; and making refinancing viable with new conditions (period, rate and repayments), adapted to a credible and sufficiently verified business plan.

Policies applied in the management of real estate assets in Spain

The policy applied for managing these assets depends on the type of real-estate asset, as detailed below.

In the case of completed homes, the final aim is the sale of these homes to private individuals, thus diluting the risk and beginning a new business cycle. Here, the strategy has been to help subrogation (the default rate in this channel of business is notably lower than in any other channel of residential mortgages) and to support our customers' sales directly, using BBVA's own channel (BBVA Services and our branches), creating incentives for sale and including sale orders for BBVA that set out sale prices which are notably lower than initial ones. In exceptional case we have even accepted partial haircuts, with the aim of making the sale easier.

In the case of ongoing construction work, our strategy has been to help and promote the completion of the works in order to transfer the investment to completed homes. The whole developer Works in Progress portfolio has been reviewed and classified into different stages with the aim of using different tools to support the strategy. This includes the use of developer accounts-payable financing as a form of payment control, the use of project monitoring supported by the Real Estate Unit itself, and the management of direct suppliers for the works as a complement to the developer's own management.

With respect to land, our presence at advanced stages in land development, where risk of rustic land is not significant, simplifies our management. Urban management and liquidity control to tackle urban planning costs are also subject to special monitoring.

b) Quantitative information on activities in the real-estate market in Spain

Lending for real estate development according to the purpose of the loans as of December 31, 2017 and 2016 is shown below:

December 2017 - Financing Allocated to Construction and Real Estate Development and its Coverage (Millions of euros)

	Gross Amount	Drawn Over the Guarantee Value	Accumulated impairment
Financing to construction and real estate development (including land) (Business in Spain)	5,224	2,132	(1,654)
<i>Of which: Impaired assets</i>	2,660	1,529	(1,588)
<i>Memorandum item:</i>			
Write-offs	2,289		
<i>Memorandum item:</i>			
Total loans and advances to customers, excluding the Public Sector (Business in Spain)	179,833		
Total consolidated assets (total business)	400,083		
Impairment and provisions for normal exposures	(1,420)		

December 2016 - Financing Allocated to Construction and Real Estate Development and its Coverage (Millions of euros)

	Gross Amount	Drawn Over the Guarantee Value	Accumulated impairment
Financing to construction and real estate development (including land) (Business in Spain)	7,930	3,449	(3,181)
<i>Of which: Impaired assets</i>	5,095	2,680	(3,086)
<i>Memorandum item:</i>			
Write-offs	2,061		
<i>Memorandum item:</i>			
Total loans and advances to customers, excluding the Public Sector (Business in Spain)	178,163		
Total consolidated assets (total business)	418,447		
Impairment and provisions for normal exposures	(2,025)		

The following is a description of the real estate credit risk based on the types of associated guarantees:

Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase (Millions of euros)

	December 2017	December 2016
Without secured loan	552	801
With secured loan	4,672	7,129
Terminated buildings	2,904	3,875
Homes	2,027	2,954
Other	877	921
Buildings under construction	462	760
Homes	439	633
Other	23	127
Land	1,306	2,494
Urbanized land	704	1,196
Rest of land	602	1,298
Total	5,224	7,930

As of December 31, 2017 and 2016, 55.6% and 48.9% of loans to developers were guaranteed with buildings (69.8% and 76.2%, are homes), and only 25.0% and 31.5% by land, of which 53.9% and 48.0% are in urban locations, respectively.

The table below provides the breakdown of the financial guarantees given as of December 31, 2017 and 2016:

Financial guarantees given (Millions of euros)

	2017	2016
Houses purchase loans	64	62
Without mortgage	12	18

The information on the retail mortgage portfolio risk (housing mortgage) as of December 31, 2017 and 2016 is as follows:

Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase - December 2017 (Millions of euros)

	Gross amount	Of which: impaired loans
Houses purchase loans	83,505	4,821
Without mortgage	1,578	51
With mortgage	81,927	4,770

Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase - December 2016 (Millions of euros)

	Gross amount	Of which: impaired loans
Houses purchase loans	87,874	4,938
Without mortgage	1,935	93
With mortgage	85,939	4,845

The loan to value (LTV) ratio of the above portfolio is as follows:

December 2017 - LTV Breakdown of mortgage to households for the purchase of a home (Business in Spain) (Millions of euros)

	Total risk over the amount of the last valuation available (Loan To Value-LTV)					Total
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%	
Gross amount	14,485	18,197	20,778	14,240	14,227	81,927
of which: Impaired loans	293	444	715	897	2,421	4,770

December 2016 - LTV Breakdown of mortgage to households for the purchase of a home (Business in Spain) (Millions of euros)

	Total risk over the amount of the last valuation available (Loan To Value-LTV)					Total
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%	
Gross amount	13,780	18,223	20,705	15,967	17,264	85,939
of which: Impaired loans	306	447	747	962	2,383	4,845

Outstanding home mortgage loans as of December 31, 2017 had an average LTV of 51%.

The breakdown of foreclosed, acquired, purchased or exchanged assets from debt from loans relating to business in Spain, as well as the holdings and financing to non-consolidated entities holding such assets is as follows:

Information about Assets Received in Payment of Debts (Business in Spain) (Millions of euros)

	December 2017			
	Gross Value	Provisions	Of wich: Valuation adjustments on impaired assets, at the time of foreclosure	Carrying Amount
Real estate assets from loans to the construction and real estate development sectors in Spain.	-	-	-	-
Real estate assets from mortgage financing for households for the purchase of a home	3,078	1,763	656	1,315
Rest of foreclosed real estate assets	1,646	894	257	752
Equity instruments, investments and financing to non-consolidated companies holding said assets	638	302	250	336
Total	5,362	2,959	1,163	2,403

Information about Assets Received in Payment of Debts (Business in Spain) (Millions of euros)

	December 2016			
	Gross Value	Provisions	Of wich: Valuation adjustments on impaired assets, at the time of foreclosure	Carrying Amount
Real estate assets from loans to the construction and real estate development sectors in Spain.	-	-	-	-
Real estate assets from mortgage financing for households for the purchase of a home	3,745	2,184	823	1,561
Rest of foreclosed real estate assets	1,856	1,006	244	850
Equity instruments, investments and financing to non-consolidated companies holding said assets	1,080	542	444	538
Total	6,681	3,732	1,511	2,949

As of December 31, 2017 and December 31, 2016, there were not real estate assets from financing for construction and real estate development companies.

The gross book value of real-estate assets from mortgage lending to households for home purchase as of December 31, 2017 and 2016, amounted to €3,078 and €3,745 million, respectively, with an average coverage ratio of 57.3% and 58.3%, respectively.

As of December 31, 2017 and 2016, the gross book value of the BBVA Group's total real-estate assets (business in Spain), including other real-estate assets received as debt payment, was €4,724 and €5,601 million, respectively. The coverage ratio was 56.2% and 57.0%, respectively.

APPENDIX XII. Refinanced and restructured operations and other requirements under Bank of Spain Circular 6/2012

REFINANCING AND RESTRUCTURING OPERATIONS

a) Policies and strategies established by the Group to deal with risks related to refinancing and restructuring operations.

Refinancing and restructuring operations (see definition in the Glossary) are carried out with customers who have requested such an operation in order to meet their current loan payments if they are expected, or may be expected, to experience financial difficulty in making the payments in the future.

The basic aim of a refinancing and restructuring operation is to provide the customer with a situation of financial viability over time by adapting repayment of the loan incurred with the Group to the customer's new situation of fund generation. The use of refinancing and restructuring for other purposes, such as to delay loss recognition, is contrary to BBVA Group policies.

The BBVA Group's refinancing and restructuring policies are based on the following general principles:

- Refinancing and restructuring is authorized according to the capacity of customers to pay the new installments. This is done by first identifying the origin of the payment difficulties and then carrying out an analysis of the customers' viability, including an updated analysis of their economic and financial situation and capacity to pay and generate funds. If the customer is a company, the analysis also covers the situation of the industry in which it operates.
- With the aim of increasing the solvency of the operation, new guarantees and/or guarantors of demonstrable solvency are obtained where possible. An essential part of this process is an analysis of the effectiveness of both the new and original guarantees.
- This analysis is carried out from the overall customer or group perspective.
- Refinancing and restructuring operations do not in general increase the amount of the customer's loan, except for the expenses inherent to the operation itself.
- The capacity to refinance and restructure loan is not delegated to the branches, but decided on by the risk units.
- The decisions made are reviewed from time to time with the aim of evaluating full compliance with refinancing and restructuring policies.

These general principles are adapted in each case according to the conditions and circumstances of each geographical area in which the Group operates, and to the different types of customers involved.

In the case of retail customers (private individuals), the main aim of the BBVA Group's policy on refinancing and restructuring loan is to avoid default arising from a customer's temporary liquidity problems by implementing structural solutions that do not increase the balance of customer's loan. The solution required is adapted to each case and the loan repayment is made easier, in accordance with the following principles:

- Analysis of the viability of operations based on the customer's willingness and ability to pay, which may be reduced, but should nevertheless be present. The customer must therefore repay at least the interest on the operation in all cases. No arrangements may be concluded that involve a grace period for both principal and interest.

- Refinancing and restructuring of operations is only allowed on those loans in which the BBVA Group originally entered into.
- Customers subject to refinancing and restructuring operations are excluded from marketing campaigns of any kind.

In the case of non-retail customers (mainly companies, enterprises and corporates), refinancing/restructuring is authorized according to an economic and financial viability plan based on:

- Forecasted future income, margins and cash flows to allow entities to implement cost adjustment measures (industrial restructuring) and a business development plan that can help reduce the level of leverage to sustainable levels (capacity to access the financial markets).
- Where appropriate, the existence of a divestment plan for assets and/or operating segments that can generate cash to assist the deleveraging process.
- The capacity of shareholders to contribute capital and/or guarantees that can support the viability of the plan.

In accordance with the Group's policy, the conclusion of a loan refinancing and restructuring operation does not meet the loan is reclassified from "impaired" or "standard under special monitoring" to outstanding risk. The reclassification to the "standard under special monitoring" or normal risk categories must be based on the analysis mentioned earlier of the viability, upon completion of the probationary periods described below.

The Group maintains the policy of including risks related to refinanced and restructured loans as either:

- "Impaired assets", as although the customer is up to date with payments, they are classified as impaired for reasons other than their default when there are significant doubts that the terms of their refinancing may not be met; or
- "Normal-risk assets under special monitoring" until the conditions established for their consideration as normal risk are met).

The conditions established for assets classified as "standard under special monitoring" to be reclassified out of this category are as follows:

- The customer must have paid past-due amounts (principal and interest) since the date of the renegotiation or restructuring of the loan or other objective criteria, demonstrating the borrower's ability to pay, have been verified; and
- At least two years must have elapsed since completion of the renegotiation or restructuring of the loan;
- It is unlikely that the customer will have financial difficulties and, therefore, it is expected that the customer will be able to meet its loan payment obligations (principal and interest) in a timely manner.

The BBVA Group's refinancing and restructuring policy provides for the possibility of two modifications in a 24 month period for loans that are not in compliance with the payment schedule.

The internal models used to determine allowances for loan losses consider the restructuring and renegotiation of a loan, as well as re-defaults on such a loan, by assigning a lower internal rating to restructured and renegotiated loans than the average internal rating assigned to non-restructured/renegotiated loans. This downgrade results in an increase in the probability of default (PD) assigned to restructured/renegotiated loans (with the resulting PD being higher than the average PD of the non-renegotiated loans in the same portfolios).

b) Quantitative information on refinancing and restructuring operations.

DECEMBER 2017 BALANCE OF FORBEARANCE (Millions of Euros)							
TOTAL							
Unsecured loans				Secured loans			
Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Maximum amount of secured loans that can be considered		Accumulated impairment or accumulated losses in fair value due to credit risk	
				Real estate mortgage secured	Rest of secured loans		
Credit institutions							
General Governments	68	105	128	122	102	18	17
Other financial corporations and individual entrepreneurs (financial business)	228	23	38	4	2	2	3
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	35,441	2,698	15,174	5,160	3,022	1,953	2,972
Of which: financing the construction and property (including land)	1,054	186	3,365	2,324	928	1,284	1,304
Rest homes	47,054	579	64,572	7,447	3,851	3,085	949
Total	82,791	3,405	79,912	12,733	6,977	5,058	3,941

	Of which: IMPAIRED						Accumulated impairment or accumulated losses in fair value due to credit risk
	Unsecured loans		Secured loans				
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Maximum amount of secured loans that can be considered		
					Real estate mortgage secured	Rest of secured loans	
Credit institutions							
General Governments	49	72	45	29	20	8	16
Other financial corporations and individual entrepreneurs (financial business)	109	1	16	2	1	1	1
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	19,544	1,924	9,305	3,857	1,930	1,766	2,867
Of which: financing the construction and property (including land)	904	163	2,720	1,969	632	1,235	1,273
Rest homes	26,184	368	32,640	3,909	1,770	1,843	853
Total	45,886	2,365	42,006	7,797	3,721	3,618	3,737

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DECEMBER 2016 BALANCE OF FORBEARANCE (Millions of Euros)							
TOTAL							
Unsecured loans				Secured loans			Accumulated impairment or accumulated losses in fair value due to credit risk
Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Maximum amount of secured loans that can be considered			
				Real estate mortgage secured	Rest of secured loans		
Credit institutions							
General Governments	22	8	109	103	76	22	4
Other financial corporations and individual entrepreneurs (financial business)	237	46	37	4	2	2	2
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	38,045	3,508	19,776	8,016	4,539	3,222	4,715
Of which: financing the construction and property (including land)	1,096	324	5,046	4,382	1,853	2,370	2,553
Rest homes	50,760	610	70,157	7,968	4,051	3,354	975
Total	89,064	4,172	90,079	16,091	8,668	6,600	(5,696)

	Of which: IMPAIRED						
	Unsecured loans			Secured loans			Accumulated impairment or accumulated losses in fair value due to credit risk
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Maximum amount of secured loans that can be considered		
					Real estate mortgage secured	Rest of secured loans	
Credit institutions							
General Governments	11	8	51	31	27	3	4
Other financial corporations and individual entrepreneurs (financial business)	109	4	19	2	1	1	1
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	18,693	2,465	12,383	6,249	3,056	2,968	4,597
Of which: financing the construction and property (including land)	877	299	4,158	3,853	1,387	2,312	2,500
Rest homes	25,166	355	32,839	3,837	1,748	1,808	849
Total	43,979	2,832	45,292	10,119	4,832	4,780	(5,451)

The table below provides a roll forward of refinanced assets during 2016:

Refinanced assets Roll forward, December 2017 (Millions of euros)						
	Normal		Impaired		TOTAL	
	Risk	Coverage	Risk	Coverage	Risk	Coverage
Balance at the beginning	7,312	245	12,951	5,451	20,263	5,696
(+) Additions	1,121	86	1,050	276	2,171	361
(-) Foreclosures	-	-	(450)	(265)	(450)	(265)
(-) Write-offs	-	-	(1,610)	(1,372)	(1,610)	(1,372)
(+)/(-) Other	(2,457)	(127)	(1,779)	(353)	(4,236)	(479)
Ending Balance	5,976	204	10,162	3,737	16,138	3,941

c) Loans and advances to customers by activity (carrying amount)

December 2017 (Millions of euros)

	TOTAL (*)	Of which: Mortgage loans	Of which: Secured loans	Collateralized loans and receivables -Loans and advances to customers. Loan to value				
				Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
1 General governments	17,746	447	446	61	140	119	507	66
2 Other financial institutions and financial individual entrepreneurs	18,471	242	10,818	34	104	77	10,827	18
3 Non-financial institutions and non-financial individual entrepreneurs	77,892	14,437	1,964	4,547	4,217	3,759	1,757	2,121
3.1 Construction and property development	3,046	2,830	22	671	669	885	339	288
3.2 Construction of civil works	8,023	1,711	97	380	339	366	160	563
3.3 Other purposes	66,823	9,896	1,845	3,496	3,209	2,508	1,258	1,270
3.3.1 Large companies	44,716	2,540	634	764	832	490	403	685
3.3.2 SMEs (**) and individual entrepreneurs	22,107	7,356	1,211	2,732	2,377	2,018	855	585
4 Rest of households and NPISHs (***)	94,118	81,825	360	15,035	18,804	21,181	14,343	12,822
4.1 Housing	82,462	80,539	108	14,599	18,412	20,866	14,087	12,683
4.2 Consumption	8,726	302	111	140	94	88	59	32
4.3 Other purposes	2,930	984	141	296	298	227	197	107
6 TOTAL	208,227	96,951	13,588	19,677	23,265	25,136	27,434	15,027

(*) The amounts included in this table are net of impairment losses.

(**) Small and medium enterprises

(***) Non profit institutions serving households.

d) Concentration of risks by activity and geographical area (carrying amount)

December 2017 (Millions of euros)					
	TOTAL(*)	Spain	European Union Other	America	Other
Credit institutions	74,564	20,689	32,520	11,418	9,937
General governments	58,023	45,872	10,124	1,440	587
Central Administration	38,552	26,694	9,973	1,411	474
Other	19,471	19,178	151	29	113
Other financial institutions and financial individual entrepreneurs	67,939	31,298	14,825	21,508	308
Non-financial institutions and non-financial individual entrepreneurs	115,722	87,850	15,001	8,065	4,806
Construction and property development	3,686	3,685	1	-	-
Construction of civil works	11,752	9,867	991	573	321
Other purposes	100,284	74,298	14,009	7,492	4,485
Large companies	76,152	50,830	13,585	7,281	4,456
SMEs and individual entrepreneurs	24,132	23,468	424	211	29
Other households and NPISHs	94,362	93,601	415	115	231
Housing	82,464	81,804	342	102	216
Consumer	8,727	8,711	4	7	5
Other purposes	3,171	3,086	69	6	10
TOTAL	410,610	279,310	72,885	42,546	15,869

(*) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: Loans and advances to credit institutions, Loans and advances, Debt securities, Equity instruments, Other equity securities, Derivatives and hedging derivatives, Investments in subsidiaries, joint ventures and associates and guarantees given and Contingent risks. The amounts included in this table are net of impairment losses.

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December 2017 (Millions of euros)										
	TOTAL (*)	Andalucía	Aragón	Asturias	Baleares	Canarias	Cantabria	Castilla La Mancha	Castilla y León	Cataluña
Credit institutions	20,689	71	53	-	21	-	1,663	96	-	930
Government agencies	45,872	1,915	911	513	543	665	106	475	1,013	3,334
Central Administration	26,694	-	-	-	-	-	-	-	-	-
Other	19,178	1,915	911	513	543	665	106	475	1,013	3,334
Other financial institutions and financial individual entrepreneurs	31,298	80	9	3	150	5	-	2	48	2,405
Non-financial institutions and non-financial individual entrepreneurs	87,850	5,410	1,250	649	1,869	2,022	376	1,112	1,300	17,696
Construction and property development	3,685	391	47	40	49	142	7	98	44	1,193
Construction of civil works	9,867	373	62	38	159	136	25	69	65	4,447
Other purposes	74,298	4,646	1,141	571	1,661	1,744	344	945	1,191	12,056
Large companies	50,830	1,415	553	339	1,182	571	129	295	396	6,319
SMEs and individual entrepreneurs	23,468	3,231	588	232	479	1,173	215	650	795	5,737
Other households and NPISHs	93,601	13,253	1,434	1,305	2,103	3,885	884	2,720	2,962	29,282
Housing	81,804	11,664	1,263	1,094	1,888	3,187	787	2,399	2,583	26,568
Consumer	8,711	1,421	156	195	198	664	78	295	340	2,005
Other purposes	3,086	168	15	16	17	34	19	26	39	709
TOTAL	279,310	20,729	3,657	2,470	4,686	6,577	3,029	4,405	5,323	53,647

(*) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: Loans and advances to credit institutions, Loans and advances, Debt securities, Equity instruments, Other equity securities, Derivatives and hedging derivatives, Investments in subsidiaries, joint ventures and associates and guarantees given and Contingent risks. The amounts included in this table are net of impairment losses.

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December 2017 - Spain (Millions of euros)									
	Extremadura	Galicia	Madrid	Murcia	Navarra	Comunidad Valenciana	Pais Vasco	La Rioja	Ceuta & Melilla
Credit institutions	-	422	16,685	-	1	-	747	-	-
Government agencies	229	1,072	3,310	312	645	1,403	2,557	98	77
Central Administration	-	-	-	-	-	-	-	-	-
Other	229	1,072	3,310	312	645	1,403	2,557	98	77
Other financial institutions and financial individual entrepreneurs	1	190	27,815	3	1	14	572	-	-
Non-financial institutions and non-financial individual entrepreneurs	652	2,014	39,308	1,296	1,198	4,255	7,053	263	127
Construction and property development	24	147	1,065	30	19	229	138	8	14
Construction of civil works	35	240	3,543	71	51	237	296	10	10
Other purposes	593	1,627	34,700	1,195	1,128	3,789	6,619	245	103
Large companies	128	881	30,650	492	809	1,374	5,215	76	6
SMEs and individual entrepreneurs	465	746	4,050	703	319	2,415	1,404	169	97
Other households and NPISHs	1,416	3,061	15,916	1,927	520	8,933	2,887	352	761
Housing	1,208	2,616	13,114	1,637	454	7,835	2,526	308	673
Consumer	191	414	1,130	261	57	891	294	39	82
Other purposes	17	31	1,672	29	9	207	67	5	6
TOTAL	2,298	6,759	103,034	3,538	2,365	14,605	13,816	713	965

APPENDIX XIII. Agency Network

ABAD CAMPELO M^º CONCEPCION
 ABELEDA MONTES MANUEL
 ABELLA LOPEZ ROGELIO
 ABRAHAM MORA JUAN PEDRO
 ABREU PEÑA ANDRES SERGIO
 ACEVEDO LAREZ LIGDEL RUTH
 ACOSTA MARTINEZ ELEUTERIO
 ADAN ROLDAN FCO. DE ASIS
 ADROVER BAZ M^º DOLORES
 AGENJO CALDERON JUAN LUIS
 AGUILAR MATEOS M^º ISABEL
 AGUILERA RUIZ MANUEL
 AGUT RODRIGO OMAR
 AHSAIN EL AZMANI FARID
 ALAMILLO ALVAREZ CRISTINA
 ALAMO MARTINEZ GUILLERMO
 ALARCON CINTAS ANTONIO
 ALARCON COROMINAS SERGIO LUIS
 ALBELLÁ ESTEVE M^º MERCEDES
 ALBENDIZ GONZALEZ IRENE
 ALBIÑANA BOLUDA AMPARO
 ALCACER FABRA FRANCISCO
 ALCANTARA IZQUIERDO CRISTINA
 ALDA CLEMENTE M^º LUISA
 ALIAGA ARA ALBERTO JAVIER
 ALMENDROS ESTEBAN ESTEBAN
 ALONSO ALBARRAN IRMA
 ALONSO BAJO LORENZO
 ALONSO BUENAPASADA ARIAS ARGÜELLO
 M^º CONSUELO
 ALONSO CUESTA LETICIA
 ALONSO DIEZ JOSE CARLOS
 ALONSO FERNANDEZ AGUSTIN
 ALONSO FERNANDEZ LUIS MIGUEL
 ALONSO GARCIA CARMELO HONORIO
 ALONSO HEVIA AMPARO
 ALONSO JUAREZ JAVIER
 ALONSO PAREDES JOSE IGNACIO
 ALONSO RAMOS M^º CAMINO
 ALONSO RUISANCHEZ ENRIQUE
 ALONSO SANTAMARTA LUIS MIGUEL
 ALONSO VALLE ESTEBAN
 ALONSO ZAPICO JUAN DE DIOS
 ALONSO ZARRAGA MIKEL
 ALSINA MARGALL MIREIA
 ALTARRIBA GUITART M^º ALBA
 ALTOLAGUIRRE AGUIRREBENGOA M^º JOSE
 ALTURA PLATA PASTORA
 ALVAREZ ALVAREZ LORETO
 ALVAREZ GONZALEZ EVA GLORIA
 ALVAREZ RODRIGUEZ CAMILO VALENTIN
 ALVARO CAMPILLO EVA M^º
 AMABLE MENDEZ LAZARO
 AMADOR MONTESDEOCA JUAN LUIS
 AMBRONA LAIRADO JOSE M^º
 AMENEIROS GARCIA JOSE
 AMOEDO GONZALEZ DANIEL
 AMOEDO MOLDES M^º JOSE
 AMOROSO ABUIN DELFINA
 ANDRADA RINCON SOLEDAD
 ANDRES SANTA JOSE
 ANDRES SIERRA FERNANDO IGNACIO
 ANTUÑA SCHUTZE MARTA
 ARANDA GARRANCHO ANA MARIA
 ARANDA GONZALEZ DOLORES
 ARASANZ LAPLANA JOSE ANTONIO
 ARCHS PRETEL FRANCISCO
 ARCONES GARCIA ROCIO
 ARCOS GONZALEZ FELIX
 ARESTI MUGICA REGINA M^º
 AREVALO AREVALO M^º CARMEN
 ARIAS DELGADO M^º MERCEDES
 ARIAS HERREROS JOSE IGNACIO
 ARIAS TORRES MIGUEL
 ARIZA GIL JESUS
 ARJANDAS DARYNANI DILIP
 ARNELA MAYO ISMAEL
 AROSTEGUI ARGALUZA M^º VICTORIA
 ARRANZ MAGDALENO JUAN ALBERTO
 ARRAYAS LINERO RAFAEL
 ARROYO AVILA BEATRIZ
 ARROYO DIAZ CARLOS HUGO
 ARROYO ROMERO CARLOS GUSTAVO
 ARROYO ROMERO FCO. JAVIER
 ARROYO SANTIAGO MANUEL
 ARROYO SOBRINO DAVID
 ARTAJO JARQUE FERNANDO M^º
 ARTEAGA PARDO JOSE

ARUFE ESPÍÑA PABLO
 ARUMI RAURELL XAVIER
 ASHTON SPARROWHAWK GILLIAN PAMELA
 ASTILLERO GARCIA MIGUEL ANGEL
 ASTORGA SANCHEZ JUAN ANTONIO
 ASTUDILLO CASALS ALEJANDRO
 AVELLANEDA GARCIA ANGEL FERNANDO
 AYALA GONZALEZ VICTOR RAMON
 AYUELA LOBATO JUAN JESUS
 AYZAGAR SOTO JAVIER
 BABILONI BELENGUER ANTONIO
 BACHS RABASCALL JOSEP
 BADAMMAL SUNDERDAS PRAKASH
 CHAINANI
 BADILLO SUAREZ M^º SANDRA
 BAHAMONDE GONZALEZ JORGE JUAN
 BALDOMINOS BALDOMINOS ALFIO
 BALIBREA LUCAS MIGUEL ANGEL
 BALLESTER MARTORELL MARTI
 BALLESTER VAZQUEZ IGNACIO JAVIER
 BALSEIRO PEREZ DE VILLAR RICARDO
 BAÑUELOS DIEZ MARTA LUISA
 BARAHONA VIÑES JORDI
 BARBA VALDIVIESO M^º ISABEL
 BARCELO BLANCH M^º LOURDES
 BARCIA CARMONA RAFAEL
 BARDAJI PLANA AGUSTIN
 BARDERA CALVO GEMMA M^º
 BARO CLARIANA SERGI
 BARQUIN VITORERO BEATRIZ
 BARRAGAN ZAPATA MARGARITA
 BARRAL CASADO RICARDO
 BARRAN CARIDAD JOSE MANUEL
 BARRENA CARABALLO FCO. JAVIER
 BARRIENTOS CHOCARRO JOSE CARLOS
 BARTOMEU FERRANDO JOAN
 BASCO RIBES M^º NORMA
 BASCUÑANA GARCIA AGUSTIN
 BASTANTE PATON RAMON FELIX
 BATISTA MEDEROS ANTONIO DAVID
 BATISTE ANGLÉS AMADEO
 BAUZA MARTORELL FELIO JOSE
 BECERRIL VALLEJO M^º ROSARIO
 BEHOVIDE PERALTA JORGE
 BELDA ALMIRA BORJA
 BELLO NAVARRO MIGUEL
 BELTRAN ANDREU MANUEL JORGE
 BENEDI LOPEZ CARLOS JAVIER
 BENGOCHEA BOTIN VICENTE
 BENITEZ CENTENO ANTONIO
 BENITO BARONA ANDER
 BENITO MARIJUAN ANTONIO JOSE
 BERNABEU JUAN ANTONIO JOSE
 BERNIER RUIZ DE GOPEGUI M^º ISABEL
 BERROCAL URBANO FCO. JESUS
 BERTOMEU GONZALEZ KILIAN
 BETANCOR GARCIA JOSE FCO.
 BLANCO IGLESIAS IGNACIO
 BLANCO RODRIGUEZ JUAN ANTONIO
 BLANES SURROCA KILIAN
 BLASCO MARI M^º JOSE
 BLASCO SAMPIETRO FCO. JAVIER
 BLAZQUEZ DE LA IGLESIA OSCAR
 BOADO ORORIBIA LEOPOLDO
 BONDIA VIVES YESICA
 BONILLO GOMEZ LOURDES
 BONORA OLIVEROS FCO. JOSE
 BORRAS SALAS CRISTOBAL
 BOTELLO NUÑEZ FELIPE
 BOULLOSA MOURE BENITO
 BRAVO MASA M^º INMACULADA
 BRIONES PEREZ DE LA BLANCA FERNANDO
 BRIONES SERRANO CLARA M^º
 BRITO PADRON INMACULADA
 BRU FORES RAUL
 BRUNET COMAS FRANCESCA M^º
 BULLON DE DIEGO FCO. JAVIER
 BURGOS BLANCO JUAN M^º
 BUSTAMANTE FONTES MAYDA LOURDES
 CABALLERO MARTINEZ JUAN RAMON
 CABEZAS CARDENAS MIGUELA
 CABRERA CABRERA VICENTE
 CABRERA LLAMAS FCO. JAVIER
 CABRERA MARTIN MIGUEL ANGEL
 CABRERA SUAREZ LUIS RICARDO
 CABRITO FERNANDEZ JUAN CRUZ
 CALAFAT ROIG JUAN
 CALDERON MORILLO M^º LUISA

CALERO CASADO M^º LAURA
 CALLE DELGADO FELIX
 CALLES VAQUERO IVAN
 CALVA CORTES DANTE HUMBERTO
 CALVET REVERTE M^º PILAR
 CALVO HERNAN ALICIA
 CAMACHO MARTIN ANTONIA
 CAMACHO MARTINEZ PEDRO
 CAMOS COLOM MIQUEL
 CAMPOMANES IGLESIAS M^º TERESA
 CAMPOS CARRERO M^º JOSE
 CAMPOS CRESPO PRISCILA
 CAMPS ALBERCH ENRIC
 CAMPS CARBONELL JOAQUIN
 CANIEGO MONREAL CARLOS
 CANO LOBATO BEATRIZ
 CANO PEREZ ANTONIO
 CANTARERO MARTINEZ BARTOLOME
 CANTERO NICOLAS M^º ANGELES
 CAÑAS AYUSO FRANCISCO
 CAO GONZALEZ NIEVES ESPERANZA
 CAPDEVILA PLA RICARDO
 CAPELLES LOPEZ JAVIER
 CAPISTROS LOPEZ HUERTA LAURA
 CARBAJO ALONSO ROMAN
 CARBO PRACHNER GUILLERMO
 CARBO ROYO JOSE JORGE
 CARBONELL ALSINA CHANTAL
 CARBONELL CHANZA FRANCISCO
 CARBONELL FUENTE JONATAN
 CARCELLER SUAREZ RAMON
 CARCOLE ARDEVOL JOSE
 CARDENO CHAPARRO FCO. MANUEL
 CARDERO TABARES SUSANA
 CARMONA ACEVEDO EUGENIO
 CARNE SALES M^º JOSE
 CARNICER SOSPEDRA DAVID
 CARO VIEJO JUAN ANTONIO
 CARPENA MARTINEZ M^º BELINDA
 CARRASCAL PRIETO LUIS EUSEBIO
 CARRASCO GONZALEZ M^º AMOR
 CARRASCO MARTIN ELOY
 CARRASCO MARTINEZ RAMON
 CARREÑO FALCON PEDRO
 CARRIL GONZALEZ BARROS ALEJANDRO
 SERGIO
 CARTAGENA CUESTA MARIO
 CARULLA FELICES JORDI
 CASADO GALLARDO GERARDO
 CASADO HERRERO JOSEFA
 CASADO RODRIGUEZ M^º MARBELLA
 CASALS REIG IRMA
 CASAS CASTELLA LLUIS
 CASAS GRACIA CRISTINA
 CASAS ROYO SATURIO
 CASILLAS VIGARA JUAN
 CASSO MAYOR FRANCISCA
 CASTANY SANTANACH M^º ANGELES
 CASTAÑEDA PEREZ PABLO
 CASTELL AMENGUAL MARIA
 CASTELLANO CARDALLIAGUET PABLO
 CASTELLANO ESCOBAR M^º BEGOÑA
 CASTELLANO GARCIA PABLO JOSE
 CASTELLANOS JARQUE MANUEL
 CASTILLO BLANCA ENRIQUE
 CASTILLO MARZABAL FCO. JOSE
 CASTILLO ORTEGA NICOLAS
 CASTILLO YBARRA M^º CARMEN
 CASTRESANA URIARTE RODOLFO
 CASTRILLO PEREZ TRINIDAD
 CASTRO VEGA XOSE
 CAYUELA LINA
 CEBALLOS URCELAY CRISTINA
 CEJAS MARMOL ALBA M^º
 CEJUDO RODRIGUEZ JUAN CARLOS
 CELDRAN CARMONA JOSE M^º
 CERCUNS CANDALIGA JOSEFINA
 CERDAN GARCIA INMACULADA
 CERDEIRA BRAVO DE MANSILLA ALFONSO
 CERQUEIRA CRUCIO FERNANDO
 CERRATO LLERENA M^º ANGELES
 CERVERA AMADOR ANTONIO
 CERVERA GASCO NURIA PILAR
 CERVERO MARINA DANIEL
 CERVINO OTERO M^º LUZ
 CESPEDAS CAPO MIGUEL
 CHACON MACIAS ELADIO SALVADOR
 CHAVARRI GONZALEZ ALVARO

CID GUERREROS ROBERTO CARLOS	DUQUE MEDRANO JUAN CARLOS	GALAN MERCHAN Mª OLALLA
CISTERO BOFARULL MARIA	DURAN VIDAL ANNA	GALEANO BARRADO MARCOS
CIUDAD BRONCANO JUAN FCO.	ECHANIZ LIZAU Mª BELEN	GALINDO LOPEZ TOMAS
CLAPES ESQUERDA RAMON LUIS	EGURROLA IRAOLA JESUS MIGUEL	GALINDO SANCHO PALMIRA
CLEMENTE BLANCO PAULA ANDREA	ELGUEA OMATOS EMILIO	GALLARDO AROZENA MARGARITA
CLIMENT MARTOS Mª ROSARIO	ELIAS ORELLANA JESUS	GALLARDO GALLARDO BEATRIZ ANA
COBO RIVAS RAMON	ENRICH SASTRE ILENIA	GALVEZ RUIZ PEDRO FCO.
COCA LOZA Mª DOLORES GENOVEVA	ENRIQUE SAAVEDRA CESAR	GAMBOA DONES SUSANA
COLLADO SOLER ANA JOAQUINA	ESCALONA BELINCHON JOSE ANTONIO	GAMEZ MARTINEZ ANTONIO MANUEL
COMAS BERRADRE ANA	ESCRIBANO BUENO JOSE ALBERTO	GANDARA DUQUE Mª MILAGROS
CONTRERAS AMOEDO JAVIER	ESCRIG CASTAÑO PILAR	GARATE MINGUEI FRANCISCO
CORBACHO SOLANCE Mª MAGDALENA	ESCUDERO NAHARRO ROQUE JAVIER	GARAY GURBINDO FELICIDAD Mª ANGELES
CORCUERA BRIZUELA JOSE Mª	ESCUDERO SANCHEZ RAFAEL PEDRO	GARCIA ALVAREZ-REMENTERIA ANTONIO
CORDERO DE OÑA FRANCISCO	ESCUTIA DOTTI Mª VICTORIA	GARCIA ARRIBAS Mª SAGRARIO
CORDOBA PARODI JUAN ANTONIO	ESPALLARGAS MONTSERRAT Mª TERESA	GARCIA BASCUÑANA Mª CRISTINA
CORDOBA TEJADA MANUEL	ESPARCIA CUESTA FELISA	GARCIA CACERES JULIO
CORONADO MANSILLA DIEGO	ESPINAR MEDINA RICARDO	GARCIA CANAL JAVIER
COSCULLUELA SIN JOSE LUIS	ESPINILLA ORTIZ ROSARIO	GARCIA CASO ENCARNACION
COSTA CALAF MONTSERRAT	ESPIÑA GALLEGO ANA Mª	GARCIA DAUDER VICENTE
COSTA CAMBRA ANGEL	ESPUIG IBORRA ELOISA	GARCIA DEL HOYO VIRGINIA
COSTA GARCIA ROSA Mª	ESPUNY CURTO Mª NATIVIDAD	GARCIA DIAZ Mª CARMEN
COSTA PARIS JOSE LUIS	ESQUERDO BADALONA VICENTE	GARCIA DIAZ RAMON JESUS
CREIXANS PONS JOSE Mª	ESQUIROZ RODRIGUEZ ISIDRO	GARCIA FONDONO CONSTANTINO
CREIXELL GALLEGO XAVIER	ESTEBAN TAVIRA ANTONIO	GARCIA GARCIA JOSE MIGUEL
CRESPO SANTIAGO Mª GLORIA	ESTEFANIA LARRANAGA GUILLERMINA	GARCIA GARCIA REMEDIOS
CRESPO CRESPO ANGEL MANUEL	ESTELLE PEREZ VICENTE	GARCIA GONZALEZ PILAR
CRESPO GOMEZ LUCAS	ESTEVANEZ MOLINA VICENTE	GARCIA HERNANDEZ SIGFREDO
CRESPO MARTINEZ JUAN ENRIQUE	EUGENIO CUBEROS ANGEL ENRIQUE	GARCIA HIERRO JIMENEZ FCO. JAVIER
CRESPO MINCHOLEZ YOLANDA	EUGERCIO HERRA FCO. JAVIER	GARCIA LAZARO VANESA
CUESTA GONZALEZ DE LA ALEJA JAVIER	FABRA VERGE TERESA ROSARIO	GARCIA LORENZO JAVIER
VICENTE	FARIÑAS MARTINEZ JOSE ANTONIO	GARCIA MEJIAS JUAN ANTONIO
CUNAT ALVAREZ OSSORIO JUAN LUIS	FARRE BOSCH CRISTINA	GARCIA MUÑOZ MARIA OLGA
CURROS NEIRA FCO. JAVIER	FELEZ MARTIN FERMIN	GARCIA NAVARRO ROBERTO
DALMAU GOMEZ JORDI	FELPETO PRIETO Mª TERESA	GARCIA OVALLE OSCAR
DE ANDRES DE PABLOS Mª ESTHER	FEU CLEMENTE ALEJANDRO	GARCIA PEREZ ALICIA
DE ARRIBA ARES ALVARO	FERNANDES MONTEIRO RODOLFO	GARCIA PEREZ DE ARRILLUCEA RAMON
DE ASTOBIZA AGUADO IGNACIO	FERNANDEZ ALMANSA ANGEL	GARCIA PEREZ OLGA
DE BLAS QUEVEDO JOSE SANTOS	ALEJANDRINO	GARCIA PERIS SANTIAGO DAVID
DE DIEGO MARTI FCO. JOSE	FERNANDEZ CAMALEÑO Mª JULIA	GARCIA PUJADAS MONTSERRAT
DE EUGENIO FERNANDEZ JOAQUIN	FERNANDEZ COLIN MIGUEL MARCELO	GARCIA RIAL FELIPE
DE FALGUERA MARTINEZ-ALARCON	FERNANDEZ DE TEJADA ALMEIDA CARLOS	GARCIA RODRIGUEZ ANA ISABEL
ANTONIO	ENRIQUE	GARCIA RODRIGUEZ JOSE FERNANDO
DE GUILLERMO DE SAN SEGUNDO Mª	FERNANDEZ DOMINGUEZ PABLO	GARCIA ROSALES JUAN ANTONIO
SONSOLES	FERNANDEZ FERNANDEZ ANTONIO	GARCIA RUBIO ELENA
DE HARO GONZALEZ Mª LUISA	FERNANDEZ LOPEZ MIGUEL ANGEL	GARCIA RUIVIEJO SERGIO
DE LA CALLE PALACIOS TEODORO	FERNANDEZ MORAY EVA Mª	GARCIA SAAMEÑO JUAN JOSE
DE LA FUENTE TORRES ANAIS BEATRIZ	FERNANDEZ MORO TATIANA	GARCIA SANCHEZ LUIS
DE LA HOZ REGULES FCO. JAVIER	FERNANDEZ ONTAÑON DANIEL	GARCIA SENENT VERONICA
DE LA ORDEN MONTOLIO SANDRA	FERNANDEZ PIÑEIRO ALBERTO	GARCIA SIERRA JOSE MANUEL
DE LA SIERRA PEÑA ANDRES	FERNANDEZ PLACIN ERIC	GARCIA-TRESPALACIOS GOMEZ PABLO
DE LA TORRE DEL CASTILLO CANDELARIA	FERNANDEZ PUERTAS VICTOR MANUEL	GARCIA-VALENCIANO LOPEZ LUIS
DE LA TORRE PEREZ NOELIA	FERNANDEZ QUILEZ BEGOÑA MONICA	GARRIDO ARAN FRANCISCO
DE LAS CASAS PEREZ DE ORUETA JOSE LUIS	FERNANDEZ RIOS Mª GORETTI	GARRIDO GOMEZ ISABEL
DE LAS HERAS CASAS FCO. RAUL	FERNANDEZ RIVERO JAVIER	GASCON VAL JESUS
DE MARCOS MARDONES IÑIGO	FERNANDEZ RODRIGUEZ ALEJANDRO	GENE TICO REMEI
DE PABLO SAN MIGUEL JAVIER	FERNANDEZ RODRIGUEZ Mª TERESA	GENESTAR BOSCH ANDRES
DE PASQUAL MASPONS AGUSTIN	FERNANDEZ SILVA DIEGO Mª	GENOL ESTEVEZ ANTONIO
DE PRADO MANEIRO JOSE IGNACIO	FERNANDEZ SOTO ANA Mª	GEORKIAN BABAYAN LEILA
DE QUINTANA PEREZ ANNA	FERNANDEZ SOUTO Mª TERESA	GESTEIRO MOREIRA JOSE GERMAN
DE SOLA FABREGAS FRANCESC	FERNANDEZ VEIGA MANUEL	GIJON EXPOSITO NATALIA
DEHESA SAINZ DE LOS TERREROS ANGELA	FERNANDEZ-LERGA GARRALDA JESUS	GIL BELMONTE CONRADO
DEL BARCO ASENSIO MANUEL LUIS	FERNANDEZ-MARDOMINGO BARRIUSO	GIL BELMONTE SUSANA
DEL POZO SANCHEZ SUSANA	MIGUEL JOSE	GIL FERNANDEZ JUAN JOSE
DEL RIO SERRANO JUAN FELIX	FERRADAS GONZALEZ JESUS	GIL RODRIGUEZ RICARDO
DEL RIO USABEL IDOIA	FERRE REVILLA NATALIA	GIL TIO JULIA
DELGADO GARCIA JOSE LUIS	FERRE SABATE ALBERTO	GIL UREÑA Mª CARMEN
DELGADO OJEDA Mª ANGELES	FERREIRA FRAGA JULIAN	GIL USON MARTA
DELGADO RUIZ DIEGO	FERREIRO GARCIA Mª CRISTINA	GILI MARQUEZ JORGE LUIS
DIAZ RODRIGUEZ PALMERO JAVIER ADOLFO	FERRER GELABERT GABRIEL	GIMENO CACHO Mª CRISTINA
DIAZ BUSTOS JAIME	FILGUEIRAS VERDEAL MARIA TERESA	GINE ABAD FCO. JOSE
DIAZ DE ESPADA LOPEZ DE GAUNA LUIS Mª	FIRVIDA PLAZA BELEN	GINES LAHERA DARIO ALFONSO
DIAZ FLORES JUAN FCO.	FISHER COLLETTE	GISTAU LATRE LAURA
DIAZ FRANCO Mª ANTONIA	FLORES MOLERO GREGORIO	GODOY GARCIA FCO. JAVIER
DIAZ GARCIA MARINA	FLORES PUIGVERT MARÇAL	GOMEZ ANDRES JUAN JOSE
DIAZ LORENZO LORENZO	FLUVIA PEIRO MARIOLA	GOMEZ ASUA ASIER
DIAZ PEREZ CARLOS	FONTAN ZUBIZARRETA RAFAEL	GOMEZ CAPEANS JUAN JESUS
DIAZ RISCO Mª LUISA	FONTANIELLA FERNANDEZ JOSE LUIS	GOMEZ DE MAINTENANT MARTA Mª
DIAZ SANTAMARIA Mª VEGA	FONTECHA ALVAREZ Mª VICENTA	GOMEZ EBRI CARLOS
DIAZ-ROMERAL MARTIARENA JOSE Mª	FONTES RODRIGUEZ DOMINGO	GOMEZ FERNANDEZ JOSE IGNACIO
DIENTE ALONSO SERGIO	FORCADA RIFA DAVID	GOMEZ GOMEZ DAMIAN
DIEZ MELGOSA EDUARDO JOSE	FORCEN LOPEZ Mª ESTHER	GOMEZ GONZALEZ MIGUEL CLEMENTE
DIEZ AMORETTI FRANCISCO	FRANCES MAESTRE FRANCISCA	GOMEZ JUEZ ARTURO Mª
DOBLAS GEMAR ANTONIO	FRANCES MICO CARMELO	GOMEZ LOBO JUAN
DOMINGO BALTA MARIANO	FRANCO ALADRÉN JUAN CARLOS	GOMEZ MARTINEZ ALBERTO
DOMINGUEZ CANELA INES	FRANCO MARTINEZ JUAN JOSE	GOMEZ MARTINEZ LUIS
DOMINGUEZ JARA RAFAEL JESUS	FUCHS KARL JOHANN MAX	GOMEZ TORRES Mª CATALINA
DOMINGUEZ NAVARRO JAVIER	FUENTE RODRIGUEZ Mª PILAR	GOMEZ VALVERDE ANTONIO
DOMINGUEZ RODES JUAN LUIS	FUENTES SALORIO Mª BELEN	GOMEZ VAZQUEZ Mª JESUS
DONAIRE MOLANO LUIS	FUENTESECA FERNANDEZ MIGUEL	GOMEZ VELILLA Mª BRIGIDA
DONOSO BUENO CARLOS	FUSTER AMADES MAGDALENA ROSA	GOMEZ-LANDERO GUIJARRO Mª LUISA
DORADO MUÑOZ MIRIAM	GABIÑO DIAZ JUAN ANTONIO	GOMIS JIMENEZ CARLOS
DORDA VENTURA ANTONI	GAGO COMES PABLO	GONZALEZ AGUILERA JOSE MIGUEL
DRIS MOHAMED SAMIR	GAITAN PERLES JUAN JOSE	GONZALEZ ALONSO LUIS MIGUEL

GONZALEZ ALONSO REBECA	IBAÑEZ LERA ALEJANDRO	LOPEZ MERINO ANTONIO
GONZALEZ ALVAREZ NOELIA	IBAÑEZ NIETO ADORACION MAR	LOPEZ PRO DIEGO
GONZALEZ ANTA RODRIGUEZ ORTA PEDRO	IBAÑEZ SANCHEZ JAVIER	LOPEZ RASCON Mª JESUS
GONZALEZ BENAVIDES Mª LIBERTAD	IBAÑEZ ZORRILLA Mª IZASKUN	LOPEZ RUBAL ANTONIO
GONZALEZ BORINAGA IVANA	IGLESIAS GONZALEZ Mª ARANZAZU	LOPEZ SARALEGUI ELENA Mª TRINIDAD
GONZALEZ CARDOSA INMACULADA	IGLESIAS LORENZO LUCIANO	LOPEZ SEGURA JUAN FCO.
GONZALEZ COCA Mª DE LA ENCINA	IGLESIAS MARTIN SANTIAGO	LOPEZ SEQUERA PEDRO
GONZALEZ DIAZ VICTORINO	IGLESIAS SEXTO JOSE LUIS	LOPEZ TORRES PATRICIA
GONZALEZ ESPARZA JUANA Mª	ILIEVA NENKOVA KATIA	LORENZO VILLAMISAR JESUS MANUEL
GONZALEZ FEO SERGIO	INFANTES ALCANTARA MANUEL	LORENZO SEGOVIA SUSANA
GONZALEZ FREIJO ROSALIA	ALEJANDRO	LORENZO VELEZ JUAN
GONZALEZ GARCIA ANTONIO	IRIGOYEN GARCIA VICTORIA EUGENIA	LORES FANDIÑO JUAN JOSE
GONZALEZ GARCIA JORGE	ISACH GRAU ANA Mª	LOSADA LOPEZ ANTONIO
GONZALEZ GARCIA JUSTO	ISERTE MUÑOZ FCO. JAVIER	LOUBET MENDIOLA JAVIER
GONZALEZ GARCIA SERGIO	IVARS PERIS PABLO JOSE	LOZANO ROSA FAUSTINO
GONZALEZ GARRE PATRICIO JULIAN	IZQUIERDO DOLS MIGUEL	LUGILDE VELEZ JOSE LUIS
GONZALEZ GONZALEZ JOSE MANUEL	JAEEN CLAVEL LEONARDO	LUJAN FALCON JUAN CARLOS
GONZALEZ GONZALEZ JOSE MANUEL	JANER VALENTI IGNACIO	LUNA ARIZA RAFAEL IGNACIO
GONZALEZ GONZALEZ Mª ANGELES	JARA GUERRERO FRANCISCO	LUNA GARCIA MINA ANTONIO FERMIN
GONZALEZ GONZALEZ VICTOR JAVIER	JIMENEZ ARROYO BLAS	LUQUE FERNANDEZ JULIA
GONZALEZ HERNANDEZ ALBERTO	JIMENEZ BETANZOS DAVID	MACHIN CARREÑO FELIX ALBERTO
GONZALEZ JIMENEZ FRANCISCO	JIMENEZ CALERO CONSUELO	MACIAS FONTANILLO ISAAC SANTIAGO
GONZALEZ JIMENEZ NESTOR	JIMENEZ LORENTE MANUEL	MACIAS GUERRERO MANUEL
GONZALEZ JUSTO CARLA	JIMENEZ MARQUEZ Mª DOLORES	MADRONA MARTINEZ MIRIAM
GONZALEZ LANZA ALEXIA Mª	JIMENEZ PINEDA MERCEDES	MAESTRE RODRIGUEZ JUAN JESUS
GONZALEZ LUIS JULIAN	JIMENEZ RAMOS IGNACIO	MAGAÑA PLAZA PEDRO ANTONIO
GONZALEZ LUNA ISMAEL	JIMENEZ THOMAS EMILIO	MALMAGRO BLANCO ANTONIO
GONZALEZ MARIN MANUEL	JORDAN CHIVELI IGNACIO	MALUENDA URGEL NURIA
GONZALEZ MAYO GONZALO	JOVER BENAVENT ENRIQUE	MANTEIGA ROSENDE JOSE MANUEL
GONZALEZ MOLANO FCO. JAVIER	JUAN TORTOSA FEDERICO	MARANDI ASSL MOHAMMAD
GONZALEZ MONTERO CONCEPCION	JUANOLA COCH MARTI	MARAÑON OTEIZA Mª CRISTINA
GONZALEZ MONZON MARIO	JUESAS FERNANDEZ ENRIQUE	MARCHANTE GARCIA MARTA Mª
GONZALEZ MOSQUERA FERNANDO	JULIAN SANZ MARIA	MARCOS BERNARDO Mª TERESA
GONZALEZ PARRA RICARDO	JUNQUERA FRESCO BEATRIZ INMACULADA	MARGALIDA GATNAU JOSE Mª
GONZALEZ PAVON FCO. JOSE	JURADO CORDOBES RICARDO JESUS	MARIAKA AMERIGO GUSTAVO
GONZALEZ PEREZ ANA RUTH	KNUCHEL FRITZ	MARIN LLORIS ANTONIO ANGEL
GONZALEZ RAMIREZ JOSE	LABORDA CARNICER FELIPE	MARIN PEREZ ANA MERCEDES
GONZALEZ RODRIGUEZ FRANCISCO	LADRON GALAN FRANCISCO	MARQUES GONZALEZ Mª FRANCISCA
GONZALEZ SOCAS ANTONIA MARINA	LAGUNA SEBASTIANES FCO. MANUEL	MARQUES MENENDEZ JOSE LUIS
GONZALEZ TABOADA JOSE	LALANZA PINA VALERO BLAS	MARQUEZ PEREZ LAURA
GONZALO SAINZ FCO. JAVIER	LALMOLDA SANZ PABLO	MARRERO GONZALEZ PLACIDO VICTOR
GOÑI IDARRETA ANA Mª	LAMBERT JONATHAN RAYMOND	MARRERO MAYORGA Mª ROSA
GOPAR MARRERO PABLO	LAMONEDA PRIETO DIEGO	MARROYO MONGE MANUEL
GOROSTARZU DIAZ MIGUEL ANGEL	LAMY GARCIA ANTONIO	MARTI AVILES Mª JOSE
GRACIA CAMATS ENRIC	LANAU ALTEMIR RAMON ANGEL	MARTI SALA ESTHER
GRACIA JACOBO EMILIO	LANAU SERRA Mª FRANCISCA	MARTI TORRENTS MIQUEL
GRANDA RODRIGUEZ DE LA FLOR ARMANDO	LANERO PEREZ MIGUEL ANGEL	MARTIN CARLOSENA RAFAEL
GRAÑON LOPEZ LUIS ALBERTO	LARA MARTINEZ CARLOS	MARTIN GARCIA ELIAS
GRASSA VARGAS FERNANDO	LARA VIDAL FCO. JOSE	MARTIN GRANADOS JUAN
GRELA CASTRO MARCELINO	LARREA ORCOYEN ASIER	MARTIN HERNANDEZ PEDRO Mª
GROS JAQUES ENRIQUE MANUEL	LARROSA ESCARTIN ANA BELEN	MARTIN JIMENEZ ANSELMO
GUARAS JIMENEZ Mª RESURRECCION	LASO CASTAÑERA JOSE FCO.	MARTIN LOPEZ CARLOS FCO.
GUELL MERRY DEL VAL IGNACIO	LEAL ARIAS GUILLERMO	MARTIN MAYOR ANTONIO
GUERRA CEBALLOS JUAN LUIS	LEÑA CAMACHO ROSA Mª	MARTIN MURILLO IGNACIO JOSE
GUERRA GARCIA DE CELIS JOSE JUAN	LEON ACOSTA MANUEL TOMAS	MARTIN NADAL ALBERTO
GUERRA MENGUAL MARCOS	LEON ANTOÑANZAS MARIO	MARTIN RAMIREZ FRANCISCO
GUIJARRO BACO JUAN JOSE	LEON CRISTOBAL JOSE LUIS	MARTIN VIZAN MILAGROS
GUIJARRO CRUZ MARTA	LEON MARTINEZ JUAN	MARTINEZ ANDRES Mª ANGELES
GUILLÉN RUIZ EMILIO	LIARTE BENEDI Mª INMACULADA	MARTINEZ BERMUDEZ JOSE FCO.
GUMBAU RODA JAIME JOSE	LIMIÑANA MARTINEZ LORENZO	MARTINEZ BERMUDEZ LEOPOLDO
GUTIERREZ FERNANDEZ MARIA	LIMONCHI LOPEZ HERIBERTO	MARTINEZ CASTRO MANUEL FCO.
GUTIERREZ GALENDE IGNACIO	LINARES LOPEZ RAMÓN	MARTINEZ GAMEZ CARMEN Mª
GUTIERREZ GARCIA AZAHARA	LINO MANERU Mª ANGELES	MARTINEZ GARCIA CARLOS
GUTIERREZ LORENZO ANGEL	LIÑANA VICO VICENTE	MARTINEZ GARCIA PEDRO RAFAEL
GUTIERREZ PASTOR JUAN CARLOS	LLAMAS ABADIÑO EDUARDO	MARTINEZ GOMEZ MIGUEL AMARO
GUZMAN GARCIA Mª JESUS	LLAMAZARES GALVAN ALBERTO	MARTINEZ GONZALEZ VANESA
GUZMAN GONZALEZ EMILIANO	LLANDRICH LLANDRICH Mª CARMEN	MARTINEZ HERNANDEZ Mª DOLORES
HENCHE MUÑOZ GREGORIA	LLEONART CATEURA PERE	MARTINEZ MARTOS LUIS CARLOS
HERAS HERNANDEZ FERNANDO	LLOBET VILA AUGUSTO	MARTINEZ MENDOZA DIEGO
HERAS TERREROS ALFREDO	LLORENS ARMENGOL ALEJANDRO	MARTINEZ MOYA DIEGO
HEREDERO POL OSCAR EDUARDO	LLUCH RODRIGUEZ CRISTINA	MARTINEZ PARRA ENRIQUE
HERMO MARTINEZ MARTA	LOMAS PEREZ JESUS Mª	MARTINEZ PEREZ JOSE FCO.
HERMOSO NUÑEZ PEDRO	LOPE CARVAJAL JUAN JESUS	MARTINEZ PEREZ JOSE Mª
HERNANDEZ ALEJANDRO JOSE MANUEL	LOPEZ ARIAS Mª EUGENIA	MARTINEZ PUJANTE ALFONSO
HERNANDEZ ALEJANDRO JUDITH	LOPEZ BERGUA MARTI	MARTINEZ RIVADAS FRANCISCO
HERNANDEZ FERRERA JOSE ALBERTO	LOPEZ CARCAS EDUARDO	MARTINEZ VECINO Mª CONCEPCION
HERNANDEZ MANRESA JOSEFA	LOPEZ DELGADO Mª PILAR	MARTINEZ VERA Mª ESTRELLA
HERNANDEZ MANRIQUE CARLOS MANUEL	LOPEZ FERNANDEZ FERNANDO	MARTINEZ VILLAR FRANCISCO
HERNANDEZ NUÑEZ ALVARO	LOPEZ FERNANDEZ RAQUEL	MAS NEBOT JOSE Mª
HERNANDEZ PELARDA ANGEL FELIPE	LOPEZ FIDALGO Mª MONICA	MASDEU BALLART MONTSERRAT
HERNANDEZ PRIETO MIGUEL ANGEL	LOPEZ FRAILE LUIS ANTONIO	MASIP ESCALONA DAVID
HERNANDEZ SANCHEZ JOSE RAMON	LOPEZ GARCIA ANTONIO	MASSOT PUNYED MONTSERRAT
HERNANDEZ SANCHEZ Mª ISABEL	LOPEZ GARCIA ANTONIO PEDRO	MATA MARCO CARMEN
HERNANDEZ VELAZQUEZ JOSE GREGORIO	LOPEZ GRANADOS JOSE Mª	MATA SANTIN ENRIQUE
HERRAIZ ARGUDO CONSUELO	LOPEZ HERNANDEZ ALVARO	MATEO SANTIAGO IGNACIO MANUEL
HEVIA PATALLO TERESA	LOPEZ LOMA ALFONSO FCO.	MAYA MONTERO ANGEL
HIDALGO GOMEZ VALENTINA	LOPEZ LOPEZ DORLETA	MAYORAL MURILLO FCO. JAVIER EUSEBIO
HIDALGO PEREZ JOSE ANTONIO	LOPEZ LOPEZ IGNACIO	MAYORDOMO PULPON ALBERTO
HITA JURADO DAVID	LOPEZ LOPEZ Mª MAR	MAZO ORTEGA Mª NURIA
HORTELANO GARCIA RICARDA	LOPEZ LOZANO ROSA Mª	MAZON GINER JOSE FERNANDO
HUERTAS FERNANDEZ JUAN ANTONIO	LOPEZ LUQUE IGNACIO	MECHO PAUNER NOELIA
HUGUET CABRERA SERGIO	LOPEZ MANCIÑEIRAS Mª CARMEN	MECIA FERNANDEZ RAMON
IBAÑEZ IBAÑEZ LUIS	LOPEZ MARTINEZ MANUELA	MEDINA GONZALEZ JON ANDER

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles (Bank of Spain Circular 4/2004, and as amended thereafter, which adapts the EU-IFRS for banks. See Note 52). This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

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MEDINA VALLES JUAN CARLOS
MELCHOR GOMEZ CANDIDO DANIEL
MENDEZ BANDERAS LUIS FELIPE
MENDEZ HERNANDEZ CAYETANO
MENDEZ HERNANDEZ M^a CRUZ
MENDEZ ZAPATA M^a PILAR
MENDIZABAL GOIBURU AGUSTIN
MERA RANCAÑO MANUEL
MERELAS CASTRO SONIA
MERINO MARTINEZ CESAR JOAQUIN
MESA VIÑAS ARCEO
MESANZA QUERAL ALBERTO GUILLERMO
MIALDEA CÁRRASCO JULIA
MIER ROMAN SILVIA
MIGUEL BENITO JOSE ANDRES
MIGUEL HERNANDEZ JAVIER
MINER GUERRERO JAVIER
MIÑO PEREZ JOSE IGNACIO
MODINO MARTINEZ MANUEL ANGEL
MODOL RUIZ CRISTINA
MOLINA HERRIEGA MIGUEL
MOLINA LOPEZ RAFAEL
MOLINA LUCAS M^a ALMUDENA
MOLL BRAGAGIA ANALINA
MOLLEJA BELLO M^a CARMEN
MONCHONIS TRASCASAS PEDRO
MONREAL RUBIO PATRICIO
MONROY CABAÑAS JULIAN
MONROY REY PATRICIA
MONSERRAT OBRADOR RAFAEL
MONTANER ARBONA FRANCISCO
MONTEAGUDO NAVARRO MARIA
MONTERO BEJARANO FCO. JAVIER
MONTES SADABA FCO. JAVIER
MONTESINOS CONTRERAS VICENTE
MONTIEL GUARDIOLA M^a JOSEFA
MOR FIGUERAS JOSE ANTONIO
MORA GIRONA JOSE MANUEL
MORACHO MUÑOZ JOSE ANGEL
MORALEDA GALAN RAFAEL
MORANTE REDONDO MANUEL ANGEL
MORCILLO GARCIA JOSE LUIS
MORCILLO GRANADO FRANCISCO
MOREIRA GARCIA JULIO CESAR
MORENES SOLIS M^a ROCIO
MORENO Blesa JUAN IGNACIO
MORENO CAMPOS JOAQUIN
MORENO DE MIGUEL VICENTE
MORENO DEL PINO NICOLAS
MORENO LATORRE DANIEL
MORENO MAROTO LUIS MIGUEL
MORENO SILVERIA M^a ISABEL
MORGA GUIRAO M^a PILAR
MORODO PASARIN PURA
MOROTE ESPADERO RAFAEL MANUEL
MORSO PELAEZ JOSE RAMON
MORUNO GONZALEZ MIGUEL ANGEL
MOSQUERA ARJONA JESUS
MOUZO CASTIÑEIRA JESUS ANTONIO
MUÑO DIAZ M^a MAR
MULET MULET VICENT JOSEP
MUNGUIA TORRES JUAN MIGUEL
MUNIN MOSQUERA SANDRA
MUÑOZ BERZOSA JOSE RAMON
MUÑOZ BONET JOAQUIN BERNARDO
MUÑOZ CALVO FERNANDO JOAQUIN
MUÑOZ PINEDA FCO. ANTONIO
MUÑOZ RAMOS PEDRO
MUR CEREZA ALVARO JESUS
MURGA PEINADO JOSE ALBERTO
MURO ALCORTA M^a ANTONIA
MUSA MOHAMED ABDELAZIZ
MUZAS BALCAZAR JESUS ANGEL
MYLNIKAVA LIUDMILA
NACHER NAVARRO M^a VANESSA
NAHARRO GATA MANUEL
NARANJO PEREZ JUAN CARLOS
NAVARRO CUESTA ESTER
NAVARRO MARQUEZ JOSE MANUEL
NAVARRO MORALES JOAQUIN
NAVARRO SAENZ M^a MAR
NAVARRO UNAMUNZAGA FCO. JAVIER
NAZABAL ORTUETA PABLO
NEGRETE LEAL LUIS MANUEL
NEIRA ALIAGA FERNANDO
NIETO GONZALEZ RUFINO
NODA MORALES HECTOR JOSE
NOVELLA MORALES MANUEL
NOVO MARTINEZ ALBA
NOVOSELOVA ELENA
NUÑEZ MAILLO VICENTE JESUS
NUÑEZ VIÑAS SANDRA M^a
NUÑO NUÑO AZUCENA

OBELLEIRO RODRIGUEZ JOSE MANUEL
OGAZON GOMEZ YON ANDONI
OJEDA PEREZ FCO. JOSE
OLIVA PAPIOL ENRIQUE
OLIVER GUASP BARTOLOME
OLIVER MOMPO JOSE
OLMEDO APARICIO CARLOS
OLMO BARONA ANDRES
OLMOS LOPEZ MARCOS
ORDOYO CASAS ANA M^a
ORRIOLS GESE JORDI
ORTEGA AGULLO JOSE
ORTEGA ALTUNA FERNANDO M^a
ORTEGA JIMENEZ FRANCISCO
ORTIZ ACUÑA FRANCISCO
ORTIZ ALVAREZ BENITO
ORTIZ GARCIA JUAN ANTONIO
ORTIZ GARCIA RAFAEL
ORTIZ MARTIN FCO. EULOGIO
ORTS BERENGUER JUAN JOSE M^a
ORTUÑO CAMARA JOSE LUIS
ORTUÑO FERNANDEZ JOSE LUIS
ORUS RODES RICARDO
OSTROWSKA JOANNA
OTERO ALVAREZ JULIA
OUTEIRIÑO VAZQUEZ JOSE M^a
OVIEDO PEREZ ZULEMA
PABLOS MUÑOZ M^a JESUS
PACHA PRIOR BEATRIZ
PADILLA CABRERA ROMINA DEL CARMEN
PADILLA MOLINA MARIA
PADILLA ORTEGA GENOVEVA
PADRON GARCIA HERCILIO JOSE
PAEZ ORDOÑEZ SERGIO
PALACIOS NAVAL IGNACIO
PALAU DE LA NOGAL JORGE IVAN
PALAZON GARCIA JOSE MIGUEL
PANDAVENES CANAL AZUCENA M^a
PANIAGUA VALDES MILAGROS
PARDINES GARCIA ANTONIO
PARDO CANO FCO. JAVIER
PAREDES VERA GRACIA
PARENT FITE JAUME
PARNAU BOSCH JOAN
PARRA ASENSIO M^a TERESA
PARRA MAIQUEZ JOAQUINA
PARREÑO MENDEZ M^a JOSE
PASTOR GOMEZ PASCUAL
PASTOR MARCO JOSE LUIS
PATIÑO ROBLES M^a CONCEPCION
PAULINO CARCELLES LUIS MIGUEL
PAZ BARKBY ALISON SUSAN
PAZ GRANDIO FCO. JOSE
PAZOS SANCHEZ JAVIER
PEDEVILLA BURKIA ADOLFO
PEINADO MARTINEZ JOSE ANGEL
PELLICER BARBERA MARIANO
PENA DIAZ JOSE MANUEL
PEÑA LOPEZ MILAGROS
PEÑA NAVAL JESUS
PEÑA PEÑA MANUEL
PEÑAS BRONCHALO JOSE MIGUEL
PEÑATE SANTANA DUNIA
PERDOMO PEÑA PATRICIA
PEREA PRIETO JOSE LUIS
PEREZ ABAD JAUME
PEREZ ALVAREZ LAURA
PEREZ ANDREU ALEJANDRO
PEREZ CAMACHO MIGUEL ANGEL
PEREZ CHAVARRIA JOAQUIN MIGUEL
PEREZ CORDOBA VICTOR MIGUEL
PEREZ DE LIS FERNANDEZ JOSE DANIEL
PEREZ DOMENECH JOSE MANUEL
PEREZ FERNANDEZ M^a DOLORES
PEREZ GOMEZ CARMEN BEGOÑA
PEREZ GUTIERREZ SANTIAGO
PEREZ IGLESIAS SUSANA
PEREZ MAGALLARES EMILIO
PEREZ MALON M^a BELEN
PEREZ MASCUÑAN JORGE
PEREZ MORENO YOLANDA
PEREZ ORTEGA ANA ISABEL
PEREZ PEREZ JOSE MANUEL
PEREZ POYATOS EMILIO JOSE
PEREZ SANTOS ALFONSO
PEREZ SOTO PABLO MANUEL
PEREZ-ARCOS ALONSO JUANA M^a
PEROLADA VALLDEPEREZ ANDRES
PERTUSA MONERA ENCARNACIÓN
PINILLA VELA FCO. JAVIER
PINTOR ZAMORA GUADALUPE
PISONERO PEREZ JAVIER
PIZA PROHENS BARTOMEU ANTONI

PLA NAVARRO EMILIA
PLANAS VIDAL PERE DOMINGO
PLANELLA SARGATAL ORIOL
PLANELLS ROIG JOSE VICENTE
PLANO IZAGUIRRE JOSE DANIEL
PLASENCIA TORRES GERARDO
POLO PRIETO BORJA
PONCE VELAZQUEZ JOSEFA
PORRAS JURADO JUAN
PORTA MENGOT JOSE VICENTE
PORTILLA ARROYO ALICIA
POTAPOVICH IGOR
POUS ANDRES JUAN
POZO RIVAS CARMEN M^a
PRADA PRADA M^a CARMEN
PRADO PAREDES ALEJANDRO
PRESA GARCIA ALFONSO ABILIO
PRIETO BENEITEZ VICTOR JESUS
PRIETO RICO MAURO
PUERTA BROTO SILVIA
PUERTAS VALLES M^a LUISA
PUGA LOPEZ M^a DOLORES
PUIG SEMPERE FILOMENA
PUJOL HUGUET AMADEU
PUJOLS SERRA RAMON
PUP ANCA
QUERO GUTIERREZ CARIDAD
QUILEZ SANCHEZ ANDRES
QUIRALTE FUENTES RUBEN
RAGA PENELLA JUAN
RAMIREZ JORQUERA MIGUEL ANGEL
RAMIREZ LOPEZ AGUSTIN
RAMIREZ RUBIO JOSE RAMON
RAMIREZ TORNES ALAIN LAZARO
RAMIS FERRER FRANCISCO
RAMOS CAGIAO AMPARO
RAMOS CALDERON RAUL
RAMOS ROMERO JUAN JESUS
RAMOS SOBRIDO JOSE ANDRES
RANEDO VITORES M^a MILAGROS
RANZ YARRITU JAVIER
RATON BELLO MIGUEL ANGEL
RAVELO RAMIREZ JUAN ALFONSO
REBOLLO CAMBRILES JUAN ROMAN
RECAJ ERRUZ ENRIQUE CLEMENTE
RECIO CEÑA TOMAS
RECUENCO BENEDICTO JOSEFINA MATILDE
REGA RODRIGUEZ M^a LUISA
REGLERO BLANCO M^a ISABEL
REICHARDT OLIVER MARK
REIFS PEREZ MANUEL
REINA GARCIA ANA ESTHER
REINA PUEYO MANUEL
RELAÑO CAÑAVERAS CRISTOBAL
REMENTERIA LECUE AITOR
REMON ROCA RAMON TOMAS
REMON SAENZ CESAR
RETAMERO VEGA MANUEL
REVUELTA GUTIERREZ LAURA
REY FERRIN PAULA
REY GONZALEZ NICOLAS
REY PAZ ROCIO
REYES BLANCO FCO. JAVIER
REYES BLANCO RAFAEL
REYES LANZAROTE FRANCISCA
REYES QUINTANA VICTORIO JESUS
REZA MONTES FCO. JAVIER
RIBAS RUBIO PEDRO
RIBERA AIGE JOSEFA
RIERA PALOP JOSE CARLOS
RINCON GUTIERREZ M^a PILAR
RIOJA ROMAN RAQUEL
RIOLOBOS GALLEGO MERCEDES
RIOS GARCIA PAULA
RIPOLL BARRACHINA ENRIQUE
RIVAS ANORO FERNANDO
RIVAS CASTRO JOSE CARLOS
RIVAS URBANO JOSE
RIVERA FERNANDEZ M^a CAMINO
RIVERO RIVERO SAMUEL
ROBLES ALONSO SARA
ROBLES SANCHEZ ROSA M^a
RODES BIOSCA CARLOS RAFAEL
RODRIGUEZ ALVAREZ M^a ISABEL
RODRIGUEZ CAÑIZARES ANTONIO JAVIER
RODRIGUEZ CARBALLO JOSE LUIS
RODRIGUEZ CEDILLO LORENA
RODRIGUEZ CIFUENTES IVAN
RODRIGUEZ DELGADO RENE
RODRIGUEZ DONOSO JOSE MARIO
RODRIGUEZ FERNANDEZ ESPERANZA
RODRIGUEZ GALVAN SARA ISABEL
RODRIGUEZ GROVA AMELIA

RODRIGUEZ LLOPIS MIGUEL ANGEL
RODRIGUEZ LOPEZ OLGA
RODRIGUEZ MARTI NEUS
RODRIGUEZ MARTINEZ RAFAEL
RODRIGUEZ MUÑOZ JOAQUIN JOSE
RODRIGUEZ OTERO MIRIAN
RODRIGUEZ PEREZ Mª JOSE
RODRIGUEZ RODRIGUEZ JUAN CARLOS
RODRIGUEZ RODRIGUEZ MARIA
RODRIGUEZ RODRIGUEZ Mª CARMEN
RODRIGUEZ ROGEL MANUEL ALEJANDRO
RODRIGUEZ RUIZ JUAN ANTONIO
ROGADO ROLDAN ROSA
ROGET LEMUS JOSE MANUEL
ROIG FENOLLOSA JUAN BAUTISTA
ROIG MARTORELL NURIA
ROJAS SOLER FRANCISCO
ROJAS TRONCOSO PEDRO
ROLDAN SACRISTAN JESUS HILARIO
ROMAN BERMEJO Mª ISABEL
ROMAN CAMPOS Mª ETELVINA
ROMAN CIVIDANES CONSTANTINO
ROMERO ARIAS TATIANA
ROMERO AZNAR JOSE MANUEL
ROMERO EXPOSITO VANESA
ROMERO MENDEZ JUAN ANTONIO
ROMERO MORENO MANUEL RAMON
ROMERO RODRIGUEZ JOSE GIL
ROMERO SIERRA BENJAMIN
ROPERO MONTERO MIGUEL ANGEL
ROS PEREZ XAVIER
ROSALES ROMERO ANA CARMEN
ROSILLO PAREDES Mª MERCEDES
ROTGER LLINAS DANIEL
ROYO RUIZ JOSE LUIS
ROYO ESCARTIN RAQUEL
ROYO GARCIA FCO. JAVIER
ROZAS NEIRA ADRIAN
RUA PIRAME ENRIQUE
RUANO CAMPS ANTONI
RUBIALES REGORDAN RAFAEL
RUBIO BERNARDEAU ANTONIA MILAGROSA
RUBIO COBO ALBERTO
RUBIO GARCIA EMILIA
RUBIO RODENAS Mª LOURDES
RUBIO SIERRA FCO. JOSE
RUIPEREZ MATOQUE PIERRE
RUIZ ALVARO ALFONSO MANUEL
RUIZ CASAS JUAN BAUTISTA
RUIZ DEL RIO ROSA Mª
RUIZ ESCALONA ANTONIO
RUIZ JARILLO Mª JOSE
RUIZ LUQUE HERNAN
RUIZ MORENO EVA
RUIZ NOGALES LIDIA
RUIZ PEREZ Mª VICTORIA
RUIZ TARI ROGELIO
RUIZ-ESTELLER HERNANDEZ GUSTAVO
SAAVEDRA MARTINEZ ENRIQUE
SABATE NOLLA TERESA
SABES TORQUET JUAN CARLOS
SAENZ GIL DE GOMEZ DAVID
SAEZ NICOLAS JOSE RAMON
SAINZ TAJADURA Mª VICTORIA
SAINZ-EZQUERRA LANAS SANTIAGO
SAIZ SEPULVEDA FCO. JAVIER
SALA AZORIN AURORA
SALADICH OLIVE LUIS
SALAET FERRES MARISA
SALAMERO MORENO JOAQUIN
SALAS SEGUI BARTOLOME
SALMERON TOLOSA MONICA
SALMON ALONSO JOSE LUIS
SALVIA FABREGAT Mª PILAR
SAMPER CAMPANALS PILAR
SAMPER JIMENEZ JUAN ANGEL
SAN EMETERIO GAYO JAVIER
SANCHEZ BURUAGA MARTA
SANCHEZ ELIZALDE JUAN FCO.
SANCHEZ FERNANDEZ ELENA Mª
SANCHEZ GARCIA YOLANDA
SANCHEZ GONZALEZ HELENA
SANCHEZ HERNANDEZ IVAN
SANCHEZ HERRERA PATRICIA
SANCHEZ HERRERO MIGUEL
SANCHEZ IGLESIAS JOSE FCO.
SANCHEZ LOPEZ MIGUEL
SANCHEZ MESA FRANCISCO
SANCHEZ MUÑOZ RAQUEL
SANCHEZ NAVARRO JOSE ANTONIO
SANCHEZ PEÑA MIGUEL ANGEL
SANCHEZ POUSADA JULIA
SANCHEZ PULIDO AGUSTIN JAVIER

SANCHEZ RODRIGUEZ Mª TERESA CARMEN
SANCHEZ ROMERO BENITO
SANCHEZ SAN VICENTE GUILLERMO JESUS
SANCHEZ SANCHEZ JOSE ANTONIO
SANCHEZ SECO VIVAR CARLOS JAVIER
SANCHIS MARTIN LAURA
SANTANA GONZALEZ TEODOMIRO
SANTANDREU ROSSELLO PERE
SANTOS GARCIA MANUEL
SANTOS HERRERA MERCEDES
SANTOS MAYORDOMO RUBEN
SANTOS PAEZ SILVIA
SANTOS ROMAN Mª NURIA
SANZ CALDERON FCO. JAVIER
SANZ CALVO SARA
SANZ FUENTES LUIS ALBERTO
SANZ VIVANCO DIEGO
SARDA ANTON JUAN IGNACIO
SARRI SOLE FRANCESC XAVIER
SARRIO TIERRASECA LEON
SARROCA GIL MOISES
SASTRE SOLER ANA
SAUN FUERTES Mª JOSE
SAURA MARTINEZ PEDRO
SECO FERNANDEZ LUIS ALBERTO
SEGOVIA GOMEZ JUAN ANTONIO
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BUFET MILARA, S.L.	CONSULTORIA FINANCIERA PONTEVEDRA, S.L.	ESTRATEGIA FINANCIERA EMPRESARIAL, S.L.
BUFET PUIG I ASSOCIATS, S.L.P.	CONSULTORIA INVERSIONES MENORCA, S.L.	ESTUDIO CASTRO, S.L.
BUFETE CANOVAS, S.C.P.	CONSULTORIA ORTIZ & ASOCIADOS, S.L.	ESTUDIO FINANCIERO AVANZADO, S.L.
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CAFARES, S.L.U.	CREDYCAU DOHER SURESTE, S.L.U.	FARMASERVICIOS Y CONSULTORIA, S.L.
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CANOVAS 1852, S.L.	CUBERO PATRIMONIOS, S.L.	FAUSBE 2005, S.L.
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CAÑELLAS BROS ASSESSORS, S.L.P.	DARA SPORTS, S.L.	FERNANDEZ GALBIS, RAMIREZ DE
CAPAFONS Y CIA, S.L.	DATACONTROL ASESORES, S.L.	FERNANDEZ SERRA, S.L.
CAPITEL ASESORES ALMANSA, S.L.	DBSER INVEPAT, S.L.	FERNANDO BAENA, S.L.
CAPON CONSULTORES, S.L.	DE CAMBRA AGOGADOS, S.L.	FERPAPER, S.L.
CARRETERO E IZQUIERDO ASOCIADOS, S.L.	DEEP TIMER, S.L.	FERTAPDO, S.L.
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CAUCE CONSULTORES DE NEGOCIO, S.L.	DESPACHO J.M. COARASA, S.L.	FINANCIAL LIFE PLANNING, S.L.
CAURIA PROMOCIONES, S.L.	DESPACHO, TRAMITACION Y GESTION DE DOCUMENTOS, S.L.	FINANCIAL PREMIUM CATALUNYA, S.L.
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CECEA INTER, S.L.	DIMANA ASESORES, S.L.	FINANCIERA AGRICOLA DEL PONIENTE, S.L.
CEINCO PORRERES, S.L.		FINANCIERA MAYORGA, S.L.
CENTAUREA BUSINESS DEVELOPMENT, S.L.		FINANCO CONSULTORES, S.L.
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G Y G ABOGADOS, S.L.	GESTORIA ESTRADA OSONA, S.L.P.	INMONEY 2017, S.L.
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COMPTABLE GAFIC, S.L.P.	GESTORIA HERMANOS FRESNEDA, S.L.	INSERVICE D & B, S.L.
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GARCIA MATEO ASESORES, S.L.U.	CONSULTANCIES, S.L.U.	S.L.
GARFE, ASESORAMIENTO Y GESTION	GONZALEZ & PARDAVILA, S.C.	INVERSIONES PATRIMONIALES EL ARENAL,
EMPRESARIAL, S.L.	GONZALEZ & SANTIABÁÑEZ GESTION, S.L.	S.L.
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GENERAL MEAT, S.L.	GRUPAMERO ADMINISTRACION, S.L.	ISLA CONSULTING 2014, S.L.
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GESPIME ROMERO MIR, S.L.	S.L.	C.B.
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 MITJAVILA Y ASOCIADOS ESTUDIO JURIDICO FISCAL, S.L.
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 MOLINA CONSULTING GROUP, S.L.P.
 MOMENTO ASESORES 2014, S.L.
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 OLAZABAL Y ASOCIADOS, S.C.
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 OLIVERAS TARRES, S.C.
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 OPERATIVO CONSULTING, S.L.U.
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 ORTEGAL A ESTACA, S.L.
 OSYPAR GESTION, S.L.
 OTC ORIENTA PYMES, S.L.
 OTERO Y PEREZ CONSULTORES, S.L.
 OURENOFIX, S.L.
 OUTSIDE ADVISORS DENIA, S.L.
 P V 1, S.L.
 PAPOI AND PARTNERS, S.L.
 PARERA CONSULTING GROUP, S.L.
 PARTNER TERRITORIAL SUR, S.L.
 PASTOR BEVIA, ALFONSO 2140868H, S.L.N.E.
 PATRIAL, S.A.
 PAUDIM CONSULTORES, S.L.
 PAYMER INVERSIONES, S.L.
 PB GESTION, S.L.
 PDCE CONSULTING DE EMPRESAS, S.L.P.
 PEDRO LOPEZ PINTADO E HIJOS, S.L.
 PERALTA Y ARENSE ASESORES Y CONSULTORES, S.L.
 PERE ARAÑO PLANAS ASSESSORS, S.L.P.
 PERELLO Y TOMAS, S.L.
 PEREZ ASESORIA Y SERVICIOS EMPRESARIALES, S.L.
 PEREZ GUILARTE Y ASOCIADOS, S.L.
 PEREZ SIERRA ASESORES, S.L.
 PERNIA CONSULTORES, S.L.
 PERUCHET GRUP CONSULTOR D'ENGINYERIA, S.C.P.
 PGS ACELERADORA, S.L.
 PILAR RAMON ALVAREZ, S.L.
 PIME ASSESSORAMENT I QUALITAT, S.L.
 PIÑOL & PUJOL ASSESSORIA D'EMPRESSES, S.L.
 PLANNING ASESORES, S.C.
 PLAYAS TERRAMAR, S.L.
 PLEYA GLOBAL SERVICE, S.L.
 PLUSIERS CONCEP, S.L.
 POGGIO, S.A.
 POISY, S.L.
 POLO ACCIONES, S.L.
 POPIN DE LOS MARES, S.L.

POTIOR LEX 2016, S.L.
 POU ADVOCATS, S.L.P.
 POUSADA Y CORTIZAS, S.L.
 POZA SOTO INVESTIMENTOS, S.L.
 PRACTICA LEGAL BARCELONA, S.L.
 PRADO RECOLETOS ASESORES, S.L.
 PRESTACIONS DE ASESORAMENTO EMPRESARIAL, S.L.
 PRESUPUESTAME EXTREMADURA, S.L.
 PREVENALICANTE 2015, S.L.
 PREVISION PERSONAL CORREDURIA DE SEGUROS, S.A.
 PROELIA, S.L.
 PROGESEM, S.L.
 PROGRESO 21 CONSULTORES TECNICOS Y ECONOMICOS, S.L.
 PROINVER PARTNERS, S.L.
 PROYECTOS DE ASESORIA GLOBAL, S.L.
 PROYECTOS INTEGRALES FERADO, S.L.L.
 PROYECTOS INTEGRALES FINCASA, S.L.
 PROYECTOS PINTON, S.L.
 PUENTE & B GESTION INTEGRAL, S.L.
 PUERTAS Y GALERA CONSULTING, S.L.
 PUNT D'ASSESSORAMENT FINANCER, S.L.U.
 PYME BUSSINES TWO, S.L.
 PYME'S ASESORIA, S.L.
 Q-INVEST FAMILY OFFICE, S.L.
 QLEY AUDITORES CONSULTORES, S.L.
 QUALIFIED EXPERIENCE, S.L.
 QUALITY ASEGURA2, S.L.
 QUEJIA CONSULTORES, S.L.
 QUINTELA Y PEREZ ASESORES, S.L.
 R Y B ASESORES, S.L.
 R. & J. ASSESSORS D' ASSEURANCES ASEGUR XXI, S.L.
 RACA INVERSIONES Y GESTION, S.L.
 RAFAEL VALLS GRUPO ASESOR, S.L.
 RAMOS CONSULTORES, S.L.
 RCI EXPANSION FINANCIERA, S.L.U.
 REAMOBA, S.L.
 RED DE ASESORES ALCAMAN, S.L.
 REDIS INVERSIONS, S.L.
 RENTA INMOBILIARIA ARAGONESA, S.L.
 RENTA JUBILADOS, S.L.
 RENTABILIDAD VALOR Y UTILIDAD, S.L.
 RENTEK 2005, S.L.
 REYMONDEZ, S.L.
 RGR ACTIVOS E INVERSIONES, S.L.
 RIOJAMACRAL, S.L.
 ROALGA GESTION DE RIESGOS, S.L.
 ROBIPAL 2016, S.L.
 ROCA VILA I JURADO ASSOCIATS, S.L.P.
 ROCHE BLASCO Y ROCHE ASESORES, S.L.
 RODAEL INVERSIONES, S.L.
 RODON I VERGES ASSOCIATS, S.L.
 ROLO GESTION E INVERSION, S.L.
 ROMERO & BURGOS ASESORES, C.B.
 ROS PETIT, S.A.
 ROSADO PROIMAGEN, S.L.
 ROSVEGA, S.L.
 ROY ASSESSORS, S.L.
 RS GESTION ALTO ARAGON, S.L.
 RUALI CONSULTANTS, S.L.
 RUIZ ASESORES, S.C.
 RUIZ MOLINA ASESORES, S.L.
 S&B CONSULTORES DE CANTABRIA, S.L.
 S.A.G. MEN, S.L.
 S.C. BUSINESS ADVISORS, S.L.
 S.C.L. ECONOMISTAS CANARIOS
 S.M. ASESORES ARAÑUELO, S.L.
 SAAVEDRA Y ASOCIADOS ASESORIA EMPRESARIAL, S.L.
 SABALLS GESTIO, S.L.
 SABATER Y SALVADOR ABOGADOS, S.L.
 SACHEL 82, S.L.
 SACRISTAN ASESORES, S.L.
 SAENZ DE TEJADA ASESORES, S.L.
 SAFE SERVICIOS DE ASESORAMIENTO FISCAL DE LA EMPRESA, S.L.
 SAFIN 2062, S.L.
 SAFOR CONSULTORES INMOBILIARIOS, S.L.
 SAGEM XX, S.L.
 SAINZ Y ASOCIADOS, S.L.
 SALES HERMANOS, C.B.
 SALOR XVI, C.B.
 SAMHER ASESORES, S.L.
 SANTAMANS ASESORES LEGALES Y TRIBUTARIOS, S.L.
 SANTIVERI GESTIO I ASSESSORAMENT, S.L.
 SAPRO INVESTMENT, S.L.
 SAR NARON, S.L.
 SARA Y LETICIA, S.L.
 SARACLAU, S.L.

SARCASA, S.L.
 SASUKE XXI, S.L.
 SAURINA DELGADO ADVOCATS, S.L.
 SAYAR & RIVAS ASOCIADOS, S.L.
 SB GESTION IMPUESTOS, S.A.
 SB LAW FIRM, S.L.P.U.
 SECI ASESORAMIENTO INTEGRAL 2050, S.L.
 SEGURALIA 2050, S.L.
 SEGURBAN SERVICIOS DE
 INTERMEDIACION, S.L.
 SEGUROS E INVERSIONES DEL CID &
 VILLAFAINA, S.L.
 SEGURVITAL CORREDURIA DE SEGUROS,
 S.L.
 SELUCON, C.B.
 SEMPERE & PICO ASESORES, S.L.
 SENDA GESTION, S.L.
 SERBANASER 2000, S.L.
 SERCOM ARAGON S.XXI, S.L.
 SERGESA ASSESSORS, S.L.
 SERJACAT, S.L.
 SERKA ASESORES, S.L.
 SERTIO RIOJA, S.A.P.
 SERVEIS FINANCERS PUIGVERD, S.L.U.
 SERVICAT ASESORES, S.L.
 SERVICIOS DE ASESORAMIENTO Y GESTION
 ATENEA, S.L.
 SERVICIOS FINANCIEROS ALENAT, S.L.
 SERVICIOS FINANCIEROS AZMU, S.L.
 SERVICIOS FINANCIEROS CONTABLES 2000,
 S.L.
 SERVICIOS FINANCIEROS GABIOLA, S.L.
 SERVICIOS INTEGRALES CANARIOS, S.L.
 SERVICIOS JURIDICOS VENTANOVA, C.B.
 SERVICIOS JURIDICOS Y ADMINISTRACION
 GRUPO ROPASA, S.L.
 SERVICIOS Y GESTION EMPRESARIAL
 JEGAVI, S.L.
 SERVICONTA ALCOY, S.L.
 SERVIGEST GESTION EMPRESARIAL, S.L.
 SFT SERVICIOS JURIDICOS, S.L.P.
 SHIRELA FINANCE, S.L.
 SIERRA FERNANDEZ ASESORES, S.L.
 SIGNES ASESORES, S.L.
 SIGNES Y COLL CONSULTING, S.L.
 SIGNIA CONSULTORS, S.L.
 SILBERT-4, S.L.
 SILJORINE, S.L.
 SILLERO MARQUEZ & ASOCIADOS, S.L.
 SIMON & POSTIGO ASESORES, S.L.
 SIP CONSULTORS, S.C.C.L.
 SIRVAL, S.A.
 SISTEMA ASESORES FERROL, S.L.
 SISTEMAS INTEGRADOS DE GESTION PARA
 LA EMPRESA ANDALUZA, S.L.
 SOBALER Y RODRIGUEZ ASESORIA Y
 GESTION, S.L.

SOCIEDAD CONSULTORA DE ACTUARIOS
 ASESORES, S.L.
 SOCOGADEM, S.L.
 SOLER SOLER MENESES ABOGADOS &
 ASOCIADOS, S.L.P.
 SOLIVIS, S.L.
 SOLUCION ASESORES XXI, S.L.
 SOLUCIONES FISCALES DE GALICIA, S.L.L.
 SOLYGES CIUDAD RODRIGO, S.L.U.
 SOMOZA SIMON Y GARCIA, C.B.
 SPAIN SALUD EXCELENCIA, S.L.
 SPI SERVICIOS JURIDICOS EMPRESARIALES,
 S.L.
 SPRING MEDICA, S.L.
 SSD ASESORES 1963, S.L.
 STAFF MARKET 6, S.L.
 STM NUMMOS, S.L.
 SUAREZ BARCENA ASESORES, S.L.
 SUMA 2015 SOLUCIONES ESTRATEGICAS,
 S.L.
 SUMA LEGAL, S.L.
 T & P SAFOR GESTIO, S.L.
 T.S. GESTIO, S.L.
 TACASA BIAR, S.L.
 TALLER DE PROYECTOS GRUP XXI, S.L.L.
 TAMG, S.C.
 TAPIAS & BELLIDO CONSULTING, S.L.
 TARIN MOMPO, S.L.P.
 TARRAKO IDEX CORPORATION, S.L.
 TARSUUS FINANCIAL ADVICE, S.L.
 TAX SAN SEBASTIAN, S.L.
 TECFIS, S.L.
 TECNICOS AUDITORES CONTABLES Y TRIB.
 EN SERV. DE ASESORAMIENTO, S.L.
 TECNICOS DE APROVISIONAMIENTO Y
 ASESORAMIENTO SISTEMATICO, S.L.
 TECNIFISCAL, S.L.
 TECNOCORDOBA ASESORES TRIBUTARIOS,
 S.L.L.
 TEICASTILLO ASSESSORS, S.L.
 TEIDE SERVICIOS REALEJOS, S.L.
 TEIKEL WEALTH MANAGEMENT, S.L.
 TELEMEDIDA Y GAS, S.L.
 TETIAROA GESTION Y CONSULTING 2011,
 S.L.
 THE GADO GROUP, S.L.
 THEIA PLUS, S.L.
 THINKCO CONSULTORIA DE NEGOCIO, S.L.
 TIGALMA, S.L.
 TIO & CODINA ASSESSOR D'INVERSIONS,
 S.L.
 TIRAMAT INVERSIONS, S.L.
 TODOPYME, S.L.
 TOLL SERVICIOS ECONOMICOS Y FISCALES,
 S.L.
 TOLOCONSULTING, S.L.
 TOMAS SECO ASESORES, S.L.
 TOP TEN FRANQUICIAS, S.L.

TOPE MEDITERRANEA ASSEGURANCES, S.L.
 TORRE DE LA CUESTA CORREDURIA DE
 SEGUROS, S.L.
 TRAMITES FACILES SANTANDER ASESORES
 Y CONSULTORES, S.L.L.
 TRAMITS I FORMES, S.L.
 TRAYSERCAN, S.L.
 TRES U EMPRESA DE SERVICIOS
 PROFESIONALES, S.L.
 TRYCICLO ADVISORS, S.L.
 TURBON ASESORES LEGALES Y
 TRIBUTARIOS, S.L.
 TWINVER IBERICA, S.L.
 TXIRRIENA, S.L.
 UGARTE ASOCIADOS SERVICIOS
 EMPRESARIALES, S.L.
 UNAEX CONSULTORIA DE EMPRESAS, S.L.
 UNIGLOBAL CONSULTING, S.L.
 URBANSUR GLOBAL, S.L.
 USKARTZE, S.L.
 V.S. SERVICIOS EMPRESARIALES, S.L.
 V.S. SERVICIOS JURIDICOS, S.L.
 VACCEOS GESTORES, S.L.
 VALOR AFEGIT OSONA, S.L.
 VASALLO RAPELA ASESORES, S.L.
 VEJERIEGA CONSULTING, S.L.
 VELASCO BERNAL ASESORES LEGALES Y
 TRIBUTARIOS, S.L.
 VERUM MANAGEMENT, S.L.
 VICENTE JUAN ASESORES, S.L.
 VICENTE OYA AMATE Y DOS MAS, C.B.
 VICOFFERSA, S.L.U.
 VIGUE PUJOL, S.L.
 VILA ABELLO ASESORES, S.L.
 VILAR AVIÑO ASESORES, S.L.P.
 VILAR RIBA, S.A.
 VINTERGEST SERVICIOS INTEGRALES, S.L.
 VIÑAS GRABOLEDA ASSESORS, S.L.
 VITARSA ESTATE, S.L.
 VIVIAL ASESORAMIENTO Y ALQUILERES, S.L.
 WEISSE KUSTE, S.L.
 WIZNER FAMILY OFFICE, S.L.
 XESDEZA, S.L.
 XESPRODEM ASESORES, S.L.L.
 XESTADEM, S.L.
 XESTION CERCEDA, S.L.
 YBIS XXI, S.L.
 YLLANA Y CABRERIZO CONSULTORES, S.L.
 YOGESTOREO, S.L.
 ZALTYS, S.L.
 ZATOSTE, S.L.
 ZONA JURIDICA AGENTE, S.L.
 ZORROZUA CONSULTING, S.L.
 ZUBIZUA, S.L.
 ZUIKER Y ASOCIADOS, S.L.

Glossary

Additional Tier 1 Capital	Includes: Preferred stock and convertible perpetual securities and deductions
Adjusted acquisition cost	The acquisition cost of the securities less accumulated amortizations, plus interest accrued, but not net of any other valuation adjustments.
Amortized cost	The amortized cost of a financial asset is the amount at which it was measured at initial recognition minus principal repayments, plus or minus, as warranted, the cumulative amount taken to profit or loss using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or change in measured value.
Associates	Companies in which the Group has a significant influence, without having control. Significant influence is deemed to exist when the Group owns 20% or more of the voting rights of an investee directly or indirectly.
Available-for-sale financial assets	Available-for-sale (AFS) financial assets are debt securities that are not classified as held-to-maturity investments or as financial assets designated at fair value through profit or loss (FVTPL) and equity instruments that are not subsidiaries, associates or jointly controlled entities and have not been designated as at FVTPL.
Basic earnings per share	Calculated by dividing "Profit attributable to Parent Company" corresponding to ordinary shareholders of the entity by the weighted average number of shares outstanding throughout the year (i.e., excluding the average number of treasury shares held over the year).
Basis risk	Risk arising from hedging exposure to one interest rate with exposure to a rate that reprices under slightly different conditions.
Business combination	A business combination is a transaction, or any other event, through which a single entity obtains the control of one or more businesses.
Cash flow hedges	Those that hedge the exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.
Commissions	Income and expenses relating to commissions and similar fees are recognized in the consolidated income statement using criteria that vary according to their nature. The most significant income and expense items in this connection are: <ul style="list-style-type: none"> · Fees and commissions relating linked to financial assets and liabilities measured at fair value through profit or loss, which are recognized when collected · Fees and commissions arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services. · Fees and commissions generated by a single act are accrued upon execution of that act.

Consolidated Method	<p>Method used for the consolidation of the accounts of the Group's subsidiaries. The assets and liabilities of the Group entities are incorporated line-by-line on the consolidate balance sheets, after conciliation and the elimination in full of intragroup balances, including amounts payable and receivable.</p> <p>Group entity income statement income and expense headings are similarly combined line by line into the consolidated income statement, having made the following consolidation eliminations:</p> <ul style="list-style-type: none"> a) Income and expenses in respect of intragroup transactions are eliminated in full. b) Profits and losses resulting from intragroup transactions are similarly eliminated.
Consolidated statements of cash flows	<p>The indirect method has been used for the preparation of the consolidated statement of cash flows. This method starts from the entity's consolidated profit and adjusts its amount for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with cash flows classified as investment or finance. As well as cash, short-term, highly liquid investments subject to a low risk of changes in value, such as cash and deposits in central banks, are classified as cash and equivalents. When preparing these financial statements the following definitions have been used:</p> <ul style="list-style-type: none"> · Cash flows: Inflows and outflows of cash and equivalents. · Operating activities: The typical activities of credit institutions and other activities that cannot be classified as investment or financing activities. · Investing activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents or in operating activities. · Financing activities: Activities that result in changes in the size and composition of the Group's equity and of liabilities that do not form part of operating activities.
Consolidated statements of changes in equity	<p>The consolidated statements of changes in equity reflect all the movements generated in each year in each of the headings of the consolidated equity, including those from transactions undertaken with shareholders when they act as such, and those due to changes in accounting criteria or corrections of errors, if any.</p> <p>The applicable regulations establish that certain categories of assets and liabilities are recognized at their fair value with a charge to equity. These charges, known as "Valuation adjustments" (see Note 31), are included in the Group's total consolidated equity net of tax effect, which has been recognized as deferred tax assets or liabilities, as appropriate.</p>
Consolidated statements of recognized income and expenses	<p>The consolidated statements of recognized income and expenses reflect the income and expenses generated each year. Such statement distinguishes between income and expenses recognized in the consolidated income statements and "Other recognized income (expenses)" recognized directly in consolidated equity. "Other recognized income (expenses)" include the changes that have taken place in the year in the "Valuation adjustments" broken down by item.</p> <p>The sum of the changes to the heading "Other comprehensive income" of the consolidated total equity and the consolidated profit for the year comprise the "Total recognized income/expenses of the year".</p>
Contingencies	<p>Current obligations of the entity arising as a result of past events whose existence depends on the occurrence or non-occurrence of one or more future events independent of the will of the entity.</p>

Contingent commitments given	Possible obligations of the entity that arise from past events and whose existence depends on the occurrence or non-occurrence of one or more future events independent of the entity's will and that could lead to the recognition of financial assets.
Control	<p>An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An investor controls an investee if and only if the investor has all the following:</p> <ul style="list-style-type: none"> a) Power; An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns. b) Returns; An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. The investor's returns can be only positive, only negative or both positive and negative. c) Link between power and returns; An investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee.
Correlation risk	Correlation risk is related to derivatives whose final value depends on the performance of more than one underlying asset (primarily, stock baskets) and indicates the existing variability in the correlations between each pair of assets.
Credit Valuation Adjustment (CVA)	An adjustment to the valuation of OTC derivative contracts to reflect the creditworthiness of OTC derivative counterparties.
Current tax assets	Taxes recoverable over the next twelve months.
Current tax liabilities	Corporate income tax payable on taxable profit for the year and other taxes payable in the next twelve months.
Debit Valuation Adjustment (DVA)	An adjustment made by an entity to the valuation of OTC derivative liabilities to reflect within fair value the entity's own credit risk.
Debt certificates	Obligations and other interest-bearing securities that create or evidence a debt on the part of their issuer, including debt securities issued for trading among an open group of investors, that accrue interest, implied or explicit, whose rate, fixed or benchmarked to other rates, is established contractually, and take the form of securities or book-entries, irrespective of the issuer.
Deferred tax assets	Taxes recoverable in future years, including loss carry forwards or tax credits for deductions and tax rebates pending application.
Deferred tax liabilities	Income taxes payable in subsequent years.
Defined benefit plans	Post-employment obligation under which the entity, directly or indirectly via the plan, retains the contractual or implicit obligation to pay remuneration directly to employees when required or to pay additional amounts if the insurer, or other entity required to pay, does not cover all the benefits relating to the services rendered by the employees when insurance policies do not cover all of the corresponding post-employees benefits.
Defined contribution plans	Defined contribution plans are retirement benefit plans under which amounts to be paid as retirement benefits are determined by contributions to a fund together with investment earnings thereon. The employer's obligations in respect of its employees current and prior years' employment service are discharged by contributions to the fund.

Deposits from central banks	Deposits of all classes, including loans and money market operations, received from the Bank of Spain and other central banks.
Deposits from credit institutions	Deposits of all classes, including loans and money market operations received, from credit entities.
Deposits from customers	Redeemable cash balances received by the entity, with the exception of debt certificates, money market operations through counterparties and subordinated liabilities, which are not received from either central banks or credit entities. This category also includes cash deposits and consignments received that can be readily withdrawn.
Derivatives	The fair value in favor (assets) or again (liabilities) of the entity of derivatives not designated as accounting hedges.
Derivatives - Hedging derivatives	Derivatives designated as hedging instruments in an accounting hedge. The fair value or future cash flows of those derivatives is expected to offset the differences in the fair value or cash flows of the items hedged.
Diluted earnings per share	Calculated by using a method similar to that used to calculate basic earnings per share; the weighted average number of shares outstanding, and the profit attributable to the parent company corresponding to ordinary shareholders of the entity, if appropriate, is adjusted to take into account the potential dilutive effect of certain financial instruments that could generate the issue of new Bank shares (share option commitments with employees, warrants on parent company shares, convertible debt instruments, etc.).
Dividends and retributions	Dividend income collected announced during the year, corresponding to profits generated by investees after the acquisition of the stake.
Early retirements	Employees that no longer render their services to the entity but which, without being legally retired, remain entitled to make economic claims on the entity until they formally retire.
Economic capital	Methods or practices that allow banks to consistently assess risk and attribute capital to cover the economic effects of risk-taking activities.
Effective interest rate	Discount rate that exactly equals the value of a financial instrument with the cash flows estimated over the expected life of the instrument based on its contractual period as well as its anticipated amortization, but without taking the future losses of credit risk into consideration.
Employee expenses	All compensation accrued during the year in respect of personnel on the payroll, under permanent or temporary contracts, irrespective of their jobs or functions, irrespective of the concept, including the current costs of servicing pension plans, own share based compensation schemes and capitalized personnel expenses. Amounts reimbursed by the state Social Security or other welfare entities in respect of employee illness are deducted from personnel expenses.
Equity	The residual interest in an entity's assets after deducting its liabilities. It includes owner or venturer contributions to the entity, at incorporation and subsequently, unless they meet the definition of liabilities, and accumulated net profits or losses, fair value adjustments affecting equity and, if warranted, non-controlling interests.
Equity instruments	An equity instrument that evidences a residual interest in the assets of an entity, that is after deducting all of its liabilities.
Equity instruments issued other than capital	Includes equity instruments that are financial instruments other than "Capital" and "Equity component of compound financial instruments".

Equity Method	Is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income.
Exchange/translation differences	Exchange differences (P&L): Includes the earnings obtained in currency trading and the differences arising on translating monetary items denominated in foreign currency to the functional currency. Exchange differences (valuation adjustments): those recorded due to the translation of the financial statements in foreign currency to the functional currency of the Group and others recorded against equity.
Exposure at default	EAD is the amount of risk exposure at the date of default by the counterparty.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Fair value hedges	Derivatives that hedge the exposure to changes in the fair value of assets and liabilities or firm commitments that have not been recognized, or of an identified portion of said assets, liabilities or firm commitments, attributable to a specific risk, provided it could affect the income statement.
Financial guarantees	Contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs when a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument, irrespective of its instrumentation. These guarantees may take the form of deposits, technical or financial guarantees, insurance contracts or credit derivatives.
Financial guarantees given	Transactions through which the entity guarantees commitments assumed by third parties in respect of financial guarantees granted or other types of contracts.
Financial instrument	A financial instrument is any contract that gives rise to a financial asset of one entity and to a financial liability or equity instrument of another entity.
Financial liabilities at amortized cost	Financial liabilities that do not meet the definition of financial liabilities designated at fair value through profit or loss and arise from the financial entities' ordinary activities to capture funds, regardless of their instrumentation or maturity.
Goodwill	Goodwill acquired in a business combination represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not able to be individually identified and separately recognized.
Hedges of net investments in foreign operations	Foreign currency hedge of a net investment in a foreign operation.
Held for trading (assets and liabilities)	Financial assets and liabilities acquired or incurred primarily for the purpose of profiting from variations in their prices in the short term. This category also includes financial derivatives not qualifying for hedge accounting, and in the case of borrowed securities, financial liabilities originated by the firm sale of financial assets acquired under repurchase agreements or received on loan ("short positions").
Held-to-maturity investments	Held-to-maturity investments are financial assets traded on an active market, with fixed maturity and fixed or determinable payments and cash flows that an entity has the positive intention and financial ability to hold to maturity.

Impaired financial assets	<p>A financial asset is deemed impaired, and accordingly restated to fair value, when there is objective evidence of impairment as a result of one or more events that give rise to:</p> <ul style="list-style-type: none"> a) A measurable decrease in the estimated future cash flows since the initial recognition of those assets in the case of debt instruments (loans and receivables and debt securities). b) A significant or prolonged drop in fair value below cost in the case of equity instruments.
Income from equity instruments	Dividends and income on equity instruments collected or announced during the year corresponding to profits generated by investees after the ownership interest is acquired. Income is recognized gross, i.e., without deducting any withholdings made, if any.
Insurance contracts linked to pensions	The fair value of insurance contracts written to cover pension commitments.
Inventories	Assets, other than financial instruments, under production, construction or development, held for sale during the normal course of business, or to be consumed in the production process or during the rendering of services. Inventories include land and other properties held for sale at the real estate development business.
Investment properties	Investment property is property (land or a building—or part of a building—or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for own use or sale in the ordinary course of business.
Joint arrangement	An arrangement of which two or more parties have joint control.
Joint control	The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
Joint venture	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.
Leases	<p>A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time, a stream of cash flows that is essentially equivalent to the combination of principal and interest payments under a loan agreement.</p> <ul style="list-style-type: none"> a) A lease is classified as a finance lease when it substantially transfers all the risks and rewards incidental to ownership of the asset forming the subject-matter of the contract. b) A lease will be classified as operating lease when it is not a financial lease.
Liabilities included in disposal groups classified as held for sale	The balance of liabilities directly associated with assets classified as non-current assets held for sale, including those recognized under liabilities in the entity's balance sheet at the balance sheet date corresponding to discontinued operations.
Liabilities under insurance contracts	The technical reserves of direct insurance and inward reinsurance recorded by the consolidated entities to cover claims arising from insurance contracts in force at period-end.
Loans and advances to customers	Loans and receivables, irrespective of their type, granted to third parties that are not credit entities.

Loans and receivables	Financial instruments with determined or determinable cash flows and in which the entire payment made by the entity will be recovered, except for reasons attributable to the solvency of the debtor. This category includes both the investments from the typical lending activity (amounts of cash available and pending maturity by customers as a loan or deposits lent to other entities, and unlisted debt certificates), as well as debts contracted by the purchasers of goods, or users of services, that form part of the entity's business. It also includes all finance lease arrangements in which the consolidated subsidiaries act as lessors.
Loss given default (LGD)	It is the estimate of the loss arising in the event of default. It depends mainly on the characteristics of the counterparty, and the valuation of the guarantees or collateral associated with the asset.
Mortgage-covered bonds	Financial asset or security created from mortgage loans and backed by the guarantee of the mortgage loan portfolio of the entity.
Non performing financial guarantees given	The balance of non performing risks, whether for reasons of default by customers or for other reasons, for financial guarantees given. This figure is shown gross: in other words, it is not adjusted for value corrections (loan loss reserves) made.
Non-controlling interests	The net amount of the profit or loss and net assets of a subsidiary attributable to associates outside the group (that is, the amount that is not owned, directly or indirectly, by the parent), including that amount in the corresponding part of the consolidated earnings for the period.
Non-current assets and disposal groups held for sale	A non-current asset or disposal group, whose carrying amount is expected to be realized through a sale transaction, rather than through continuing use, and which meets the following requirements: a) It is immediately available for sale in its present condition at the balance sheet date, i.e. only normal procedures are required for the sale of the asset. b) The sale is considered highly probable.
Non-monetary assets	Assets and liabilities that do not provide any right to receive or deliver a determined or determinable amount of monetary units, such as tangible and intangible assets, goodwill and ordinary shares subordinate to all other classes of capital instruments.
Option risk	Risks arising from options, including embedded options.

Other financial assets/liabilities at fair value through profit or loss	<p>Instruments designated by the entity from the inception at fair value with changes in profit or loss.</p> <p>An entity may only designate a financial instrument at fair value through profit or loss, if doing so more relevant information is obtained, because:</p> <ul style="list-style-type: none"> a) It eliminates or significantly reduces a measurement or recognition inconsistency (sometimes called "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. It might be acceptable to designate only some of a number of similar financial assets or financial liabilities if doing so a significant reduction (and possibly a greater reduction than other allowable designations) in the inconsistency is achieved. b) The performance of a group of financial assets or financial liabilities is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel. <p>These are financial assets managed jointly with "Liabilities under insurance contracts" measured at fair value, in combination with derivatives written with a view to significantly mitigating exposure to changes in these contracts' fair value, or in combination with financial liabilities and derivatives designed to significantly reduce global exposure to interest rate risk.</p> <p>These headings include customer loans and deposits effected via so-called unit-linked life insurance contracts, in which the policyholder assumes the investment risk.</p>
Other Reserves	<p>This heading is broken down as follows:</p> <ul style="list-style-type: none"> i) Reserves or accumulated losses of investments in subsidiaries, joint ventures and associate: include the accumulated amount of income and expenses generated by the aforementioned investments through profit or loss in past years. ii) Other: includes reserves different from those separately disclosed in other items and may include legal reserve and statutory reserve.
Other retributions to employees long term	Includes the amount of compensation plans to employees long term
Own/treasury shares	The amount of own equity instruments held by the entity.
Post-employment benefits	Retirement benefit plans are arrangements whereby an enterprise provides benefits for its employees on or after termination of service.
Probability of default (PD)	It is the probability of the counterparty failing to meet its principal and/or interest payment obligations. The PD is associated with the rating/scoring of each counterparty/transaction.
Provisions	Provisions include amounts recognized to cover the Group's current obligations arising as a result of past events, certain in terms of nature but uncertain in terms of amount and/or cancellation date.
Provisions for contingent liabilities and commitments	Provisions recorded to cover exposures arising as a result of transactions through which the entity guarantees commitments assumed by third parties in respect of financial guarantees granted or other types of contracts, and provisions for contingent commitments, i.e., irrevocable commitments which may arise upon recognition of financial assets.

Provisions for pensions and similar obligation	Constitutes all provisions recognized to cover retirement benefits, including commitments assumed vis-à-vis beneficiaries of early retirement and analogous schemes.
Provisions or (-) reversal of provisions	Provisions recognized during the year, net of recoveries on amounts provisioned in prior years, with the exception of provisions for pensions and contributions to pension funds which constitute current or interest expense.
Refinanced Operation	An operation which is totally or partially brought up to date with its payments as a result of a refinancing operation made by the entity itself or by another company in its group.
Refinancing Operation	An operation which, irrespective of the holder or guarantees involved, is granted or used for financial or legal reasons related to current or foreseeable financial difficulties that the holder(s) may have in settling one or more operations granted by the entity itself or by other companies in its group to the holder(s) or to another company or companies of its group, or through which such operations are totally or partially brought up to date with their payments, in order to enable the holders of the settled or refinanced operations to pay off their loans (principal and interest) because they are unable, or are expected to be unable, to meet the conditions in a timely and appropriate manner.
Repricing risk	Risks related to the timing mismatch in the maturity and repricing of assets and liabilities and off-balance sheet short and long-term positions.
Restructured Operation	An operation whose financial conditions are modified for economic or legal reasons related to the holder's (or holders') current or foreseeable financial difficulties, in order to enable payment of the loan (principal and interest), because the holder is unable, or is expected to be unable, to meet those conditions in a timely and appropriate manner, even if such modification is provided for in the contract. In any event, the following are considered restructured operations: operations in which a haircut is made or assets are received in order to reduce the loan, or in which their conditions are modified in order to extend their maturity, change the amortization table in order to reduce the amount of the installments in the short term or reduce their frequency, or to establish or extend the grace period for the principal, the interest or both; except when it can be proved that the conditions are modified for reasons other than the financial difficulties of the holders and, are similar to those applied on the market on the modification date for operations granted to customers with a similar risk profile.
Retained earnings	Accumulated net profits or losses recognized in the income statement in prior years and retained in equity upon distribution.
Share premium	The amount paid in by owners for issued equity at a premium to the shares' nominal value.
Shareholders' funds	Contributions by stockholders, accumulated earnings recognized in the income statement and the equity components of compound financial instruments.
Short positions	Financial liabilities arising as a result of the final sale of financial assets acquired under repurchase agreements or received on loan.

Significant influence	<p>Is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. If an entity holds, directly or indirectly (i.e. through subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the entity holds, directly or indirectly (i.e. through subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.</p> <p>The existence of significant influence by an entity is usually evidenced in one or more of the following ways:</p> <ul style="list-style-type: none"> a) representation on the board of directors or equivalent governing body of the investee; b) participation in policy-making processes, including participation in decisions about dividends or other distributions c) material transactions between the entity and its investee; d) interchange of managerial personnel; or e) provision of essential technical information.
Subordinated liabilities	Financing received, regardless of its instrumentation, which ranks after the common creditors in the event of a liquidation.
Subsidiaries	<p>Companies over which the Group exercises control. An entity is presumed to have control over another when it possesses the right to oversee its financial and operational policies, through a legal, statutory or contractual procedure, in order to obtain benefits from its economic activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of an entity's voting power, unless, exceptionally, it can be clearly demonstrated that ownership of more than one half of an entity's voting rights does not constitute control of it. Control also exists when the parent owns half or less of the voting power of an entity when there is:</p> <ul style="list-style-type: none"> a) An agreement that gives the parent the right to control the votes of other shareholders; b) power to govern the financial and operating policies of the entity under a statute or an agreement; power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; c) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.
Tangible assets	Buildings, land, fixtures, vehicles, computer equipment and other facilities owned by the entity or acquired under finance leases.
Tax liabilities	All tax related liabilities except for provisions for taxes.
Territorials bonds	Financial assets or fixed asset security issued with the guarantee of portfolio loans of the public sector of the issuing entity
Tier 1 Capital	Includes: Common stock, parent company reserves, reserves in consolidated companies, non-controlling interests, , generic countable , deduction and others and attributed net income
Tier 2 Capital	Includes: Subordinated, preferred shares and non- controlling interest

Unit-link	This is life insurance in which the policyholder assumes the risk. In these policies, the funds for the technical insurance provisions are invested in the name of and on behalf of the policyholder in shares of Collective Investment Institutions and other financial assets chosen by the policyholder, who bears the investment risk.
Value at Risk (VaR)	<p>Value at Risk (VaR) is the basic variable for measuring and controlling the Group's market risk. This risk metric estimates the maximum loss that may occur in a portfolio's market positions for a particular time horizon and given confidence level. VaR figures are estimated following two methodologies:</p> <ul style="list-style-type: none"> · VaR without smoothing, which awards equal weight to the daily information for the immediately preceding last two years. This is currently the official methodology for measuring market risks vis-à-vis limits compliance of the risk. · VaR with smoothing, which weights more recent market information more heavily. This is a metric which supplements the previous one. <p>VaR with smoothing adapts itself more swiftly to the changes in financial market conditions, whereas VaR without smoothing is, in general, a more stable metric that will tend to exceed VaR with smoothing when the markets show less volatile trends, while it will tend to be lower when they present upturns in uncertainty.</p>
Yield curve risk	Risks arising from changes in the slope and the shape of the yield curve.



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Management report for the year ended December 31, 2017

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1. Introduction

Banco Bilbao Vizcaya Argentaria, S.A. (the “Bank” or “BBVA”) is a private-law entity governed by the rules and regulations applicable to banks operating in Spain. The Bank conducts its business through branches and offices located throughout Spain and abroad.

The management report of BBVA, S.A. has been prepared from the individual accounting and management records of Banco Bilbao Vizcaya Argentaria, SA

BBVA is the parent company of the BBVA Group (hereinafter, “the Group”). It is an internationally diversified group with a significant presence in the business of traditional retail banking, asset management and wholesale banking.

The financial information included in this management report is presented in accordance with the criteria established by the Bank of Spain Circular 4/2004, of December 22, on Public and Confidential Financial Reporting Rules and Formats for Financial Statements, and its subsequent amendments.

2. Economic outlook

Global economic growth held steady at around 1% quarter-on-quarter in the first nine months of 2017 and latest available indicators suggest a continuation of this momentum in the last part of the year. Confidence data continues to improve, accompanied by a recovery in world trade and the industrial sector, while private consumption remains robust in developed countries. This positive trend reflects an improved economic performance across all regions. In advanced economies, U.S. GDP expanded more than expected in 2017 (+2.3%), alleviating doubts about the sustainability of growth rates over the coming quarters. In Europe, the pickup in growth in recent quarters (+2.5% en el 2017) can be explained by a strengthening of domestic demand. Among emerging economies, growth in China is set to remain supportive for the rest of Asia. Alongside favorable market conditions, this will give increased impetus to Latin American countries. Finally, with their recovery, Russian and Brazilian economies are no longer hampering global growth. Accordingly, and in contrast to other post-financial crisis periods, there has been a global synchronous recovery.

This growth environment has been accompanied by moderate levels of inflation, despite ample liquidity in the markets. As a result of the above, central banks have more room for maneuver in emerging economies to continue using monetary policy to support growth, while allowing monetary authorities in advanced economies to maintain a cautious approach to implementing monetary policy normalization.

Other factors which have contributed to the upbeat global picture, such as generally neutral or somewhat expansive fiscal policy and moderate commodity prices, look likely to remain in place over the coming quarters. Global growth is therefore forecast to accelerate to around 3.7% in 2017.

3. Balance sheet, business activity and earnings

The key figures in the Bank’s balance sheet with respect to its main business are as follow:

- The Bank's total balance sheet as of December 31, 2017 stood at €400,083 million (€418,447 million in 2016). At the close of 2017, “Loans and receivables – Loans and advances to customers” amounted to €211,597 million, compared with €213,890 million for the previous year. As of December 31, 2017, customer deposits stood at €194,645 million (€207,946 million in 2016).
- In 2017, the Bank had a net profit after tax of €2,083 million euros (€1,662 million in 2016). Operating expenses decreased from €4,247 million in 2016 to €4,037 million in 2017.
- Administration costs have decreased from €4,247 million in 2016 to €4,037 million in 2017.
- Gross income for 2017 totaled €9,220 million, compared with €8,674 million in 2016.
- Net interest income in 2017 stood at €3,463 million (€3,523 million in 2016).

4. Risk management

BBVA's risk management system is outlined in Note 5, Risk Management, of the accompanying Financial Statements.

5. BBVA Group solvency and capital ratios

The BBVA Group's capital ratios

BBVA Group's solvency and capital ratios required by the regulation in force are outlined in Note 28 of the accompanying Financial Statements.

6. Sustainable finance and contribution to society

Banks play a key role in the fight against climate change, thanks to their unique position in mobilizing capital through investment, loans and advisory functions. Although most banks have worked in recent years to mitigate the direct impacts of their activity, there are other very important ways they can contribute to this challenge: first, by providing innovative solutions to their customers to help them move to a low-carbon economy and by promoting sustainable finance; and second, by systematically integrating social and environmental risks into decision-making.

BBVA's commitment to sustainable development is reflected in its Environmental policy, which is global in scope.

In 2017, BBVA worked its strategy on climate change and sustainable development. The strategy covers comprehensive management of the risks and opportunities deriving from the fight against climate change and the resolve to achieve the Sustainable Development Goals (SDGs).

This strategy is based on a threefold commitment through 2025:

- First, a commitment to finance, which contributes to the mobilization of the capital needed to halt climate change and achieve the SDGs.
- Second, a commitment to mitigate the social and environmental risks derived from the Bank's activity, to minimize their potential direct and indirect negative aspects.
- And finally, a commitment to engagement with all the stakeholders involved in the collective promotion of the role of the financial industry in sustainable development.

As of December 31, 2017, the accompanying Consolidated Annual Accounts of the BBVA Group do not include any material item that would warrant inclusion in the environmental information document set forth in the Ministry of Justice Order JUS / 471/2017, of May 19, which approves the new models for the presentation in the Companies Registry of the annual accounts of the subjects bound to its publication.

7. Customer Care Service and Customer Ombudsman

The activities of the Customer Care Service and Customer Ombudsman in 2017 were carried out in accordance with the stipulations of Article 17 of the Ministerial Order (OM) ECO/734/2004, dated March 11, of the Ministry of the Economy, regarding customer care and consumer ombudsman departments at financial institutions, and in line with the new "Regulations for Customer Protection in Spain" of the BBVA Group approved by the Board of Directors of the Bank in 2015, regulating the activities and powers of the Customer Care Service and Customer Ombudsman.

The Customer Care Service processes complaints and claims addressed to both the Customer Ombudsman and the Customer Care Service itself in the first instance, except for matters falling within the powers of the Customer Ombudsman as established in the aforementioned regulation.

7.1. Activity report on the Customer Care Service in Spain

2017 was marked by a difficult environment, above all relating to the various clauses in mortgage loan agreements (arrangement fees, multi-currency mortgages, benchmark indices), which have conditioned the figures for claims in the Spanish financial system. In addition, the Customer Care Service Department assumed the claims of all customers from Catalunya Bank, which were integrated into BBVA in September 2016, which resulted in a greater number of claims compared to the previous year.

Customer claims received by BBVA's customer care service in Spain amounted to 172,030 cases in 2017, of which 169,064 were resolved by the Customer Care Service itself and concluded in the same year (98% of the total). A total of 2,966 cases remained as pending analysis.

Practically 90% of the claims received corresponded to mortgage loans, mainly to expenses from the formalization of mortgages.

In 2016, the admitted claims amounted to 21,160 and the cases resolved and concluded amounted to 18,477, an 87% of the issues.

In 2017 the Customer Care Service assumed the processing of claims from all the customers of Catalunya Bank, which was integrated into BBVA in September 2016, resulting in a greater number of claims on the figure for the previous year.

Complaints handled by Customer Care Service by complaint type (Percentage)		
Type	2017	2016
Resources	9.0%	26.0%
Assets products/ loans	80.0%	29.0%
Insurances	-	-
Collection and payment services	2.0%	8.0%
Financial counselling and quality service	2.0%	8.0%
Credit Cards	4.0%	10.0%
Securities and equity portfolios	1.0%	6.0%
Other	2.0%	13.0%
Total	100.0%	100.0%

Complaints handled by Customer Care Service according to resolution (Number)		
	2017	2016
In favor of the person submitting the complaint	28,456	6,373
Partially in favor of the person submitting the complaint	89,585	2,511
In favor of the BBVA Group	51,023	9,594
Total	169,064	18,478

The claims management model and the principles governing the activity of the Customer Care Service are aimed at achieving recognition and trust on the part of the Group's customers, with the aim of increasing their satisfaction levels. The model operates from the origination stage, as the Customer Care Service sits on the committees presenting new products and services. In this way, possible customer dissatisfaction can be anticipated and avoided.

Additionally, in accordance with the recommendation of the regulatory body, progress continued in 2017 on the ambitious training plan that has been created for the whole team making up this Service. The aim is to guarantee the BBVA managers have the knowledge to improve identification of customer needs and contribute high added value solutions.

7.2. Report on the activity of the BBVA Group Customer Ombudsman in Spain

In 2017, the Customer Ombudsman maintained the goal common to the BBVA Group as a whole of unifying criteria and fostering the protection and security of customers, making progress in compliance with regulations on transparency and customer protection. With the aim of passing on effectively its reflections and criteria on matters subjected to its consideration, the Ombudsman meets with areas and units in BBVA Group: Insurance, Pension Plan Manager, Business, Legal Services, etc.

The number of customer complaints presented to the Customer Ombudsman for resolution in 2017 was 1,438. Of these, 114 were finally not processed as they did not meet the requirements set out in OM ECO/734/2004.

Complaints handled by the Customer Ombudsman by complaint type (Number)		
Type	2017	2016
Insurance and welfare products	377	462
Assets operations	367	298
Investment services	133	137
Liabilities operations	257	175
Other banking products (credit card, ATM, etc.)	140	86
Collection and payment services	69	62
Other	95	128
Total	1,438	1,348

The type of complaints managed in the table above follows the criteria established by the Complaints Department of the Bank of Spain in their requests for information:

Complaints handled by Customer Ombudsman according to resolution (Number)		
	2017	2016
In favor of the person submitting the complaint	-	-
Partially in favor of the person submitting the complaint	704	784
In favor of the BBVA Group	527	457
Processing suspended	8	-
Total	1,239	1,241

52.03% of the customers who submitted a complaint to the Ombudsman in 2017 reported some level of satisfaction, either because of the decision of the Customer Ombudsman or its role as mediator between BBVA Group entities and customers.

Customers who are not satisfied with the Customer Ombudsman's response may refer the matter to the official supervisory bodies (the Bank of Spain, CNMV and the Directorate General of Insurance and Pension Funds). The number of complaints submitted by customers to the supervisory bodies in 2017 was 127.

In 2017, BBVA Group continued to make progress in implementing the suggestions of the Customer Ombudsman related to adapting products to the profile of customers and the need for transparent, clear and responsible information. The recommendations and suggestions made by the Customer Ombudsman are focused on increasing the level of transparency and clarity of information that BBVA Group provides for its customers, both in its commercial products that it makes available to them, and in compliance with the orders and instructions issued by customers. The aim is to guarantee that customers understand the nature and risks of the financial products that they are offered, that the product is adapted to the customer profile and that the information provided by the Entity is impartial and clear, including the advertising targeted at customers. To do so, the Group is employing the Transparent, Clear and Responsible (TCR) communication initiative for Responsible Business, providing as much data and documentation as necessary.

In addition, with the increasing digitalization of the products offered to customers and their growing complexity, a special sensitivity is required with some groups of customers that due to their profile, age or personal situation present a high level of vulnerability.

8. Innovation and Technology

BBVA is engaged in a process of digital transformation, the main aim of which is to achieve its aspiration of strengthening relationships with its customers and being the best possible bank for them. Engineering is an essential component of this transformation. Its mission has always been to enable a technology strategy that provides the foundation for this transformation, thus becoming more customer-centric and establishing a more global strategy, fast to implement, digital, flexible and leveraged on the Group's data. This must be done while continuing to provide support to the Bank's core business: catering to the demand for traditional business (multi-segment, multi-product, multi-channel, etc.); and b) contributing reliability, with the necessary tools to ensure adequate internal controls, based on consistent information and data. Another Engineering objective is provide the group with all the tools it needs to drive profitability, new productivity paradigms and new business processes.

The area's responsibilities continue to be focused on the lines of work that were indicated in 2016:

- A new technology stack to offer customers services that are more suited to their needs, in terms of speed and content.
- Alliances with strategic partners to harness cutting-edge technology, and the necessary collaboration to speed up the transformation process.
- Productivity and reliability, i.e. securing improved performance from technology, and doing so in a manner that is fully reliable and guarantees the highest quality standards.

New technology stack: cloud paradigms

With customers increasingly making use of digital channels, and therefore driving an exponential increase in transaction numbers, the Group is continuing to develop its IT model into a more uniform and scalable system, boosting cloud technology.

In 2017, Engineering continued to construct and deploy the building blocks of the new global technological stack for the whole of BBVA. This stack shares the cloud attributes of flexibility and stability that are demanded by the digital world, while strictly complying with regulatory requirements. The first pilot projects have been executed on the blocks with good results. This new stack will enable real-time access, a new approach to data management and the optimization of processing costs, providing customers with a service that caters directly to their needs.

Strategic alliances

Engineering continues to drive the creation of a network of strategic alliances, giving traction to BBVA's digital transformation and complement its technology stack. Establishing an ecosystem of strategic alliances with some of the leading businesses in the market ensures the adoption of innovative technologies, digitalization of the business, speed in activation, as well as global deployment of solutions. Furthermore, by building a network of technological alliances with strategic partners, BBVA will work in close cooperation with some of the foremost companies in their respective fields.

In 2017 alliances have been established with relevant entities which will, on one hand, operate and optimize BBVA current technology and on the other hand, manage the global communications structure.

Productivity and reliability

Engineering continues focus on productivity as part of the transformation process. Greater productivity is needed to provide our customers with the best possible service while being profitable. The area is therefore working on the following:

■ Technology transformation at two levels:

- Hardware: creating lower-cost infrastructure components based on the cloud paradigm. There has been very significant progress in the use of this infrastructure in Spain, and Mexico is beginning to use it, resulting in an increase in productivity.
- Software: multiple global functionalities have been constructed, reused by various of the Group's geographic areas, and construction continues on the technological stack with a high level of automation.

■ Transformation of operations: an initial operations optimization exercise has been carried out with good results, and the necessary working methodology has been created to implement it throughout the whole Group. The first robotics activities have also been carried out in Spain.

It is critical to obtain the best possible performance from infrastructures, architectures, operations and internal processes, and to do so in a way that is fully reliable. Reliability remains another key factor for the Engineering function and digital transformation.

In 2017 programs have been executed to improve reliability, resulting in a reduction of the volume of incidents in the Group.

Operational and technological risk management

Security measures have been strengthened in 2017 as a result of the increase in cyber threats and cyber crime in general. Protection and prevention strategies have been applied to mitigate the risk of attacks and their possible impacts on internal and external resources.

A working methodology has been developed to allow the deployment of baselines (resources, capacities, plans and responsibilities) according to the different vectors of attack, based on four key elements: prevention, preparation, response and recovery. This working methodology forms part of a general framework that BBVA defined at the end of 2016 for the Group's organizational resilience, geared to:

- Improving the procedures for detection, prioritization and escalation;
- Improving the global capacity for reaction and response; and
- Strengthening the technical teams in all the countries dedicated to cybersecurity and engineering risk management.

In addition, the capacities created by the Engineering Risk & Corporate Assurance (ERCA) committee have been consolidated in the area of security mechanisms, and specifically in the area of identification and authentication, allowing the Group to generate new customer experiences and improve existing ones. As a result of this work with a single team, together with the business areas, and with the precept that the customer is first, a significant increase in new experiences for customers has been noted, which allows BBVA to follow the path of the latest technological innovations offered by the major players.

Examples of this are iris ID access by customers to mobile banking, supported by the technology offered by Samsung devices, access by Face ID, or the possibility of ordering transfers through Siri using the Apple technology. All these make perfectly clear the great responsiveness when it comes to creating new customer opportunities, thinking fast and thinking big, taking into account the available capacities for security, and without reducing the level of protection required by legislators and industry standards.

A number of initiatives have been taken within the area of business continuity, in other words incidents with a low probability of occurrence and very high impact, such as reviewing and updating the corporate regulations; continuing with the implementation of the business impact analyses, with the resulting update of the continuity plans; and reviewing technological dependency on critical processes, informing the

corresponding continuity committees of their results so they can improve response where necessary, in a scenario of unavailability due to failures in the information systems.

During 2017 numerous business continuity strategies have been activated in BBVA Group, among them related to the earthquakes in Chile, and particularly Mexico; those affecting the United States as a result of hurricanes and storms: Harvey in Texas, Irma in Florida and Stella in New York; the problems of social conflict in Venezuela; serious flooding in the north of Peru; and the torrential rains in the area of Mocoa, Colombia.

As regards personal data protection, there has been much work done in 2017 to implement the General Data Protection Regulation in BBVA Group. Working groups have been set up, and their work will conclude before the Regulation becomes applicable in May 2018. Moreover, in compliance with one of the new requirements under the Regulation, a Data Protection Officer has been appointed for BBVA Group.

With respect to the personal data security measures, and in line with the above, a supplementary organizational project was implemented to review and update all functions, processes, methodologies, classification models, controls, incident management, etc. and ensure they are adapted to the new Regulation.

9. Other information

9.1. Capital and treasury stock

Information about common stock and transactions with treasury stock is detailed in Notes 23 and 26 of the accompanying Financial Statements.

9.2. Shareholder remuneration and allocation of earnings

Information about shareholder remuneration and application of earnings can be found in Note 3 of the accompanying Financial Statements.

9.3. Average period for payment to suppliers

The average period payment to suppliers during the year 2017 is 29 days, below the maximum legal limit of 60 days established by Law 15/2010 of July 5, for which measures are put into place combating late payment in commercial transactions. The calculation of the average period for payment was made as established in the Act.

10. Subsequent events

From January 1, 2018 to the date of preparation of these consolidated financial statements, no other subsequent events not mentioned above in these financial statements have taken place that could significantly affect the Group's earnings or its equity position.

11. Annual corporate governance report

In accordance with the provisions of Article 540 of the Spanish Corporate Act, the BBVA Group prepared the Annual Corporate Governance Report for 2017 (which is an integral part of the Management Report for that year) following the content guidelines set down in Order ECC/461/2013, dated March 20, and in CNMV Circular 5/2013, dated June 12 in the wording provided by CNMV Circular 7/2015, dated December 22, including a section detailing the degree to which the Bank is compliant with existing corporate governance recommendations in Spain. In addition, all the information required by Article 539 of the Spanish Corporations Act can be accessed on BBVA's website www.bbva.com.

**ANNUAL CORPORATE GOVERNANCE REPORT ON THE PUBLICLY TRADED
COMPANIES**

ISSUER IDENTIFICATION

FINANCIAL YEAR-END

31/12/2017

TAX ID No.: A-
48265169

Registered name: BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Registered Address: Plaza de San Nicolás 4, 48005 Bilbao (Vizcaya)

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**ANNUAL CORPORATE GOVERNANCE REPORT
ON THE PUBLICLY TRADED COMPANIES**

A. OWNERSHIP STRUCTURE

A.1 Fill in the following table on the company's share capital:

Date of last modification	Share capital (EUR)	Number of shares	Number of voting rights
24/04/2017	3,267,264,424.20	6,667,886,580	6,667,886,580

Indicate if there are different classes of shares with different rights associated with them.

NO

Class	Number of shares	Nominal amount	Number of voting rights	Different rights

A.2 Detail the direct and indirect owners of significant holdings in your company at year-end, excluding directors:

Name of shareholder (person or company)	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Direct owner of stake	Number of voting rights	

Indicate the most significant movements in the shareholder structure during the year:

Name of shareholder (person or company)	Date of the transaction	Description of the transaction

A.3 Fill in the following tables with the members of the company's Board of Directors with voting rights on company shares:

Name of director	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Direct owner of stake	Number of voting rights	
FRANCISCO GONZÁLEZ RODRÍGUEZ	2,485,888		1,748,521	0.06%
CARLOS TORRES VILA	290,879			0.00%
TOMÁS ALFARO DRAKE	18,114			0.00%
JOSÉ MIGUEL ANDRÉS TORRECILLAS	10,828			0.00%

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JOSÉ ANTONIO FERNÁNDEZ RIVERO	75,845			0.00%
BELÉN GARIJO LÓPEZ	0		0	0.00%
JOSÉ MANUEL GONZÁLEZ-PÁRAMO MARTÍNEZ-MURILLO	72,518			0.00%
SUNIR KUMAR KAPOOR	0		0	0.00%
CARLOS LORING MARTÍNEZ DE IRUJO	59,390			0.00%
LOURDES MÁIZ CARRO	0		0	0.00%
JOSÉ MALDONADO RAMOS	38,761			0.00%
JUAN PI LLORENS	0		0	0.00%
SUSANA RODRÍGUEZ VIDARTE	26,980		1,046	0.00%

% total voting rights held by the Board of Directors	0.06%
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Fill in the following tables with the members of the company's Board of Directors with share options:

Name of director (person or company)	Number of direct share options	Indirect share options		Number of equivalent shares	% of total voting rights
		Direct owner	Number of voting rights		
FRANCISCO GONZÁLEZ RODRÍGUEZ	286,893	0	0	0	0.00%
CARLOS TORRES VILA	183,637	0	0	0	0.00%
JOSÉ MANUEL GONZÁLEZ-PÁRAMO MARTÍNEZ-MURILLO	32,261	0	0	0	0.00%

A.4 Where applicable, indicate any family, commercial, contractual or corporate relationships between holders of significant shareholdings, insofar as the company is aware of them, unless they are of little relevance or due to ordinary trading or exchange activities:

Related name (person or company)	Type of relationship	Brief description

A.5 Where applicable, indicate any commercial, contractual or corporate relationships between holders of significant shareholdings, and the company and/or its group, unless they are of little relevance or due to ordinary trading or exchange activities:

Related name (person or company)	Type of relationship	Brief description

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A.6 Indicate whether the company has been informed of any shareholder agreements that may affect it as set out under articles 530 and 531 of the Corporate Enterprises Act. Where applicable, briefly describe them and list the shareholders bound by such agreement:

NO

Participants in shareholders agreements	% of share capital affected	Brief description of agreement

Indicate whether the company is aware of the existence of concerted actions amongst its shareholders. If so, describe them briefly.

NO

Participants in concerted action	% of share capital affected	Brief description of concerted action

If there has been any amendment or breaking-off of said pacts or agreements or concerted actions, indicate this expressly:

A.7 Indicate whether any person or organization exercises or may exercise control over the company pursuant to article 5 of the Securities Exchange Act. If so, identify names:

NO

Name (person or company)

Comments

A.8 Fill in the following tables regarding the company's treasury stock:

At year end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
0	13,339,582	0.20%

(*) Through:

Name of direct owner of shareholding (person or company)	Number of direct shares
CORPORACIÓN GENERAL FINANCIERA, S.A.	13,339,582
Total:	13,339,582

Give details of any significant changes during the year, pursuant to Royal Decree 1362/2007:

Explain the significant changes
Five treasury stock communications were made in 2017, of which one correspond to a change in the number of voting rights in the "Dividend Option", which let shareholders decide whether to receive shares or cash for their

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dividend payment and the rest correspond to acquisitions passed the 1% threshold. These communications are detailed below:

- Communication date: 22 February 2017 with a total of 2,597,437 direct shares and 14,175,081 indirect shares acquired for 0.255% of the total share capital. This communication was made after acquisitions passed the 1% threshold.
- Communication date: 20 April 2017 with a total of 2,089,826 direct shares and 4,676,084 indirect shares acquired for 0.103% of the total share capital. This communication was made after acquisitions passed the 1% threshold.
- Communication date: 28 April 2017 with a total of 2,370,436 direct shares and 4,676,084 indirect shares acquired for 0.106% on the total share capital. This communication was made on execution of the "Dividend Option" program.
- Communication date: 26 July 2017 with a total of 2,591,747 direct shares and 6,138,937 indirect shares acquired for 0.131% of the total share capital. This communication was made after acquisitions passed the 1% threshold.
- Communication date: 23 November 2017 with a total of 2,627,409 direct shares and 12,020,164 indirect shares acquired for 0.220% on the total share capital. This communication was made after acquisitions passed the 1% threshold.

A.9 Describe the conditions and term of the prevailing mandate from the general meeting to the Board of Directors to issue, buy back and transfer treasury stock.

- The Annual General Shareholders' Meeting of BBVA held on March 17, 2017, under item three of the agenda, passed a resolution to delegate to the Board of Directors the power to increase share capital within five years up to a maximum amount corresponding to 50% of BBVA's share capital on the date of such authorization, on one or several occasions, to the amount and on the date that the Board resolves, by issuing new shares of any kind allowed by law, with or without an issue premium, the countervalue of said shares comprising cash considerations. The authorization includes the setting out of the terms and conditions of the share capital increase in any respect not provided for in the resolution, and delegation to the Board of Directors of a power to wholly or partly exclude pre-emptive subscription rights in relation to any share capital increase carried out by virtue of the referred resolution when so demanded by the interests of the Company and in compliance with the applicable legal requirements. However, this power was limited insofar as the nominal amount of the capital increases resolved upon or actually carried out with an exclusion of the pre-emptive subscription right by virtue of the above delegation or resolved upon or executed to accommodate the conversion of ordinarily convertible issues that are also carried out with an exclusion of the pre-emptive subscription right in the exercise of the delegated power to issue convertible securities granted by the General Shareholders' Meeting itself, under item five of the agenda, may not exceed the maximum nominal amount, taken as a whole, of 20% of BBVA's share capital at the time of delegation. This limit does not apply to issues of contingently convertible securities.

To date, BBVA has not adopted any resolution using this delegated power.

- The BBVA Annual General Shareholders' Meeting of March 17, 2017, under the fifth item on the agenda, delegated to the Board of Directors a power to issue securities that are convertible into newly issued BBVA shares, on one or more occasions within a maximum term of five years, up to a total combined maximum amount of €8,000,000,000 or its equivalent in any other currency; the Board may likewise resolve upon, set and determine each and every one of the terms and conditions of the issues carried out by virtue of that delegated power, determine the basis and mode of conversion, and resolve upon, set and determine the conversion ratio, which may be fixed or variable. Moreover, the General Meeting resolved to delegate to the Board of Directors a power totally or partially exclude pre-emptive subscription rights over any issue of convertible securities that may be made hereunder, when the corporate interest so requires, in compliance with any legal requirements established to this end. However, this power was limited in so far as the normal amount of the capital increases resolved upon or actually carried out to accommodate the conversion of ordinarily convertible issues executed by virtue of that delegated power with an exclusion of the pre-emptive subscription right, and those resolved upon or executed also with an exclusion of the pre-emptive subscription right in the exercise of the delegated power to increase share capital granted by the General Meeting itself, under item four of the agenda, may not exceed the maximum nominal amount, taken as a whole, of 20% of BBVA's share capital at the time of delegation. This limit does not apply to issues of contingently convertible securities.

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In exercising this delegation in 2017, BBVA executed two issues of perpetual securities that are contingently convertible (additional tier 1 capital instruments) with exclusion of the pre-emptive subscription rights, amounting to EUR 500 million and USD 1 billion, respectively.

- The Annual General Shareholders' Meeting of BBVA of March 14, 2014, under agenda item three, resolved to authorize BBVA, directly or via any of its subsidiaries, for a maximum term of five years, for the acquisition of BBVA shares at any time and on as many occasions as it deems appropriate, by any means permitted by law, and to subsequently dispose of the shares acquired, indicating that derivative acquisition of shares will at all times be carried out in compliance with the conditions established under applicable legislation and, in particular, the following conditions: (i) at no time will the nominal value of the treasury shares acquired, directly or indirectly, under this authorization, added to the shares already owned by the Company and its subsidiaries, exceed 10% of the subscribed share capital of BBVA or, as appropriate, the maximum amount permitted by applicable legislation; (ii) the acquisition shall not result in the equity being less than the share capital plus the legal reserves or the reserves that are restricted by the Company bylaws; (iii) a restricted reserve, equivalent to the sum of treasury shares of the company recorded to assets, may be established against the net equity; (iv) shares acquired must be fully paid up, unless the acquisition is without consideration, and must not entail any obligation to provide ancillary benefits; and (v) the acquisition price per share will not be below the nominal value of the share or more than 20% above the listed price or any other price associated with the shares on the acquisition date. Moreover, said General Meeting expressly authorized that the shares acquired by BBVA or its subsidiaries by exercising the aforementioned authorization may be wholly or partially earmarked for delivery to workers or administrators of BBVA or its subsidiaries.

A.9 bis Estimated floating capital:

	%
Estimated floating capital	100

A.10 Indicate whether there is any restriction on the transferability of securities and/or any restriction on voting rights. In particular, report the existence of any restrictions that might hinder the take-over of control of the company by purchasing its shares on the market.

NO

A.11 Indicate whether the General Meeting has agreed to adopt measures to neutralize a public takeover bid, pursuant to Act 6/2007.

NO

If so, explain the measures approved and the terms and conditions under which the restrictions would become inefficient:

A.12 Indicate whether the company has issued securities that are not traded on a regulated market in the EU.

YES

Where applicable, indicate the different classes of shares, and what rights and obligations each share class confers.

All the shares in BBVA's capital have the same class and series, and confer the same voting and economic rights. There are no different voting rights for any shareholder. There are no shares that do not represent capital.

The Bank's shares are admitted for trading on the Securities Exchanges in Madrid, Barcelona, Bilbao and Valencia, through the Spanish electronic trading platform (Continuous Market), and the stock markets in London and Mexico. BBVA American Depositary Shares (ADS) are traded on the New York Stock Exchange.

Additionally, as of 31 December 2017, shares of BBVA Banco Continental, S.A., Banco Provincial S.A., BBVA Colombia, S.A., BBVA Chile, S.A. and BBVA Banco Francés, S.A., were traded on their respective local securities

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markets and, for the latter entity, on the New York Stock Exchange and in the Latin American securities exchange (LATIBEX) on the Stock Market of Madrid.

B GENERAL MEETING

B.1 Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Corporate Enterprises Act (CEA) with respect to the quorum and constitution of the General Meeting.

YES

	% quorum different from quorum set out in art. 193 of CEA for general circumstances	% quorum different from quorum set out in art. 194 of CEA for special circumstances in art.194 of CEA
Quorum required on first summons	0.00%	66.66%
Quorum required on second summons	0.00%	60.00%

Description of differences
<p>Article 194 of the Corporate Enterprises Act establishes that, in limited companies, in order for a General Meeting (whether annual or extraordinary) to validly resolve to increase or reduce capital or make any other amendment to the Company Bylaws, bond issuance, the cancellation or restriction of first refusal subscription rights over new shares, or the conversion, merger or spin-off of the company or global assignment of assets and liabilities or the transfer the registered office abroad, the shareholders present and represented on first summons must own at least fifty percent of the subscribed capital with voting rights.</p> <p>On second summons, twenty-five percent of said capital will be sufficient.</p> <p>The above notwithstanding, article 25 of the BBVA Company Bylaws establishes that a reinforced quorum of two-thirds of subscribed capital with voting rights must attend the General Meeting at first summons or 60% of that capital at second summons, in order to adopt resolutions on replacing the corporate purpose, the transformation, total spin off, winding-up of the Company and amending that article of Bylaws establishing this reinforced quorum.</p>

B.2 Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Corporate Enterprises Act (CEA) for the adoption of corporate resolutions:

NO

Describe any differences from the minimum standards established under the CEA.

B.3 Indicate the rules applicable to amendments to the company bylaws. In particular, report the majorities established to amend the bylaws, and the rules, if any, to safeguard shareholders' rights when amending the bylaws.

Article 30 of the BBVA Company Bylaws establishes that the General Meeting is empowered to amend the Company Bylaws and to confirm and/or rectify Board of Directors' interpretation of them.

To such end, the rules established under articles 285 et seq. of the Corporate Enterprises Act shall apply.

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The above paragraph notwithstanding, article 25 of the BBVA Company Bylaws establishes that in order to adopt resolutions regarding any change to the corporate purpose, transformation, total spin-off or winding up the Company and amendment of the second paragraph of said article 25, two-thirds of the subscribed voting capital must attend the General Meeting on first summons or 60% of that capital on second summons.

As regards the procedure for amending the Company Bylaws, article 4.2 c) of Act 10/2014 dated 26th June, on the regulation, supervision and solvency of credit institutions, establishes that the Bank of Spain shall be responsible for authorizing amendments to the bylaws of credit institutions, as set out by regulations.

Moreover, article 10 of Royal Decree 84/2015 dated 13rd February, implementing Act 10/2014, stipulates that the Bank of Spain shall have two months to decide following receipt of the request for the Company's Bylaws amendment, which must be accompanied by a certification of minutes recording the agreement, a report substantiating the proposal drawn up by the board of directors and a project of new bylaws, identifying the cited amendments.

Notwithstanding the foregoing, article 10 of Royal Decree 84/2015 also establishes that no previous authorization from the Bank of Spain is required, though the latter must be notified, so that it may be entered into the Credit Entity Register, of amendments with the following purposes:

- Change of the registered office within the national territory.
- Stock capital increase.
- Incorporating verbatim into the bylaws legal or regulatory precepts of a mandatory or prohibitive nature, or for the purpose of complying with legal or administrative decisions.
- Those amendments for which the Bank of Spain, in response to a prior enquiry made by the affected bank, deems that authorization is not required due to their little relevance.

This communication must be made within fifteen working days following the adoption of the Bylaws amendment resolution.

Finally, to indicate that as a significant entity, BBVA is under the direct supervision of the European Central Bank (ECB) in cooperation with the Bank of Spain under the Single Supervision Mechanism, so the authorization of the Bank of Spain above mentioned shall be submitted to the ECB, prior to its resolution by the Bank of Spain.

B.4 Indicate the data on attendance at general meetings held during the year to which this report refers and the previous year:

General Meeting date	Attendance figures				
	% shareholders present	% attending by proxy	% voting remotely		Total
			Electronic vote	Other	
11/03/2016	1.83%	38.34%	0.26%	22.08%	62.51%
17/03/2017	1.89%	38.68%	0.19%	22.95%	63.71%

B.5 Indicate the number of shares, if any, that are required to be able to attend the General Meeting and whether there are any restrictions on such attendance in the bylaws:

YES

Number of shares required to attend the General Meetings	500
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B.6 Section repealed.

B.7 Indicate the address and means of access through the company website to the information on corporate governance and other information on the general meetings that must be made available to shareholders on the company's website.

The content on corporate governance and other information on the latest general meetings are directly accessible through the Banco Bilbao Vizcaya Argentaria, S.A. corporate website, www.bbva.com, in the Shareholders and Investors, Corporate Governance and Remunerations Policy section.

C COMPANY MANAGEMENT STRUCTURE

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the bylaws:

Maximum number of Directors	15
Minimum number of Directors	5

C.1.2 Fill in the following table on the Board members:

Name of director (person or company)	Representative	Type of directorship	Position on the Board	Date first appointed	Date last appointed	Election procedure
FRANCISCO GONZÁLEZ RODRÍGUEZ	-	EXECUTIVE	GROUP EXECUTIVE CHAIRMAN	28/01/2000	11/03/2016	GENERAL MEETING RESOLUTION
CARLOS TORRES VILA	-	EXECUTIVE	CHIEF EXECUTIVE OFFICER	04/05/2015	11/03/2016	GENERAL MEETING RESOLUTION
TOMÁS ALFARO DRAKE	-	INDEPENDENT	DIRECTOR	18/03/2006	17/03/2017	GENERAL MEETING RESOLUTION
JOSÉ MIGUEL ANDRÉS TORRECILLAS	-	INDEPENDENT	LEAD DIRECTOR	13/03/2015	13/03/2015	GENERAL MEETING RESOLUTION
JOSÉ ANTONIO FERNÁNDEZ RIVERO	-	OTHER EXTERNAL	DIRECTOR	28/02/2004	13/03/2015	GENERAL MEETING RESOLUTION
BELÉN GARIJO LÓPEZ	-	INDEPENDENT	DIRECTOR	16/03/2012	13/03/2015	GENERAL MEETING RESOLUTION
JOSÉ MANUEL GONZÁLEZ-PÁRAMO MARTÍNEZ-	-	EXECUTIVE	DIRECTOR	03/06/2013	17/03/2017	GENERAL MEETING RESOLUTION

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MURILLO						
SUNIR KUMAR KAPOOR	-	INDEPENDENT	DIRECTOR	11/03/2016	11/03/2016	GENERAL MEETING RESOLUTION
CARLOS LORING MARTÍNEZ DE IRUJO	-	OTHER EXTERNAL	DIRECTOR	28/02/2004	17/03/2017	GENERAL MEETING RESOLUTION
LOURDES MÁIZ CARRO	-	INDEPENDENT	DIRECTOR	14/03/2014	17/03/2017	GENERAL MEETING RESOLUTION
JOSÉ MALDONADO RAMOS	-	OTHER EXTERNAL	DIRECTOR	28/01/2000	13/03/2015	GENERAL MEETING RESOLUTION
JUAN PI LLORENS	-	INDEPENDENT	DIRECTOR	27/07/2011	13/03/2015	GENERAL MEETING RESOLUTION
SUSANA RODRÍGUEZ VIDARTE	-	OTHER EXTERNAL	DIRECTOR	28/05/2002	17/03/2017	GENERAL MEETING RESOLUTION

Total number of Directors	13
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Indicate the severances that have occurred on the Board of Directors during the reporting period:

Name of director (person or company)	Status of the Director at the time	Date of leaving
JOSÉ LUIS PALAO GARCÍA-SUELTO	INDEPENDENT	17/03/2017
JAMES ANDREW STOTT	INDEPENDENT	31/05/2017

C.1.3 Fill in the following tables on the Board members and their different kinds of directorship:

EXECUTIVE DIRECTORS

Name of director (person or company)	Position within company organization
FRANCISCO GONZÁLEZ RODRÍGUEZ	GROUP EXECUTIVE CHAIRMAN
CARLOS TORRES VILA	CHIEF EXECUTIVE OFFICER
JOSÉ MANUEL GONZÁLEZ-PÁRAMO MARTÍNEZ-MURILLO	DIRECTOR OF GLOBAL ECONOMICS, REGULATION & PUBLIC AFFAIRS

Total number of executive Directors	3
% of total directors	23.08%

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EXTERNAL PROPRIETARY DIRECTORSEXTERNAL INDEPENDENT DIRECTORS

Name of director (person or company)	PROFILE
TOMÁS ALFARO DRAKE	<p>CHAIR OF THE BOARD'S APPOINTMENTS COMMITTEE.</p> <p>DIRECTOR OF INTERNAL DEVELOPMENT AND TEACHER IN THE FINANCE AREA AT UNIVERSIDAD FRANCISCO DE VITORIA.</p> <p>OTHER RELEVANT POSITIONS: WAS DIRECTOR OF THE FOLLOWING BACHELOR'S DEGREES AT UNIVERSIDAD FRANCISCO DE VITORIA: BUSINESS ADMINISTRATION AND MANAGEMENT; BUSINESS STUDIES; MARKETING; BUSINESS ADMINISTRATION. GRADUATED IN ENGINEERING AT ICAI AND BECAME MASTER IN ECONOMICS AND BUSINESS ADMINISTRATION (MBA) AT IESE.</p>
JOSÉ MIGUEL ANDRÉS TORRECILLAS	<p>CHAIR OF THE BOARD'S AUDIT AND COMPLIANCE COMMITTEE AND LEAD DIRECTOR.</p> <p>HIS PROFESSIONAL CAREER BEGAN WITH ERNST & YOUNG AS GENERAL MANAGING PARTNER FOR AUDIT AND ADVISORY SERVICES AND CHAIRMAN OF ERNST & YOUNG SPAIN UNTIL 2014.</p> <p>MEMBER OF SEVERAL ENTITIES SUCH AS THE OFFICIAL REGISTRY OF ACCOUNT AUDITORS (ROAC), REGISTRY OF ECONOMIST AUDITORS (REA), SPANISH INSTITUTE OF CHARTERED ACCOUNTANTS AND THE ADVISORY BOARD OF THE INSTITUTE OF INTERNAL AUDITORS. GRADUATED IN BUSINESS SCIENCES AND ECONOMICS FROM THE COMPLUTENSE UNIVERSITY IN MADRID.</p>
BELÉN GARIJO LÓPEZ	<p>CHAIR OF THE BOARD'S REMUNERATION COMMITTEE.</p> <p>MEMBER OF THE EXECUTIVE BOARD OF MERCK GROUP AND CEO OF MERCK HEALTH CARE. DIRECTOR OF L'OREAL AND CHAIR OF THE PHARMA INTERNATIONAL EXECUTIVE COMMITTEE, ISEC (PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA).</p> <p>OTHER RELEVANT POSITIONS: WAS PRESIDENT OF COMMERCIAL OPERATIONS IN EUROPE AND CANADA AT SANOFI AVENTIS.</p> <p>GRADUATED IN MEDICINE FROM UNIVERSIDAD DE ALCALÁ DE HENARES, MADRID.</p> <p>SPECIALIST IN CLINICAL PHARMACOLOGY AT HOSPITAL DE LA PAZ - UNIVERSIDAD AUTÓNOMA DE MADRID.</p>
JUAN PI LLORENS	<p>CHAIR OF THE BOARD'S RISK COMMITTEE.</p> <p>HAD A PROFESSIONAL CAREER AT IBM HOLDING VARIOUS SENIOR POSITIONS AT A NATIONAL AND INTERNATIONAL LEVEL INCLUDING VICE PRESIDENT FOR SALES AT IBM EUROPE, VICE PRESIDENT OF TECHNOLOGY & SYSTEMS AT IBM EUROPE AND VICE PRESIDENT OF FINANCIAL SERVICES SECTOR, GMU (GROWTH MARKETS UNITS) IN CHINA. HE WAS EXECUTIVE CHAIRMAN OF IBM SPAIN.</p> <p>GRADUATED IN INDUSTRIAL ENGINEERING FROM UNIVERSIDAD POLITECNICA DE BARCELONA AND TOOK A GENERAL MANAGEMENT PROGRAM AT IESE.</p>
LOURDES MÁIZ CARRO	<p>WAS SECRETARY OF THE BOARD OF DIRECTORS AND DIRECTOR OF THE LEGAL DEPARTMENT OF IBERIA, LÍNEAS AÉREAS DE ESPAÑA UNTIL APRIL 2016.</p> <p>PHD IN PHILOSOPHY, WORKED IN RESEARCH AND GAVE CLASSES IN METAPHYSICS AT THE COMPLUTENSE UNIVERSITY DURING FIVE YEARS. GRADUATED IN LAW, JOINED THE STATE COUNSEL CORPS AND HELD VARIOUS POSTS OF RESPONSIBILITY IN THE PUBLIC ADMINISTRATIONS SUCH AS GENERAL ORGANIZATIONAL DIRECTOR, WORK AND COMPUTING POSITIONS AT THE MINISTRY OF PUBLIC ADMINISTRATIONS, GENERAL DIRECTOR OF THE SOCIEDAD ESTATAL DE PARTICIPACIONES PATRIMONIALES (SEPPA) IN THE MINISTRY OF ECONOMY AND FINANCES AND GENERAL TECHNICAL SECRETARY AT THE MINISTRY OF AGRICULTURE. SHE HAS BEEN A</p>

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	DIRECTOR IN NUMEROUS COMPANIES, INCLUDING RENFE, GIF (NOW, ADIF), ICO (INSTITUTO DE CRÉDITO OFICIAL), ALDEASA AND BANCO HIPOTECARIO.
SUNIR KUMAR KAPOOR	HE IS AN OPERATING PARTNER AT ATLANTIC BRIDGE CAPITAL, INDEPENDENT DIRECTOR AT STRATIO BIGDATA AND LOGTRUST TECHNOLOGY, AND AN ADVISOR TO GLOBALLOGIC AND POINT INSIDE. OTHER RELEVANT POSITIONS: RESPONSIBLE FOR EMEA IN MICROSOFT EUROPE AND WORLDWIDE DIRECTOR OF BUSINESS STRATEGY IN MICROSOFT CORPORATION. FORMERLY EXECUTIVE VICE PRESIDENT AND MARKETING DIRECTOR OF CASSATT CORPORATION AND PRESIDENT AND CEO OF UBMATRIX INCORPORATED. GRADUATED IN PHYSICS STUDIES FROM BIRMINGHAM UNIVERSITY AND MASTER IN COMPUTER SYSTEMS AT CRANFIELD INSTITUTE OF TECHNOLOGY.

Total number of independent Directors	6
% of total directors	46.15%

Indicate whether any director considered an independent director is receiving from the company or from its group any amount or benefit under any item that is not the remuneration for his/her directorship, or maintains or has maintained over the last year a business relationship with the company or any company in its group, whether in his/her own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

Where applicable, include a reasoned statement from the Board with the reasons why it deems that this director can perform his/her duties as an independent director.

Name of director (person or company)	Description of the relationship	Reasoned statement

OTHER EXTERNAL DIRECTORS

Identify all other external Directors and explain why these cannot be considered proprietary or independent Directors and detail their relationships with the company, its executives or shareholders.

Name of director (person or company)	Reasons	Company, executive or shareholder to which related
JOSÉ MALDONADO RAMOS	José Maldonado Ramos has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.
JOSÉ ANTONIO FERNÁNDEZ RIVERO	José Antonio Fernández Rivero has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.
CARLOS LORING MARTÍNEZ DE IRUJO	Carlos Loring Martínez de Irujo has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.
SUSANA RODRÍGUEZ VIDARTE	Susana Rodríguez Vidarte has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.

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Total number of other external Directors	4
% of total directors	30.77%

Indicate any changes that may have occurred during the period in the type of directorship of each director:

Name of director (person or company)	Date of change	Previous category	Current category

C.1.4 Fill in the following table with information regarding the number of female directors over the last 4 years, and the category of their directorships:

	Number of female directors				% of total Directors of each category			
	Year 2017	Year 2016	Year 2015	Year 2014	Year 2017	Year 2016	Year 2015	Year 2014
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	2	2	2	2	33.33%	25%	25%	28.57%
Other external	1	1	1	1	25%	25%	25%	25%
Total:	3	3	3	3	23.08%	20 %	20%	21.43%

C.1.5 Explain the measures, if any, that have been adopted to try to include a number of female directors on the Board that would mean a balanced presence of men and women.

Explanation of measures
<p>Article 2 of the Regulations of the Board of Directors establishes that the appointment of members of the Board corresponds to the General Shareholders' Meeting notwithstanding the Board's capacity to co-opt Members in the event of any vacancy. Thus, the Appointments Committee's mission is to assist the Board of Directors in matters concerning the selection and appointment of directors and, in particular, to submit to the Board of Directors the proposals for the appointment, re-election or removal of independent directors and to report on the proposals for the appointment, re-election or removal of all other directors.</p> <p>To such end, article 33 of the Regulations of the Board of Directors establish that the Appointments Committee will assess the balance of skills, knowledge and expertise that the Board of Directors requires, as well as the conditions that candidates should meet to fill the vacancies arising, assessing the dedication of time necessary to be able to suitably perform their duties in light of the needs that the Company's governing bodies may have at any given time. The Committee will ensure that, in line with the principles set out in the BBVA Regulations of the Board of Directors, when filling new vacancies, the selection procedures are not marred by implicit biases that may involve any kind of discrimination or, in particular, hinder the selection of female directors, trying to ensure that women who display the professional profile being sought are included as potential candidates.</p> <p>BBVA's director selection policy states that the selection, appointment and rotation procedures for the Board of Directors shall be aimed at attaining a composition of the company's governing bodies that enable the powers established by law, Company Bylaws and its own regulations to be properly discharged in the company's best</p>

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interest. To this effect, the Board of Directors shall ensure that the procedures enable the most suitable candidates to be identified at all times, based on the requirements of the governing bodies and that they favor diversity of experience, knowledge, skills and gender and, in general, do not suffer from implicit biases that may involve any kind of discrimination.

Specifically, it shall ensure that the selection procedures do not involve discrimination in selecting female members and that in 2020 the number of female board members will represent at least 30% of the total number of members of the Board of Directors. In turn, it shall ensure that the composition of the Board has an appropriate balance between the different types of board members and that non-executive members represent an ample majority over executive directors.

Furthermore, in order to ensure the suitable composition of the Board of Directors at all times, its structure, size and composition shall be periodically analyzed, setting out the corresponding candidate identification and selection processes to, where applicable, be put forward as new members of the Board of Directors, where deemed necessary or appropriate. This analysis process shall also consider the composition of the different Board committees that assist this corporate body in the performance of its duties and which comprise an essential element of BBVA's corporate governance.

The governing bodies shall also be evaluated to ensure they have a suitable and diverse composition, combining individuals who have experience and knowledge of the Group, its businesses and the financial sector in general with others who have training, skills, knowledge and experience in other areas and sectors that enable the right balance to be attained in the composition of governing bodies to improve operation and performance of their duties.

In these selection processes carried out by the Appointments Committee, it has the support of prestigious consultants in the selection of international directors, who carry out an independent search for potential candidates that meet the profile defined in each case by the Appointments Committee.

During these processes, the external expert was expressly requested to include women with the suitable profile among the candidates to be presented and the Committee analyzed the personal and professional profiles of all the candidates presented on the basis of the information provided by the consultancy firm, according to the needs of the Bank's governing bodies at any given time. The skills, knowledge and expertise necessary to be a Bank director were assessed and the rules on incompatibilities and conflicts of interest as well as the dedication deemed necessary to be able to comply with the duties were taken into account.

BBVA currently has three female directors on its Board of Directors, i.e. 23.08% of its members, one of whom is a member of the Bank's Executive Committee. However, if the proposals for re-election and appointment of directors that are going to submit to the General Meeting of 2018 are approved, the number of female directors will increase, which will be 4.

C.1.6 Explain the measures, if any, agreed by the Appointments Committee to ensure that selection procedures do not suffer from implicit biases that may hinder the selection of female directors, and that the company deliberately seeks and includes potential female candidates that meet the professional profile sought:

Explanation of measures
See above section.
The Appointments Committee, in compliance with the principles established in the Board of Directors' Regulations and Selection, Appointment, Rotation and Diversity Policy of the Board of Directors, in the selection processes of the directors, ensures that among the potential candidates are women who meet the professional profile sought, and also takes care that in the selection procedures there are no implicit biases that might hinder the selection of female directors.

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When, despite any measures that might have been adopted, the number of female directors is low or zero, explain the reasons:

Explanation of reasons

C.1.6.bis Explain the conclusions of the Appointments Committee regarding verification of compliance with the board member selection policy. And, in particular, explain how this policy is fostering the goal for 2020 to have the number of female board members represent at least 30% of the total number of members of the board of directors.

As to the principles underpinning the director selection policy of BBVA, described in section C.1.5 above, the Appointments Committee has conducted throughout the year an ongoing analysis of the structure, size and composition of the Board of Directors and of the principles and aims established by the Bank's director selection policy.

With regard to the suitability requirements necessary under the selection policy for the performance of the office, in particular, commercial and professional good repute, knowledge and experience appropriate to the performance of his/her duties and aptitude to exercise good governance of the Company, the Appointments Committee considered that the Board, as a whole, has an appropriate balance in its composition and an adequate knowledge of the environment, activities, strategies and risks of the Bank and its Group, thus supporting suitable operation.

The Committee believes that Bank directors have the required reputation to hold their position, the skills required and the availability to devote the time required to discharge their responsibilities.

As to the Board selection, appointment and rotation procedures, which are aimed at achieving a composition of the corporate bodies of the Bank that supports the proper exercise of their duties in the Company's best interests, the Appointments Committee has thought it appropriate to continue the process of gradual rotation of the Board so as to open the way to directors with experience and knowledge of the financial sector and the culture and businesses of the Group, thus gradually recruiting people with different professional profiles and expertise to enhance the diversity of corporate bodies.

The Committee therefore endeavors to ensure that the selection, appointment and rotation procedures enable the most suitable candidates to be identified at all times, based on the requirements of the governing bodies and that they favor diversity of experience, knowledge, skills and gender and, in general, do not suffer from implicit biases that may involve any kind of discrimination, for which purpose it has had the assistance of a leading international independent consultancy firm on director selection.

Moreover, the Committee encourages the recruitment to the Board of new members who are able to fulfill or maintain the aims set out in the selection policy, while ensuring that selection processes are carried out to the highest standard of professionalism and independence.

In addition, the Committee has analyzed and considered, for the purposes of proposals for re-election and appointment of directors that are going to submit to the General Meeting of 2018, the terms of the selection policy requiring that by 2020 the number of women directors accounts for at least 30% of the entire Board, while ensuring that non-executive directors preserve an ample majority over executive directors, and, moreover, ensuring that the number of independent directors is at least 50% of the Board.

If the General Shareholders' Meeting of 2018 adopts the respective proposals for appointment and re-election of directors, the number of women directors will increase to 4, which would imply a percentage of 26% of the total Board members (15), approaching the target of 30% set for 2020. The number of non-executive directors will continue to account for an ample majority of the Board (80%), and at least 50% of directors will be independent, in line with the provisions established in the selection policy.

Hence, in accordance with the conclusions reached by the Appointments Committee, BBVA's corporate bodies would maintain a structure, size and composition according to their needs and, as in recent years, with a structure in which

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at least half of its directors are independent directors, in line with the provisions established in the Regulations of the Board of Directors and in the Selection, Appointment, Rotation and Diversity Policy of the Board of Directors.

C.1.7 Explain the form of representation on the Board of shareholders with significant holdings.

C.1.8 Explain, where applicable, the reasons why proprietary directors have been appointed at the behest of a shareholder whose holding is less than 3% of the capital:

Indicate whether formal petitions have been ignored for presence on the Board from shareholders whose holding is equal to or higher than that of others at whose behest proprietary directors were appointed. Where applicable, explain why these petitions have been ignored.

NO

C.1.9 Indicate whether any director has stood down before the end of his/her term of office, if the director has explained his/her reasons to the Board and through which channels, and if reasons were given in writing to the entire Board, explain below, at least the reasons that were given:

Name of director	Reason for leaving
James Andrew Stott	Mr. James Andrew Stott resigned as member of the Board of Directors on May 31, 2017 for personal reasons. The resignation was implemented through the corresponding letter to the Board of Directors.

C.1.10 Indicate any powers delegated to the managing directors(s):

Name of director (person or company)	Brief description
FRANCISCO GONZÁLEZ RODRÍGUEZ	Holds broad-ranging powers of representation and administration in line with his duties as Group Executive Chairman.
CARLOS TORRES VILA	Holds broad-ranging powers of representation and administration in line with his duties as Chief Executive Officer.
JOSÉ MANUEL GONZÁLEZ-PÁRAMO MARTÍNEZ-MURILLO	Holds powers of representation and administration in line with his duties as Head of Global Economics, Regulation & Public Affairs.

C.1.11 Identify any members of the Board holding positions as directors or managers in other companies belonging to the listed company's group:

Name of director (person or company)	Name of the Group Company	Position	Does the director hold executive functions?
FRANCISCO GONZÁLEZ RODRÍGUEZ	BBVA BANCOMER, S.A. INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO BBVA BANCOMER	DIRECTOR	NO
FRANCISCO GONZÁLEZ RODRÍGUEZ	GRUPO FINANCIERO BBVA BANCOMER, S.A. DE C.V.	DIRECTOR	NO

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CARLOS TORRES VILA	BBVA BANCOMER, S.A. INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO BBVA BANCOMER	DIRECTOR	NO
CARLOS TORRES VILA	GRUPO FINANCIERO BBVA BANCOMER, S.A. DE C.V.	DIRECTOR	NO

C.1.12 Detail, where applicable, any company directors that sit on Boards of other companies publicly traded on regulated securities markets outside the company's own group, of which the company has been informed:

Name of director (person or company)	Corporate name of the listed company	Position
BELÉN GARIJO LÓPEZ	L'ORÉAL SOCIÉTÉ ANONYME	DIRECTOR
JUAN PI LLORENS	ECOLUMBER, S.A.	CHAIRMAN
JOSÉ MIGUEL ANDRÉS TORRECILLAS	ZARDOYA OTIS, S.A.	DIRECTOR

C.1.13 Indicate and, where applicable, if board regulations have established rules on the maximum number of company boards on which its directors may sit:

YES

Explanation of rules
<p>Article 11 of the Board of Directors Regulations establishes that in the performance of their duties, directors will be subject to the rules on limitations and incompatibilities established under applicable regulations at any time and in particular to the provisions of Spanish Act 10/2014 on the regulation, supervision and solvency of credit institutions.</p> <p>Article 26 of Act 10/2014 establishes that the directors of credit institutions may not hold at the same time more positions than those set out in one of the following combinations: (i) an executive position together with two non-executive positions; or (ii) four non-executive positions. Executive positions are defined as those performing management duties irrespective of the legal bond attributed by those duties. The following will count as a single position: 1) executive or non-executive positions held within the same group; 2) executive or non-executive positions held within: (i) entities belonging to the same institutional protection scheme; or (ii) companies in which the entity holds a significant stake. The positions held in non-profit organizations or entities pursuing non-commercial purposes shall not count when determining the maximum number of positions. Nonetheless, the Bank of Spain may authorize members of the Board of Directors to hold an additional non-executive post if it deems that such a post would not interfere with the correct performance of the activities thereof in the credit institution.</p> <p>Also, in accordance with article 11 of the Board of Directors Regulations, BBVA directors may not:</p> <ul style="list-style-type: none"> • Provide professional services to companies competing with the Bank or with any of its Group companies, or be an employee, manager or director of such companies unless they have received express prior authorization from the Board of Directors or from the Annual General Meeting, as appropriate, unless these activities had been provided or performed before they became a Bank director, do not involve no effective competition and had been reported to the Bank at that time. • Take a direct or indirect stake in businesses or enterprises in which the Bank or its Group companies hold an interest, unless such stake was held prior to joining the Board of Directors or to the time when the Group took out its holding in such businesses or enterprise, or unless such companies are listed on domestic or international securities exchanges, or unless authorized to do so by the Board of Directors.

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- Be a director in companies in which the Group or any of the Group companies hold a stake. As an exception and when proposed by the Bank, executive directors are able to hold directorships in companies directly or indirectly controlled by the Bank with the approval of the Executive Committee, and in other associate companies with the approval of the Board of Directors. A person ceasing to be an executive director is obliged to resign from any office in a subsidiary or associate company that is held by virtue of such directorship.

Non-executive directors may hold a directorship in the Bank's associate companies or in any other Group company provided the directorship is not related to the Group's holding in such companies. They must have prior approval from the Bank's Board of Directors. For these purposes, holdings of the Bank or its Group in companies resulting from its ordinary business activities, asset management, treasury trading, derivative hedging and/or other transactions will not be taken into account.
- Hold political office or engage in other activities that might have a public significance or affect the image of the Company in any manner, unless there is prior authorization from the Bank's Board of Directors.

C.1.14 Section repealed.

C.1.15 Indicate the overall remuneration for the Board of Directors:

Remuneration of the Board of Directors (thousands of euros)	16,504
Cumulative amount of rights of current Directors in pension scheme (thousands of euros)	18,345
Cumulative amount of rights of former Directors in pension scheme (thousands of euros)	82,573

C.1.16 Identify members of senior management that are not in turn executive directors, and indicate the total remuneration accruing to them during the year:

Name (person or company)	Position(s)
JUAN ASÚA MADARIAGA	CORPORATE & INVESTMENT BANKING (CIB)
JORGE SÁENZ-AZCÚNAGA CARRRANZA	COUNTRY MONITORING
CRISTINA DE PARIAS HALCÓN	COUNTRY MANAGER SPAIN
EDUARDO OSUNA OSUNA	COUNTRY MANAGER MEXICO
DON DEREK JENSEN WHITE	CUSTOMER AND CLIENT SOLUTIONS
RICARDO FORCANO GARCÍA	TALENT & CULTURE
RICARDO ENRIQUE MORENO GARCÍA	ENGINEERING
DAVID PUENTE VICENTE	DATA
JAIME SÁENZ DE TEJADA PULIDO	FINANCE
RAFAEL SALINAS MARTÍNEZ DE LECEA	GLOBAL RISK MANAGEMENT
EDUARDO ARBIZU LOSTAO	LEGAL & COMPLIANCE
FRANCISCO JAVIER RODRÍGUEZ SOLER	STRATEGY & M&A

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RICARDO GÓMEZ BARREDO	ACCOUNTING & SUPERVISORS
DOMINGO ARMENGOL CALVO	GENERAL SECRETARY
JOSÉ LUIS DE LOS SANTOS TEJERO	INTERNAL AUDIT

Total senior management remuneration (thousands of euros)	23,674
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C.1.17 Indicate the identity of the Board members, if any, who are in turn members of the Board of Directors in companies of significant shareholders and/or in entities of their group:

Detail the relevant affiliations, other than those considered in the above paragraph, that link Board members to significant shareholders and/or companies in their group:

C.1.18 Indicate whether there has been any change in the Board regulations during the year:

NO

Description of changes

C.1.19. Indicate procedures for selection, appointment, re-election, assessment and removal of directors. List the competent bodies, the procedures to be followed and the criteria to be employed in each procedure.

Selection, appointment and re-election procedure:

BBVA has established a policy setting out the main general principles applicable in the selection and appointment of directors. Additionally, articles 2 and 3 of the Board of Directors Regulations stipulate that the General Meeting is responsible for the appointment of members of the Board. However, if a seat falls vacant, the Board has the authority to co-opt members. In any event, persons proposed for appointment as directors must meet the requirements of prevailing legislation, the specific regulations applicable to credit institutions and the provisions of the Company Bylaws. In particular, directors should meet the necessary suitability requirements to exercise their directorship. Thus, they must be considered to be of commercial and professional good repute, with adequate knowledge and expertise to perform their duties and in situation in which they can exercise good governance of the entity.

The Board will ensure that the selection procedures for directors favour diversity in experience, knowledge, skills and gender and, in general, do not suffer from implicit biases that may imply any discrimination. The Board will submit its proposals to the General Meeting in such a way that there is an ample majority of non-executive directors over the number of executive directors on the Board. The proposals submitted to the General Meeting for appointment or re-election of directors and the appointments the Board makes directly to cover vacancies, exercising its powers of co-option, will be approved at proposal of the Appointments Committee in the case of independent directors, and following a report from said Committee for all other directors. In any case, the proposal must be accompanied by a report of the Board explaining the grounds on which the Board of Directors has assessed the competence, experience and merits of the proposed candidate, which will be attached to the minutes of the General Meeting or of the Board of Directors. The Board's resolutions and deliberations on these matters will take place in the absence of the director whose re-election is proposed who, if present, must leave the meeting.

To such end, the Board of Directors Regulations establish that the Appointments Committee will evaluate the balance of skills, knowledge and expertise on the Board of Directors, as well as the conditions that candidates should display to fill the vacancies arising, assessing the dedication necessary to be able to suitably perform their duties in view of the needs that the Company's governing bodies may have at any time. The Committee will ensure that when filling new vacancies, the selection procedures are not marred by implicit biases that may involve any discrimination and, in

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particular, those that hinder the selection of female directors, trying to ensure that women who display the professional profile being sought are included as potential candidates.

Directors will stay in office for the term established by the Company Bylaws or, if they have been co-opted, until the first General Meeting is held.

Assessment:

As indicated in article 17 w) of the Board's Regulations, the Board of Directors is responsible for assessing the quality and efficiency of its operation and assessment of the performance of the duties of the Chairman of the Board. Such assessment will always begin with the report submitted by the Appointments Committee. Likewise, evaluation of the operation of its Committees, on the basis of the report that these submit to it. Moreover, article 5 of the Board's Regulations establishes that the Chairman, who is responsible for efficiently running of the Board, will organize and coordinate the regular assessment of the Board with the Chairs of the relevant Committees. Moreover, article 5 ter of the Board's Regulations establishes that the Lead Director is especially empowered to conduct the regular assessment of the Chairman of the Board.

Pursuant to the provisions of the Board Regulations, as in previous years, in 2017 the Board of Directors assessed the quality and efficiency of its own running and that of its Committees, as well as the performance of the duties of the Chairman, both as Chairman of the Board and as the first executive of the Bank, based on the report of the Appointments Committee.

Severance:

Directors will stand down from office when the term for which they were appointed has expired, unless they are re-elected.

Directors must apprise the Board of any circumstances affecting them that might harm the Company's reputation and credit and circumstances that may impact their suitability for the position. Directors must place their directorship at the disposal of the Board and accept its decision regarding their continuity or non-continuity in office, under the circumstances listed in section C.1.21 below. If its decision is negative, they are obliged to tender their resignation. In any event, directors will resign their positions on reaching 75 years of age. They must present their resignation at the first meeting of the Bank's Board of Directors after the General Meeting of Shareholders that approves the accounts for the year in which they reach this age.

C.1.20 Explain to what degree the self- assessment has led to significant changes in its internal organization and the procedures applicable to its activities:

Description of changes
<p>Article 17 of the Board of Directors Regulations establishes that the Board will assess the quality and efficiency of the Board's operation, based on the report submitted by the Appointments Committee, which it has done in 2017, likewise producing certain changes (indicated below), similar to previous years, to continue the ongoing adaptation process of corporate governance to the regulatory requirements and best practices.</p> <p>Thus, the entity has been analyzing its needs for improvement by introducing various measures throughout 2017 to continue to evolve its Corporate Governance system and practices in accordance with the new environment in which the entity carries out its activity and its own reality, including, among other measures, the following: (i) fresh progress in the development of the Corporate Bodies' decision-making process, further specifying the involvement of the Board Committees and the interaction among the different Corporate Bodies; (ii) continuing improvement of Corporate Bodies' reporting model to ensure that decisions are made on the basis of adequate, complete and standardized information and to enable proper oversight of performance; (iii) a new remuneration policy for the Board of Directors, where deferral has been extended and the share-based payment component has been amplified, introducing clawback arrangements for variable remuneration and modifying the pensions system toward a defined-contribution scheme, thus making strides toward alignment with international best practices; (iv) entrenchment of the Technology and Cybersecurity Committee, which has supported the Board in understanding the Group's technology strategy and in the awareness and oversight of technology -related risks; and (v) development of a new organizational structure for Data with the creation of the "Head of Data" position at the</p>

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highest level of the organization to drive the integration of global and strategic data management in all areas and businesses of the Bank, and of the "Data Protection Officer" position to equip the Group with a system for data control and protection that is suited to the new supervisory and business environment.

C.1.20.bis Describe the assessment process and the assessed areas conducted by the board of directors assisted, as the case may be, by an external consultant, regarding the diversity in its composition and capacities, duties and composition of its committees, the performance of the chair of the board of directors and the first executive of the company, and the performance and contribution of each board member.

According to article 17 of the Board of Directors Regulations, the Board shall evaluate the quality and efficiency of its running and the performance of the functions of the Chairman of the Board, based in each case on the report submitted by the Appointments Committee. Likewise, the Board of Directors shall assess of the running of its Committees, based on the report they submit.

In the most recent assessment process carried out for 2017, the Board of Directors has assessed: (i) the quality and efficiency of the Board of Directors' and of the Executive Committee's operation, (ii) the performance of the Chairman of the Board of Directors; and (iii) the running of the Committees of the Board of Directors. The procedure to conduct these assessments was:

- Throughout the year, the Appointments Committee has been analyzing the structure, size and composition of the Board of Directors during the selection processes to incorporate new members of the Board of Directors, re-elect directors and while conducting the yearly assessment on the running of the Board of Directors. Thus the quality and efficiency of the running of the Board of Directors and the Executive Committee was examined based on the prior report submitted by the Appointments Committee and conveyed to the Board of Directors where the following matters were reviewed in detail: structure, size and composition of the Board of Directors; organization, preparation and development of the meetings of the Board of Directors; adequate dedication of time by Board members; training of members of the Board of Directors and activity of the Board of Directors. The Appointments Committee, with a view to drawing up its prior report, had the support of a report on the activities carried out throughout the year by the Board of Directors and the Executive Committee containing detailed information on the composition and operations thereof, and on the main activities implemented by these bodies in the performance of the duties attributed thereto by the Company Bylaws and the Regulations of the Board of Directors.
- The performance of the duties of the Chairman of the Board of Directors, as Chairman and as first executive, was carried out by the Board of Directors on the basis of a report on its activities during the year and taking into account the previous report of the Appointments Committee, the Lead Director having conducted the evaluation process in accordance with the provisions of Article 5 ter of the Board Regulations.
- The Board of Directors conducted the quality and efficiency assessment on the operations of the Audit and Compliance, Risk, Appointments, Remuneration and Technology and Cybersecurity Committees based on the reports submitted by their respective Chairs. The activity of the Audit and Compliance Committee is reported quarterly to the Board at meetings held throughout the year. In addition, the Committee Chair, at the Board meeting of February 12, 2018, accounted for the oversight work done on the preparation of the Group's financial statements, the project to implement accounting standard IFRS 9, as well as the oversight of the adequacy, sufficiency and effective operation of internal control systems in the course of financial reporting. Moreover, during its meeting on November 29, 2017, the Board of Directors received the report of the director Chair of the Risk Committee regarding the activities undertaken by the Committee during 2017, reporting on the tasks executed by the Committee in its ongoing monitoring and oversight of changes in the risks faced by the Group and the extent to which consistency is maintained with specified strategies and policies. Moreover, at its meeting of January 31, 2018 the Board heard a report by the Chair of the Remuneration Committee on that body's activity throughout 2017. Among other matters, the Board was briefed on the work done by the Committee to prepare and implement the draft resolutions submitted to the Board on remuneration, especially as to remuneration of executive directors and senior management, and the other projects developed regarding the adoption of the new remuneration policies of directors, identified staff and BBVA Group. Likewise, in its session on 31 January 2018, the Board received the report of the director Chair of the Appointments Committee regarding the activities undertaken by the Committee during 2017 within the different scopes of

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duties. Finally, at its meeting of November 29, 2017, the Board was briefed by the Chair of the Technology and Cybersecurity Committee on that body's activities since its constitution in 2016. The Board was briefed, inter alia, on the review of the global organization of the Engineering Area, the new Group strategy and the ERCA team's assessment of the Engineering area as to Group's cybersecurity risk.

C.1.20.ter Break down, where pertinent, the business relationship that the consultant or any company of its group maintains with the company or any company of its group.

C.1.21 Indicate the circumstances under which directors are obliged to resign.

In addition to the circumstances set out in applicable legislation, as established in article 12 of the BBVA Board of Directors Regulations, the directors shall resign from their office when the term for which they were appointed has expired, unless they are re-elected. Directors must apprise the Board of Directors of any circumstances affecting them that might harm the Company's reputation and credit circumstances that may impact their suitability for the position.

As set out in article 12 of the BBVA Board of Directors Regulations, directors must place their office at the disposal of the Board of Directors and accept the Board's decision regarding their continuity or non-continuity in office. Should the Board resolve they not continue, they will be obliged to tender their resignation, in the following circumstances:

- When they are affected by circumstances of incompatibility or prohibition as defined under prevailing legislation, in the Company Bylaws or in the Board of Directors Regulation;
- When significant changes occur in their personal or professional situation that may affect the condition by virtue of which they were appointed to the Board;
- When they are in serious dereliction of their duties as directors;
- When for reasons attributable to the director in his or her condition as such, serious damage has been done to the Company's net worth, credit or reputation; or
- When they lose their suitability to hold the position of director of the Bank.

C.1.22 Section repealed.

C.1.23 Are reinforced qualified majorities required, other than the legal majorities, for some type of resolution?

NO

If applicable, describe the differences.

C.1.24 Explain whether there are specific requirements, other than those regarding directors, to be appointed Chairman of the Board of Directors.

NO

C.1.25 Indicate whether the Chairman has a casting vote:

NO

C.1.26 Indicate whether the bylaws or the Board Regulations establish an age limit for directors:

YES

Age limit for Chairman	Age limit for Chief Executive Officer	Age limit for directors

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0	0	75
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C.1.27 Indicate whether the bylaws or the Board Regulations establish a limited term of office for independent directors, other than that established by law:

NO

C.1.28 Indicate whether the bylaws or the Board Regulations establish specific rules for proxy voting in the Board of Directors, the way this is done and, in particular, the maximum number of proxies a director may have, and whether it has established any limit regarding the categories that may be delegated beyond the limits stipulated by legislation. If so, briefly give details on such rules.

The BBVA Board of Directors Regulations establishes that directors are required to attend the meetings of corporate bodies and the meetings of the Board Committees on which they sit, except for a justifiable reason. Directors shall participate in the deliberations, discussions and debates on matters submitted for their consideration.

However, article 21 of the Board of Directors Regulations establishes that should it not be possible for directors to attend any of the Board of Directors' meetings, they may grant proxy to another director to represent and vote for them. This may be done by a letter or e-mail sent to the Company with the information required for the proxy director to be able to follow the absent director's instructions, in observance of the applicable legislation, though non-executive directors may only grant their proxy to another director that is also non-executive.

C.1.29 Indicate the number of meetings the Board of Directors has held during the year. Where applicable, indicate how many times the Board has met without the Chairman in attendance. In calculating this number, proxies given with specific instructions will be counted as attendances.

Number of Board meetings	15
Number of Board meetings held without the Chairman's attendance	0

If the Chairman is an executive Director, indicate the number of meetings held without an executive director present or represented and chaired by the Lead Director

Number of meetings	0
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Indicate the number of meetings of the Board's different committees held during the year.

Number of Executive Committee meetings	19
Number of Audit and Compliance Committee meetings	14
Number of Appointments Committee meetings	5
Number of Remuneration Committee meetings	5
Number of Risk Committee meetings	20
Number of Technology and Cyber-security Committee meetings	7

C.1.30 Indicate the number of meetings held by the Board of Directors during the year attended by all its members. In calculating this number, proxies given with specific instructions will be counted as attendances.

Number of meetings attended by all directors	14
% of attendances to total votes during the year	99%

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C.1.31 Indicate whether the individual and consolidated financial statements presented for Board approval are certified beforehand:

NO

Where applicable, identify the person(s) who has(have) certified the Company's individual and consolidated financial statements to be filed by the Board:

C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements that it files from being presented to the General Meeting with a qualified auditors report.

Article 29 of BBVA's Board of Directors Regulations establishes that the Audit and Compliance Committee will be formed exclusively by independent directors and its main task is to assist the Board of Directors in overseeing the financial information and the exercise of the Group control duties. In this regard, its functions are as follows: oversee the efficacy of the Company's internal control, the internal audit and the risk management systems in the process of drawing up and reporting the financial information, including tax-related risks, as well as to discuss with the external auditor any significant weaknesses in the internal control system detected when the audit is conducted, without undermining its independence and oversee the process of drawing up and reporting the financial information. For such purposes, the Audit and Compliance Committee may submit recommendations or proposals to the Board of Directors.

Moreover, article 3 of the Audit and Compliance Committee Regulations establishes that the Committee shall verify that the external audit schedule is conducted under the agreed conditions at appropriate intervals, and that it meets the requirements of the competent authorities and the Bank's governing bodies. The Committee will also periodically – at least once a year – request from the external auditor its evaluation of the quality of the group's internal control procedures regarding the drafting and presentation the financial information of the Group.

The Committee shall also be apprised of any infringements, situations requiring adjustments, or anomalies that may be detected during the course of the external audit and are of a material nature; materiality in this context signifies those issues that, in isolation or as a whole, may give rise to a significant and substantive impact or harm to assets, earnings or the reputation of the Group; discernment of such matters shall be at the discretion of the external auditor who, if in doubt, must opt to report on them.

In exercising these duties, the Audit and Compliance Committee holds monthly meetings with the external auditor's representatives without the presence of executives, to monitor their work on an ongoing basis, in order to guarantee that the activity is carried out under the best conditions and with no interference in management.

C.1.33 Is the company Secretary a director?

NO

Complete if the Secretary is not also a Director:

Name or corporate name of Secretary	Representative
DOMINGO ARMENGOL CALVO	-

C.1.34 Section repealed.

C.1.35 Indicate the specific mechanisms the company has established, if any, to preserve the independence of the external auditors, the financial analysts, the investment banks and the rating agencies.

The BBVA Audit and Compliance Committee Regulations establish that this Committee's duties, described in section C.2.1, include ensuring the independence of the external auditor in two ways:

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- Avoiding any possibility of the warnings, opinions or recommendations of the external auditor being adversely influenced. To this end, the Committee must ensure that compensation for the auditor's work does not compromise either its quality or independence, in compliance with current legislation on auditing at all times.

- Stipulating as incompatible the provision of audit and consulting services unless they are work required by supervisors or whose provision by the external auditor is allowed by applicable legislation, and there are not available in the market alternatives as regards content, quality or efficiency of equal value to those which the auditor could provide; in this case approval by the Committee will be required, but this decision may be delegated in advance to its Chair. The external auditor shall be prohibited from providing prohibited services outside the audit, in compliance with what is set out at all times by audit legislation.

This matter is the subject of special attention by the Audit and Compliance Committee, which holds monthly meetings with the representatives of the external auditor, without the presence of Bank executives, to know the details of the progress and quality of their work, as well as to confirm their independence of the performance of their work. It also monitors the engagement of additional services to ensure compliance with the Committee's Regulations and applicable legislation in order to safeguard the independence of the external auditor.

Moreover, in accordance with the provisions of point f), section 4 of article 529 quaterdecies of the Corporate Enterprises Act and article 30 of the BBVA Board of Directors Regulations, the Audit and Compliance Committee each year before the external auditor issues their report on the financial statements, has to issue a report expressing its opinion regarding the independence of the external auditor.

This report must in any event contain the reasoned assessment of the provision of additional services of any kind by the auditors to the Group's entities, considered individually and as a whole, other than the legal audit and in relation to the regime of independence or the rules regulating the account audit activity. The external auditor must issue, also on an annual basis, a report confirming its independence via-à-vis BBVA or entities linked to BBVA, either directly or indirectly, with information on the additional services of any kind provided to these entities by the external auditor, or by the individuals or entities linked to them, as set out in the redrafted text of the Audit Act.

In keeping with the legislation in force, the relevant reports confirming the external auditor's independence were issued in 2017.

In addition, as BBVA's shares are listed on the New York Stock Exchange, it is subject to compliance with the provisions established in the Sarbanes Oxley Act and its implementing regulations.

Likewise, BBVA has in place a Shareholders and Investors Communication and Contact Policy that has been adopted by the Board of Directors. The policy is guided by the principle of equal treatment for all shareholders and investors, who are in the same position in terms of information, involvement and the exercise of their rights as shareholders and investors, inter alia.

Moreover, the principles and channels set out in the Shareholders and Investors Communication and Contact Policy govern, where applicable, BBVA relations with other interested parties, such as financial analysts, bank share management firms and depository institutions, and proxy advisors, among others.

C.1.36 Indicate whether the company has changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

YES

Outgoing auditor	Deloitte, S.L.
Incoming auditor	KPMG Auditores, S.L.

If there were disagreements with the outgoing auditor, explain their grounds:

NO

Explanation of disagreements

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C.1.37 Indicate whether the audit firm does other work for the company and/or its group other than the audit. If so, declare the amount of fees received for such work and the percentage of such fees on the total fees charged to the company and/or its group:

YES

	Company	Group	Total
Amount of non-audit work (thousands euros)	234	274	508
Amount of non-audit work/total amount billed by the audit firm (%)	1.68%	1.75%	1.72%

C.1.38 Indicate whether the audit report on the annual financial statements for the previous year contained reservations or qualifications. If so, indicate the reasons given by the chair of the audit committee to explain the content and scope of such reservations or qualifications.

NO

C.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements for the company and/or its group. Likewise, indicate the percentage of the number of years audited by the current audit firm to the total number of years in which the annual financial statements have been audited:

	Company	Group
Number of consecutive years	1	1
Number of years audited by current audit firm / number of years the company has been audited (%)	5.88%	5.88%

C.1.40 Indicate and, where applicable, give details on the existence of a procedure for directors to engage external advisory services:

YES

Details of the procedure
<p>Article 6 of the BBVA Board of Directors Regulations expressly recognizes that directors may request any additional information or advice they require to comply with their duties, and may request the Board of Directors for assistance from external experts on matters subject to their consideration whose special complexity or importance so requires.</p> <p>The Audit and Compliance Committee, pursuant to article 31 of the Board of Directors Regulations, may engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialization or independence.</p> <p>Under articles 34, 37 and 40 of the Board of Directors Regulations and in accordance with the specific regulations of the Technology and Cyber-security Committee, the rest of the Committees may obtain such advice as may be necessary to establish an informed opinion on matters related to its business.</p>

C.1.41 Indicate and, where applicable, give details on the existence of a procedure for directors to obtain the information they need to prepare the meetings of the governing bodies with sufficient time:

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YES

Details of the procedure
<p>Article 6 of the Regulations of the Board of Directors establishes that directors will be apprised beforehand of sufficient information to be able to form their own opinions regarding the questions that the Bank's governing bodies are empowered to deal with. They may request any additional information or advice they require to fulfill their duties.</p> <p>Exercise of this right will be channeled through the Chairman or Secretary of the Board of Directors who will attend to requests by providing the information directly or by establishing suitable arrangements within the organization for this purpose, unless a specific procedure has been established in the regulations governing the Board of Directors Committees.</p> <p>In accordance with article 24 of the Board Regulations, directors will be provided with any information or clarifications as they believe necessary or advisable in connection with the matters to be considered at the meeting. This can be done before or during the meetings.</p> <p>BBVA has in place an informational model to allow decisions to be made based on sufficient, complete and consistent information, and, also, to facilitate appropriate oversight of performance.</p> <p>Thus, the Bank's corporate bodies have a procedure for verifying the information that is submitted for consideration to them, coordinated by the Board Secretariat with the areas responsible for information, through the Information of the Governing Bodies' Department, in order to provide the directors for early consideration sufficient, adequate and complete information for the meetings of the Bank's various corporate bodies and to enable directors to best perform their duties. The information that is made available to the Bank's corporate bodies, prior to the holding of its sessions, is carried out through an electronic tool, to which all members of the Board of Directors have access, which ensures his availability.</p>

C.1.42 Indicate and, where applicable give details, whether the company has established rules requiring directors to inform and, where applicable, resign under circumstances that may undermine the company's standing and reputation:

YES

Explanation of rules
<p>In accordance with article 12 of the Board of Directors Regulations, directors must apprise the Board of Directors of any circumstances affecting them that might harm the Company's reputation and credit and circumstances that may impact their suitability for the position.</p> <p>Directors must place their office at the disposal of the Board of Directors and accept its decision regarding their continuity or non-continuity in office. Should the Board resolve they not continue, they will be obliged to tender their resignation when for reasons attributable to the director in his or her condition as such, serious damage has been done to the Company's net worth, credit and/or reputation or when they lose their suitability to hold the position of director of the Bank.</p>

C.1.43 Indicate whether any member of the Board of Directors has informed the company of any legal suit or court proceedings against him or her for any of the offences listed in article 213 of the Corporate Enterprises Act:

NO

Indicate whether the Board of Directors has analyzed the case. If so, explain the grounds for the decision taken as to whether or not the director should retain his/her directorship or, where applicable, describe the actions taken or planned to be taken by the Board of Directors on the date of this report.

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Decision adopted/action taken	Reasoned explanation

C.1.44 Detail significant agreements reached by the Company that come into force, are amended or concluded in the event of a change in the control of the company stemming from a public takeover bid, and its effects.

C.1.45 Identify in aggregate terms and indicate in detail any agreements between the company and its directors, managers or employees that have guarantee or ring-fencing severance clauses for when such persons resign or are wrongfully dismissed or if the contractual relationship comes to an end due to a public takeover bid or other kinds of transactions.

Number of beneficiaries	60
Type of beneficiary	Description of the agreement
15 members of Senior Management (excluding executive directors) 45 technical & specialist professionals	<p>The Bank does not have commitments to pay compensations to directors.</p> <p>As of 31 December 2017, 15 members of Senior Management are entitled to receive compensation payment in the event of severance on grounds other than their own will, retirement, disability or dereliction of duties. Its amount will be calculated by factoring the Bank employee's remuneration and length of office and which under no circumstances will be paid in the event of lawful dismissal for misconduct by decision of the employer on grounds of the worker's dereliction of duties.</p> <p>The Bank has also agreed compensation clauses with some employees (45 technical and specialist professionals) in the event of unfair dismissal. The amount of this compensation is calculated as a function of the wage and professional conditions of each employee.</p>

Indicate whether these contracts must be disclosed to and/or approved by the Company governance bodies:

	Board of Directors	General Meeting
Body authorizing the clauses	YES	NO

	YES	NO
Is the General Meeting informed of the clauses?	x	

C.2 Board of Directors Committees

C.2.1 Detail all the Board Committees, their members and the proportion of executive, proprietary, independent and other external directors sitting thereon:

EXECUTIVE OR DELEGATE COMMITTEE

Name	Position	Category
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FRANCISCO GONZÁLEZ RODRÍGUEZ	CHAIRMAN	EXECUTIVE
CARLOS TORRES VILA	MEMBER	EXECUTIVE
SUSANA RODRÍGUEZ VIDARTE	MEMBER	OTHER EXTERNAL
JOSÉ ANTONIO FERNÁNDEZ RIVERO	MEMBER	OTHER EXTERNAL
JOSÉ MALDONADO RAMOS	MEMBER	OTHER EXTERNAL
CARLOS LORING MARTÍNEZ DE IRUJO	MEMBER	OTHER EXTERNAL

% of executive Directors	33.33%
% of proprietary Directors	0%
% of independent Directors	0%
% of other external Directors	66.67%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

In accordance with article 27 of BBVA's Board of Directors Regulations, the Executive Committee shall be apprised of matters delegated by the Board of Directors, in accordance with the pertinent legislation currently in force, the Company Bylaws or the Board Regulations. Among the functions of the Executive Committee is that of assisting the Board of Directors in its general supervision role, and in particular in the supervision of the progress of business and the monitoring of the risks to which the Bank is or may be exposed and in decision-making on matters that fall within the scope of the powers of the Board of Directors, provided that they do not constitute non-delegable powers under the Law, the Company Bylaws or the Board of Directors Regulations.

As regards its organizational and operating rules of this Committee, article 28 of the Board Regulations establishes that the Executive Committee shall meet on the dates set out in the annual calendar of meetings and at the request of the Chair or the Chair's delegate. All other aspects of its organization and operation will be subject to the provisions established for the Board of Directors by the Board Regulations. Once the minutes of the meeting of the Executive Committee are approved, they shall be signed by the meeting's Secretary and countersigned by whoever has chaired the meeting.

Directors will be given access to the approved minutes of the Executive Committee at the beginning of Board meetings, so that they can be apprised of the content of its meetings and the resolutions it has adopted.

Regarding the main actions of 2017, the Executive Committee analyzed the Bank's and the Group's annual, half-yearly and quarterly performance, and month-to-month developments in the business and results of the Group and of the business areas. The Committee has been briefed on developments in the Group's Strategic Plan and on the annual budget for the year and on the main decisions of the Bank's Assets and Liabilities Committee. The Committee has also fulfilled its duties of management, control and oversight of the main risks affecting the Group. The Committee considered the main features of the economic situation, the markets, and BBVA's share price performance, as well as the results of BBVA's main competitors. The Committee was briefed on the key aspects of legislative and regulatory developments affecting financial institutions. In advance of submission to the Board, the Committee has analyzed the main corporate transactions and projects in the course of the Group's business. The Committee has heard and approved proposals for changes to corporate policies and other internal rules of the Bank. The Committee has been informed of the highlights of BBVA's corporate governance engagement policy concerning institutional investors and, specifically, the results of the roadshow conducted throughout the year. Likewise, the Executive Committee has approved, among other matters, corporate transactions and projects that were within its scope of responsibility, the establishment and/or designation of those responsible for the branches and representative offices that the Bank has established in the abroad, as well as authorized the appointment of directors in subsidiaries and/or investees by the Group, in addition to the granting of powers.

Indicate whether the composition of the Executive Committee reflects the distribution of different classes of directorship on the Board:

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YES

Otherwise, explain the composition of the Executive Committee.

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Category
JOSÉ MIGUEL ANDRÉS TORRECILLAS	CHAIRMAN	INDEPENDENT
BELÉN GARIJO LÓPEZ	MEMBER	INDEPENDENT
JUAN PI LLORENS	MEMBER	INDEPENDENT
TOMÁS ALFARO DRAKE	MEMBER	INDEPENDENT
LOURDES MÁIZ CARRO	MEMBER	INDEPENDENT

% of proprietary Directors	0%
% of independent Directors	100%
% of other external Directors	0%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

As established in article 30 of the Board of Directors Regulations, the duties of the Audit and Compliance Committee include the following:

- Report to the General Meeting on questions raised in relation to issues within the Committee's competence.
- To supervise the effectiveness of the Company's internal control, the internal audit area and the risk management systems in the process of drawing up and reporting the financial information, including tax-related risks, as well as to discuss with the auditor any significant weaknesses in the internal control system detected during the audit, without undermining its independence.
- To oversee the drafting and presentation of the financial information and submit recommendations or proposals to the Board aimed at safeguarding its completeness.
- To submit to the Board of Directors the proposals for the selection, appointment, re-election and replacement of the external auditor, taking responsibility for the selection process in accordance with applicable regulations, as well as the conditions for its engagement, and periodically obtain from the external auditor information on the audit plan and its execution, in addition to preserving its independence in the discharge of its duties.
- To establish appropriate relations with the external auditor in order to receive information on any matters that may jeopardize its independence, for examination by the Committee, and any others that have to do with the process of auditing the accounts, as well as those other communications provided for by law and in auditing standards.
- Each year, before the audit report is issued, to submit a report expressing an opinion on whether the auditor's independence has been compromised. This report must contain the reasoned assessment of the provision of each of the additional services provided of any kind, considered individually and as a whole, other than the legal audit and in relation to the regime of independence or the rules regulating the audit activity.
- To report, prior to the decisions that the Board may adopt, on all those matters provided for by law, in the Company Bylaws and in the Board Regulations, and in particular on: (i) the financial information that the Company is required to disclose regularly; (ii) the creation or acquisition of shares in special-purpose entities or entities domiciled in countries or territories considered tax havens; and (iii) the transactions carried out with related parties.
- To oversee compliance with applicable domestic and international regulations on matters related to money

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laundering, conduct on the securities markets, data protection and the scope of Group activities with respect to anti-trust regulations. Also to ensure that any requests for action or information made by official authorities on these matters are dealt with in due time and in due form.

- To ensure that the internal codes of ethics and conduct and securities market trading, as they apply to Group personnel, comply with legislation and are suitable.
- To especially enforce compliance with the provisions applicable to directors contained in the Board of Directors Regulations, and ensure that directors comply with applicable regulations regarding their conduct on the securities markets.

In keeping with the organizational and operating rules, article 31 of the Board Regulations states that the Audit and Compliance Committee shall meet as often as necessary to discharge its duties, though an annual calendar of meetings will be drawn up in accordance with its tasks. The officers responsible for the areas within their remit, in particular, Accounting, Internal Audit and Compliance, may be invited to attend Committee meetings. They may request that other staff be invited from their areas that have particular knowledge or responsibility in the matters contained on the agenda, when their presence at the meeting is deemed advisable. However, only the Committee members and the Secretary shall be present when the results and conclusions of the meeting are assessed. The Committee may hire external advisory services for matters of importance if, for reasons of specialization or independence, it considers that such services cannot be rendered by Group experts or technical personnel. The Committee may also call on the personal cooperation and reports of any employee when it considers that this is necessary to fulfill its duties with regard to relevant issues. The usual channel for a request of this nature shall be through the reporting lines of the Company. However, in exceptional cases the request may be notified directly to the person in question. In addition, its convocation, quorum of constitution, adoption of agreements, minutes and other ends of its operating regime shall be in accordance with the Board Regulations for the Board of Directors, as applicable, and with that established in the specific regulations of this Committee

The most important activities carried out by the Audit and Compliance Committee in 2017 are detailed in section C.2.5.

Identify the Director of the audit committee who has been appointed on the basis of knowledge and experience of accounting or auditing, or both and state the number of years that its Chairman has been in office.

Name of Director with experience	JOSÉ MIGUEL ANDRÉS TORRECILLAS
Number of years of the Chairman in office	2

APPOINTMENTS COMMITTEE

Name	Position	Category
TOMÁS ALFARO DRAKE	CHAIRMAN	INDEPENDENT
JOSÉ MIGUEL ANDRÉS TORRECILLAS	MEMBER	INDEPENDENT
JOSÉ MALDONADO RAMOS	MEMBER	OTHER EXTERNAL
LOURDES MÁIZ CARRO	MEMBER	INDEPENDENT
SUSANA RODRÍGUEZ VIDARTE	MEMBER	OTHER EXTERNAL

% of proprietary Directors	0%
% of independent Directors	60%
% of other external Directors	40%

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Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

The Appointments Committee is bound to assist the Board of Directors in matters relating to the selection and appointment of Board members. Thus, as provided for under article 33 of the Board of Directors Regulations, the Appointments Committee will discharge the following duties:

- Submit proposals to the Board of Directors on the appointment, re-election or removal of independent directors and report on the proposals for the appointment, re-election or removal of the other directors.

To such end, the Committee will assess the balance of skills, knowledge and expertise on the Board of Directors, as well as the conditions that candidates should display to fill the vacancies arising, assessing the time dedication necessary to be able to suitably perform their duties in view of the needs that the Company's governing bodies may have at any time.

The Committee will ensure that when filling new vacancies, the selection procedures are not marred by implicit biases that may entail any discrimination and, in particular, discrimination that may hinder the selection of female directors, trying to ensure that women who display the professional profile being sought are included as potential candidates.

Likewise, when drawing up proposals within its scope of competence for the appointment of directors, the Committee will take into account, in case they may be considered suitable, any applications that may be made by any Board of Directors' member for potential candidates to fill the vacancies.

- Submit proposals to the Board of Directors for policies on the selection and diversity of members of the Board of Directors.

- Establish a target for representation of the under-represented gender in the Board of Directors and draw up guidelines on how to achieve that target.

- Analyze the structure, size and composition of the Board of Directors at least once a year when carrying out its operational assessment.

- Analyze the suitability of the various members of the Board of Directors.

- Perform an annual review of the status of each director, so that this may be reflected in the annual corporate governance report.

- Report the proposals for the appointment of the Chairman and the Secretary and, where applicable, of the Deputy Chairman and the Deputy Secretary.

- Report on the performance of the duties of the Chairman of the Board, for the purposes of the periodic assessment by the Board of Directors, under the terms established in the Board of Directors Regulations.

- Examine and organize the succession of the Chairman in conjunction with the Lead Director and, where appropriate, submit proposals to the Board of Directors so that the succession takes place in an planned and orderly manner.

- Review the Board of Directors policy on the selection and appointment of members of senior management, and make recommendations to the Board when necessary.

- Report on proposals for appointment and removal of senior managers.

Moreover, article 34 of the Board of Directors Regulations regulates the organizational and operating rules of the Appointments Committee, establishing that it will meet as often as necessary to fulfill its duties, convened by its Chair or by whoever stands in for its Chair pursuant to the provisions of article 32 of the Board Regulations. The Committee may request the attendance at its meetings of persons with tasks in the Group that are related to the Committee's duties. It may also obtain advice as necessary to establish criteria related to its business. This will be done through the Secretary of the Board. For all other matters, the system for convening meetings, quorums, passing resolutions, drafting minutes and other details of its operation shall be in accordance with the Board Regulations for the Board of Directors, as applicable.

Regarding the Appointments Committee's activities in 2017, the Chair of the Committee submitted to the Board a report on the Committee's ongoing analysis of the structure, size and composition of the Board of Directors to

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ensure that they remain suited to the best possible performance of the duties and functions of the corporate bodies, the analysis of fulfillment by directors of the criteria of independence and suitability and the absence of conflicts of interest for the exercise of their functions, and the review on the Board selection, appointment, rotation and diversity policy, which, together with the analysis of structure, size and composition, led to relevant proposals for the re-election and appointment of directors to be submitted to the upcoming General Meeting of the Company. Moreover, the Chair analyzed the assessment of the operation of the Board and of the Executive Committee and the performance of the Chairman's duties as chairman of the Board and first executive of the Company. The Chair likewise reported on the Committee's analysis of proposed appointments of new members of Senior Management of the Bank.

REMUNERATION COMMITTEE

Name	Position	Category
BELÉN GARIJO LÓPEZ	CHAIR	INDEPENDENT
JOSÉ ANTONIO FERNÁNDEZ RIVERO	MEMBER	OTHER EXTERNAL
TOMÁS ALFARO DRAKE	MEMBER	INDEPENDENT
CARLOS LORING MARTÍNEZ DE IRUJO	MEMBER	OTHER EXTERNAL
LOURDES MÁIZ CARRO	MEMBER	INDEPENDENT

% of proprietary Directors	0%
% of independent Directors	60%
% of other external Directors	40%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

The Remuneration Committee's main task is to assist the Board of Directors in matters related to the remuneration policy for directors, senior management and any employees, whose professional activities have a significant impact on the Bank's risk profile, ensuring that the established remuneration policy is observed. Thus, as provided for under article 36 of the Board of Directors Regulations, it will discharge the following duties:

- Propose to the Board of Directors, for its submission to the Annual General Meeting, the directors' remuneration policy, with respect to its items, amounts and parameters for its determination and its vesting. Also to submit the corresponding report, in the terms established by applicable law at any time.
- Determine the extent and amount of the individual remunerations, entitlements and other economic compensations and other contractual conditions for the executive directors, so that these can be reflected in their contracts. The Committee's proposals on such matters will be submitted to the Board of Directors.
- Propose the annual report on the remuneration of the Bank's directors to the Board of Directors each year, which will then be submitted to the Annual General Shareholders Meeting in accordance with applicable law.
- Propose the remuneration policy to the Board of Directors for senior managers and employees whose professional activities have a significant impact on the Company's risk profile.
- Propose the basic conditions of the senior management contracts to the Board of Directors, and directly supervise the remuneration of senior managers responsible for risk management and compliance duties within the Company.
- Oversee observance of the remuneration policy established by the Company and periodically review the remuneration policy applied to directors, senior managers and employees whose professional activities have a significant impact on the Company's risk profile.

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- Verify the information on directors and senior managers' remunerations contained in the different corporate documents, including the annual report on directors' remuneration.

Moreover, article 37 of the Board of Directors Regulations states that the Remuneration Committee will meet as often as necessary to fulfill its duties, convened by its Chair or by whoever stands in for its Chair pursuant to the provisions of article 35 of the Board Regulations. The Committee may request the attendance at its meetings of persons with tasks in the Group that are related to the Committee's duties. It may also obtain advice as necessary to establish criteria related to its business. This will be done through the Secretary of the Board. For all other matters, the system for convening meetings, quorums, passing resolutions, drafting minutes and other details of its operation will be in accordance with the provisions of the Board of Directors Regulations for the Board insofar as they are applicable.

The most important activities carried out by the Remuneration Committee in 2017 are detailed in section H, as a complement of the section C.2.5.

RISK COMMITTEE

Name	Position	Category
JUAN PI LLORENS	CHAIRMAN	INDEPENDENT
JOSÉ MALDONADO RAMOS	MEMBER	OTHER EXTERNAL
CARLOS LORING MARTÍNEZ DE IRUJO	MEMBER	OTHER EXTERNAL
SUSANA RODRÍGUEZ VIDARTE	MEMBER	OTHER EXTERNAL
JOSÉ MIGUEL ANDRÉS TORRECILLAS	MEMBER	INDEPENDENT

% of proprietary Directors	0%
% of independent Directors	40%
% of other external Directors	60%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

The Risk Committee will be tasked with assisting the Board of Directors in determining and monitoring the Group's risk control and management policy and its strategy in this area. Thus, as provided for under article 39 of the Board of Directors Regulations, it will discharge the following duties:

- Analyze and assess the proposals on the Group's risk management, control and strategy. In particular, these will identify:

- i. The Group's risk appetite; and
- ii. The setting of the level of risk considered acceptable according to the risk profile and capital at risk, broken down by the Group's businesses and areas of activity.

- Analyze and assess the control and management policies for the Group's different risks and the information and internal control systems.

- The measures established to mitigate the impact of risk identified, should they materialise.

- Monitor the performance of the Group's risks and their fit with the strategies and policies and the Group's risk appetite.

- Analyze, prior to submitting them to the Board of Directors or the Executive Committee, those risk operations that must be put to its consideration.

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- Examine whether the prices of the assets and liabilities offered to customers fully take into account the Bank's business model and risk strategy and, if not, present a remedy plan to the Board of Directors.

- Participate in the process for establishing the remuneration policy, ensuring that it is consistent with adequate and effective risk management and does not offer incentives for assuming risks that may exceed the level tolerated by the Company.

- Ensure that the Company and its Group are provided with means, systems, structures and resources in line with best practices to enable it to implement its risk management strategy, ensuring that the entity's risk management mechanisms are appropriate in relation to the strategy.

Moreover, article 40 of the Board Regulations regulates the organizational and operating rules of the Risk Committee, establishing that it will meet as often as necessary to fulfill its duties, convened by its Chair or by whoever stands in for its Chair pursuant to the provisions of article 38 of the Board Regulations, though an annual calendar of meetings will be drawn up in accordance with its tasks. The Committee may request the attendance at its meetings of the Group's Chief Risk Officer, as well as the executives to whom the various risk areas report or the persons with tasks in the Group that are related to the Committee's duties. It may also obtain advice as necessary to establish criteria related to its business. This will be done through the Secretary of the Board. The system for convening meetings, quorums, adopting resolutions, drafting minutes and other details of its procedures will be governed by the provisions defined in the Board Regulations for the Board of Directors insofar as they are applicable and by the specific Committee Regulations.

The most important activities carried out by the Risk Committee in 2017 are detailed in section H, as a complement of the section C.2.5.

TECHNOLOGY AND CYBER-SECURITY COMMITTEE

Position	Position	category
CARLOS TORRES VILA	CHAIRMAN	EXECUTIVE
TOMÁS ALFARO DRAKE	MEMBER	INDEPENDENT
SUNIR KUMAR KAPOOR	MEMBER	INDEPENDENT
JUAN PI LLORENS	MEMBER	INDEPENDENT
JOSÉ ANTONIO FERNÁNDEZ RIVERO	MEMBER	OTHER EXTERNAL

% of executive Directors	20%
% of proprietary Directors	0%
% of independent Directors	60%
% of other external Directors	20%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

According to its specific regulations, the purpose of the Technology and Cyber-security Committee is to assist the Board in the following areas: (i) the understanding and acknowledgement of the risks associated to technology and information systems related to the Group's activity and the oversight of its management and control, particularly with regard to the cyber-security strategy; (ii) the acknowledgment and supervision of the infrastructure and technology strategy of the Group and how this is integrated into the development of its overall strategy; and (iii) ensuring that the Bank has determined plans and policies, and has the appropriate means, for managing the abovementioned matters.

It will also perform the following functions:

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- Oversight of technological risk and cyber-security management

- Review the major technology risks exposures of the Bank, including information security and cyber-security risks and the steps management has taken to monitor and control such exposures.
- Review the policies and systems for the assessment, control and management of the Group's technology risks and infrastructures, including the cyber-attack incident response and recovery plans.
- Receive reports from management regarding the business continuity planning in technology and technology infrastructure matters.
- Receive reports from management, as and when appropriate, on: (i) IT-related compliance risks; and (ii) the steps taken to identify, assess, monitor, manage and mitigate those risks.
- Additionally, the Technology and Cyber-security Committee will be informed of any relevant event that may occur regarding cyber-security issues. These are deemed to be those which, individually or as a whole, may have a material impact or damage in the Group's equity, results or reputation. In any case, such events will be informed to the Chair of the Committee as soon as possible.

- Stay informed of the Technology Strategy

- Receive reports from management, as and when appropriate, on technology strategy and trends that may affect the Company's strategic plans, including the monitoring of overall industry trends.
- Receive reports from management, as and when appropriate, on the metrics established by the Group for the management and control of IT-related matters, including the progress of the developments and investments carried out by the Group in this field.
- Receive reports from management, as and when appropriate, on matters related to new technologies, applications, information systems and best practices that affect the Group's IT strategy or plans.
- Receive reports from management on the core policies, strategic projects and plans defined by the Engineering area.
- Inform the Board of Directors and, if applicable, the Executive Committee, on any IT-related matters falling within the scope of their functions.

For a better performance of its functions, channels for an appropriate coordination between the Technology and Cyber-security Committee and the Audit and Compliance Committee will be established to ensure: (i) that the Technology and Cyber-security Committee can have access to the conclusions of the work performed by the Internal Audit Department in technology and cyber-security matters; (ii) and that the Audit and Compliance Committee is informed on IT-related systems and processes that are related to or affect the Bank's internal control systems and other matters falling within the scope of its functions. Additionally, channels for an appropriate coordination between the Technology and Cyber-security Committee and the Risk Committee will be established to ensure that the Risk Committee monitors the impact of technological risks within the scope of Operational Risk and other matters falling within the scope of its functions.

With regard to its functioning and organization, will meet as often as necessary to perform its duties, convened by its Chair or by whoever stands in for its Chair pursuant to its Regulations. The Committee may request the attendance at its meetings of persons with tasks within the Group that are related to the Committee's duties. In particular, the Committee will maintain a direct and recurring contact with the executives responsible for the areas of Engineering and Cyber-security in the Group, for the purpose of receiving the necessary information for a better performance of the Committee's duties. This information will be discussed in the meetings held.

The Committee may also engage external advisory services as may be necessary to establish an informed opinion on matters related to its duties. This will be done through the Secretariat of the Board. For all other matters, the system for convening meetings, quorums, passing resolutions, drafting minutes and other details of its operation will be in accordance with the provisions of the Board of Directors Regulations for the Board insofar as they are applicable.

The most important activities carried out by the Technology and Cyber-security Committee in 2017 are detailed in section C.2.5.

C.2.2 Fill in the following table with information on the number of female directors sitting on Board Committees over the last four years:

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	Number of female directors							
	Year 2017		Year 2016		Year 2015		Year 2014	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	1	16.66%	1	16.66%	1	20%	1	20%
Audit and Compliance Committee	2	40%	2	40%	2	40%	1	25%
Appointments Committee	2	40%	2	40%	1	20%	1	20%
Remuneration Committee	2	40%	1	20%	-	-	-	-
Risk Committee	1	20%	1	20%	1	16.66%	1	20%
Technology and Cyber-security Committee	-	-	-	-	-	-	-	-

C.2.3 Section repealed.

C.2.4 Section repealed.

C.2.5 Indicate, where applicable, the existence of regulations for the Board Committees, where they can be consulted and any amendments made to them during the year. Indicate whether an annual report on the activities of each committee has been prepared voluntarily.

The Board of Directors Regulations, available on the Company's website, www.bbva.com, regulate the composition, functions and operating rules of the Board Committees which have regulatory nature. All the Board of Directors' Committees have prepared and submitted to the Board of Directors a report which details the activity carried out by each Committee during 2017.

APPOINTMENTS COMMITTEE: The Chairman of the Appointments Committee presented to the Board of Directors a report on the activities of the Committee throughout 2017, which is explained in more detail in the section on the Appointments Committee in section C.2.1 above.

AUDIT AND COMPLIANCE COMMITTEE: The Audit and Compliance Committee has specific Regulations approved by the Board and available on the company's website, which govern its operation and powers, among other matters.

The Chairman of the Audit and Compliance Committee submitted to the Board an activity report for 2017 describing the Committee's main tasks relating to the functions that the Regulations of the Board of Directors ascribe to the Committee, indicating that the Committee had carried out its role without incident and in fulfillment of its duties as to monitoring and overseeing financial reporting, the system of internal control of financial and accounting reporting, internal and external audits, compliance matters, and regulatory affairs. Among other matters, he reported on the Supervisory Review and Evaluation Process (SREP) conducted by the European Central Bank, the implications for the financial statements of the Group of the entry into force of accounting standard IFRS 9, the role of the Committee in analyzing the major corporate transactions of the Group, the annual plan of the Compliance Area and its regular monitoring, and communications with Spanish and foreign supervisory and regulatory authorities. He also informed the Board regarding the changes in the Group's corporate structure during 2017, the Group's fiscal management and the tax and legal risks faced by the Group.

With respect to the external audit, it covered the working plans, schedules and communication with the persons responsible for the external audit for 2017, the Committee having ensured the independence of the external auditor in compliance with applicable regulations. As to the appointment of a new external auditor for BBVA and its Group for 2017, 2018 and 2019 as decided at the General Meeting of March 17, 2017, the Chair reported on the oversight work done by the Committee on the transition between the outgoing and incoming auditors, the statements and confirmations of independence from the new external auditor in accordance with applicable law, and the approval of the contractual framework that is to govern relations with the external auditor.

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RISK COMMITTEE: The Risk Committee has specific Regulations approved by the Board and available on the Company's website, which govern matters including its duties and procedural standards, among other matters.

Likewise, the Chairman of the Risk Committee presented to the Board of Directors a report on the activities of the Committee in 2017, which is explained in more detail in section H of this report, as a complement of this section.

TECHNOLOGY AND CYBER-SECURITY COMMITTEE: The Technology and Cyber-Security Committee has specific Regulations approved by the Board and available on the Company's website, which govern matters including its duties and procedural standards, among other matters.

The Chair of the Technology and Cybersecurity Committee submitted to the Board a report on the Committee's activity since its constitution in 2016. The report described the tasks carried out by the Committee in relation to the duties set out in its Regulations, with an emphasis on matters relating to technology and cybersecurity strategy, such as review of the global strategic organization of the Engineering Area, review of the lines of work that make up the Group's Transformation Plan, the strategy for evolving the Group's communications infrastructure, and key plans of action as to technology strategy for 2017 and goals for the coming years.

As to cybersecurity, the Committee Chair briefed the Board on the work done by the Bank's technical units facing cybersecurity risks and on the global cybersecurity incidents that took place in 2017.

C.2.6 Section repealed.

D RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Explain the procedure, if any, for approving related-party and intra-group transactions.

Procedures for approving related party transactions
Article 17 v) of the Board of Directors Regulations establishes that the Board is responsible for approving, where applicable, the transactions that the Company or its Group companies may make with directors or with shareholders that individually or in concert hold a significant stake. This includes shareholders represented in the Board of Directors of the Company or of other Group companies or with parties related to them, with the exceptions provided for by law.
Moreover, article 8 of the Board of Directors Regulations establishes that approval of the transactions of the Company or its Group companies with directors needing to be approved by the Board of Directors will be granted after receiving a report from the Audit and Compliance Committee. The only exceptions to this approval will be transactions that simultaneously fulfill the following three characteristics: (i) they are carried out under contracts with standard terms and are applied <i>en masse</i> to a large number of customers; (ii) they go through at market rates or prices set in general by the party acting as supplier of the goods or services; and (iii) they are worth less than 1% of the Company's annual revenues.

D.2 Detail any significant transactions, entailing a transfer of a significant amount or obligations between the company or its group companies, and the company's significant shareholders:

Name of significant shareholder (person or company)	Name of the company or group entity	Nature of the relationship	Type of transaction	Amount (thousands of euros)

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D.3 Detail any significant transactions entailing a transfer of a significant amount or obligations between the company or its group companies, and the directors and/or senior managers:

Name of the directors and/or senior managers (person or company)	Name of the related party (person or company)	Relationship	Nature of transaction	Amount (thousands of euros)

D.4 Detail the significant transactions in which the company has engaged with other companies belonging to the same group, except those that are eliminated in the process of drawing up the consolidated financial statements and that do not form part of the company's usual trade with respect to its object and conditions.

In any event, provide information on any intragroup transactions with companies established in countries or territories considered tax havens.

Name of the Group Company	Brief description of the transaction	Amount (€k)
BBVA GLOBAL FINANCE LTD.	Holding of securities representing debt	4,394
BBVA GLOBAL FINANCE LTD.	Current account deposits	1,678
BBVA GLOBAL FINANCE LTD.	Term account deposits	5,667
BBVA GLOBAL FINANCE LTD.	Issue-linked subordinated liabilities	165,339

D.5 State the amount of the transactions carried out with other related parties.

D.6 Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, managers and/or significant shareholders.

Articles 7 and 8 of the Board Regulations regulate issues relating to possible conflicts of interest as follows:

Article 7

Directors must adopt necessary measures to avoid finding themselves in situations where their interests, whether for their own account or for that of others, may enter into conflict with the corporate interest and with their duties with respect to the Company, unless the Company has granted its consent under the terms established in applicable legislation and in the Board of Directors Regulations.

Likewise, they must refrain from participating in deliberations and votes on resolutions or decisions in which they or a related party may have a direct or indirect conflict of interest, unless these are decisions relating to appointment to or severance from positions on the governing body.

Directors must notify the Board of Directors of any situation of direct or indirect conflict that they or parties related to them may have with respect to the Company's interest.

Article 8

The duty of avoiding situations of conflict of interest referred to in the previous article obliges the directors to refrain from, in particular:

- Carrying out transactions with the Company, unless these are ordinary business, performed under standard conditions for the customers and of insignificant quantity. Such transactions are deemed to be those whose information is not necessary to provide a true picture of the net worth, financial situation and performance of the Company.

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- Using the Company's name or invoking their position as director to unduly influence the performance of private transactions.
- Making use of the corporate assets, including the Company's confidential information, for private ends.
- Taking advantage of the Company's business opportunities.
- Obtaining advantages or remuneration from third parties other than the Company and its Group, associated to the performance of their position, unless they are mere tokens of courtesy.
- Engaging in activities for their own account or on behalf of third parties that involve effective actual or potential competition with the Company or that, in any other way, bring them into permanent conflict with the Company's interests.

The above provisions will also apply should the beneficiary of the prohibited acts or activities described in the previous subsections be a related party related to the director. However, the Company may dispense with the aforementioned prohibitions in specific cases, authorising a director or a related party to carry out a certain transaction with the Company, to use certain corporate assets, to take advantage of a specific business opportunity or to obtain an advantage or remuneration from a third party.

When the authorization is intended to dispense with the prohibition against obtaining an advantage or remuneration from third parties, or affects a transaction whose value is over 10% of the corporate assets, it must necessarily be agreed by a General Meeting resolution.

The obligation not to compete with the Company may only be dispensed with when no damage is expected to the Company or when any damage that is expected is compensated by benefits that are foreseen from the dispensation. The dispensation will be conferred under an express and separate resolution of the General Meeting.

In other cases, the authorization may also be resolved by the Board of Directors, provided the independence of the members conferring it is guaranteed with respect to the director receiving the dispensation. Moreover, it will be necessary to ensure that the authorized transaction will not do harm to the corporate net worth or, where applicable, that it is carried out under market conditions and that the process is transparent.

Approval of the transactions of the Company or its Group companies with directors needing to be approved by the Board will be granted after receiving a report from the Audit and Compliance Committee. The only exceptions to this approval will be transactions that simultaneously meet the following 3 specifications: 1) they are carried out under contracts with standard terms and are applied en masse to a large number of customers; 2) they go through at market rates or prices set in general by the party acting as supplier of the goods or services; and 3) they are worth less than one per cent of the Company's annual revenues.

Since BBVA is a credit institution, it is subject to the provisions of Act 10/2014, dated 26th June, on the regulation, supervision and solvency of credit institutions, whereby the directors and general managers or similar may not obtain credits, bonds or guarantees from the Bank on whose board or management they work, above the limit and under the terms established in article 35 of Royal Decree 84/2015, which implemented Law 10/2014, unless expressly authorized by the Bank of Spain.

All the members of the Board of Directors and the Senior Management are subject to the Company's Internal Standards of Conduct on the Securities Markets. These Standards are intended to control possible Conflicts of Interest. They establish that all Persons Subject to it must notify the head of their area or the Compliance Department of situations that could potentially and under specific circumstances may entail Conflicts of Interest that could compromise their impartiality, before they engage in any transaction or conclude any business in which they could arise in the scope of the securities markets.

D.7 Are more than one of the Group's companies listed in Spain as publicly traded companies?

NO

Identify the listed subsidiaries in Spain:

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Listed subsidiaries

Indicate whether the respective areas of business and any potential relations between them and any potential business relations between the holding company and the listed subsidiary and other group companies have been publicly defined;

Define any potential business relations between the holding company and the listed subsidiary company and between the listed subsidiaries and other group companies

Identify the mechanisms established to resolve any potential conflicts of interest between the listed subsidiary and other companies of the group:

Mechanisms to resolve possible conflicts of interest

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risk Management System, including risks of a tax-related nature.

The BBVA Group has a General Risk Control and Management Model (hereinafter, "the Model") adapted to its business model, organization and the geographical areas in which it operates. It allows it to operate within the framework of strategy and control policy and risk management defined by the Bank's corporate bodies and adapt to an economic and regulatory environment, addressing risk management globally and adapted to the circumstances at any particular time. The Model makes provision for a suitable risk management system in relation to the Bank's risk profile and strategy of the Company, which applies comprehensively across the Group. The Model is composed of the elements set out below:

I. Governance and organization.

The governance model for risk management at BBVA is characterized by a special involvement of its corporate bodies, both in setting the risk strategy and in the ongoing monitoring and supervision of its implementation. The corporate bodies therefore approve the risk strategy and the corporate policies for the different types of risks, being the risk management function in charge of its implementation and development in terms of management, reporting to the corporate bodies. The responsibility for the day-to-day management of risks lies with the businesses, whose activity is carried out in accordance with the policies, rules, procedures, infrastructures and controls defined by the risk management function, based on the framework set by the corporate bodies. To adequately carry out this task, BBVA Group's risk management function has been configured as a single and global function independent of the commercial areas.

II. Risk Appetite Framework.

It is approved by the Board and determines the risks and risk levels that the Group is willing to assume to achieve its business objectives, taking into account the organic development of the business. These are expressed in terms of solvency, profitability, liquidity and funding or other metrics, which are reviewed periodically or if there are any substantial changes in the entity's business. The determination of the Risk Appetite Framework has the following objectives:

- Set out the maximum risk levels the Group is willing to accept.
- To establish a set of guidelines for action and a management framework for the medium and long term that prevent actions from being taken which could compromise the future viability of the Group.
- Establish a relationship framework with the geographical and/or business areas.
- To establish a common language throughout the organization and develop a compliance-oriented risk culture.
- Alignment with the new regulatory requirements, facilitating communication with regulators, investors and other stakeholders.

III. Decisions and processes.

The transfer of the Risk Appetite Framework to ordinary management is underpinned by three basic elements:

- A harmonized regulatory body.
- Risk planning.

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- Integrated management of risks over their life cycle

IV. Assessment, monitoring and reporting.

Assessment, monitoring and reporting is a cross-cutting element that should ensure that the Model has a dynamic and proactive vision to enable compliance with the Risk Appetite Framework approved by the corporate bodies, even in adverse scenarios. There are various phases:

- Identify the risk factors that could compromise compliance with the risk appetite thresholds.
- Assessment of the impact of the materialization of the risk factors on the metrics that define the Risk Appetite Framework based on different scenarios, including stress scenarios.
- Response to undesired situations and proposal of rechanneling measures to allow a dynamic management of the situation, even before it occurs.
- Monitoring of the Group's risk profile and of the identified risk factors, through internal, competitor and market indicators, among others, to anticipate their future development.
- Reporting: Complete and reliable information on the development of risks for the governing bodies and senior management, with the frequency and completeness appropriate to the nature, significance and complexity of the risks reported. The principle of transparency governs all reporting of risk information.

V. Infrastructure.

This is an element that must ensure that the Group has the human and technological resources needed for effective management and supervision of risks in order to carry out the functions set out in the Group's risk Model and achieve their aims. With respect to human resources, the Group's risk function has an adequate workforce in terms of number, skills, knowledge and experience. With respect to technology, the Group's risk function assures the integrity of the management information systems and the provision of the infrastructure required to support risk management, using the tools appropriate to the needs derived from the different types of risks in their admission, management, valuation and monitoring.

The Group promotes the development of a risk culture that ensures consistent application of the risk control and management model in the Group, and that guarantees that the risks function is understood and internalized at all levels of the organization.

Regarding taxation, BBVA has defined a tax-related risk management policy based on a suitable control environment, a system for identifying risks and a monitoring process including continuous improvement of the effectiveness of the established controls. This management model was evaluated and assessed by an independent expert.

E.2 Identify the corporate bodies responsible for drawing up and enforcing the Risk Management System, including tax-related risks.

The Board of Directors (hereinafter "the Board") approves the risk strategy and supervises the internal control and management systems. Specifically, in relation to the risk strategy, the Board approves the Group's Risk Appetite statement, the core metrics and the main metrics by type of risk, as well as the General Risk Management and Control Model.

The Board of Directors is also responsible for approving and monitoring the strategic and business plan, the annual budgets and management goals, as well as the investment and funding policy, in a consistent way and in line with the approved Risk Appetite Framework. For this reason, the processes for defining the Risk Appetite Framework proposals and strategic and budgetary planning at Group level are coordinated by the executive area for submission to the Board.

With the aim of ensuring the integration of the Risk Appetite Framework into management, on the basis established by the Board of Directors, the Executive Committee ("EC") approves the rest of metrics by type of risk (in 2017, in relation to concentration, profitability and reputation) and the Group's basic structure of limits in terms of geographic areas, types of risk, asset classes and portfolios. This Committee also approves specific corporate policies for each type of risk.

Lastly, the Board of Directors has set up a committee specializing in risks, the Risk Committee ("RC"), that assists the Board and the EC in determining the Group's risk strategy and the risk limits and policies, respectively, analyzing and assessing beforehand the proposals submitted to those bodies. The amendment of the Group's risk strategy and the elements composing it, including the Risk Appetite Framework metrics within its remit, is the exclusive power of the BBVA Board of Directors, while the Executive Committee is responsible for amending the metrics by type of risk within its scope of decision and the Group's basic structure of limits (core limits), when applicable. In both cases, the amendments follow the same decision-making process described

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above, so the proposals for amendment are submitted by the executive area (CRO) and later analyzed, first by the RC, for later submission to the Board of Directors or to the EC, as appropriate.

Moreover, the RC, the EC and the Board itself conduct proper monitoring of the risk strategy implementation and of the Group's risk profile. The risks function regularly reports on the development of the Group's Risk Appetite Framework metrics to the Board and to the Executive Committee, after their analysis by the Risk Committee, whose role in this monitoring and control work is particularly relevant.

The head of the risk function in the executive line, the Chief Risk Officer (CRO), carries out his work with the independence, authority, rank, experience, knowledge and resources required. This Officer is appointed by the Bank's Board of Directors, as a member of its Senior Management, and has direct access to the corporate bodies (Board of Directors, EC and RC), to which it reports on a regular basis on the situation of the risks in the Group.

The CRO for the best performance of his functions is supported by a structure consisting of cross-cutting risk units in the corporate area and specific risk units in the Group's geographical and/or business areas. Each of these units is headed by a Chief Risk Officer for the geographical and/or business area who, within his/her area of responsibility, carries out risk control and management functions and is responsible for applying the corporate policies and rules approved at Group level in a consistent manner, adapting them if necessary to local requirements and reporting to the local governing bodies.

The Chief Risk Officers of the geographical and/or business areas report both to the Group's Chief Risk Officer and to the head of their geographical and/or business area. This dual reporting system aims to ensure the independence of the local risk management function from the operating functions and enable its alignment with the Group's corporate policies and goals related to risks.

The risks function has a decision-making process supported by a structure of committees. The Global Risk Management Committee (GRMC) is the highest executive body in the risk area and proposes, examines and, where applicable, approves, among others, the internal risk regulatory framework and the procedures and infrastructures needed to identify, assess, measure and manage the risks facing the Group in its businesses, as well as the admission of operations involving more relevant risks.

Regarding the tax-related risk, the Tax Department establishes the control mechanisms and internal rules necessary to ensure compliance with the tax laws in force and the tax strategy approved by the Board of Directors. This function is subject to supervision by the Audit and Compliance Committee of the BBVA Group, and is evidenced by the appearances made before the same by the Head of the Fiscal Function of the BBVA Group.

E.3 Indicate the primary risks, including tax-related risks that could prevent business targets from being met.

BBVA has risk identification and scenario analysis processes in place that enables to conduct a dynamic and proactive risk management. These processes are forward-looking to ensure the identification of emerging risks, and take into account the concerns of both the business areas and the corporate areas and Senior Management.

Risks are captured and measured in a consistent way using the most appropriate methodologies in each case. Their measurement includes the design and application of scenario analyses and stress testing, and considers the controls the risks are subjected to.

A forward projection is performed of the Risk Appetite Framework variables in stress scenarios with the aim of identifying possible deviations from the established thresholds; if such deviations are detected, the appropriate measures are adopted to keep those variables within the target risk profile.

In this context, there are a series of emerging risks that could affect the Group's business performance. These risks are described in the following main blocks:

- Macroeconomic and geopolitical risks
 - Global growth improved in 2017 and developed and emerging markets came into better synchrony, thus making recovery more sustainable. The growth of world trade, calm financial markets - which depend on the support of central banks - and the absence of inflation further contribute to a brighter outlook. The more advanced economies are performing strongly, especially in the euro area. Growth in the United States will be supported in short term by the recently passed tax reform, although its long-term impact is unlikely to be significant. In the emerging economies, growth in China continues to moderate, with a combination of policies designed to smooth out financial imbalances. In Latin America, activity is picking up in a context of higher prices for basic products and favorable conditions in financial markets.
 - The uncertainty surrounding these positive economic prospects, though trending downward, continues

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to be high. After a protracted period of exceptionally loose monetary policy, the main central banks are scaling down their support. Uncertainty now arises as to the effect on the markets and the economy, given the background of high leverage and signs of overvaluation in some financial assets. A second source of uncertainty is the extent of political support for multilateral governance of global trade. Thirdly, global geopolitics and internal politics in some countries may have an effect on the economic outlook within the purview of BBVA.

- The Group's geographical diversification is the key to achieving a high level of recurring revenue, despite the conditions of the environment and the cycles of the economies in which it operates.

- Regulatory and reputational risks

- Financial institutions are exposed to a complex and changing regulatory and legal environment that can impact their growth capacity and the conducting of certain businesses, with higher liquidity and capital requirements and lower profitability ratios. The Group monitors changes in the regulatory framework (e.g., IFRS 9, Basel IV, etc.) on an ongoing basis to enable it to anticipate and adapt to those changes sufficiently in advance, adopt the best practices and the most efficient and rigorous criteria for their implementation.
- The financial sector is coming under intense scrutiny by regulators, governments and society itself. Negative news or inappropriate conduct can seriously damage an institution's reputation and affect its ability to conduct a sustainable business. The attitudes and conduct of the Group and of its members are governed by the principles of integrity, honesty, long-term vision and best practices, thanks to the internal control model, the Code of Conduct, tax strategy and the Group's Responsible Business strategy, among others.

- Business, legal and operational risks

- New technologies and forms of customer relationships: The development of the digital world and the information technologies poses major challenges for financial institutions, that represent threats (new competitors, disintermediation, etc.) and also opportunities (new customer relations framework, greater ability to adapt to their needs, new products and distribution channels, etc.). Digital transformation is one of the priorities for the Group, which aims to lead the digital banking of the future.
- Technological risks and security breaches: Financial institutions are exposed to new threats such as cyber-attacks, internal and customer database theft, or payment system fraud that require major investments in security from the technological and human point of view. The Group attaches a great deal of importance to active management and control of operational and technological risk. One example is the early adoption of advanced models for managing these risks.
- The financial sector is exposed to growing litigation rates and is facing an elevated number of lawsuits whose economic consequences cannot be easily foreseen. The Group carries out a constant management and tracking of such lawsuits in defense of its own interests, and allocates, when considered necessary, the corresponding provisions for coverage thereof, following the criteria of internal lawyers and external legal experts handle the conduct of the proceedings themselves.

E.4 Identify whether the entity has a risk tolerance level, including tax-related risks.

The Group's Risk Appetite Framework approved by the governing bodies determines the risks and the risk level that the Group is willing to assume to achieve its business objectives taking into account its natural development. These are expressed in terms of solvency, profitability, liquidity and funding or other metrics, which are reviewed periodically or if there are any substantial changes in the entity's business or relevant corporate operations.

The Risk Appetite Framework is expressed through the following elements:

- Risk Appetite Statement: sets out the general principles of the Group's risk strategy and the target risk profile.
- Core metrics: based on the Risk Appetite Statement, these statements specify the general principles of risk management in terms of solvency, profitability, liquidity, funding, and recurring revenue. Moreover, the core metrics reflect, in quantitative terms, the principles and the target risk profiles set out in the Risk Appetite Statement and are aligned with the Group's strategy.
- Metrics by type of risk: based on the core metrics and their thresholds for each type of risk, statements are established that set out the general management principles for the risk and a number of metrics are calibrated, whose observance enables compliance with the core metrics and the Group's Risk Appetite Statement.

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- Core limits structure: The core limits structure is designed to shape the Risk Appetite Framework at geographical area, risk type, asset type and portfolio level, ensuring that management is within the metrics by type of risk.

In addition to this Framework, there is a level of management limits that is defined and managed by the risks function when developing the basic structure of limits, with the aim of ensuring that proactive management of risks by risk subcategory within each type or by subportfolio is in line with that basic structure of limits and in general with the established Risk Appetite Framework.

The corporate risk area works with the various geographical and/or business areas to define their Risk Appetite Framework, so that it is coordinated with, and integrated into the Group's Risk Appetite, making sure that its profile is in line with the one defined.

The Risk Appetite Framework expresses the levels and types of risk that the Bank is willing to assume to be able to implement its strategic plan with no relevant deviations, even in situations of stress. The Risk Appetite Framework is integrated within management, and the processes for defining the Risk Appetite Framework proposals are coordinated with the strategic and budgetary planning at Group level.

As mentioned earlier, the core metrics of the BBVA Risk Appetite Framework measure the Group's performance in terms of solvency, liquidity, funding, profitability and revenue recurrence. Most of the core metrics are accounting and/or regulatory metrics, and are therefore regularly disclosed to the market in the BBVA Group's annual and quarterly financial reporting. In 2017 the Risk Appetite metrics changed in line with the metrics of the Risk Appetite Framework.

E.5 State what risks, including tax-related risks, have occurred during the year.

Risk is inherent to financial business, so the occurrence of risk to a greater or lesser extent is absolutely implicit in the Group's activities. BBVA thus provides detailed information on its annual financial statements (note 7 in the Report and note 19 in the consolidated accounts covering tax-related risks) regarding the developments of such risks, since their very nature can permanently affect the Group in undertaking its activities.

Furthermore, as stated in note 24 to the financial statements, after the decision of the Court of Justice of the European Union on interest rate limitation clauses in consumer mortgage loans (known as "floor clauses"), BBVA recognized a provision to cover any future claims in this respect.

E.6 Explain the response and supervision plans for the principal risks faced by the company, including tax-related risks

The BBVA Group's internal control system takes its inspiration from the best practices developed both in the "Enterprise Risk Management – Integrated Framework" of COSO (Committee of Sponsoring Organizations of the Treadway Commission) and in the "Framework for Internal Control Systems in Banking Organizations", drawn up by the Basel Bank of International Settlements (BIS).

The control model has a system with three lines of defense:

- The Group's business units constitute the first line of defense. They are responsible for managing current and emerging risks and implementing control procedures. It is also responsible for reporting to its business/support unit.
- The second line of defense is made up of the units specializing in control: Compliance, Accounting & Supervisors (Internal Financial Control), Global Risk Management (Internal Risk Control) and Engineering (Internal Operations Control and IT Control). This line collaborates in identifying current and emerging risks, defines the control policies within the scope of its cross-sector specialty, ensures that they are implemented correctly, and provides training and advice to the first line. In addition, one of its main functions is to monitor and question the control activity carried out by the first line of defense.

The control activity of the first and second line of defense will be coordinated by the Internal Control Unit, which will also be responsible for providing these units with a common internal control methodology and global tools. The Group's Head of Internal Risk Control is responsible for the function and reports its activities to the CRO and to the Board's Risk Committee, assisting it in any matters where requested.

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- The third line of defense is made up of the Internal Audit unit, for which the Group assumes the guidelines of the Basel Committee on Banking Supervision and of the Institute of Internal Auditors. Its function is that of providing independent and objective assurance and consulting activity designed to add value and improve the Organization's operations.

In addition, within the risk area, the Group has units for Internal Risk Control and Internal Validation that are independent of the units that develop the models, manage the processes and execute the controls.

Its scope of action is global, both from the geographical point of view and in terms of the types of risks. It encompasses all the areas of the organization and is designed to identify and manage the risks faced by the Group entities, in order to guarantee the established corporate objectives.

The main function of Internal Risk Control is to ensure the existence of a sufficient internal regulatory framework, a process and measures defined for each type of risks identified in the Group, and for those other types of risk that may potentially affect the Group, control their application and operation, and ensure that the risk strategy is integrated into the Group's management.

The Group's Head of Internal Risk Control is responsible for the function and reports its activities and informs on its work plans to CRO and to the Board's Risk Committee, assisting it in any matters where requested.

To perform its duties, the unit has a structure of teams at a corporate level and also in the most important geographical areas in which the Group operates. As in the case of the corporate area, local units are independent of the business areas that execute the processes, and of the units that execute the controls. They report functionally to the Internal Risk Control unit. This unit's lines of action are established at Group level, and it is responsible for adapting and executing them locally, as well as for reporting the most relevant aspects.

Among other functions, Internal Validation is responsible for the internal review and independent validation of the models used for risk measurement and assumption and for determining the Group's capital requirements.

With regard to tax risks, the Board of Directors approved the Tax Strategy for the BBVA Group. This strategy reflects the tax-related postures of the Group. This strategy integrates the results of the OECD BEPS project and the guidelines given in Chapter XI, Part I of the "OECD Guidelines for Multinational Enterprises". In this regard, the Tax Department establishes the policies and control processes for guaranteeing compliance with the tax laws currently in force and the tax strategy.

F SYSTEMS OF RISK MANAGEMENT AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the risk management and control systems for financial reporting (ICFR) in the entity.

F.1 The entity's control environment

Give information, describing the key features of at least:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision.

Pursuant to article 17 of the Board Regulations, the Board of Directors approves the financial information that BBVA is required to publish periodically as a publicly traded company. The Board of Directors has an Audit and Compliance Committee, whose mission is to assist the Board in overseeing the financial information and the exercise of the Group control duties.

In this respect, the BBVA Audit and Compliance Committee Regulations establish that the Committee's duties include the supervision of the sufficiency, suitability and effective operation of the internal control systems in the process of drawing up and preparing financial information, so as to rest assured of the correctness, accuracy, sufficiency and clarity of the financial information of the Entity and its consolidated Group.

The BBVA Group complies with the requirements imposed by the Sarbanes Oxley Act ("SOX") for each year's consolidated annual financial statements due to its status as a publicly traded company listed with the United States

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Securities Exchange Commission ("SEC"). The main Group executives are involved in the design, compliance and maintenance of an effective internal control model that guarantees the quality and veracity of the financial information. The Accounting & Supervisors Unit ("A&S") is in charge of producing the consolidated annual financial statements and maintaining the model of control over financial information generation. Specifically, this function is performed by the Financial Internal Control area, which is integrated within the general internal control model of the Group, which is outlined below.

The BBVA Group has established and maintains an internal control model that has two components. The first element is the structure of control organized into three lines of defense (3LD); the second is a scheme of governance known as Corporate Assurance.

In accordance with the most advanced standards of internal control, the three lines of defense model is configured as follows:

- The first line of defense rests with the various areas and/or business units of the Group that are in charge of managing the risks relating to their operations and carrying out the controls required to mitigate them.
- The second line of defense is made up of the areas/units specializing in control, such as: Compliance, Internal Financial Control, Internal Risk Control, Internal Operations Control and Internal Technology Control. This second line of defense cooperates with the first line of defense to identify current and emerging risks in connection with operations, specifies control policies and models within its cross-cutting remit, monitors progress, and regularly assesses the proper design and effectiveness of implemented controls.
- The third line of defense is the Internal Audit area, which depends directly on the Group's Executive Chairman. It is completely independent from the functions being audited and is not part of any other activity that may be subject to an audit. It has global scope, meaning it covers each and every one of BBVA Group activities and entities.

In addition, to reinforce the internal control environment, the Group has in place a scheme of governance called Corporate Assurance, which establishes a framework for the supervision of the internal control model and for escalation to Senior Management of the main issues relating to internal control within the Group. The Corporate Assurance model (in which the business areas, support areas and the areas specializing in internal control participate) is organized into a system of committees that analyze the most relevant issues related to internal control in each geographical area, with the participation of the country's top managers. These committees report to the Group's Global Committee, chaired by the CEO with the assistance of the main global executives responsible for the business and control areas.

The effectiveness of this internal control system is assessed on an annual basis for those risks that may have an impact on the proper drawing up of the Group's financial statements. The assessment is conducted under the coordination of the Internal Financial Control area, and is assisted by the control specialists of the business and support areas and the Group's Internal Audit department. In addition, the external auditor of the BBVA Group issues an opinion every year on the effectiveness of internal control over financial reporting based on criteria established by COSO (Committee of Sponsoring Organizations of the Treadway Commission) and in accordance with the standards of the United States Public Company Accounting Oversight Board (PCAOB). This opinion appears in the Form 20-F that is filed every year with the SEC.

The result of the annual internal assessment of the System of Internal Control over Financial Reporting is reported to the Group's Audit and Compliance Committee by the heads of Internal Audit and Internal Financial Control.

F.1.2. Whether, especially in the process of drawing up the financial information, the following elements exist:

- Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) the clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures exist for their correct dissemination within the entity.

The drafting of the financial information is carried out by the local Financial Management units of the countries and the related consolidation work is done by the A&S Division, which is overall responsible for the drafting and reporting of financial and regulatory information of the Group.

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BBVA has an organizational structure that clearly defines action lines and responsibility in the areas involved in the preparation of financial information, both in each entity and in the consolidated Group, and has the necessary channels and circuits for its correct dissemination. The units responsible for drawing up these financial statements have an adequate distribution of tasks and segregation of functions necessary to draw up these statements in an appropriate operational and control framework.

Additionally, there is a cascade accountability assumption model aimed at extending the internal control culture and the commitment of its compliance. Those in charge of the design and operation of the processes that have an impact on financial information certify that all the controls associated with its operation under their responsibility are sufficient and have worked correctly.

- Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether specific mention is made of recording the transactions and drawing up of the financial information), body in charge of analysing non-compliance and proposing corrective measures and sanctions.

BBVA has a Code of Conduct, approved by the Board of Directors, that sets out BBVA's specific commitments in developing one of the principles of its Corporate Culture: Integrity as a means of understanding and conducting business. This Code likewise establishes the corresponding channel for whistleblowers regarding possible infringements of the Code. It is the subject of ongoing training and refresher programs including key personnel in the financial function.

Since 2016, and after the Code was updated in 2015, campaigns have been developed to communicate and disseminate its new contents, taking advantage of new formats and digital channels. In addition, an ambitious training plan has been developed at a global level, reaching the entire workforce of the Group.

The Code of Conduct is published on the Bank's website (www.bbva.com) and on the employees website (intranet). Additionally, Group members undertake personally and individually to observe its principles and rules in an express declaration of awareness and adhesion.

The duties of the Audit and Compliance Committee include ensuring that the internal codes of ethics and conduct and on securities markets, applicable to all group personnel, comply with legal requirements and are adequate for the Bank.

Additionally, BBVA has adopted a structure of Corporate Integrity Management Committees (with individual powers at jurisdiction or Group entity levels, as applicable). Their joint scope of action covers all the Group businesses and activities and their main duty is to ensure effective application of the Code of Conduct. There is also a Corporate Integrity Management Committee, whose scope of responsibility extends throughout BBVA. The critical mission of this committee entails ensuring uniform application of the Code in BBVA.

The Compliance Unit in turn independently and objectively promotes and supervises to ensure that BBVA acts with integrity, particularly in areas such as money-laundering prevention, conduct with clients, security market conduct, corruption prevention, and other areas that could entail a reputational risk for BBVA. The unit's duties include fostering the knowledge and application of the Code of Conduct, promoting the drafting and distribution of its implementing standards, assisting in the resolution of any concern insofar as interpretation of the Code that may arise, and managing the Whistle-Blowing Channel.

- Whistle-blowing channel, to allow financial and accounting irregularities to be communicated to the Audit Committee, as well as possible non-compliance with the code of conduct and irregular activities in the organization, reporting where applicable if this is confidential in nature.

Preservation of the Corporate Integrity of BBVA transcends the merely personal accountability for individual actions, it calls for all employees to have zero tolerance for activities outside the Code of Conduct or that could harm the reputation or good name of BBVA, an attitude that is reflected in everyone's commitment to whistle-blowing, by timely communication, of situations that, even when unrelated to their activity or area of responsibility, could be illegal or infringe upon the values and guidelines of the Code.

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The Code of Conduct itself establishes the communication guidelines to follow and contemplates a Whistle-Blowing Channel, likewise guaranteeing the duty to reserve of the reporting parties, confidentiality of the investigations and the prohibition of retaliation or adverse consequences in light of communications made in good faith.

Telephone lines and email boxes have been set up for these communications in each jurisdiction. A list of these appears on the Group Intranet.

As described in the previous section, BBVA has adopted a structure of Corporate Integrity Management Committees (with individual powers at jurisdiction or Group entity levels, as applicable), whose joint scope of action covers all the Group businesses and activities and whose functions and responsibilities (explained in greater detail in their corresponding regulations) include:

- Drive and monitor global initiatives to foster and promote a culture of ethics and integrity among members of the Group.
- Ensure uniform application of the Code.
- Promote and monitor the functioning and effectiveness of the Whistle-blowing Channel.
- In exceptional cases where they are not already included among the members of the Committee, inform Senior Management and/or the person responsible for the preparation of the financial statements of those events and circumstances from which significant risks might arise for BBVA.

In addition, periodic reports are made to the Audit and Compliance Committee that supervises and controls their proper functioning (independently managed by the Compliance area).

- Periodic training and refresher courses for employees involved in preparing and revising the financial information, and in ICFR assessment, covering at least accounting standards, audit, internal control and risk management.

Specific training and periodic refresher courses are given on accounting and tax-related standards, internal control and risk management in units involved in drawing up and reviewing the financial and tax-related information and in evaluating the internal control system, to help them perform their functions correctly.

Within the A&S area, there is an annual training program for all members of the area on aspects related to the preparation of financial information and new regulations applicable in accounting, financial and fiscal matters, as well as other courses adapted to the needs of the area. These courses are taught by professionals from the area and renowned external providers.

This specific training program is in addition to the general Group training, which includes courses on finance and technology among other subjects.

Additionally, the BBVA Group has a personal development plan for all employees, which forms the basis of a personalized training program to deal with the areas of knowledge necessary to perform their functions.

F.2 Financial reporting risk assessment

Give information on at least:

F.2.1. The key features of the risk identification process, including error and fraud risks, with respect to:

- Whether the process exists and is documented.

The ICFR was developed by the Group Management in accordance with international standards set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), establishing five components on which the effectiveness and efficiency of internal control systems must be based:

- Establishing an adequate control environment for monitoring all these activities.
- Evaluating the risks that may be incurred by an entity in drawing up its financial information.

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- Designing the necessary controls to mitigate the most critical risks.
- Establishing the adequate information circuits to detect and communicate the system's weaknesses or inefficiencies.
- Monitoring such controls to ensure they are operational and the validity of their effectiveness over time.

In order to identify the risks with a greater potential impact on the generation of financial information, the processes from which such information is generated are analyzed and documented, and an analysis of the risk situation that may arise in each is later conducted.

Based on the corporate internal control and operational risk methodology, the risks are included in a range of categories by type, which include the error and fraud (internal/external) categories, and their probability of occurrence and possible impact is analyzed.

The process of identifying risks in the preparation of the Financial Statements, including risks of error, misstatement or omission, is conducted by the parties responsible for each of the processes that underpin financial reporting, together with the Financial Internal Control unit, which, in turn, manages mitigation plans and reports to the Audit and Compliance Committee.

The scope of the annual/quarterly or monthly assessment of their controls is determined based on the materiality of the risks, thus ensuring coverage of the risks believed to be critical for the financial statements.

The assessment of the aforementioned risks and the design and effectiveness of their controls begins with the management's understanding of and insight into the business and the analyzed operating process, considering criteria of quantitative materiality, likelihood of occurrence and economic impact, in addition to qualitative criteria associated with the type, complexity and nature of the risks or of the business structure itself.

The system for identifying and assessing the risks of internal control over financial reporting is dynamic. It evolves continuously, always reflecting the reality of the Group's business, changes in operating processes, the risks affecting them and the controls that mitigate them.

All this is documented in a corporate management tool developed and managed by Operational Risk (STORM). This tool documents all the processes, risks and controls managed by the different control specialists, including the Financial Internal Control unit.

• Whether the process covers all the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), whether the information is updated and with what frequency.

Each of the processes developed and identified in the BBVA Group for drawing up financial information aim to record all financial transactions, value the assets and liabilities in accordance with applicable accounting regulations and provide a breakdown of the information in accordance with regulator requirements and market needs.

The financial reporting control model analyzes each of the above processes to ensure that identified risks are properly covered by efficiently functioning controls. The control model is updated when changes arise in the relevant processes for producing financial information.

• The existence of a process for identifying the consolidation perimeter, taking into account aspects including the possible existence of complex corporate structures, instrumental or special purpose vehicles.

The A&S (Accounting and Supervisors) organization includes a Consolidation department that carries out a monthly process of identification, analysis and updating of the Group's consolidation perimeter.

In addition, the information from the consolidation department on new companies set up by the Group's different units and the changes made to existing companies is compared with the data analyzed by two specific committees whose

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function is to analyze and document the changes in the composition of the corporate group (Holding Structure Committee and Investments in Non-Banking Companies Committee, both corporate).

In addition, with regard to special purpose vehicle control, the Internal Audit and Compliance areas of the Bank make a periodic report of the Group's structure to the Board of Directors and to the Audit and Compliance Committee.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax-related, reputational, environmental, etc.) insofar as they impact the financial statements.

The internal control model over financial reporting applies to processes for directly drawing up such financial information and all operational or technical processes that could have a relevant impact on the financial, accounting, tax-related or management information.

As explained above, all the specialist control areas apply a standard methodology and use a common tool (STORM) to document the identification of the risks, of the controls that mitigate those risks and of the assessment of their effectiveness.

There are control specialists in all the operational or support areas, and therefore any type of risk that may affect the Group's operations is analyzed under that methodology (market, credit, operational, technological, financial, legal, tax-related, reputational or any other type of risk) and is included in the ICFR insofar as it may have an impact on the financial information.

- Which of the entity's governing bodies supervises the process.

The process for identifying risks and assessing the design, effectiveness and suitability of the controls is documented at least once a year, and it is supervised by the Internal Audit area.

Moreover, the Head of Internal Audit and the Head of Internal Financial Control of the Group report annually to the Audit and Compliance Committee in respect of analysis work and the conclusions of the assessment of the control model for financial reporting and the certification process. This work follows the SOX methodology to comply with the legal requirements under laws and regulations on systems of internal control over financial reporting, and is included in report 20-F, submitted annually to the SEC, as indicated in the first point of the control environment.

F.3 Control activities

Give information on the main features, if at least the following exist:

F.3.1. Procedures for review and authorization of the financial information and the description of the ICFR, to be published on the securities markets, indicating who is responsible for it, and the documentation describing the activity flows and controls (including those concerning risk of fraud) for the different types of transactions that may materially impact the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgements, estimates, valuations and projections.

All the processes related to the drawing up of the financial information are documented, together with their control model: potential risks linked to each process and controls established for their mitigation. As explained in point F.2.1, the aforementioned risks and controls are recorded in the corporate tool STORM, which also includes the result of the assessment of the operation of the controls and the degree of risk mitigation.

In particular, the main processes related to the generation of financial information are: accounting, consolidation, financial reporting, financial planning and monitoring, financial and tax-related management. The analysis of these processes, their risks and their controls is also supplemented by all other critical risks that may have a financial impact from business areas or other support areas.

Likewise, there are procedures for review by the areas responsible for generating the financial and tax-related information disseminated to the securities markets, including the specific review of the relevant judgments, estimates and projections.

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As mentioned in the annual financial statements, it is occasionally necessary to make estimates to determine the amount at which some assets, liabilities, income and expenses and commitments should be recorded. These estimates relate mainly to the following:

- Impairment losses on certain financial assets.
- The assumptions used to quantify certain provisions and in the actuarial calculation of liabilities and commitments for post-employment and other obligations.
- The useful life and impairment losses of tangible and intangible assets.
- The appraisal of goodwill and price assignments in business combinations.
- The fair value of certain unlisted assets and liabilities.
- The recoverability of deferred tax assets.
- The exchange rate and inflation index in certain countries.

These estimates are made based on the best information available on the financial statement closing date and, together with the other relevant issues for the closing of the annual and six-monthly financial statements, are analyzed and authorized by a Technical Committee at A&S (A&S Executive Steering Committee) and submitted to the Audit and Compliance Committee before their filing by the Board of Directors.

F.3.2. Internal control procedures and policies for information systems (among others, access security, change control, their operation, operational continuity and segregation of functions) that support the relevant processes in the entity with respect to the drawing up and publication of the financial information.

Internal control models include procedures and controls regarding the operation of information systems and access security, functional segregation, development and modification of computer applications used to generate financial information.

The current methodology for internal control and operational risk establishes a list of controls by category whose breakdown includes (among others) two categories: access control and functional segregation. Both categories of controls are identified in the model of internal control of financial information and their risks and controls are analyzed and assessed on a regular basis, so the integrity and reliability of the information drawn up can be guaranteed.

Additionally, there is a corporate level procedure for managing system access profiles. It is developed, implemented and updated by the Group's Engineering internal control unit. This unit is also in charge of providing support for control processes in change management (development in test environments and putting changes into production), incident management, management of transactions, media and backup copy management, and management of business continuity, among other things.

With all these mechanisms, the BBVA Group ensures the maintenance of adequate management of access control, the establishment of the correct and necessary steps to put applications into production and their subsequent support, the creation of backup copies, and assurance of continuity in the processing and recording of transactions.

In summary, the entire process of preparing and publishing financial information has established and documented the procedures and control models necessary to provide reasonable assurance about the correctness of BBVA Group's public financial information.

F.3.3. Internal control procedures and policies designed to supervise the management of activities subcontracted to third parties, and those aspects of the evaluation, calculation and assessment outsourced to independent experts, which may materially impact the financial statements.

The internal control model set out specific controls and procedures for the management of subcontracted activities or those aspects of evaluation, calculation and assessment of assets or liabilities outsourced to independent experts.

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There is a set of standards and an Outsourcing Committee that establishes and supervises the requirements that must be met at group level for the activities to be subcontracted. Regarding the financial processes, there are procedural manuals contemplating the outsourced activity that identify the processes to be executed and the controls to be applied by the service provider units and units entrusted with the outsourcing thereof. The controls established in the outsourced processes concerning the generation of financial information are also tested by the Internal Financial Control area.

The valuations from independent experts used for matters relevant for generating financial information are included within the standard circuit of review procedures executed by internal control, Internal Audit and external Audit.

F.4 Information and communication

Give information on the main features, if at least the following exist:

F.4.1. A specific function in charge of defining and keeping the accounting policies updated (accounting policy department or area) and dealing with queries or conflicts stemming from their interpretation, ensuring fluent communication with those in charge of operations in the organization, and an up-to-date manual of accounting policies, communicated to the units through which the entity operates.

The organization has two areas within A&S (Group Financial Accounting and Global Supervisory Relations) in charge of the Accounting (Accounting Working Group) and Solvency Technical Committees. Their purpose is to analyze, study and issue standards that may impact the drawing up of the Group's financial and regulatory information, determining the accounting and solvency criteria required to ensure correct recording of transactions to the accounts and calculation of capital requirements within the framework of applicable rules and standards.

The Group has in place an updated accounting policies manual, disseminated over the Company intranet to all the units in the Group. This manual is the tool that guarantees that all the decisions related to accounting policies or specific accounting criteria to be applied in the Group are supported and are standardized. The Accounting Policies Manual is approved in the Accounting Working Group and is documented and updated for its use and analysis by all the Group's entities.

F.4.2. Mechanisms to capture and prepare the financial reporting in standardised formats, for application and use by all the units of the entity or the group, that support the main financial statements and the notes, and the information detailed on ICFR.

The Group's A&S area and the financial directorates of the countries are responsible for the preparation of the financial statements in accordance with the current accounting and consolidation manuals. There is also a consolidation computer application that includes the information on the accounting of the various Group companies and performs the consolidation processes, including the standardization of accounting criteria, aggregation of balances and consolidation adjustments.

Control measures have also been implemented in each of the said processes, locally and at consolidated level, in order to guarantee that all the data underpinning the financial information are collected in a comprehensive, exact and timely manner. There is also a single and standardized format for the financial reporting system. It is applicable to and used by all the Group units and supports the main financial statements and the explanatory notes. There are also control measures and procedures to ensure that the information disclosed to the markets includes a sufficient level of detail to enable investors and other users of the financial information to understand and interpret it.

F.5 Supervision of the system's operation

Give information, describing the key features of at least:

F.5.1. The ICFR supervision activities carried out by the Audit Committee and whether the entity has an internal audit function whose powers include providing support to the Audit Committee in its task of supervising the internal control system, including the ICFR. Likewise, information will be given on the scope of the ICFR assessment carried out during the year and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan listing the possible corrective measures, and whether its impact on the financial reporting has been considered.

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The internal control units of the business areas and of the support areas conduct a preliminary assessment of the internal control model, assess the risks identified in the processes, the effectiveness of controls, and the degree of mitigation of the risks, and also identify weaknesses, design, implement and monitor the mitigation measures and action plans.

BBVA also has an Internal Audit unit that provides support to the Audit and Compliance Committee on the independent supervision of the financial information internal control system. The Internal Audit function is entirely independent of the units that draw up the financial information.

All the control weaknesses, mitigation measures and specific action plans are documented in the corporate tool STORM and submitted to the internal control and operational risk committees of the areas, as well as to the local or global Corporate Assurance Committees, based on the relevance of the detected issues.

To sum up: both the weaknesses identified by the internal control units and those detected by the internal or external auditor have an action plan in place to correct or mitigate the risks.

During 2017, internal control areas conducted a full assessment of the financial information internal control system, and, to date, no material or significant weakness have been revealed therein. The assessment was reported to the Audit and Compliance Committee.

Additionally, in compliance with SOX, the Group annually assesses the effectiveness of the internal control model for financial reporting on group of risks (within the perimeter of SOX companies and critical risks) that could impact the drawing up of financial statements at local and consolidated levels. This perimeter considers risks and controls of other specialties that are not directly financial (regulatory compliance, technology, risks, operational, human resources, procurement, legal, etc.).

F.5.2. Whether there is a discussion procedure by which the auditor (in line with the technical auditing notes), the internal audit function and other experts can inform senior management and the audit committee or the directors of the entity of significant weaknesses in the internal control encountered during the review processes for the annual accounts or any others within their remit. Likewise, give information on whether there is an action plan to try to correct or mitigate the weaknesses observed.

As mentioned in the preceding section (F.5.1) of this Annual Corporate Governance Report, the Group does have a procedure in place whereby the internal auditor, the external auditor and the heads of Internal Financial Control can report to the Audit and Compliance Committee any internal control weaknesses detected in the course of their work. Any material weaknesses will likewise be reported. Thus, a plan of action is prepared for all detected weaknesses, which is presented to the Audit and Compliance Committee.

Since BBVA is a company listed with the SEC, the BBVA Group's auditor issues on an annual basis its opinion on the effectiveness of the internal control over the financial information contained in the Group's annual consolidated financial statements as of 31 December each year under PCAOB standards ("Public Company Accounting Oversight Board"), with a view to filing the financial information under Form 20-F with the SEC. The latest report issued on the financial information for 2016 is available on www.sec.gov.

The internal control oversight carried out by the Audit and Compliance Committee, described in the Audit and Compliance Committee Regulations published on the Group website, includes the following activities:

- Analyze the financial statements of the Bank and of its consolidated Group contained in the annual, six-monthly and quarterly reports prior to their submission to the Board, as well as all other required financial information, with the necessary detail deemed appropriate. For this purpose, the Committee shall be provided with the necessary support by the Group's Senior Management, especially that of the Accounting Department and the Company and Group auditor.
- Review the necessary scope of consolidation, the correct application of accounting criteria, and all the relevant changes relating to the accounting principles used and the presentation of the financial statements.

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- Oversee the effectiveness of the company's internal control, internal audit and risk management systems in the process of drawing up and reporting the mandatory financial information, including tax-related risks, as well as discuss with the auditor any significant weaknesses in the internal control systems detected during the audit, without undermining its independence. For such purposes, and where appropriate, they may submit recommendations or proposals to the Board of Directors, along with the period for their follow-up.
- Analyze, and approve as the case may be, the Annual Internal Audit Plan, monitoring it and being apprised of the degree to which the audited units are complying with the corrective measures recommended.

The external auditor and the Head of Internal Audit regularly attend all meetings of the Audit and Compliance Committee and are properly informed of the matters addressed therein.

F.6 Other relevant information

F.7 External auditor report

Report on:

F.7.1. Whether the ICFR information disclosed to the markets has been submitted by the external auditor, in which case the entity must attach the corresponding report as an annex. Otherwise, explain the reasons why it was not.

The information related to internal control over the financial information of the BBVA Group described in this report is reviewed by the external auditor, which issues its opinion on the control system and on its effectiveness in relation to the statements published at the close of each financial year.

On 31 March 2017, the BBVA Group, as a private foreign issuer in the United States, filed the Annual Report Form 20-F which was published on the SEC website on that same date.

In accordance with the requirements set out in Section 404 of the Sarbanes-Oxley Act of 2002 by the Securities and Exchange Commission (SEC), the Annual Report Form 20-F included the certification of the main Group executives on the establishment, maintenance and assessment of the Group's internal control system of financial reporting. Form 20-F report also included the opinion of the external auditor regarding the effectiveness of the entity's internal control system of financial reporting at year-end 2016.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent to which the company follows the recommendations of the Good Governance Code of listed companies.

Should any recommendation not be followed or be only partially followed, a detailed explanation should be given of the reasons so that the shareholders, investors and the market in general have sufficient information to assess the way the company works. General explanations will not be acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

COMPLIANT

2. When a dominant and subsidiary company are both listed, they should provide detailed disclosure on:

- a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.
- b) The mechanisms in place to resolve possible conflicts of interest.

NOT APPLICABLE

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3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

- a) Changes taking place since the previous annual general meeting.
- b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

COMPLIANT

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

COMPLIANT

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

PARTIALLY COMPLIANT

The General Shareholders' Meeting of the Company of March 17, 2017 delegated to the Board of Directors a power to increase capital and issue convertible securities, with an attached power to wholly or partially exclude pre-emptive subscription rights in respect of capital increases and issues of convertible securities carried out using such delegated power. The power to exclude pre-emptive subscription rights is limited, overall, to 20% of share capital as it stood at the time of the delegation, except for the issuance of contingently convertible securities which foresee its conversion to satisfy regulatory capital adequacy requirements as to eligibility as capital instruments in accordance with applicable laws and regulations, because such instruments do not dilute the interests of shareholders.

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

- a) Report on auditor independence.
- b) Reviews of the operation of the audit committee and the nomination and remuneration committee.
- c) Audit committee report on related-party transactions.
- d) Report on corporate social responsibility policy.

COMPLIANT

7. The company should broadcast its general meetings live on the corporate website.

COMPLIANT

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications

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exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

COMPLIANT

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

COMPLIANT

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

NOT APPLICABLE

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

NOT APPLICABLE

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximizing its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

COMPLIANT

13. The board of directors should have an optimal size to promote its efficient functioning and maximize participation. The recommended range is accordingly between five and fifteen members.

COMPLIANT

14. The board of directors should approve a director selection policy that:

- a) Is concrete and verifiable;
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs; and

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- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

COMPLIANT

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

COMPLIANT

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

COMPLIANT

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalization, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

EXPLAIN

Until May 2017, the BBVA Board of Directors was composed by a majority of non-executive directors and independent directors accounted, at least, the half of the total members of the Board. Notwithstanding, an independent director resigned from the BBVA Board on May 31, 2017 for personal reasons. From that day onward and at year-end, BBVA independent directors accounted for 46.15% of all Bank directors.

In the exercise of its powers and duties the Appointments Committee has in the course of the year undertaken an ongoing analysis of the structure, size and composition of the Board such that it support the best possible discharge of its duties, and of the terms of the Board selection, appointment, rotation and diversity policy, which, for these purposes, provides that the composition of the Board of Directors should comprise a suitable balance among the different classes of director, with non-executive directors accounting for an ample majority over executive directors and independent directors making up at least 50% of the entire Board. Based on its analysis, the Committee decided to set in motion in 2017 a process of selection of candidates who fulfill the required professional profile and suitability requirements under applicable laws and regulations and might be appointed members of the Board of Directors as independent directors.

The candidate selection process conducted by the Committee with the assistance of a leading international external consultant on director selection concluded with the proposals for re-election and appointment of directors submitted by the Board of Directors to the General Shareholders' Meeting of the Company of 2018. A highlight is the proposal to appoint three new independent directors. If the proposals for re-election and appointment submitted to the Annual

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General Meeting are approved, the BBVA Board will then be composed by a total of 15 directors, of whom 3 will be executive, 12 non-executive, 4 being "other external" and 8 being independent, such that independent directors will account for more than half of all directors of the Bank.

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

- a) Background and professional experience.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the company, and any options on the same.

COMPLIANT

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

NOT APPLICABLE

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

COMPLIANT

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

COMPLIANT

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organization's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decides whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

COMPLIANT

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts

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of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

COMPLIANT

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

COMPLIANT

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of director's regulations should lay down the maximum number of company boards on which directors can serve.

COMPLIANT

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

COMPLIANT

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

COMPLIANT

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

COMPLIANT

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

COMPLIANT

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

COMPLIANT

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

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COMPLIANT

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

COMPLIANT

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organize and coordinate regular evaluations of the board and, where appropriate, the company's first executive; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

COMPLIANT

34. When a lead director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen; give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

COMPLIANT

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

COMPLIANT

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.
- b) The performance and composition of its committees.
- c) The diversity of board membership and competences of the board.
- d) The performance of the chairman of the board of directors and the company's first executive.
- e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the appointments committee.

Every three years, the board of directors should engage an external consultant to aid in the evaluation process. This consultant's independence should be verified by the appointments committee.

Any business dealings that the consultant or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

COMPLIANT

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

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PARTIALLY COMPLIANT

The current composition of the Executive Committee of BBVA was agreed by the Board of Directors at its meeting on 31 March 2016, and it was considered that it had the most adequate composition for the performance of its functions.

Thus, in accordance with article 26 of the Board of Directors Regulations of BBVA, which establishes that in its composition non-executive directors have to be a majority over executive directors, as of 31 December 2017, the Executive Committee of the Board of Directors partially reflects the participation on the Board of Directors since its Chairman and Secretary are those of the Board of Directors and is composed of two executive directors and four non-executive directors with the status of other external directors, which represents a majority of non-executive directors in accordance with the provisions of the Regulations of the Board of Directors.

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

COMPLIANT

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

COMPLIANT

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

COMPLIANT

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

COMPLIANT

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

- a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

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- c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

COMPLIANT

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

COMPLIANT

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyze the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

COMPLIANT

45. Risk control and management policy should identify at least:

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance sheet risks.
- b) The determination of the risk level the company sees as acceptable.
- c) The measures in place to mitigate the impact of identified risk events should they occur.
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

COMPLIANT

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

COMPLIANT

47. Appointees to the nomination and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

COMPLIANT

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48. Large-cap companies should operate separately constituted nomination and remuneration committees.

COMPLIANT

49. The nomination committee should consult with the company's chairman and first executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

COMPLIANT

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior officer contracts.
- b) Monitor compliance with the remuneration policy set by the company.
- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.
- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration report.

COMPLIANT

51. The remuneration committee should consult with the company's chairman and first executive, especially on matters relating to executive directors and senior managers.

COMPLIANT

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations.

They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
- b) They should be chaired by independent directors.
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
- d) They may engage external advice, when they feel it necessary for the discharge of their functions.
- e) Meeting proceedings should be minuted and a copy made available to all board members.

PARTIALLY COMPLIANT

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Until May 31, 2017, when a member of the Board resigned for personal reasons, the Board committees of oversight and control were made up exclusively by non-executive directors, the majority being independents, except the Audit and Compliance Committee which is composed exclusively by independent directors. As a result of that resignation, and from that date onward, the composition of the Risk Committee ceased to have a majority of independent directors.

Therefore, so that it adapts to the requirements of the Regulations of the Board of Directors and to assist in their proper functioning, the Board of Directors reviewed the composition of the Committees during the year, rotating their members to ensure that the members of each Committee has the appropriate, knowledge, skills and experience for the responsibilities attributed to them.

After that review, the oversight and control committees of the Board are made up of non-executive directors, with a majority of independents, except the Risk Committee, which, in compliance with the Regulations of the Board of Directors as to composition, comprises 3 "other external" directors and 2 independent directors. All the Chairs of the oversight and control committees are independent directors; specifically, the Chairs of the Audit and Compliance, Appointments, Remuneration and Risk Committees.

After the Annual General Meeting of the Company to be held in March 2018, the Board will perform another analysis of the composition of Board Committees, taking into account the potential new additions of directors that will be approved at the General Meeting and, as appropriate, changes in the status of current directors and any regulatory requirements prevailing in this respect.

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organization, with at the least the following functions:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
- f) Monitor and evaluate the company's interaction with its stakeholder groups.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

COMPLIANT

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.

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- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- d) The methods or systems for monitoring the results of the practices referred to above and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honor and integrity.

COMPLIANT

55. The company should report on corporate social responsibility developments in its management's report or in a separate document, using an internationally accepted methodology.

COMPLIANT

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

COMPLIANT

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

COMPLIANT

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

COMPLIANT

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59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

COMPLIANT

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

COMPLIANT

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

COMPLIANT

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

COMPLIANT

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

COMPLIANT

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

COMPLIANT

H OTHER INFORMATION OF INTEREST

1. If there is any other aspect relevant to the corporate government in the company or in the group entities that has not been reflected in the rest of the sections of this report, but is necessary to include to provide more comprehensive and well-grounded information on the corporate governance structure and practices in your entity or its group, detail them briefly.

2. This section may also include any other relevant information, clarification or detail related to previous sections of the report insofar as they are relevant and not reiterative.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the mandatory information to be provided when different from that required by this report.

3. The company may also indicate if it has voluntarily signed up to other international, industry-wide or any other codes of ethical principles or best practices. Where applicable, the code in question will be identified along with the date of signing. In particular, mention will be made as to whether it has adhered to the Code of Best Tax Practices (Código de Buenas Prácticas Tributarias) of 20 July 2010.

The data in this report refer to the year ending 31 December 2017, except in those cases when another date of reference is specifically stated.

Further to Section A.2, State Street Bank and Trust Co., The Bank of New York Mellon S.A.N.V. and Chase Nominees Ltd., as international custodian/depositary banks, held 12.53%, 3.80% and 6.48% of BBVA's share capital,

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respectively, as of December 31 2017. Of said positions held by the custodian banks, BBVA is not aware of any individual shareholders with direct or indirect holdings greater than or equal to 3% of BBVA common stock.

Filings of significant holdings to CNMV: On 18 October 2017, Blackrock Inc. filed a report with the CNMV (National Securities Market Commission) stating that it now had an indirect holding of 5.708% of the BBVA share capital, through the company Blackrock Investment Management.

The director holdings indicated in section A.3 are those reported as of 31 December 2017 and therefore may have subsequently changed. Moreover, following the instructions in Circular 7/2015 of the CNMV to complete the Corporate Governance Report, the owners of indirect holdings are not identified in this section, as none of them reaches the 3% of share capital and none of them reside in tax havens.

Moreover, as an explanation to the second table of section A.3., the number of direct rights on shares in the Company corresponds with the shares from the Annual Variable Remuneration (AVR) from previous years that was deferred and pending payment on the date of this Report, if conditions are met. Thus, it is included the total number of "rights to shares" of BBVA executive directors corresponding to the third and last third deferred of year 2014 that they will receive in 2018; the 50% deferred of the AVR 2015 they will receive in 2019, and the 50% deferred of the AVR 2016 they will receive in 2020, the two latter amounts, are subject to the applicable multi-year indicators that may reduce the deferred amount, even become zero, yet never be increased.

These amounts are disclosed in an individual manner for each executive director in the following way:

- In the case of the Group Executive Chairman: 37,390 shares corresponding to the third and last third deferred of the AVR 2014; 135,299 shares corresponding to the 50% of AVR 2015; and 114,204 shares corresponding to the 50% of AVR 2016.
- In the case of the CEO: 11,766 shares corresponding to the third and last third deferred of AVR 2014; 79,956 shares corresponding to the 50% of AVR 2015; and 91,915 shares corresponding to the 50% of AVR 2016.
- In the case of the executive director Head of GERPA: 3,678 shares corresponding to the third and last third deferred of AVR 2014; 14,815 shares corresponding to the 50% of AVR 2015; and 13,768 shares corresponding to the 50% of AVR 2016.

The payment of these deferred shares is also subject to the non-occurrence of any of the conditions established by the remuneration policy applicable in each year that could impede payment thereof (malus and clawback clauses), as well as the remaining conditions of the settlement and payment system.

Further to the information in section A.8, regarding earnings from treasury-stock trading, rule 21 of Circular 4/2004 and IAS 32, paragraph 33, expressly prohibit the recognition in the income statement of profits or losses made on transactions carried out with treasury shares, including their issue and redemption. Said profits and losses are directly booked against the company's net equity. In the table of significant variations, the date of entry of CNMV Model IV in the registries of that organism, model corresponding to the communications with own shares and the reason for such communication.

Regarding section A.9 bis, the resulting estimated floating capital of BBVA less the capital held by the members of the Board of Directors and as treasury shares, both as of December 31, 2017, following the instructions to complete the Annual Corporate Governance Report is 99.74%.

Further to the information in section A.10, there are no legal or bylaws restrictions on the exercise of voting rights and there are no legal or bylaws restrictions on the free acquisition or transfer of shares in the company's share capital. As for the legal restrictions on the free acquisition or transfer of shares in the company's share capital, Spanish Act 10/2014, dated 26th June, on the regulation, supervision and solvency of credit institutions establishes that the direct or indirect acquisition of a significant holding (as defined in article 16 of that Act) is subject to assessment by the Bank of Spain as set out in articles 16 et seq. of that Act. Additionally, article 25 of Royal Decree 84/2015, implementing Act 10/2014, establishes that the Bank of Spain shall evaluate proposals for acquisitions of significant shares and submit a proposal to the European Central Bank regarding whether to oppose this acquisition or not. This same article establishes the criteria that should be considered during said evaluation and the applicable timelines.

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Further to the information included in section C.1.15:

The amount indicated as "Remuneration of the Board of Directors" includes remuneration stemming from the remuneration systems established for non-executive and executive directors as provided for in the Remuneration Policy for BBVA directors approved by the General Shareholders' Meeting held in March 17, 2017 and pursuant to article 33 bis and 50 bis of the Company Bylaws, respectively, and includes:

- a) The fixed remuneration (for pertaining to the Board and Committees) and remuneration in kind corresponding to 2017 of non-executive board members.
- b) The fixed remuneration and in kind for executive directors corresponding to 2017.
- c) The 2017 Annual Variable Remuneration in cash and in shares monetized for executive directors. It should nonetheless be noted that this remuneration, has not accrued to the executive directors in its entirety on the date of this Report, since, according to the BBVA Director Remuneration Policy applicable to them, they will only receive 40% of this amount in 2018, while the remaining 60% will be deferred for a period of 5 years, subject to compliance with multi-year performance indicators, 40% in cash and 60% in shares, if conditions are met, with the following payment schedule: 60% after the third year of deferral; 20% after the fourth year of deferral; and 20% after the fifth year of deferral.

Moreover, the 2017 Annual Variable Remuneration will be subject to the remaining conditions established in the settlement and payment system provided in the BBVA Directors' Remuneration Policy, and in particular to: mandatory withholding and unavailability periods; hedging prohibitions; criteria for the update of the deferred component in cash; forfeiture and recovery arrangements for the entire AVR

- d) The remuneration paid for all concepts to two non-executive directors who ceased in their position in 2017 and who, consequently, did not remain in office as of 31 December 2017.

The total amount indicated, pursuant to the instructions in this Report, corresponds to the amount declared as total remuneration accrued according to chart c) "Summary of Remuneration", section D.1 in the Annual Report on Directors' Remuneration of BBVA.

All these items are included for each individual director in Note 54 of the Annual Report for year 2017.

For the purpose of calculating the cash value of the shares corresponding to the Annual Variable Remuneration for 2017 for executive directors, and in accordance with the BBVA Directors' Remuneration Policy, the reference used was the average BBVA share closing price corresponding to the trading days between 15 December 2017 and 15 January 2018, namely €7.25 per share.

In regard of the "Cumulative amount of rights of current directors in pension scheme" indicated in section C.1.15 of this Report, the Bank has the Bank undertaken pension commitments with the Chief Executive Officer and the Head of GERPA to cover retirement, disability and death contingencies as established in the Corporate Bylaws, BBVA Directors' Remuneration Policy, and their respective contracts with the Bank.

The amount established in the Remuneration Policy for BBVA Directors for the Chief Executive Officer, as annual contribution to cover the retirement benefit under the new defined-contribution scheme, amounts to €1,642 thousand, amount which shall be updated in the same proportion as the annual fixed remuneration for the Chief Executive Officer, in the terms established in said Policy.

Likewise, pursuant to the Policy, 15% of the agreed annual contribution, mentioned above, shall be based on variable components and be considered "discretionary pension benefits", thus subject to the conditions of delivery in shares, retention and clawback established in applicable regulations, as well as to those other conditions of variable remuneration applicable to them pursuant to the aforementioned Policy.

On the other hand, the Bank will assume payment of the annual insurance premiums in order to top up the coverage of death and disability of the Chief Executive Officer's benefits scheme, in the terms established in the Remuneration Policy for BBVA Directors.

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Pursuant to the foregoing, in the year 2017 an amount of €1,853 thousand has been recorded to attend the benefits commitments undertaken with the Chief Executive Officer, amount which includes the contribution to retirement coverage (€1,642 thousand), as well as to death and disability (€211 thousand), with the total accumulated fund to cover retirement commitments amounting €17,503 thousand, as at December 31, 2017.

15% of the agreed annual contribution to retirement (€246 thousand) has been registered in the year 2017 as "discretionary pension benefits" and, following year-end 2017, said amount has been adjusted according to the criteria established for the determination of the Chief Executive Officer's annual variable remuneration for 2017. Accordingly, the "discretionary pension benefits" for the year 2017 have been determined in an amount of €288 thousand, amount which will be included in the accumulated fund in the year 2018, subject to the same conditions as the Deferred Component of annual variable remuneration for the year 2017, as well as the remaining conditions established for these benefits in the Remuneration Policy for BBVA Directors.

As regards the executive director Head of GERPA, the pension scheme established in the Remuneration Policy for BBVA Directors establishes an annual contribution of 30% of his fixed remuneration as of January 1, 2017, to cover retirement benefit, as well as payment of the corresponding annual insurance premiums in order to top up the coverage of death and disability.

As in the case of the Chief Executive Officer, 15% of the agreed annual contribution, mentioned above, shall be based on variable components and be considered "discretionary pension benefits", thus subject to the conditions of delivery in shares, retention and clawback established in applicable regulations, as well as to those other conditions of variable remuneration applicable to them pursuant to the aforementioned Policy.

Pursuant to the foregoing, in the year 2017 an amount of €393 thousand has been recorded to attend the benefits commitments undertaken with the executive director Head of GERPA, amount which includes the contribution to retirement coverage (€250 thousand), as well as to death and disability (€143 thousand), with the total accumulated fund to cover retirement commitments amounting €842 thousand, as at December 31, 2017.

15% of the agreed annual contribution to retirement (€38 thousand) has been registered in the year 2017 as "discretionary pension benefits" and, following year-end 2017, said amount has been adjusted according to the criteria established for the determination of the executive director Head of GERPA's annual variable remuneration for 2017. Accordingly, the "discretionary pension benefits" for the year 2017 have been determined in an amount of €46 thousand, amount which will be included in the accumulated fund in the year 2018, subject to the same conditions as the Deferred Component of annual variable remuneration for the year 2017, as well as the remaining conditions established for these benefits in the Remuneration Policy for BBVA Directors.

There are no other pension obligations undertaken in favor of other executive directors.

The balance of the item "Provisions - Funds for pensions and similar liabilities" on the Group's consolidated balance sheet as of 31 December 2017 includes €82,57 million under the item for post-employment benefit commitments maintained with former members of the Board of Directors.

The explanation of the principal characteristics of the mentioned pension scheme is detailed in the Remuneration Policy for BBVA Directors and Note 54 of the Annual Report for 2017.

Further to the information included in section C.1.16:

The heading "Total senior management remuneration" includes the remuneration of members of Senior Management listed as such as of 31 December 2017 (15 members), comprising:

- a) The fixed remuneration and the remuneration in kind during 2017;
- b) The Annual Variable Remuneration received during 2017 corresponding to 2016, both in cash and in shares;
- c) The deferred part of the variable remuneration received during 2017, corresponding to previous years (2014 and 2013) both in cash and in shares, plus the amount of the corresponding updates.

For the purpose of calculating the cash value of the shares corresponding to said remuneration, the price considered the delivery price in 2017 has been €6.22.

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In 2017, an amount of €5,630 thousand has been recorded to attend the benefits commitments undertaken with members of the Senior Management, excluding executive directors, amount which includes the contribution to retirement coverage (€4,910 thousand), as well as to death and disability (€720 thousand), with the total accumulated fund to cover retirement commitments with the Senior Management amounting €55,689 thousand, as at December 31, 2017.

As in the case of executive directors, 15% of the annual contributions agreed for members of the Senior Management shall be based on variable components and be considered "discretionary pension benefits", thus subject to the conditions of delivery in shares, retention and clawback established in applicable regulations, as well as to those other conditions of variable remuneration applicable to them pursuant to the remuneration policy applicable to Senior Management.

Pursuant to the foregoing, from the annual contribution to cover retirement of €4,910 thousand recorded in 2017, an amount of €585 thousand has been recorded in the year 2017 as "discretionary pension benefits" and, following year-end 2017, said amount has been adjusted according to the criteria established for the determination of the Senior Management's annual variable remuneration for 2017. Accordingly, the "discretionary pension benefits" for the year 2017 have been determined in an amount of €589 thousand, subject to the same conditions as the Deferred Component of annual variable remuneration for the year 2017, as well as the remaining conditions established for these benefits in the remuneration policy applicable to members of the Senior Management.

The balance of the item "Provisions - Funds for pensions and similar liabilities" on the Group's consolidated balance sheet as of 31 December 2017 includes €259 million under the item for post-employment benefit commitments maintained with former members of the Bank's Senior Management.

In reference to section C.1.29, the Board of Directors always meets with the attendance of its chair and therefore the Lead Director has never chaired a meeting of the Board of Directors. The Lead Director, in the scope of his entrusted duties, maintains fluid contact with the independent directors to simplify the discharge of his duties.

As a supplement to section C.1.30, it is to be noted that normally the Board of Directors meets monthly in accordance with the annual meeting schedule drawn up before the beginning of the year, and extraordinarily as often as deemed necessary. In 2017, the Board held 15 meetings, of which 13 were ordinary and 2 extraordinary. All directors were present at all Board meetings, whether in person or by proxy, except the meeting of June 6, 2017, at which 2 directors were absent.

With regard to section C.1.31, as BBVA shares are listed on the New York Stock Exchange, it is subject to the supervision of the Securities & Exchange Commission (SEC) and, thus, to compliance with the Sarbanes Oxley Act and its implementing regulations, and for this reason each year the Group Executive Chairman, the CEO and the executive tasked with preparing the Accounts sign and submit the certifications described in sections 302 and 906 of this Act, related to the content of the Annual Financial Statements. These certificates are contained in the annual registration statement (Form 20-F) which the Company files with this authority for the official record.

As reference to section C.1.45, the Board of Directors only approves the contract conditions related to executive directors and Senior Management members as set out in article 17 of the Board Regulations, which are reported to the General Meeting through this Report and the Annual Report on Directors' Remuneration of BBVA, but does not authorize those of other technical and specialist professionals.

In this regard, the Board of Directors has approved the new contractual conditions for the Chief Executive Officer and the executive director Head of GERPA that, according to the framework established in the Policy, includes, among others, the transformation of the previous defined-benefits system of the Chief Executive Officer has been transformed into a defined-contribution system, as well as the determination of the annual contribution to such system. Moreover, these contractual changes have involved the elimination of the possibility for the Chief Executive Officer of receiving the retirement pension in advance and established a post-contractual non-compete agreement for a period of two years, after they cease as BBVA executive directors, in accordance to which they shall receive remuneration in an amount equivalent to one annual fixed remuneration for every year of duration of the non-compete arrangement which shall be paid periodically over the course of the two years in the event of severance on grounds other than their own retirement, disability or dereliction of duties; as well as the removal of the right of the executive director Head of GERPA to receive an indemnity.

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According to the new applicable regulation to credit institutions on remuneration, in particular, to the Circular 2/2016 of the Bank of Spain and the European Banking Authority Guidelines on sound remuneration policies, the Board has approved in 2017, the new basic contractual framework for notice, compensation and post-contractual non-competition applicable to Senior Management with effect from January, 1, 2018.

Further to section C.2.1, we provide brief indications regarding what the regulations establish about the composition and functions of each board committee:

- **Audit and Compliance Committee:** Article 29 of the Board Regulations establishes that the Audit and Compliance Committee will be formed exclusively by independent directors and its mission will be to assist the Board of Directors in overseeing the financial information and the exercise of the Group control duties. The members of the Audit and Compliance Committee, and particularly its Chair, shall be appointed taking into account their knowledge and background in accounting, auditing and risk management. It will have a minimum of four members appointed by the Board, one of whom will be appointed taking into account their knowledge of accounting, auditing or both. The Board of Directors will also nominate the Chair of this Committee, who must be replaced every four years. However, the same person may be re-elected once a year has elapsed since ceasing to hold the position. When the Chair cannot be present, his/her duties will be performed by the most long-standing independent director of the Committee, and, where more than one person of equal seniority is present, by the eldest. The Committee will appoint a Secretary who may or may not be a member of the Committee.

- **Appointments Committee:** Article 32 of the Board Regulations establishes that the Appointments Committee will consist of at least three members, who will be appointed by the Board of Directors, which will also appoint the Committee Chair. All Committee members must be non-executive directors, with a majority of independent directors. Its Chair must be an independent director. When the Chair cannot be present, his/her duties will be performed by the most long-standing independent member of the Committee, and, where more than one person of equal seniority are present, by the eldest.

- **Remuneration Committee:** Article 35 of the Board Regulations establishes that the Remuneration Committee will consist of at least three members, appointed by the Board of Directors, which will also appoint the Committee Chair. All Committee members must be non-executive directors, with a majority of independent directors. Its Chair must also be an independent director. When the Chair cannot be present, his/her duties will be performed by the most long-standing independent member of the Committee, and, where more than one person of equal seniority are present, by the eldest.

- **Executive Committee:** Article 26 of the Board Regulations states that the Board of Directors may, in accordance with the Company Bylaws and with the favorable vote of two-thirds of its members, appoint an Executive Committee, ensuring that there is a majority of non-executive directors over executive directors. The Executive Committee will be chaired by the Chairman of the Board of Directors, or when this is not possible, by whomever the Company Bylaws determines. The secretary of the Committee will be the Secretary of the Board. If absent, the person the meeting's members appoint for this purpose will stand in for the secretary.

- **Risk Committee:** Article 38 of the Company Board Regulations establishes that the Risk Committee will consist of at least three members, appointed by the Board of Directors, which will also appoint the Committee Chair. All Committee members must be non-executive directors, of whom at least one third must be independent directors. Its Chair must also be an independent director. When the Chair cannot be present, his/her duties will be performed by the most long-standing independent director of the Committee, and, where more than one person of equal seniority is present, by the eldest.

- **Technology and Cybersecurity Committee:** The Technology and Cybersecurity Committee regulations establish that it will have a minimum of three members appointed by the Board among its directors, which will also nominate the Chair of this Committee. For this purpose, the Board will take into consideration the knowledge and experience in technology, information systems and cybersecurity matters. When the Chair cannot be present, the Committee meetings will be chaired by the most senior member of the Committee and, where more than one person of equal seniority are present, by the eldest.

As a supplement to section C.2.5 on the key activities of the Risk Committee throughout 2017, it is to be noted that the Chairman of the Risk Committee presented to the Board of Directors a report on the activities of the Committee in

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2017. The report gave an account of the meetings held by the Committee over the year and explained that the direct relationship had been strengthened between the Committee and the Group Chief Risk Officer. This was supplemented by the involvement of the heads of the various divisions of the Risk area, both at the holding level and at the level of each business unit of the Group. In his opinion this allowed for the proper performance of the duties assigned to the Committee by the Board. As to the Committee's activity in each of the main functions assigned to it by the Board, he referred to the General Risk Appetite Framework of the BBVA Group, which the Committee had analyzed before submitting it to the consideration of the Board. In particular, he said that the Committee had analyzed in detail the Risk Appetite Statement and the core metrics for risk management and control in the BBVA Group, which in addition were monitored on an ongoing basis by the Committee to ensure that they stay within the thresholds specified by the Board. He said that the Risk Committee permanently monitors the performance of metrics "by type of risk" approved by the Executive Committee, and the disaggregation of the core metrics. The Committee Chair pointed out that another of the Committee's main function is to monitor the performance of the Group's risks. It does this in a structured manner by monitoring the risks by type per business unit, portfolio and sector, paying special attention to the main borrowers and risks in each category and sector to be appropriately aware of the trends of the entity's main risks. Regarding other risks, he explained that the Committee monitors them, holding specific meetings for each, in addition to regular, monthly reporting to the Chief Risk Officer on the core metrics and factors impacting their performance. Also pointed that special attention is also paid by the Committee to the performance, monitoring and control of non-financial risks, namely operational risk. In the domain of risk policy, he said that the Committee had monitored and controlled corporate policies prior to their submission to the Executive Committee. The report touched upon the Committee's monitoring of the infrastructure and resources relied on by the Risk area for the proper performance of its duties, and said that it had been verified that the Group's Risk area had the resources, systems, structures and means required to implement the Board's risk strategy. As to other functions, he said that the Risk Committee had been directly involved in the analysis of the indicators included in the Remuneration Policy approved by the Board of Directors, which were submitted to the Annual General Meeting for approval, to ensure said indicators are aligned with an adequate institution-wide risk control and management model and with the parameters established in the Group's General Risk Appetite Framework. He also noted that the Committee has reviewed the regulatory reports that are relevant to the Group, including the Capital and Liquidity Self-Assessment Plan and the Group Recovery Plan, to align them with the General Risk Appetite Framework and verify the adequate preparation and implementation of the applicable stress scenarios. He also said that the Committee supervises the risk strategy's alignment with price policies on an ongoing basis, fostering the inclusion of profitability metrics in terms of risk appetite in the risk monitoring and control model. Finally, was set out the tasks that the Risk Committee has analyzed and debated the Group's Risk Appetite Framework proposal for 2018, in accordance with the Institution's general decision making process, which is coordinated with the annual budget preparation process.

Likewise, regarding the most important actions of the Remuneration Committee during 2017, the Chairman of the Remuneration Committee submitted a report to the Board on its activities during 2017 including, among others, the Committee works on the proposals to the Board on the remuneration policy for directors, senior managers and other employees whose professional activities may have a significant impact on the Group's risk profile (Identified Staff).

Therefore, it should be noted that as the main activities carried out in 2017, the Remuneration Committee has submitted to the Board a proposal for a new BBVA Directors' Remuneration Policy for the years 2017, 2018 and 2019, which was approved by the General Shareholders' Meeting held on March 17, 2017, as well as a new remuneration policy for BBVA's Identified Staff, and the approval of a new corporate remuneration policy applicable to all employees of the Bank and of subsidiaries forming part of its consolidated group, in line with the new regulations published in 2016 and best market practices on remuneration.

In execution of said remuneration policies, the Committee has analyzed the necessary proposals to be submitted to the Board for application of the policies.

In particular, regarding the remuneration issues of executive directors, the Committee submitted to the Board: the settlement of the Annual Variable Remuneration; the updating of the deferred parts of the variable remuneration of previous years; the determination of the fixed and target variable remuneration for 2017; the determination of the annual and multi-year indicators for the calculation of the Annual Variable Remuneration as well as their weightings, targets and new scales for achievement, minimum thresholds Attributable Profit and Capital Ratio established in the respective remuneration policies for Directors and Identified Staff as ex ante adjustments to variable remuneration, and the corresponding scales established to determine the generation of annual variable remuneration in 2017.

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Moreover, the Committee has determined, for its proposal to the Board, the contractual conditions for the Chief Executive Officer and the executive Global Economics Regulations and Public Affairs Director ("GERPA Director").

Regarding the remuneration issues of Senior Management, the Committee's activities have been especially intense on reviewing its basic contractual framework in light of the new applicable regulations. In this regard, has carried out the determination of the basic contractual conditions for the Senior Management regarding its fixed and target variable remuneration; has determined the contributions to the pension schemes and other applicable remuneration; has analyzed the Bank's contractual commitments with members of the Senior Management for notice, compensation and post-contractual non-competition, submitting to the Board the corresponding proposals.

The Committee has reviewed as well the application of the Remuneration Policy for Identified Staff during the closing exercise 2016, including the process carried out by the Bank to identify this Staff, and as well has received information concerning application of the procedure for identification of Identified Staff in the BBVA Group in 2017.

Furthermore, among other duties, the Committee has proposed to the Board for its approval and submission to the General Shareholders Meeting: the Annual Report on Directors' Remuneration, and the agreement concerning the ratio 1:2 between the fixed and the variable remuneration for a specified number of members of the Identified Staff.

Detailed information on the activity carried out by the Remuneration Committee is available in the Bank's corporate website (www.bbva.com).

With respect to section D (Related-party and Intragroup Transactions), see Note 53 of the BBVA Annual Consolidated Financial Statements for 2017. With respect to section D.4, it details the transactions conducted by Banco Bilbao Vizcaya Argentaria, S.A. at the close of the year, with the company issuing securities on international markets, carried out as part of ordinary trading related to the management of outstanding issuances. Moreover, with respect to section D.4, please refer to the section entitled "Offshore financial centers" in the BBVA Consolidated Management Report for 2017.

As to adherence to codes of ethics or good practice, it is to be noted that in 2011 the BBVA Board of Directors approved the Bank's adhesion to the Code of Best Tax Practices (Código de Buenas Prácticas Tributarias) approved by Foro de Grandes Empresas according to the wording proposed by the State Tax Administration Agency (AEAT). During this year, it has been compliant with the contents of this Code. Moreover, BBVA is committed to applying the provisions of the Universal Declaration of Human Rights, Principles of United Nations Global Compact (which BBVA has formally signed), Equator Principles (to which BBVA has been formally adhered since 2004), the United Nations Responsible Investment Principles, the Green Bond Principles, and other conventions and treaties involving international organizations such as the Organization for Economic Cooperation and Development and the International Labor Organization. In addition, BBVA is a member of the United Nations Environmental Program Finance Initiative and the Thun Group of Banks on Human Rights.

[This annual report on corporate governance has been approved by the company's board of directors on 12 February 2018.](#)

[List whether any Directors voted against or abstained from voting on the approval of this Report.](#)

NO

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NON-FINANCIAL INFORMATION ANCILLARY TO THE MANAGEMENT REPORT OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

As a complement to the non-financial information set out in the Management Report of Banco Bilbao Vizcaya Argentaria, S.A., drafted by the Board of Directors of the Company at its meeting held on February 12, 2018, and for the purposes of providing greater detail of its content, set forth hereinafter is the information on these matters with relation to the Company that is included in the Consolidated Management Report of the BBVA Group.

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Strategy and business model

Vision and aspiration

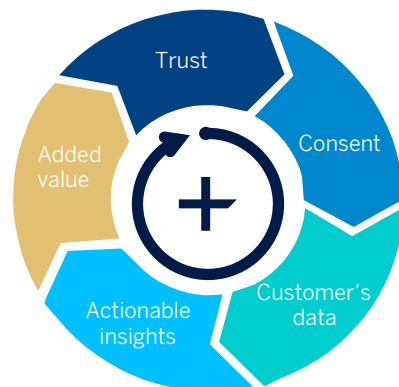
During 2017, the BBVA Group made significant progress on its transformation process, firmly underpinned by the Group's Purpose and six Strategic Priorities. The Bank's strategy has been strengthened with a particular focus on digitalization and customer experience under a new tagline: "Creating Opportunities", as well as the Values established to steer the behavior of the Organization as a whole. A necessary transformation process in order to adapt to the new environment in the financial industry described previously and preserve its leadership.

- The financial industry is facing an environment characterized by an onslaught of **regulatory reform** which has been introduced in recent years at a global level, which has resulted in regulatory changes in diverse areas ranging from solvency, liquidity, separation of activities, bank resolution, as well as affecting investment banking activities.
- New **technological developments** (big data, artificial intelligence, blockchain, the cloud, data processing, biometry, etc.) represent a major step forward in improving the customer experience, enable data and algorithms to be analyzed automatically, as well as providing easy access to the best solutions available on the market and, by default, the most beneficial conditions. Technological innovations reduce unit costs thanks to process automation and scalability.
- **Shifting consumer needs.** Customers are seeking a new type of banking relationship and are demanding greater added-value services based on new needs. Technology is enabling these new demands to be met. The use of mobile devices has led to changes in the distribution model. Consumers are permanently connected, well accustomed to digital experiences, and making use of multiple devices and applications. The fact is that the number of mobile banking users worldwide has grown exponentially in recent years and customers are increasingly interacting through these devices.
- At the same time, **new players** are entering the financial industry and specializing in specific parts of the value chain (payments, financing, asset management, insurance,

etc.). These new players include fintech companies as well as digital giants, who are already competing with banks in the new environment, offering very attractive value propositions and with major potential.

- **Data** forms the crucial element for helping people take financial decisions, provided customers consent to their data being used. In this regard, at BBVA we believe it is essential to create a trust circle with customers, given that data is a crucial element for better understanding them. Applying intelligence to these data can provide customers with personalized services that offer higher value-added, which will increase the trust, thus completing this circle.

Trust circle



Within this context, the main objective of the BBVA Group's transformation strategy, its **aspiration**, is to strengthen the relationship with its customers. Customers should be the main beneficiaries of this new environment in which the democratization of financial services is taking place. To do so, BBVA is redefining its value proposition, based on the real needs of its customers, helping them to make better financial decisions through a clear, simple and transparent product and service offer, in order to gain their trust.

Our Aspiration



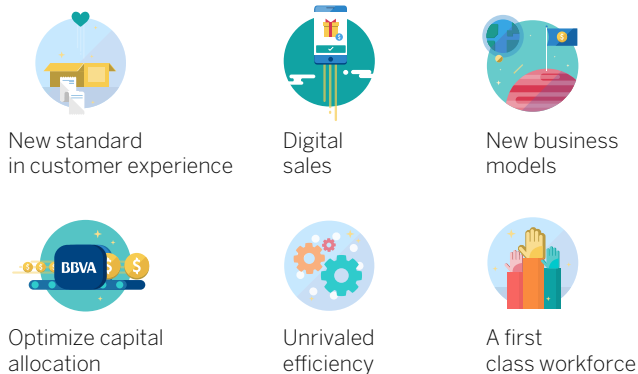
In addition, the value proposition of BBVA must also be easy and accessible; in other words, a proposition that offers access to its services at any time, from any place and by the means chosen by each individual customer, whether on a do-it-yourself basis via digital channels, or through human interaction.

Progress in BBVA's transformation journey

During 2017, BBVA has continued to make progress in achieving its **Purpose** to bring the age of opportunity to everyone, through products and services which help people to make better financial decisions and fulfill their goals in life.

In this regard, and in line with its Purpose, significant steps have been taken in pursuit of the Group's six **Strategic Priorities** so as to make headway in this transformation process.

Strategic Priorities



1. A new standard in customer experience

BBVA Group's main focus is on providing a new standard in customer experience that stands out for its simplicity, transparency and swiftness, further empowering its customers while offering them personalized advice.

BBVA increased its customers' empowerment in **2017** by expanding the number of products available on a do-it-yourself basis, allowing them to interact with BBVA at any time and from any place.

Significant progress has been made in improving the customer experience in terms of the relationship model and products and functionalities.

- Various projects have been launched as part of the **relationship model**: MIA, a virtual mobile information assistant, and Facebook Messenger BOT (Turkey), live chat (Mexico), the front-office tool (Peru) and fast track in branches (Spain).
- Some of the more prominent **new products and functional features** developed this year include: Beconomy and BBVA Cashup (Spain), Tuyyo and digital loans to non-customers (the United States), BBVA Plan - financial objectives and BBVA financial situation check up

(Mexico), iris recognition login and Garanti Pay (Turkey), one-click credit cards (Argentina) and microinsurance against theft from cash withdrawals (Colombia).

In essence, BBVA has a customer-oriented business model that offers a differential service with one very ambitious **goal**: to be leaders in customer satisfaction across its global footprint.

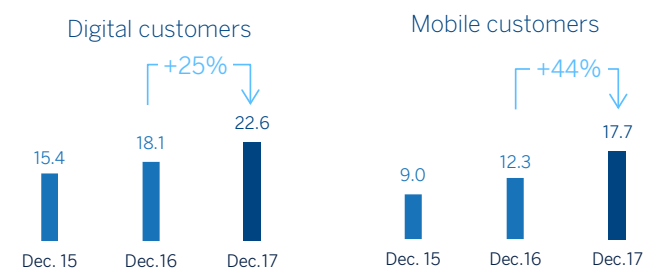
In order to know the level of recommendation of BBVA's customers, and therefore, their level of satisfaction, the Group applies the **Net Promoter Score** (NPS) methodology, as explained in the section on Customer relationship. The internalization and application of this methodology has led to a steady increase in the customers' level of trust, as they recognize BBVA to be one of the most secure and recommendable banking institutions in every country where it operates.

2. Digital sales

At BBVA, it is essential to foster **digitalization** as part of its transformation journey while boosting business on digital channels. In this regard, the Bank is developing a significant digital offering of products and services.

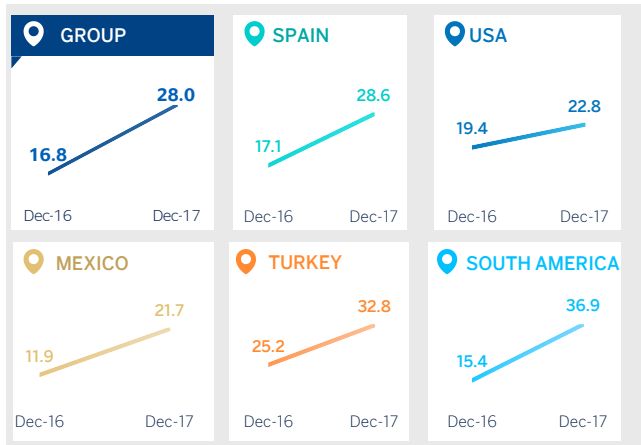
The relationship model of BBVA is evolving to adapt to the multi-channel profile of its customers. The number of **digital and mobile customers** in BBVA Group grew considerably in 2017. The 50% tipping point in digital clients has been reached in most of the countries where BBVA is present (Spain, the United States, Turkey, Argentina, Chile and Venezuela).

Digital and mobile customers (BBVA Group. Million)



Furthermore, a significant boost to **sales through digital channels** is being made, which is having a very positive evolution across the global footprint. In 2017, five million units were sold through the mobile devices.

Digital Sales (By geography. Percentage of total sales YTD, number of transactions)



3. New business models

Developing new business models is one of the Group's strategic priorities. New business models have been developed and implemented through five key levers: i) exploring, ii) constructing, iii) partnering, iv) acquiring and investing and v) venture capital.

i. Exploring: seeking out new business opportunities arising from companies (startups) and connecting the solutions which have been identified with internal projects with the goal of achieving real impact. Open innovation is a key element for ensuring BBVA can bring the age of opportunity to its customers. BBVA is connecting with the global fintech ecosystem to create collaboration opportunities which are embodied in specific projects and initiatives aimed at having a real impact.

The ninth edition of the **BBVA Open Talent** fintech startups competition is a particularly prominent example of the exploring activity undertaken in 2017. The Group also possesses a network of spaces which serve as a meeting point between BBVA and the ecosystem. The **BBVA Open Space** network currently includes Madrid, Bogota and Mexico.

ii. Constructing: BBVA has also decided to commit to creating an internal incubation model that combines internal talent and know-how in partnership with "resident" entrepreneurs.

iii. Partnering through strategic alliances: the goal of this lever is to reach mutually beneficial agreements that also contribute to providing BBVA's customers with a better value proposition.

iv. Acquiring and investing: BBVA considers investing in companies of this type a form of accelerating its digital transformation and an excellent way to incorporate new

products and markets, not to mention talent and digital and entrepreneurial capabilities.

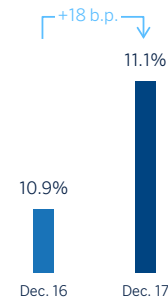
v. Venture capital: complementary to its strategic activities, BBVA invests, through the independent venture capital company, Propel Ventures Partners, in fintechs and startups which are "rethinking" the financial industry. BBVA's goal is not to control these companies but rather to play a role as an ally and/or advisor on all aspects where the company may need support, as such BBVA has taken minority stakes of up to 20%.

4. Optimize capital allocation

The objective of this priority is to improve the profitability and sustainability of the business while simplifying and focusing it on the most relevant activities.

During **2017** work has been undertaken to develop new tools to correctly measure the profitability of each activity. These tools are being incorporated in management and corporate processes, enabling the Group to continue making progress in terms of solvency. Accordingly, the fully-loaded CET1 capital ratio stood at 11.1% at the end of 2017, up 18 basis points on the close of the previous year.

CET1 fully-loaded (Year-on-year trend in basis points)

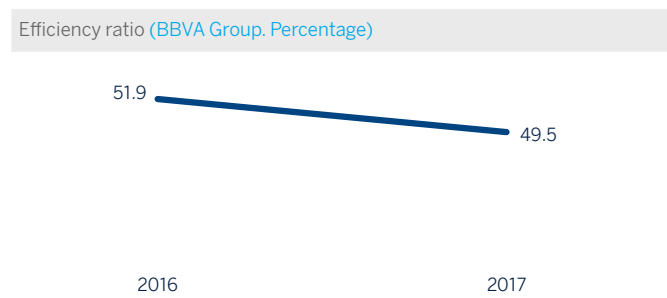


5. Unrivaled efficiency

In an environment of lower profitability for the financial industry, efficiency has become an essential priority in BBVA's transformation plan. This priority is based on building a new organizational model that is as agile, simple and automated as possible.

In this regard, in **2017** BBVA identified the key levers and developed the action plans necessary to make this change a reality. The Bank is thus transforming its distribution model, systems architecture, model of operations, organizational structures and processes. And it is doing so without losing sight of providing a new standard in customer experience.

In 2017, the efficiency ratio closed at 49.5%, below the figure of 51.9% in the previous year.



6. A first-class workforce

BBVA Group's most important asset is its people, which is why having "a first-class workforce" is one of the six Strategic Priorities. This entails attracting, selecting, training and retaining top-class talent wherever it may be.

BBVA Group has developed new people management models and ways of working which have enabled the Bank to keep transforming its operational model, but have also enhanced its ability to become a purpose-driven company: a company where staff are genuinely inspired and motivated to work for the same Purpose of: bringing the age of opportunity to everyone.

Our Values

BBVA engaged in an open process to identify the Group's values, which took on board the opinion of employees from across the global footprint and units of the Group. These Values define our identity and are the pillars for making our Purpose a reality:

1. Customer comes first

- **We are empathetic:** we take the customer's viewpoint into account from the outset, putting ourselves in their shoes to better understand their needs.
- **We have integrity:** everything we do is legal, publishable and morally acceptable to society. We always put customer interests' first.
- **We meet their needs:** we are swift, agile and responsive in resolving the problems and needs of our customers, overcoming any difficulties we encounter.

2. We think big

- **We are ambitious:** we set ourselves ambitious and aspirational challenges to have a real impact on peoples' lives.
- **We break the mold:** we question everything we do to discover new ways of doing things, innovating and testing new ideas which enables us to learn.

- **We amaze our customers:** we seek excellence in everything we do in order to amaze our customers, creating unique experiences and solutions which exceed their expectations.

3. We are one team

- **I am committed:** I am committed to my role and my objectives and I feel empowered and fully responsible for delivering them, working with passion and enthusiasm.
- **I trust others:** I trust others from the outset and work generously, collaborating and breaking down silos between areas and hierarchical barriers.
- **I am BBVA:** I feel ownership of BBVA. The Bank's objectives are my own and I do everything in my power to achieve them and make our Purpose a reality.

The implementation and adoption of these Values is supported by the entire Organization, including the Global Leadership, launching local and global initiatives which ensure these Values are adopted uniformly throughout the Group.

In conclusion, at BBVA we are accelerating our transformation in order to be the best bank for our customers.

Our Values



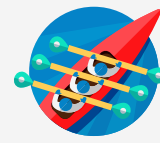
Customer **comes first**

- 👂 We are empathetic
- 🔑 We have integrity
- ✅ We meet their needs



We think **big**

- 🚩 We are ambitious
- 🔄 We break the mold
- 😊 We amaze our customers



We are **one team**

- ❤️ I am committed
- 🤝 I trust others
- 🏠 I am BBVA

Innovation and technology

BBVA is engaged in a process of digital transformation, the main aim of which is to achieve its aspiration of strengthening relationships with its customers and being the best possible bank for them. **Engineering** is an essential component of this transformation. Its mission has always been to enable a technology strategy that provides the foundation for this transformation, thus becoming more customer-centric and establishing a more global strategy, fast to implement, digital, flexible and leveraged on the Group's data. This must be done while continuing to provide support to the Bank's core business: catering to the demand for traditional business (multi-segment, multi-product, multi-channel, etc.); and b) contributing reliability, with the necessary tools to ensure adequate internal controls, based on consistent information and data. Another Engineering objective is provide the group with all the tools it needs to drive profitability, new productivity paradigms and new business processes.

The area's **responsibilities** continue to be focused on the lines of work that were indicated in 2016:

- A new technology stack to offer customers services that are more suited to their needs, in terms of speed and content.
- Alliances with strategic partners to harness cutting-edge technology, and the necessary collaboration to speed up the transformation process.
- Productivity and reliability, i.e. securing improved performance from technology, and doing so in a manner that is fully reliable and guarantees the highest quality standards.

New technology stack: cloud paradigms

With customers increasingly making use of digital channels, and therefore driving an exponential increase in transaction numbers, the Group is continuing to develop its **IT model** into a more uniform and scalable system, boosting cloud technology.

During **2017**, Engineering continued to construct and deploy the building blocks of the new global technological stack for the whole of BBVA. This stack shares the cloud attributes of flexibility and stability that are demanded by the digital world, while strictly complying with regulatory requirements. The first pilot projects have been executed on the blocks with good results. This new stack will enable real-time access, a new approach to data management and the optimization of processing costs, providing customers with a service that caters directly to their needs.

Strategic alliances

Engineering continues to encourage the creation of a network of strategic alliances, giving traction to BBVA's digital transformation and complement its technology stack. Establishing an **ecosystem of strategic alliances** with some of the leading businesses in the market ensures the adoption of innovative technologies, digitalization of the business, speed in activation, as well as global deployment of solutions. Furthermore, by building a network of technological alliances with strategic partners, BBVA will work in close cooperation with some of the foremost companies in their respective fields.

In **2017** alliances were established with relevant companies that will be responsible, on the one hand, for operating and optimizing BBVA's current technology and, on the other hand, for managing the communications infrastructure in a global manner.

Productivity and reliability

Engineering continues to focus on **productivity** as part of the transformation process. Greater productivity is needed to provide our customers with the best possible service while being profitable. The area is therefore working on the following:

- Technology transformation at two levels:
 - Hardware: creating lower-cost infrastructure components based on the cloud paradigm. There has been very significant progress in the use of this infrastructure in Spain, and Mexico is beginning to use it, resulting in an increase in productivity.
 - Software: multiple global functionalities have been constructed, reused by various of the Group's geographic areas, and construction continues on the technological stack with a high level of automation.
- Transformation of operations: an initial operations optimization exercise has been carried out with good results, and the necessary working methodology has been created to implement it throughout the whole Group. The first robotics activities have also been carried out in Spain.

It is crucial to obtain the best possible performance from infrastructures, architectures, operations and internal processes, and to do so in a way that is fully reliable.

Reliability remains another key factor for the Engineering function and digital transformation.

In **2017** programs have been executed to improve reliability, resulting in a reduction of the volume of incidents in the Group.

Responsible banking model

At BBVA we have a **differential** banking **model** that we refer to as responsible banking, based on seeking out a return adjusted to principles, strict legal compliance, best practices and the creation of long-term value for all stakeholders. It is reflected in the [Bank's Corporate Social Responsibility or Responsible Banking Policy](#). The Policy's mission is to manage the responsibility for the Bank's impact on people and society, which is key to the delivery of BBVA's Purpose.

All the business and support areas integrate this policy into their operational models. The Responsible Business Unit coordinates the implementation and basically operates as a second line for defining standards and offering support.

The responsible banking model is supervised by the Board of Directors and its committees, as well as by the Bank's Global Leadership Team, chaired by the CEO.

The four **pillars** of BBVA's responsible banking model are as follows:

- Balanced relations with its customers, based on transparency, clarity and responsibility.
- Sustainable finance to combat climate change, respect human rights and achieve the UN Sustainable Development Goals (SDGs).
- Responsible practices with employees, suppliers and other stakeholders.
- Community investment to promote social change and create opportunities for all.

During **2017**, the Group has worked on a climate change and sustainable development strategy which provides comprehensive coverage for the management of risks and opportunities deriving from the fight against climate change and the achievement of the Sustainable Development Goals (SDGs). BBVA's approach to these kinds of risks and opportunities are described in the section on [Sustainable finance](#).

Customer relationship

Customer experience

BBVA's main focus of attention is to satisfy its customers' needs and connect with them in a more attractive way that combines innovation, technology and experience. That is because a **new standard in customer experience** is one of the Group's Strategic Priorities, as explained in the Strategy section.

A customer-centric approach

There has been a radical change in the way clients interact with banks. "Do it yourself", new technologies and the desire of customers to be connected at any time and from anywhere is booming. In this changing scenario, BBVA has a clear strategy: to put the customer at the center of everything we do.

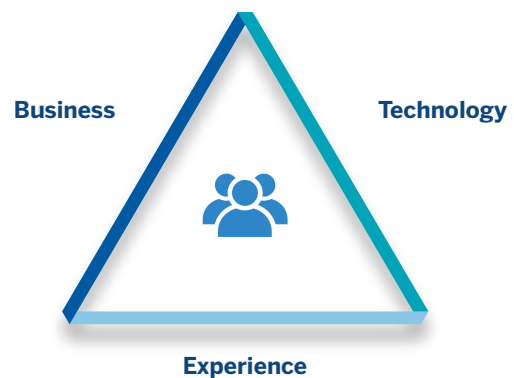
The objective of BBVA is to move from being infrastructure providers around the money to helping our clients in making financial decisions, providing them with relevant advice and solutions with greater added value. In short: at BBVA we want to have a positive impact on the lives of people and companies.

In addition, BBVA promotes a customer-centered mentality throughout the Organization, because it considers all its employees can have a positive effect on customers, regardless of the department they work in. That is why it is implementing new ways of doing things, such as design thinking method, intra-entrepreneurship, external collaboration, and other.

BBVA is also becoming an increasingly **global** bank through its focus on creating global products and experiences. This allows it to leverage best practices, wherever they come from. This model of creation is present in each global project, and is supported by two key elements: the **triangle** and **3-6-9**. It aims to offer incredible experiences to customers, while reducing execution time.

The **triangle** is formed by three vertices: business, customer experience and technology. It represents the connection between three disciplines in a single project: those responsible for the business, for user experience (designers and data experts) and for the responsables for technology (or software engineers).

Relationship model



The aim of the **3-6-9** methodology is to speed up the pace of creation and launch solutions onto the market in record time, starting from when teams are defined until the solution is made available to customers.

Net Promoter Score

Agility, simplicity and transparency are key factors that mark the improvement initiatives at BBVA Group to ensure that all customer interactions with the Bank are a positive experience.

The internationally recognized **Net Promoter Score** (NPS or Net Recommendation Index - IReNe) methodology calculates the level of recommendation, and hence, the level of satisfaction of BBVA customers with its different products, channels and services. This index is based on a survey that measures on a scale of 0 to 10 whether a bank's customers are positive (score of 9 or 10), neutral (score of 7 or 8) or negative (score of 0 to 6) when asked if they would recommend their bank, a specific product or a channel to a friend or family member. This is vital information for identifying their needs and drawing up improvement plans, on multidisciplinary teams work to create unique and personal experiences.

The Group's internalization and application of this methodology over the last six years has led to a steady increase in the customers' level of trust, as they recognize BBVA to be one of the most secure and recommendable banking institutions in every country where it operates.

In **2017**, BBVA ranked first in the NPS indicator in eight countries (seven in 2016): Spain, Mexico, Turkey, Argentina, Colombia, Peru, Venezuela and Paraguay. By channels, there was also an improvement in this indicator in both digital banking and branches, with the improvement experienced among digital customers being greater.

Net Promoter Score (NPS) (31-12-2017)

 Spain	#1	 Colombia	#1
 Mexico	#1	 Peru	#1
 Turkey	#1	 Paraguay	#1
 Argentina	#1	 Venezuela	#1

Peer Group: Spain: Santander, CaixaBank, Bankia, Sabadell, Popular // Mexico: Banamex, Santander, Banorte, HSBC // Turkey: Akbank, Isbank, YKB, Deniz, Finanz // Argentina: Galicia, HSBC, Santander Río // Colombia: Davivienda, Bogotá, Bancolombia // Peru: Interbank, BCP, Scotiabank // Paraguay: Continental, Itaú, Regional // Venezuela: Banesco, Mercantil, Banco de Venezuela.

TCR Communication

The Transparent, Clear and Responsible (TCR)

Communication project promotes transparent, clear and responsible relations between BBVA and its customers.

- T is for transparency: providing customers with all relevant information at the right time, maintaining a balance between benefits and costs.
- C is for clarity, meaning easy to understand. It is achieved by the Group through language, structure and design.

- R is for responsibility, and means looking after the customers' interests in the short, medium and long term.

The **objectives** are to help customers make informed decisions, improve customer relations with the Bank, look out for their interests and make BBVA the most transparent and clearest bank in all the markets where it operates. It also means BBVA can attract new customers and encourage existing customers to recommend it.

The project is **coordinated** by a global team together with a network of local TCR owners located in the main countries where the Bank operates, while its execution involves the participation of many of the Bank's areas and employees.

The project has two main **lines of work**:

- Implement TCR to transform the traditional bank, through the creation of product cards, the adaptation of the agreements to a TCR format, the amendment of the claims response letters and the follow up of the telephone sales and advertising of the Entity.
- Implement TCR in the new bank and progress in the training and change towards a TCR culture.

TCR indicators

BBVA has an indicator called the Net TCR Score (NTRCS), which measures the degree to which customers perceive BBVA as a transparent and clear bank in comparison with its peers in the main geographic areas where the Group operates.

In **2017** BBVA was in first place in six countries: Mexico, Turkey, Colombia, Peru, Venezuela and Uruguay.

Customer care

Complaints and claims

The BBVA Group has an appropriate claims management and service **model** that positively transforms customer experience. Customer opinions are gathered by digital feedback quickly and efficiently, allowing BBVA to anticipate any problems that they may have in real situations and meet their expectations. In this way, BBVA wants to respond precisely to its customers' demands, avoiding bad experiences that can harm its image and lose trust.

In line with the commitment to **digital transformation**, any type of opinion provided by the customer is examined, whatever its source (NPS, digital feedback, complaints, claims, etc.). In addition, BBVA is active in the social media, which gives it the opportunity to respond and manage negative comments from dissatisfied customers, and offer solutions to problems with simple, friendly, quick and above all personalized responses.

Main indicators of claims (BBVA Group)

	2017	2016
Number of claims before the banking authority (for each 10.000 active customers)	10.02	9.93
Average time for settling claims (normal days)	7	12
Claims settled by First Contact Resolution (FCR) (%)	31	37

The various **claims units** in BBVA Group are constantly evolving, optimizing processes and improving and developing new functionalities to which defined protocols are applied. All this will lead to greater efficiency in the service offered to customers.

In addition, work continues on a specific **site** for recording and monitoring the claims metrics. All the information related to complaints and claims is loaded into it, and it generates reports that analyze changes and behavior that is reported to senior management. The site also includes work on a system of alerts on the main claims indicators by country, designed to ensure compliance with the benchmark indicators based on the acceptable number of claims for each country.

The Group's claims units implemented **action plans** on a regular basis, in which the most important initiatives to be carried out were prioritized to solve the problems detected, based on understanding of the root causes identified in the claims analysis.

In short, BBVA's claims management is an opportunity to offer greater value to customers and increase their loyalty to the Group.

Customer claims in **2017** showed a growth trend compared to the previous year in Spain, a very focused increase in clauses related to mortgage loans. Mexico, with the biggest active customer base, is also the country with the biggest number of claims.

Number of claims before the banking authority (For each 10.000 active customers) ⁽¹⁾

	2017	2016
Spain	4.87	0.82
The United States	4.96	n/av
Mexico	16.12	19.87
Turkey	3.21	3.76
Argentina	2.68	1.90
Chile	5.55	5.90
Colombia	21.65	19.69
Peru	2.21	2.02
Venezuela	1.04	1.93
Paraguay	0.79	0.19
Uruguay	0.41	0.39
Portugal	34.84	43.66

n/av = not available

⁽¹⁾ The banking authority refers to the external body in which the customers can complain against BBVA.

The **average time for settling claims** in the Group has been reduced by nearly half, mainly due to the significant reduction in the average time for resolution in Mexico (from 13 days in 2016 to 4 in 2017).

Average time for settling claims by countries (normal days)

	2017	2016
Spain	25	15
The United States	3	n/av
Mexico	4	13
Turkey	2	1
Argentina	7	8
Chile	5	6
Colombia	4	4
Peru	12	15
Venezuela	13	4
Paraguay	6	5
Uruguay	8	6
Portugal	5	3

n/av = not available

The claims settled by the First Contact Resolution (FCR) model account for 31% of total claims, thanks to the management and attention of these claims are aimed to reduce the time of resolution and increase the quality service, improving so the customer experience.

Claims settled by First Contact Resolution (FCR, Percentage)

	2017	2016
Spain ⁽¹⁾	n/a	n/a
The United States	63	n/av
Mexico	38	40
Turkey ⁽²⁾	44	39
Argentina	27	34
Chile	6	18
Colombia	73	78
Peru	4	4
Venezuela	1	8
Paraguay	28	35
Uruguay	12	16
Portugal ⁽³⁾	n/a	n/a

n/a = not applicable

n/av = not available

⁽¹⁾ In Spain, is applicable a FCR type called IRR (Immediate resolution response) to credit card incidents, but not claims.⁽²⁾ In Turkey, the weighting is calculated by the total number of customers.⁽³⁾ This kind of management does not apply in Portugal.

Customer Care Service and Customer Ombudsman

The **activities** of the Customer Care Service and Customer Ombudsman in 2017 were carried out in accordance with the stipulations of Article 17 of the Ministerial Order (OM) ECO/734/2004, dated March 11, of the Ministry of the Economy, regarding customer care and consumer ombudsman departments at financial institutions, and in line with the new "Regulations for Customer Protection in Spain" of the BBVA Group approved by the Board of Directors of the Bank in 2015, regulating the activities and powers of the Customer Care Service and Customer Ombudsman.

The Customer Care Service processes **complaints and claims** addressed to both the Customer Ombudsman and the Customer Care Service itself in the first instance, except for matters falling within the powers of the Customer Ombudsman as established in the aforementioned regulation.

Activity report on the Customer Care Service in Spain

2017 was marked by a difficult environment, above all relating to the various clauses in mortgage loan agreements (arrangement fees), which have conditioned the figures for claims in the Spanish financial system. In addition, the Customer Care Service Department assumed the claims of all customers from Catalunya Bank, which were integrated into BBVA in September 2016, which resulted in a greater number of claims compared to the previous year.

Customer **claims** admitted by BBVA's Customer Care Service in Spain amounted to 174,249 cases in 2017, of which 171,146 were resolved by the Customer Care Service itself and concluded in the same year, which accounted for 98% of the total. A total of 3,103 cases remained as pending analysis.

On the other hand, 153,061 cases were not admitted to processing as they did not comply with the requirements of OM ECO/734. Practically 90% of the claims received corresponded to mortgage loans, mainly to expenses from the formalization of mortgages.

In 2016, the admitted claims amounted to 23,060 and the cases resolved and concluded amounted to 20,279, an 88% of the issues.

Claims handled by Customer Care Service by complaint type (Percentage)

Type	2017	2016
Resources	9	24
Assets products	79	27
Insurances	1	7
Collection and payment services	2	8
Financial counselling and quality service	2	7
Credit cards	4	10
Securities and equity portfolios	1	5
Other	2	12
Total	100	100

Claims handled by Customer Care Service according to resolution (Number)

	2017	2016
In favor of the person submitting the claim	29,041	7,071
Partially in favor of the person submitting the claim	90,047	2,830
In favor of the BBVA Group	52,058	10,378
Total	171,146	20,279

The claims management **model** and the principles governing the activity of the Customer Care Service are aimed at achieving recognition and trust on the part of the Group's customers, with the aim of increasing their satisfaction levels. The model operates from the origination stage, as the Customer Care Service sits on the committees presenting new products and services. In this way, possible customer dissatisfaction can be anticipated and avoided.

Additionally, in accordance with the recommendation of the regulatory body, progress continued in 2017 on the ambitious **training plan** that has been created for the whole team making up this Service. The aim is to guarantee the BBVA managers have the knowledge to improve identification of customer needs and contribute high added value solutions.

Report on the activity of the BBVA Group Customer Ombudsman in Spain

In 2017, the Customer Ombudsman maintained the goal common to the BBVA Group as a whole of unifying criteria and fostering the protection and security of customers, making progress in compliance with regulations on transparency and customer protection. With the aim of passing on effectively its reflections and criteria on matters subjected to its consideration, the Ombudsman meets with

areas and units in BBVA Group: Insurance, Pension Plan Manager, Business, Legal Services, etc.

The number of customer **claims** managed by the Customer Ombudsman for resolution in 2017 was 1,661. Of these, 121 were finally not processed as they did not meet the requirements set out in OM ECO/734/2004.

Claims handled by the Customer Ombudsman by complaint type (Number)

Type	2017	2016
Insurance and welfare product	600	590
Assets operations	367	305
Investment services	133	141
Liabilities operations	257	175
Other banking products (credit card, ATM, etc.)	140	100
Collection and payment services	69	63
Other	95	127
Total	1,661	1,501

The **type** of complaints managed in the table above follow the criteria established by the Complaints Department of the Bank of Spain in their requests for information.

Claims handled by Customer Ombudsman according to resolution (Number)

	2017	2016
In favor of the person submitting the claim	-	-
Partially in favor of the person submitting the claim	797	861
In favor of the BBVA Group	622	516
Suspended processing	8	-
Total	1,427	1,377

51.48% of the customers who submitted a claim to the Ombudsman in 2017 reported some level of satisfaction, either because of the decision of the Customer Ombudsman or its role as mediator between BBVA Group entities and customers.

Customers who are not satisfied with the Customer Ombudsman's response may refer the matter to the official **supervisory bodies** (the Bank of Spain, CNMV and the Directorate General of Insurance and Pension Funds). The number of claims submitted by customers to the supervisory bodies in 2017 was 127.

In 2017, BBVA Group continued to make progress in implementing the suggestions of the Customer Ombudsman related to adapting products to the profile of customers and the need for transparent, clear and responsible information. The recommendations and suggestions made by the Customer Ombudsman are focused on increasing the level of **transparency and clarity** of information that BBVA Group provides for its customers, both in its commercial products that it makes available to them, and in compliance with the orders and instructions issued by customers. The aim is to guarantee that customers understand the nature and risks of

the financial products that they are offered, that the product is adapted to the customer profile and that the information provided by the Entity is impartial and clear, including the advertising targeted at customers. To do so, the Group is employing the Transparent, Clear and Responsible (TCR) communication initiative for Responsible Business, providing as much data and documentation as necessary.

In addition, with the increasing digitalization of the products offered to customers and their growing complexity, a special sensitivity is required with some groups of customers that due to their profile, age or personal situation present a high level of vulnerability.

Operational risk management and customer protection

Security measures have been strengthened in 2017 as a result of the increase in cyber threats and cyber crime in general. Protection and prevention strategies have been applied to mitigate the risk of attacks and their possible impacts on internal and external resources.

A working **methodology** has been developed to allow the deployment of baselines (resources, capacities, plans and responsibilities) according to the different vectors of attack, based on four key elements: prevention, preparation, response and recovery. This working methodology forms part of a general framework that BBVA defined at the end of 2016 for the Group's organizational resilience, geared to:

- improving the procedures for detection, prioritization and escalation;
- improving the global capacity for reaction and response; and
- strengthening the technical teams in all the countries dedicated to cybersecurity and engineering risk management.

In addition, the capacities created by the Engineering Risk & Corporate Assurance (ERCA) committee have been consolidated in the area of **security** mechanisms, and specifically in the area of identification and authentication, allowing the Group to generate new customer experiences and improve existing ones. As a result of this work with a single team, together with the business areas, and with the precept that the customer is first, a significant increase in new experiences for customers has been noted, which allows BBVA to follow the path of the latest technological innovations offered by the major players.

A number of initiatives have been taken within the area of **business continuity**, in other words, incidents with a low probability of occurrence and very high impact, such as reviewing and updating the corporate regulations; continuing

with the implementation of the business impact analysis, with the resulting update of the continuity plans; and reviewing technological dependency on critical processes, informing the corresponding continuity committees of their results so they can be aware and improve response where necessary, in a scenario of unavailability due to failures in the information systems.

During **2017** numerous business continuity strategies have been activated in BBVA Group, among them related to the earthquakes in Chile, and particularly Mexico; those affecting the United States as a result of hurricanes and storms: Harvey in Texas, Irma in Florida and Stella in New York; the problems of social conflict in Venezuela; serious flooding in the north of Peru; and the torrential rains in the area of Mocoa, Colombia.

As regards **personal data protection**, there has been much work done in 2017 to implement the General Data Protection Regulation in BBVA Group, which will enter into force in 2018. Moreover, in compliance with one of the new requirements under the aforementioned Regulation, a Data Protection Officer for the BBVA Group was appointed.

With respect to the personal data **security** measures, and in line with the above, a supplementary organizational project was implemented to review and update all functions, processes, methodologies, classification models, controls, incident management, etc. and ensure they are adapted to the new Regulation.

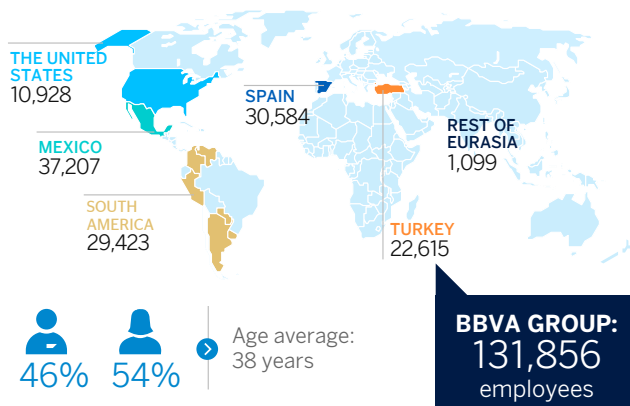
Staff information

Team management

BBVA's most important asset is its team: the people who make up the Group. That is why one of BBVA's six Strategic Priorities is **a first-class workforce**.

As of December 31, **2017**, BBVA Group had 131,856 employees located in over 30 countries, 54% of them women and 46% men. The average age of the workforce was 37.5 years. The average length of service in the Organization was 10.2 years, with a staff turnover of 7.3% over the year.

BBVA Group (December 2017)



In 2017, the number of the Group employees decreased (down 2,936). This reduction was due, to a large extent, to the transformation plans of the distribution model that are being carried out in countries, such as in Turkey, and to the efficiency plans that are being carried out in South America, within the framework of the current legislation in each country.

Over the last few years, BBVA Group has been incorporating talent from a series of capacities that were not usual in the financial sector, but which are key in the new era in which the Group is operating (specialists in data, customer experience, etc.). In addition, to accompany the transformation process, a new, more transversal, transparent and effective **people management model** is being developed, so that each employee may occupy the role that best suits his or her profile and contribute the greatest value to the Organization, with the greatest commitment, and training and growing professionally.

There has also been a transformation in **ways of working** over the last year, moving toward an agile model of organization, where the teams are responsible end to end for everything they do; constructing everything based on customer feedback and focusing on delivering solutions that best satisfy current and future customer needs.

BBVA understands corporate culture as a set of values, beliefs, policies, practices and conducts that are shared by the people in the Organization and that generate characteristics of identity differentiating it from other companies. This has been done by implementing the **Our Values** project.

For further information on the process of identifying and defining the three Values, see the section Our Values in the Strategy section.

Professional development

In the current context of transformation in the financial industry, all the evidence from the market demonstrates that the differential factor for assuming change is the **people** who form part of the organization. It is therefore crucial to have the best professionals available and to be capable of retaining them.

To achieve so, in 2016 a project was launched to create a new **people management model** in BBVA that allows it to guarantee the best professionals were available for each role: those capable of generating the greatest value, the most committed, those who could grow and learn; and that this should be possible with greater flexibility in managing the professional careers of employees, contributing greater transparency, simplicity and consistency. In 2017 the definition of the model was completed, and its implementation began through a number of pilot projects across the whole Group, reaching around 40,000 employees. The new model puts the BBVA employees at the center of their professional development, so that they have the tools allowing them to measure all their capabilities, detect whether there is an area for improvement and identify their growth opportunities within the Bank.

Selection and development

Throughout 2017, BBVA worked on transforming the Group's **selection model** with the aim of attracting and selecting the talent needed in the different units to provide the best possible experience to all those involved in the process, without giving up the levers of equal opportunities and objective criteria in processes of assessing what is required in specific job positions.

The transformation of this model means, generating a global framework of reference that provides uniform support to all the geographic areas in which the Group operates, and also enrichment of the teams with the incorporation of new professionals who arrive from talent communities that the Bank wants to attract. The use of **technology** and the implementation of new tools allow to streamline and standardized the selection processes, whose decisions are based on data analysis.

Thanks to the brand positioning actions and the launch onto the market of the professional options available in BBVA, more than 321,000 candidates have been attracted, of whom 57% were women and 43% men; and 75% were young people under the age of 30.

Over the year 19,151 professionals were incorporated into the Group, of whom 51% were young people under the age of 30.

The **internal mobility** model also experienced an important evolution aimed at putting the focus on the employees, implementing new policies based on transparency, trust and flexibility that will have to contribute to increase internal mobility, between areas and geographies, of the people who are part of BBVA.

Training

The **strategic training agenda** has put the emphasis on developing innovative initiatives that provide professionals with continuous learning, in such a way the new capacities and talent needed are developed to meet the challenges posed by the Bank's transformation. In 2017 online has been consolidated as the main channel in this respect, with 65% of the training given through it, making it possible to give an average of 39 hours of training per employee.

A special effort has also been made to structure a digital offering segmented by levels and available for the whole workforce. Around 11,500 employees around the world have taken part in the Design Thinking and Agile programs in their different forms. The course on Security in information teaches employees to detect possible cyber threats when processing information on mobile devices. This course has been taken for more than 21,000 professionals, in other words, 16% of the workforce.

Basic training data (BBVA Group)

	2017	2016
Total investment in training (million euros)	52.2	45.5
Investment in training per employee (euros) ⁽¹⁾	396	337
Hours of training per employee ⁽²⁾	39	39
Employees who received training (%)	84	91
Satisfaction with the training (rating out of 10)	8.6	8.8
Subsidies received from FORCEM for training in Spain (million euros)	3.1	2.7

Note: excluding Turkey in 2016, except for Investment in training.

⁽¹⁾ Ratio calculated considering the Group's workforce at closing.

⁽²⁾ Ratio calculated considering the workforce of BBVA with access to the training platform.

With respect to the legal requirements of the MiFID II (Markets in Financial Instruments Directive) on the knowledge required by employees who distribute information or advise on financial products and services in the European area, it is worth noting that 12,682 professionals are officially certified in Spain in the different forms authorized by the EFPA (DAF/EIP, EFA and EFP).

Self-development, which makes each employee responsible for his or her training experience, has meant the design of technological solutions in mobility that adapt to when, how

and where employees can choose to receive training. This has allowed specialized training resources to be made available openly to all, as a result of integration with external digital content platforms, thus accounting for more than 76,000 training hours.

Diversity and inclusion

BBVA is committed to **diversity** in its workforce as one of the key elements to attract and retain the brightest talent and offer the best possible service to its customers. This diversity, understood in the broadest sense, includes not only gender diversity but also generational, experiential, racial, ethnic and geographic diversity (among others).

In terms of gender diversity, women account for 54% of the Group's workforce. Women are in 48% of management positions, 31% of technology and engineering and 58% of the business and profit generating jobs.

To give greater external and internal visibility to women who are key in their areas of responsibility, as well as providing

incentives and supporting local initiatives in favor of gender equality, the initiative **Women@BBVA** was launched in 2017. It has given the chance to get to know BBVA professionals whose career paths have made them models both inside and outside the bank. A series of interviews sets out their main professional challenges, their leadership style, what characteristics they value most in their colleagues and why BBVA is an excellent place to develop their professional aspirations.

Meanwhile, BBVA continues to demonstrate its commitment to ensure the labor integration of people with different capabilities through the **Plan Integra**, which was conceived with the belief that employment is an essential pillar in achieving equal opportunity for everyone.

Progress is also being made on making the branches of the different banks making up the Group more accessible. The corporate headquarters of BBVA in Madrid, BBVA Bancomer in Mexico, BBVA Francés in Argentina and BBVA Chile are all accessible.

Workplace

BBVA conducts a general survey to measure the employees' commitment and to know their opinions. In 2017, the percentage of employee participation that BBVA has throughout the world was 87%, 13 points more than in 2016. One of the highlights of the results is the average of the 12 main questions of the survey, which was 4.02 out of 5, which represents an increase of 0.11 points with respect to 2016. Finally, the level of commitment of BBVA employees increased from 3.7 in 2016 to 4.4 in 2017. This improvement has been possible thanks to the more than 11,000 action plans that were agreed as a result of the previous year's survey.

Freedom of association and representation

In accordance with the different regulations in force in countries in which BBVA operates, the **employment rights and conditions** are included in the standards, agreements and arrangements subscribed, in this instance, with the corresponding employee representatives.

On matters of freedom of association and labor union representation, BBVA always aims for solutions via consensus. It places a very high value on dialog and negotiation as the best way of resolving any conflict in accordance with the pertinent local regulations in force where BBVA has its global footprint.

In BBVA Spain, the **collective agreement** for the banking sector is applicable to 100% of the workforce. There are also company agreements that complement and develop the provisions of this agreement and are signed with the labor unions representatives.. Labor union representatives sitting on company committees are elected every four years by personal, free, direct and secret vote and are informed of any relevant changes to the organization of work in the Bank, as provided for by the pertinent legislation currently in force.

Occupational health and safety

BBVA considers the promotion of health and safety as one of its basic principles and fundamental goals, which is served by means of the continuous improvement of working conditions.

The **occupational risk prevention** model in BBVA in Spain is a participative one, based on the right of workers to consult and participate, through their representatives in matters related to health and safety at work. Its application reaches 100% of the workforce throughout Spain.

The **safety policy** in Spain is carried out through the Occupational Risk Prevention Service, with activities such as the periodic assessment of occupational risks at work, specific assessment of workstations, the implementation of emergency and evacuation plans and coordination of preventive activities. It is also responsible for monitoring the health of workers through medical checkups, protecting vulnerable workers and adapting workstations with specific ergonomic material. In 2017 activities and campaigns were organized to improve the health of workers.

Occupational health (Spain)

	2017	2016
Technical preventive actions	2,655	2,420
Preventive actions to improve working conditions	3,429	2,981
Appointments for health checks	18,471	15,100
Employees represented in health and safety committees (%)	100	100
Absenteeism rate (%)	2.6	2.4

BBVA Occupational Health received recognition for good business practice in health promotion by the National Institute for Health and Safety at Work (INSHT), which complies with the requirements of the European Network for Workplace Health Promotion.

In **Mexico**, a number of campaigns were run in 2017 to promote awareness and prevention in occupational health and safety.

In **Turkey** a software was developed to manage all the processes related to occupational health and safety (OHS): risk assessment, monitoring of employee health, training programs, OHS unit committees, accidents at work, etc.

Argentina incorporated new workshops to the range of schemes for employees to promote healthy habits. In **Colombia**, promotion and prevention activities were carried out focused on the needs detected in the results of periodic medical examinations and the analysis of absenteeism. And in **Venezuela** the Integrated Health Center remained active, with periodic medical checkups have been given to nearly 1,000 workers.

Volunteer work

The BBVA **Corporate Volunteering Policy** manifests BBVA's pledge to activities of this type and provides employees with conditions for engaging in corporate volunteer actions that generate a positive social impact. The policy is applied in all countries.

The activities of corporate volunteering enhance the professional development of employees, channeling their spirit of solidarity, and allowing them to make a personal contribution of their time and knowledge to provide help for people who need it most. This improves self-esteem, increases the sense of pride in belonging to the company and thus has an effect on talent attraction and retention. It also generates a positive impact at the level of corporate social responsibility of the company.

In **2017**, nearly 8,000 employees took part in volunteering actions. These corporate volunteering activities are designed to boost initiatives arising from the employees themselves or coordinated by BBVA, in connection with education, primarily to boost financial education and thus support the strategic lines set out in the responsible banking model.

Ethical behaviour

Compliance system

The Group's **compliance system** constitutes one of the bases upon which BBVA consolidates its institutional pledge to conduct all operations and businesses in accordance with strict codes of ethical conduct.

A basic element in BBVA's compliance system is the [Code of Conduct](#), updated in 2015 and available on BBVA's corporate website ([bbva.com](#)).

In line with the principles set by the Bank for International Settlements (BIS) and the reference regulations in this area, the Compliance Unit continues to organize its activity around the development and implementation of policies and procedures; communication and training; and the identification, assessment and mitigation of potential compliance risks, understood as those that affect the following issues:

- Prevention of money laundering and terrorist financing (PML&TF).
- Conduct with customers.
- Conduct on securities markets.
- Dealing with conflicts of interest.
- Prevention of corruption and bribery.

The **model** of compliance risk assessment and management associated with these matters is global in nature. It is not a static concept; it evolves over time, strengthening those elements and pillars on which it is based and anticipating any new developments and initiatives that may arise in this field.

This model is built on the following basic **pillars**:

- A suitable organizational structure with a clear assignment of roles and responsibilities throughout the organization.
- Policies and procedures that clearly define positions and requirements to be applied.
- Mitigation processes and controls applied to enforce these policies and procedures.
- A technology infrastructure focused on monitoring and designed to guarantee the above objective.

- Communication, training systems and policies implemented to raise employee awareness of the applicable requirements.
- Metrics and indicators that allow the supervision of the global model implementation.
- Independent periodic review of effective model implementation.

During **2017** the documentation and management of the model continued to be improved through a set of technological tools and improvements to the internal processes in the different countries. With respect to the digital transformation activities, it should be noted that during 2017 the supervision and advice governance teams that operate from Compliance Units were also strengthened. In addition, with the aim of the new European data protection regulations, during 2017 the activities and programs related to personal data protection developed by the Compliance Unit began to be integrated within BBVA's Legal Services function, in which the position of data protection officer (DPO) was created.

Prevention of money laundering and terrorist activity financing

Prevention of money laundering and terrorist financing (hereinafter PML&TF) constitutes above all an ever-present objective that BBVA Group associates with its pledge to make improvements in the different communities in which it operates.

For BBVA, ensuring that its products and services are not used for illegal purposes likewise constitutes an essential requirement for safeguarding its corporate integrity, and thereby one of its main assets, namely, the trust of the people and institutions it deals with on a day-to-day basis (customers, employees, shareholders, suppliers, etc.) in the different jurisdictions where it operates.

To achieve the above objective, as a global financial group with branches and subsidiaries that operate in numerous countries, BBVA adopted a corporate **model** for managing the risk associated with PMN&TF. This model is applicable to

all of the entities forming part of BBVA Group within the scope of PML&TF and not only takes into account regulations on prevention of money laundering in the jurisdictions in which BBVA operates, but also incorporates the best practices in the international financial industry in this regard, as well as the recommendations issued by international institutions such as the FATF (Financial Action Task Force). This management model is constantly evolving. In particular, risk analysis ensures that controls can be tightened and any additional mitigating measures that may be required to enhance the model can be implemented.

The risk management model of PLD&TF is subject to continuous independent **review**. Pursuant to Spanish regulations, an independent expert annually audits the BBVA Group matrix. This review is complemented by internal and external audits carried out by local supervisory bodies, both in Spain in other jurisdictions.

During 2017, BBVA continued to deploy the new **monitoring tool**, in Spain, Turkey and Mexico. The Group also began to apply new technologies to enhance PML&TF (for example, identification of customers through videoconference using facial recognition techniques). It carries out ongoing analysis of opportunities for applying new technologies (machine learning, artificial intelligence, etc.) to strengthen both the capacities to detect suspicious activities of the different entities making up BBVA and the efficiency of the PML&TF processes.

In addition, the different entities in BBVA Group in various jurisdictions were selected by local authorities to participate in a mutual **review** process carried out by FATF-GAFI.

Also worth noting BBVA's collaboration with the different governmental bodies and international organizations in this field.

In the area of **training** related to PML&TF, each of the BBVA Group entities has an annual training plan for all its employees. T.

Conduct with customers

BBVA's Code of Conduct places the customers at the center of its activities, with the aim of establishing lasting relations based on mutual confidence and the contribution of value.

To achieve this objective, BBVA has implemented **policies and procedures** to get to know its customers better, with the aim of being able to offer them products and services in line with their financial needs, as well as providing them with clear and accurate information, sufficiently in advance, on the risks of the products in which they invest. BBVA has also implemented processes geared to prevention, or where this is not possible, management of the possible conflicts of interest that may arise in the marketing of its products.

During **2017**, the Compliance Unit focused its activity on adapting its rules and processes for the entry into force in 2018 of the new regulations on investor protection in the securities markets, such as the EU Markets in Financial Instruments Directive (MiFID II) and Regulation on Packaged Retail and Insurance-Based Investment Products (PRIIPs). During the year work also began to adapt to the European Union directives on distribution of insurance and real-estate credit.

Also of note is progress in the implementation of a **global model of customer compliance** that aims to establish a minimum framework of rules of conduct to respect in relation to customers, applicable in all jurisdictions and in line with the principles of BBVA Group's Code of Conduct.

In addition, in **2017** the Compliance Unit carried out training courses for employees in its territorial units and its network of agents to achieve a better level of knowledge of the rules of conduct applicable to the customer products with particular focus on retail customers. Within the work for adapting to the new MiFID II Directive on knowledge and competence of the personnel that offers information or advice, BBVA S.A. has established a program of training and accreditation of the knowledge that the personnel must have to inform or advise on financial instruments.

Conduct on securities markets

Integrity in market activity is one of the commitments of BBVA's Code of Conduct to the values making up the corporate culture of BBVA Group. For this purpose it establishes the general guidelines for action designed to preserve the integrity of the markets, which include standards and principles geared to the prevention of market abuse and guaranteeing their transparency and free competition.

The [Policy for Conduct in the Securities Markets](#) includes the principles and general criteria for action designed to uphold BBVA's integrity in the markets. Specifically, this Policy contains the minimum procedural guidelines regarding the treatment of privileged information, prevention of price manipulation, management of potential conflicts of interest and own account trading by employees.

It is worth noting in this respect that in 2017 the Policy and the [Internal Regulation on Conduct in Securities Markets](#) was updated, incorporating the regulatory changes derived from the Market Abuse Regulation, as well as best practices in the industry. As well as this, during the year the capacities of processes and tools for the detection of suspicious operations initially implemented in 2016 continued to be enhanced. There was also stronger compliance with the U.S. Dodd-Frank Act in terms of BBVA's condition of swap dealer, with the development of a General Swap Dealer Policy that covers all the aspects of the Act.

From the point of view of **prevention of market abuse**, and as an additional measure for strengthening the body of policies and procedures covering this matter, the training of employees continued to be one of the unit's priorities. In 2017 training actions were implemented for the areas and professionals with greatest exposure to market activity, including courses on privileged information for sales and market analysis teams in Corporate & Investment Banking and on market manipulation for trading and sales teams specializing in currency trading.

Other standards of conduct

The Code of Conduct, together with other internal policies and rules, develop the aspects related with the prevention of money laundering and terrorist financing, commitments with respect to politically exposed persons and those relating to conduct in business.

One of the main mechanisms for managing conduct risk in the Group is its **whistleblowing channels**. As set out in the Code of Conduct, BBVA employees have the obligation not to tolerate any conduct that is contrary to the Code, or any conduct in the performance of their professional duties that may harm the reputation or good name of BBVA. This whistleblowing channel is a means for enabling employees to report any breaches they observe or are notified by their collaborators, customers, suppliers or colleagues. The channel is available 24/7 and is also open to the Group's suppliers. The reports are processed diligently and promptly. They are checked and measures are taken to resolve any issues. The information is analyzed in an objective, impartial and confidential manner.

The work carried out in **2017** included ongoing advice on applying the Code of Conduct. In particular, individual written and phone queries were responded to in the Group. Basically, they focused on potential conflicts of interest in matters such as managing personal assets or engaging in professional activities. During the year, BBVA continued its work on communication and dissemination of the new Code of Conduct, as well as training related to its contents.

In addition, since the introduction in Spain of the new regulations on the criminal liability of legal entities, BBVA has been operating in accordance with the legislation in force by establishing effective systems of supervision and control geared to preventing employees from committing crimes. This has been done through the establishment of a specific model of criminal prevention implemented in all the companies controlled by BBVA S.A. in Spain.

Among the possible crimes included in the crime prevention model are those related to **corruption and bribery**, as there are a number of risks that could arise in this respect in an entity of the nature of BBVA. Among these risks are those

related to the following activities:

- Acceptance or delivery of gifts or personal benefits and invitations to events, or similar.
- Payments for facilitating activity.
- Political contributions.
- Donations.
- Sponsorship activities.
- Handling of corporate and travel expenses.
- Hiring of employees.
- Contracting of suppliers, agents or intermediaries.
- Mergers, acquisitions or joint ventures.
- Accounting and registration of transactions.

To regulate the identification and management of risks, BBVA has a body of internal regulations made up of principles, policies and other internal arrangements, including:

Principles:

- Principles applicable to the disinvestment processes for BBVA Group goods or services in favor of Group employees.
- Principles to be applied to those involved in BBVA's procurement process.

Policies:

- Policy for the prevention and management of conflicts of interest in BBVA.
- Responsible procurement policy.
- Policy of events and acceptance of gifts related to sporting events of relevance.
- Corporate travel policy.

The **anti-corruption framework** in BBVA is not only composed of this body of regulations, but also has a program that includes a risk map, as well as i) a set of mitigation measures aimed at reducing this risk; ii) procedures for action in case of situations of risk; iii) training programs and plans; and iv) indicators geared to the knowledge of the risk situation and its mitigation and control framework.

In addition to the above, BBVA has established other specific instruments for **managing core commitments** in each functional area. The most salient of these are:

- The Compliance Statute.
- Basic principles of risk management and the Risk Management Policy Manual.
- Rules on dealing with individuals and entities of public importance in matters of financing and guarantees.

Within the general training program in this area, there is an online course that describes matters such as the basic principles related to the Group's prevention framework on anti-corruption that reminds employees of BBVA's **zero tolerance** commitment with respect to any form of corruption or bribery in its business activities.

It is worth noting that in 2017 BBVA was the first financial institution to obtain an AENOR certificate accrediting that its system for managing criminal compliance is in accordance with UNE 19601:2017 Standard published in May 2017.

Other basic commitments acquired by the Group are:

- [Rules of Conduct in Defense.](#)
- [Environmental Policy.](#)
- [Responsible Procurement Policy.](#)
- [Commitment to Human Rights.](#)

Commitment to human rights

BBVA has a commitment to human rights and work was performed to update it throughout 2017. This involved carrying out a due diligence process in all BBVA's business and support areas across the Group's whole footprint. This process has been carried out taking as a reference the guidelines on the Guiding Principles on Business and Human Rights, endorsed on June 16, 2011 by the United Nations Human Rights Council. It has also been anchored in the BBVA's Purpose: to bring the age of opportunity to everyone. The materiality analysis carried out by the Group among its stakeholders makes clear that the main issues they are concerned with are related to human rights. Combined with this, BBVA has wanted to mitigate any reputational risk related to human rights, and to respond to demands by consumers, investors, analysts and civil society on the role of companies in this highly significant issue.

The Guiding Principles mentioned above are based on three **pillars**:

- The State duty to protect human rights;
- The corporate responsibility to respect human rights;
- The joint duty to find mechanisms that ensure remedy in the case of any abuse of human rights.

To comply with these Principles and with the responsibility to prevent, mitigate and remedy the potential impacts on human rights in all its areas of operation and all its businesses, BBVA has begun a process in which it has:

- identified the potential impacts of its operations on human rights;
- designed mechanisms within the Company to prevent and mitigate them;
- set up adequate channels and procedures to ensure that in the case of human rights violations there are sufficient measures in place to ensure remedy for the people affected.

Based on an analysis of the different areas in the Group and a study of the corporate culture, the Bank's processes, its policies and mechanisms for handling claims and complaints, the **issues** on which BBVA has room for maneuver have been identified. These issues have been prioritized and set out in an action plan.

The main responsibility for applying this commitment relies with each area and each employee in the Organization. They have the duty to know the issues within their area of responsibility that may imply a violation of human rights and apply the due diligence to avoid them. Employees are also

subject to the Bank's Code of Conduct and each country's legislation. The Responsible Banking area is in charge of the design, implementation and improvement of the commitment, as well as acting as a second line of defense for the rest of the areas; in this it shares duties with Legal Services and Regulatory Compliance.

In addition to this commitment to human rights, the Bank has a number of **policies and regulations** that help strengthen compliance, which include:

- BBVA's Code of Conduct, as mentioned above in the section on Compliance;
- the Housing Policy in Spain;
- the Responsible Procurement Policy;
- the Equator Principles, which is developed in the section on Management of environmental and social impacts.

The Housing Policy in Spain

In Spain, the comprehensive plan to provide solutions to families in difficulties implemented by BBVA since the beginning of the crisis has been consolidated under BBVA's Social Housing Policy, whose main **aim** is to help customers keep their homes.

This plan is divided into three core **areas**:

- Offering solutions to all families with difficulties to pay their mortgage loans.
- Ensuring that any family that is a BBVA customer and at risk of exclusion has a home and is not evicted.
- Supporting families through employment programs that enable customers to regain their confidence and self-esteem.

In February 2012, BBVA decided to voluntarily adhere to the Code of Good Practices approved by the Government, which had the objective of granting benefits to families at risk of exclusion who had contracted a mortgage loan. With the approval of Royal Decree-Law (RDL) 27/2012, the Law 1/2013 and, finally, the RDL 1/2015 and the Law 9/2015, BBVA decided to proactively inform all its customers, engaged in a foreclosure process, of the existence of the above mentioned regulations and the extent of their effects, so that they could benefit from the advantages set out. A total of 2,676 homes are assigned to public entities.

BBVA is seeking at every refinancing option available in accordance with the customers' ability to pay, in order to

allow them to keep their homes. The Group has done this for 60,900 customers so far. Any situation can be referred to the Committee for the Protection of Mortgage Debtors for review. It analyzes every case in which the customers or their families face the risk of exclusion without legal protection, and provides individual solutions in accordance with each family's specific circumstances (refinancing, debt remission, dation in payment, rented social housing in the debtor's own home or the Bank's available homes, etc.).

In this context, since the beginning of the crisis, BBVA has agreed more than 16,500 dations in payment with its customers (including dations involving products such as mortgage loans, consumer finance, etc.).

Responsible Procurement Policy

BBVA aims to integrate ethical, social and environmental factors in the supply chain for which it is responsible. That is why in 2017 it has drafted an Ethical Code for Suppliers, which defines the minimum standards of behavior in ethical, social and environmental conduct that suppliers are expected to comply with when they provide products and services.

The Responsible Procurement Policy establishes that during the procurement process special attention should be paid to comply with the legal requirements applicable with respect to human rights, employment rights, rights of association and environmental rights by all those affected by this process, and to involve them in the Group's efforts aimed at preventing corruption. Likewise, the aim is to ensure that the choice of suppliers is adapted to the internal rules in place at any time, and in particular aligned to the values of the Group's Code of Conduct, based on respect for the law, commitment to integrity, competition, objectivity, transparency, value creation and confidentiality.

The Responsible Procurement Policy also establishes as one of its principles to "raise awareness in social accountability of staff and other stakeholders involved in the Group's procurement process."

Sustainable finance

Banks play a crucial role in the **fight against climate change**, thanks to their unique position in mobilizing capital through investment, loans and advisory functions. Although most banks have worked in recent years to mitigate the direct impacts of their activity, there are other very important ways they can contribute to this challenge: first, by providing innovative solutions to their customers to help them move to a low-carbon economy and by promoting sustainable finance; and second, by systematically integrating social and environmental risks into decision-making.

BBVA's commitment to sustainable development is reflected in its [Environmental policy](#), which is global in scope.

During **2017**, BBVA has worked on its strategy on climate change and sustainable development. The strategy covers comprehensive management of the risks and opportunities deriving from the fight against climate change and the resolve to achieve the Sustainable Development Goals (SDGs).

This strategy is based on a threefold **commitment** to 2025:

- First, a commitment to finance, which contributes to the mobilization of the capital needed to halt climate change and achieve the SDGs.
- Second, a commitment to mitigate the social and environmental risks derived from the Bank's activity, to minimize their potential direct and indirect negative impacts.
- And finally, a commitment to engagement with all the stakeholders involved in the collective promotion of the role of the financial industry in sustainable development.

As of December 31, 2017, the accompanying Annual Financial Statements of the BBVA Group do not include any material item that would warrant inclusion in the environmental information document set forth in the Ministry of Justice Order JUS / 471/2017, of May 19, which approves the new models for the presentation in the Companies Registry of the financial statements of the subjects bound to its publication.

Sustainable financing

Sustainable bonds and loans

Sustainable bonds and loans are instruments used for channeling funds to finance our customers' projects in sectors such as renewable energies, energy efficiency, waste management, water treatment and access to essential goods and services such as homes or inclusive finance.

BBVA has the knowledge and experience to provide its customers with comprehensive advice on sustainable financing solutions through both bonds and loans, and it is also playing a relevant role in the development of this market. Since 2014 BBVA is signatory of the **Green Bond Principles**, a series of voluntary guidelines that establish the issuance transparency requirements and promote integrity in the development of the green bond market. In addition, since 2017, it has also formed part of the working group that is developing the Green Lending Principles, an initiative of the Loan Market Association adapted to the needs in the case of loans.

In **bonds**, the Bank has been very active in the green bond market in the Iberian Peninsula in 2017. It is a globally recognized institution, having advised, placed and structured green bonds for customers in a variety of sectors in Mexico, the United States and Europe in both local currency and euros and U.S. dollars.

On another note, **green loans** are beginning to take off in the market. In 2017, the Bank has been very active as structuring bank, with a total of ten operations.

Financing sustainable projects

BBVA has been supporting the **renewable energy** sector for years. Thus, in 2017, the Group financed projects of this type with a total installed capacity of more than 700 MW, for a total volume of €218m.

Among the highlighted operations of **2017** are the financing of seven wind farms in Portugal, two in Italy and Spain and one photovoltaic plant in Mexico. Moreover, in 2017 the Bank also financed social infrastructure projects for an amount of €333m.

Socially Responsible Investment

BBVA assumed its **commitment** to Socially Responsible Investment (SRI) in 2008 when it joined the United Nations **Principles for Responsible Investment** (PRI) through the employee pension plan and one of the Group's major asset management companies, Gestión de Previsión y Pensiones.

The **goal** at the time was to start building BBVA's own SRI model from the ground, with the initial implementation focused on employment pension funds. Nine years later, the Group continues to work on improving its model, making it more complete and solid every day.

During **2017**, BBVA Asset Management (BBVA AM) continued to adapt to the market and changes in it, working to extend and improve the SRI solutions offered. Among them are the training solutions in place, such as events streamed and available via its **website** and the regular newsletters addressing SRI matters, which are also posted on the **BBVA AM website**; and in particular through personal meetings with its customers to address their specific concerns in this field.

BBVA AM's SRI model has implemented the following **strategies**:

- Integration of ESG criteria in the investment process.
- Exclusion: Rules of Conduct in Defense.
- ESG analysis of third-party funds.
- Engagement and exercise of voting rights.

Financial inclusion

BBVA is aware that greater financial inclusion has a favorable impact on the welfare and sustained economic growth of countries. The fight against financial exclusion is therefore consistent with its ethical and social commitment, as well as its medium-term and long-term business objectives. For this purpose, the Group has developed a financial inclusion (FI) business **model** to cover the low-income population in emerging countries within its global footprint. This model is based on the development of a responsible business model that is sustainable in the long term, shifting from a model that is intensive in human capital and of limited scalability to a scalable strategy that is intensive in alternative and digital channels with a multi-product focus. In short, this model is based on:

- the use of new digital technologies,
- an increase in products and services offered through non-branch platforms,
- innovative low-cost financial solutions designed for this segment.

At the end of 2017, BBVA had more than 8 million active customers in this segment.

Management of environmental and social impacts

Social, environmental and reputational risks

As a financial institution, BBVA has an **impact** on the environment and society: directly through the consumption of natural resources and its relationship with stakeholders; and indirectly through its credit activity and the projects it finances.

These **non-financial risks** may affect the credit profile of borrowers or the projects financed by the Bank. To manage such risks, BBVA takes into account environmental, social and reputational aspects in its risk management, alongside traditional financial variables.

In **2017**, BBVA worked with a number of areas involved in the development of new standards for the mining, energy, infrastructure and agricultural business sectors, and a new improved process of due diligence that can assess new operations, customers or products with criteria that are aligned with BBVA's strategy of climate change and sustainable development.

1. Equator Principles

The energy, transport and social services infrastructures that boost economic development and create jobs can have an impact on the environment and society. BBVA is **committed** to managing the financing of these projects in order to avoid and reduce their negative impacts and boost their economic, social and environmental value.

All the decisions on project finance are based on the criterion of **return adjusted to principles**. Placing people at the core of the business implies dealing with stakeholder expectations and the social demand to fight against climate change and respect human rights.

In line with this commitment, BBVA adhered to the **Equator Principles** in 2004. Based on the International Finance Corporation's (IFC) Policy and Performance Standards on Social and Environmental Sustainability and the World Bank's Environmental, Health and Safety guidelines, the Equator Principles are a set of standards for managing environmental and social risks in project finance. These principles have set the benchmark for responsible finance.

During **2017**, the Group contributed to their development and dissemination as a member of the working groups in which it participates and has been one of the eleven signatories to the letter sent to the Equator Principles Association, in which it urged measures to be taken to tighten the environmental and social due diligence requirements for project finance.

The Corporate & Investment Banking (CIB) Sustainable Finance and Reputational Risk team is responsible for analysis of the projects, representation of the Bank before its stakeholders, accountability to senior management, and the design and implementation of the management system, proposing the adoption of best practices and contributing toward training and communication on matters related to the Equator Principles.

The application of the Equator Principles in BBVA is integrated into the internal processes for structuring, admission and monitoring of transactions, and is subject to regular controls by the Internal Audit Department.

In 2017, BBVA took the decision to enhance its **due diligence procedures** associated with the financing of projects whose development affects indigenous communities. When this occurs, the free, prior and informed consent (FPIC) by these communities must be taken into consideration, regardless of the geographic location of the project. This means extending the current demands of the Equator Principles, which limits this requirement to countries classified as "non-designated", leaving out the "designated" countries (those that are considered to have a robust legal system and an institutional capacity that provides sufficient guarantees of environmental protection and their people's social rights). BBVA is one of the ten banks that in 2017 called on the rest of the banks adhering to the Equator Principles to support the adoption of amendments in this respect.

Details of the Equator Principles operations analyzed (BBVA Group)

	2017	2016
Number of operations ⁽¹⁾	22	32
Total Amount (million euros)	7,069	6,863
Amount financed by BBVA (million euros)	1,054	1,451

⁽¹⁾ Within the 22 analyzed operations, 9 are into Equator Principles Scope and the other 13 are analyzed voluntarily by BBVA under the same criteria.

2. Eco-rating

The Eco-rating tool is used to rate the risk portfolio of SMEs from an environmental point of view. This is done by assigning a level of credit risk to each customer in accordance with a combination of several factors such as location, polluting emissions, consumption of resources, potential to affect the environment and applicable legislation.

3. Reputational risk management

Since 2006, BBVA has had a **methodology** in place for identifying, evaluating and managing reputational risk. Through this methodology, the Bank regularly defines and

reviews a map in which it prioritizes the reputational risks it faces, together with a set of action plans to mitigate them.

This prioritization is carried out according to two **variables**: the impact on stakeholder perceptions and the strength of BBVA's resilience to risk.

This reputational exercise is carried out in each country, and the integration of all of them provides a consolidated view of the Group. In addition, since 2017 a specific exercise has been carried out for the CIB EMEA area.

This exercise has been performed since 2015 using a computer **tool** that allows risks to be assessed by the competent areas.

The main milestones related to reputational risk management in **2017** were:

- Strengthening of the reputational risk model with the establishment of the position of Corporate Reputation Specialist, integrated into BBVA's model of three lines of defense.
- Participation of the Reputational Risk Department in

the 2017 corporate Risk Assessment processes and in estimating the impacts of the scenarios in the recovery plan.






- Global Risk Management calculated reputational risk capital for the first time.
- Integration of key risk indicators into the reputational risk management tool with the aim of improving risk monitoring.
- Integration of CIB into the reputational risk management model.

Eco-efficiency

BBVA also assumes its commitment to mitigate the direct impacts of its activity. These impacts are fundamentally those derived from the use of its buildings and offices around the world.

During 2017, BBVA has continued to work on its third **Global Eco-efficiency Plan** (GEP), focused on positioning the Group among the leading entities at global level in terms of eco-efficiency. The GEP establishes the following strategic areas and global targets for the period 2016-2020, continuing on from the two previous plans that were begun in 2008 and 2012, respectively, and setting the following targets:

Global Eco-efficiency Plan

Vectors	Strategic guidelines	Global target
 Environmental management and sustainable construction	% occupants in certified buildings	42%
 Energy and climate change	Consumption per occupant (kWh/occup)	-5%
	% of clean energy	48%
	CO ₂ eq emissions per occupant (tCO ₂ eq/occp)	-8%
 Water	Consumption per occupant (m ³ /occup)	-5%
	% occupants in buildings with alternative water sources	9%
 Paper and waste	Paper consumption per occupant (kg/occup)	-5%
	% occupants in buildings with separate waste collection	30%
 Extension of the commitment	Awareness campaigns for employees and supplier	

Goals per person

During **2017** a number of the **goals** set have been achieved, such as the percentage of people in certified buildings, in buildings with alternative water sources and with selective collection of waste, which have already reached 42%, 11% and 41%, respectively. The evolution of the GEP indicators in the last year is reflected in the table below:

Main GEP indicators		
	2017	2016
People working in certified buildings (%) ⁽¹⁾	42	40
Electricity usage per person (MWh)	5.9	5.8
Energy coming from renewable sources (%)	27	25
CO2 emissions per person (T)	2.2	2.1 ⁽²⁾
Water consumption per person (m ³)	23	21.1
People working in buildings with alternative sources of water supply (%)	11	10
Paper consumption per person (T)	0.1	0.1
People working in buildings with separate waste collection certificate (%)	41	32

⁽¹⁾ Including ISO 14001 and LEED certifications.

⁽²⁾ This figure has been adjusted according to update of the emissions factor applied.

Note: indicators calculated based on employees and external staff.

To achieve these targets, BBVA continued its efforts to minimize its **environmental footprint** through initiatives in all the countries where the Group is present, most notably:

- Improvement in efficiency in the air conditioning and lighting systems of buildings and branches.
- Remodeling of some headquarters.
- Adaptation to ISO 14001:2015 of the Environmental Management System certifications under ISO 14001. In total, 1,034 branches and 79 of the Group's buildings around the world possess this certification.
- Achievement of LEED Platinum certification in two new buildings. In addition to the 19 BBVA buildings that have already received it.
- Participation in the Earth Hour campaign in 177 cities around the world.

Engagement

BBVA is participating in major international sustainable development initiatives (UN Global Compact, Equator Principles, Principles for Responsible Investment, United Nations Environment Programme Finance Initiative, Thun Group of Banks and Human Rights, Green Bond Principles and Social Bond Principles), and has been committed, since 2017, to achieve the United Nations Sustainable Development Goals (SDGs). BBVA is also part of the pilot group of banks that have committed to implement financing and climate change recommendations that were published in July by the Financial Stability Board in the framework of the G20.

Sustainable Development Goals

On September 25, 2015, the world leaders adopted 17 **SDGs** to protect the planet, fight poverty and try to eradicate it and to achieve a prosperous world for future generations. These goals are part of the 2030 Sustainable Development Agenda. The aim is to involve everyone: governments, companies, civil society and individuals. Each goal, set out with a specific purpose, has in turn a number of targets to be achieved; and each target has its own indicators that serve to determine the level of achievement of each goal.

Given its broad spectrum of business, **BBVA** contributes to a number of SDGs, together with the BBVA Microfinance Foundation and the different geographic areas in which it operates. To respond to the obligations it has imposed on itself as a bank, BBVA has defined its strategy for climate change and sustainable development that orders its different commitments and relates them directly to the SDGs. In this way, BBVA aims to respond to the commitments of the 2030 Agenda, but at the same time to take advantage of the business opportunities derived from compliance.

Task Force on Climate-related Financial Disclosures (TCFD)

BBVA is **committed** to mitigating the impacts derived from climate change and to integrating these risks into its risk management model. To further this end, it has joined the pilot group of banks working under the tutelage of the UN Environment Program - Finance Initiative (UNEP FI) to implement the recommendations of the Task Force on Climate Related Climate Disclosures, created by the Financial Stability Board (FSB).

This pilot group of 16 banks aims to analyze how **climate change** affects the banking industry in its governance model, strategy and risk model.

Over the next two years (2018-2019), a number of possible climate change scenarios will be used to determine how global warming will affect the banking business. The basic aim of the working group will be focused on analyzing **risks**, whether physical (associated mainly with the direct effects of climate change) or transitional (regulatory, technological or social changes), and how these form part of each entity's risk model.

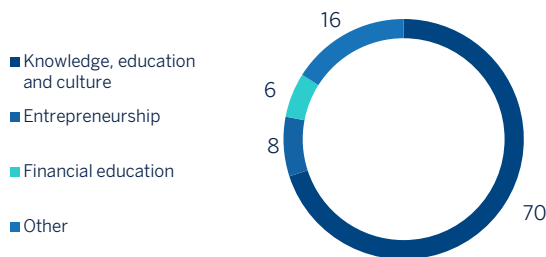
Currently, the group is working to determine the **sectors** on which the analysis will focus, together with the geographic areas of analysis on which the pilot program will be run.

Contribution to society

Investment in social programs

In **2017**, BBVA allocated €103m to social projects. This figure accounts for 2.9% of the Group's net attributable profit.

Investment in social programs by focus of actions (Percentage)



Investment in social programs by geographical area and Foundation (Thousand euros)

	2017	%	2016	%
Spain and corporate areas	24,728	24	16,923	16
The United States	9,042	9	8,732	8
Mexico	26,847	26	24,612	24
Turkey	5,184	5	6,193	6
South America	5,971	6	6,380	6
BBVA Foundation	25,930	25	25,598	25
BBVA Microfinance Foundation	5,372	5	4,827	5
Total	103,075	100	93,265	100

In 2017, BBVA continued to push forward the main **areas** of action of the Community Investment Plan for the period 2016-2018, which include:

1. Financial education, aimed at promoting the acquisition of financial skills and competencies to enable people to make informed financial decisions.
2. Social entrepreneurship, designed to support the most vulnerable entrepreneurs and those whose companies have a positive social impact.
3. Knowledge, through support for initiatives that drive development and create opportunities for people.

Education for society was one of the core areas of the previous Plan until 2016. It is now framed within the strategic line of knowledge. Nonetheless, it retains a significant weight in BBVA's social investment, which continues to support access to education, educational quality and education in values as sources of opportunity. However, it also shares this space with other Group initiatives such as the BBVA Foundation activities and research work by the BBVA Research Department.

The BBVA's **community support** activity has been focusing on these three strategic lines since 2016, although at the local level the Group's banks will maintain their commitment to investment in the community to address local social problems. In this regard, the Support to Social Organizations program backs educational and community development projects carried out by non-governmental organizations, and other non-profit associations and institutions.

Financial education

Financial education is one of the three lines of action established in the 2016-2018 Community Investment Plan.

Through its financial education **programs**, BBVA fosters the acquisition of financial knowledge, skills and abilities that allow people to make better financial decisions and thus access new opportunities.

Since 2008, BBVA has run its own financial education programs and worked together with other actors on more projects. These programs are designed for a diverse target audience, including children, young people and adults, and also entrepreneurs and managers of small businesses. They cover a broad range of subjects, from financial planning to savings and investment. BBVA also adapts its programs at a local level to provide financial education adapted to the environment and economic reality across its global footprint.

In these ten years, BBVA has invested over €73m, benefiting over 11 million people.

Entrepreneurship

In the 2016-2018 Community Investment Plan the entrepreneurship support programs are organized into a single line of action that thus becomes particularly important. Through this line of action, BBVA supports two types of entrepreneurs:

- Vulnerable entrepreneurs, who are supported through the BBVA Microfinance Foundation.
- Entrepreneurs who create high social impact through their enterprises, who are supported by the BBVA Momentum program.

Knowledge, education and culture

Knowledge, education and culture are three areas of activity that are grouped together in a new line of action included in the new Community Investment Plan for 2016-2018 and that encompasses the activities carried out by the BBVA Foundation and local educational and cultural initiatives.

Fiscal transparency

Fiscal strategy

In 2015, the BBVA Board of Directors approved the “[Corporate Principles in BBVA's Tax and Fiscal Strategy](#)”.

The strategy forms part of BBVA's corporate governance system and establishes the policies, principles and values that guide the way the Group behaves with respect to taxes. This strategy has a global scope and affects everyone who is part of the Bank. Compliance with the strategy is very important, given the scale and impact that the tax contributions of large multinationals such as BBVA have on the jurisdictions where they operate.

Effective compliance with the tax strategy is duly monitored and supervised by BBVA's governing bodies.

Accordingly, BBVA's **fiscal strategy** consists of the following basic points:

- BBVA's decisions concerning fiscal-related matters are determined by the payment of taxes, given that they contribute heavily to the economies of all the jurisdictions in which it operates. Tax payments are aligned with effective business practices and the generation of value in the different geographic areas in which BBVA operates.
- Active adaptation to the new digital environment, also in terms of taxation, through the incorporation of virtual presence into the generation of value, and its consequent valuation.
- The establishment of reciprocal cooperative relations with tax authorities that are based on the principles of transparency, mutual trust, good faith and fairness.
- Promotion of a clear, transparent and responsible reporting strategy to stakeholders on its main fiscal-related matters.

Total tax contribution

BBVA is committed to providing full **transparency** in tax payments, which is why once more this year the Group has voluntarily disclosed all major tax payments in the countries where it has a significant presence, as it has done every year since 2011.

BBVA Group's total tax contribution (TTC), which uses a method created by PwC, includes its own and third-party

payments of corporate taxes, VAT, local taxes and fees, income tax withholdings, Social Security payments, and payments made during the year arising from tax litigation in relation to the aforementioned taxes. In other words, it includes both the taxes related to the BBVA Group companies (taxes which represent a cost to them and affect their results) and taxes collected on behalf of third parties. The Total Tax Contribution Report gives all the stakeholders an opportunity to understand BBVA's tax payments and represents a forward-looking approach and commitment to corporate social responsibility, by which it assumes a leading position in fiscal transparency.

Global Tax Contribution ([BBVA Group](#). Million euros)

	2017	2016
Own taxes	4,106	3,762
Third-party taxes	5,775	5,678
Total tax contribution	9,881	9,440

Offshore financial centers

BBVA maintains a **policy** on activities in entities permanently registered in offshore financial centers, which includes a plan for reducing the number of offshore financial centers.

In this respect, both from the OCDE and the Spanish regulation perspective, as of December 31, **2017**, the BBVA Group's permanent establishments registered in offshore financial centers considered tax havens are as follows:

- Branches of the BBVA Group's banks in the Cayman Islands,
- Issuers of securities in the Cayman Islands: BBVA Global Finance, Ltd., Continental DPR Finance Company, Garanti Diversified Payment Rights Finance Company and RPV Company.

1. Banking branch

As of December 31, 2017, the BBVA Group had a banking branch registered in the Cayman Islands engaging in corporate banking activities. The activities and business of this branch, which do not include the provision of private banking services, are pursued under the strictest compliance with the applicable law, both in the jurisdictions in which it is domiciled and in those where its operations are effectively managed, in this case the United States of America.

Branch at offshore entities (BBVA Group. Million euros)

Main figures of the balance sheets	31-12-17	31-12-16
Loans and advances to customers	1,499	805
Deposits from customers	1,144	430

2. Issuers of securities

The BBVA Group has four **issuers** registered in Grand Cayman, two of them from the Garanti Group.

Issues outstanding at offshore entities (BBVA Group. Million euros)

Issuing entity	31-12-17	31-12-16
Subordinated debts⁽¹⁾		
BBVA Global Finance LTD	162	188
Other debt securities		
Continental DPR Finance Company ⁽²⁾	59	102
Garanti Diversified Payment Rights Finance Company	1,879	1,760
RPV Company	1,262	1,457
TOTAL	3,362	3,508

⁽¹⁾ Securities issued before the enactment of Act 19/2003 dated 4 July 2003.

⁽²⁾ Securitization bond issues on flows generated from export bills.

3. Supervision and control of the permanent establishments of the BBVA Group in offshore financial centers

The BBVA Group applies risk management **criteria and policies** to all its permanent establishments in offshore financial centers that are identical to those for the rest of the companies making up the Group.

During the reviews carried out annually on each and every one of the BBVA Group's permanent establishments in offshore financial centers, BBVA's **Internal Audit** Department checks the following: i) that their activities match the definition of their corporate purpose, ii) that they comply with corporate policies and procedures in matters relating to knowledge of the customers and prevention of money laundering, iii) that the information submitted to the parent company is true, iv) and that they comply with tax obligations. In addition, every year a specific review of Spanish legislation applicable to the transfer of funds between the Group's banks in Spain and its companies established in offshore centers is performed.

In 2017, BBVA's **Compliance and Internal Audit** Departments have supervised the action plans deriving from the audit reports on each one of these centers.

As far as **external audits** are concerned, one of the functions of the Audit and Compliance Committee is to select an external auditor for the Consolidated Group and for all the companies in it. For 2017, all of the BBVA Group's permanent establishments registered in offshore financial centers have the same external auditor (KPMG), except Continental DPR Finance Company.