Registration Document

Banco Bilbao Vizcaya Argentaria, S.A. (Bank Bilbao Vizcaya Argentaria, S.A.)

Registered in the National Exchange Securities Commission
(*Comisión Nacional del Mercado de Valores, hereinafter "CNMV")*
as of May 22, 2018

EXPLANATORY NOTE OF THE CONTENTS OF THIS DOCUMENT

The information required by Appendix I of Regulation (EC) No. 809/2004, of the European Commission is collected in the specifically developed chapters for this Registration Document as well as in the Audit Report, the audited consolidated Financial Statements and the Management Report BBVA Group (hereinafter, "the Group" or "BBVA Group"), as well as in the Annual Corporate Governance Report that forms an integral part of the Management Report, for the year ended December 31, 2017. In addition, the summarized Consolidated Interim Financial Statements, the explanatory notes and management report for the three month period from January 1, to March 31, 2018 are also included, together with the limited review report by the external auditor. Likewise, Audit Reports, the consolidated Financial Statements and the Management Reports of BBVA Group of the years ended December 31, 2016 and 2015 are incorporated by reference. The above mentioned Consolidated Financial Statements and Management Report, together with the corresponding independent auditors' report, as well as the consolidated interim financial statements are recorded in the CNMV's official records.

A copy of the Audit Report, the audited Consolidated Financial Statements and the Management Report, including the Annual Corporate Governance Report, for the year ended December 31, 2017 is included in this document in order to facilitate the location of the information; and a copy of the summarized Consolidated Interim Financial Statements, explanatory notes and management report for the three month period from January 1, to March 31, 2018 together with the limited review report. Additionally, the Index below shows detailed correspondence (via shortcuts for links) between the information required by Regulation (EC) No. 809/2004, of the European Commission, and the location of such information in this document.

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RISK FACTORS

The description of the inherent risks in the business and operations of the BBVA Group, as well as quantitative information about the different risks, based on data referring to the years 2017, 2016 and 2015 are shown in Note 7 "Risk management" of the accompanying consolidated financial statements. Likewise, in Note 7 "Risk management", the principles and risk policies of the BBVA Group are shown, as well as the corporate framework for risk management, internal control model, tools, circuits and procedures.

The BBVA Group states that the information contained in this Registration Document has taken into account the instructions and recommendations received, where appropriate, from the prudential supervisors (European Central Bank and Bank of Spain), and that they may have some type of material impact on the financial statements and risks presented below.

Additionally, the risk factors that the BBVA Group takes into consideration as of the date of registration of this document are described below.

A. Legal, Regulatory and Compliance Risks

The Group is subject to substantial regulation and regulatory and governmental oversight. Changes in the regulatory framework could have a material adverse effect on its business, results of operations and financial condition

The financial services industry is among the most highly regulated industries in the world. In response to the global financial crisis and the European sovereign debt crisis, governments, regulatory authorities and others have made and continue to make proposals to reform the regulatory framework for the financial services industry to enhance its resilience against future crises. Legislation has already been enacted and regulations issued in response to some of these proposals. The regulatory framework for financial institutions is likely to undergo further significant change. This creates significant uncertainty for the Group and the financial industry in general. The wide range of recent actions or current proposals includes, among other things, provisions for more stringent regulatory capital and liquidity standards, restrictions on compensation practices, special bank levies and financial transaction taxes, recovery and resolution powers to intervene in a crisis including "bail-in" of creditors, separation of certain businesses from deposit taking, stress testing and capital planning regimes, heightened reporting requirements and reforms of derivatives, other financial instruments, investment products and market infrastructures.

In addition, the supervision of existing regulations and regulations has been intensified and, in fact, the new institutional structure in Europe for supervision, with the creation of the single supervisor, and for resolution, with the single resolution mechanism, is changing the regulatory and supervisory framework (see the section entitled "Regulatory development related to the EU's fiscal and banking union could have a significant adverse effect on the business, financial situation and results of the Bank"). The specific effects of a number of new laws and regulations remain uncertain because the drafting and implementation of these laws and regulations are still ongoing. In addition, since some of these laws and regulations have been recently adopted, the manner in which they are applied to the operations of financial institutions is still evolving. No assurance can be given that laws or regulations will be enforced or interpreted in a manner that will not have a material adverse effect on the Group's business, financial condition, results of operations and cash flows.

Furthermore, regulatory and supervisory authorities have substantial discretion in how to regulate and supervise banks, and this discretion, and the means available to regulators and supervisors, have been steadily increasing during recent years. Regulation may be imposed on an ad hoc basis by governments and regulators in response to a crisis, and these may especially affect financial institutions that are deemed to be systemically important (including global systemically important banks ("G-SIBs") and institutions deemed to be of local systemic importance, domestic systemically important banks ("D-SIBs"), such as the Bank).

In addition, local regulations in certain jurisdictions where the Group operates differ in a number of material respects from equivalent regulations in Spain or the United States. Changes in regulations may have a material adverse effect on the Group's business, results of operations and financial condition, particularly in Mexico, the United States, Turkey, Venezuela and Argentina. Furthermore, regulatory fragmentation, with some countries implementing new and more stringent standards or regulation, could adversely affect the Group's ability to compete with financial institutions based in other jurisdictions which do not need to comply with such new standards or regulation. In addition, financial institutions which are based in other jurisdictions, including the United States, could benefit from any deregulation efforts implemented in such jurisdictions. Moreover, to the extent recently adopted regulations are implemented inconsistently in the various jurisdictions in which the Group operates, the Group may face higher compliance costs.

Any required changes to the Group's business operations resulting from the legislation and regulations applicable to such business could result in significant loss of revenue, limit the Group's ability to pursue business opportunities in which the Group might otherwise consider engaging, affect the value of assets that the Group holds, require the Group to increase its prices and therefore reduce demand for its products, impose additional costs on the Group or otherwise adversely affect the Group's businesses. For example, the Group is subject to substantial regulation relating to liquidity. Future liquidity standards could require it to maintain a greater proportion of its assets in highly liquid but lower-yielding financial instruments, which would negatively affect its net interest margin. Moreover, the Group's regulators, as part of their supervisory function, periodically review the Group's allowance for loan losses. Such regulators may require the Group to increase its allowance for loan losses or to recognize further losses. Any such additional provisions for loan losses, as required by these regulators whose views may differ from those of the Group's management, could have an adverse effect on the Group's earnings and financial condition.

Adverse regulatory developments or changes in government policy relating to any of the foregoing or other matters could have a material adverse effect on the Group's business, results of operations and financial condition.

Increasingly onerous capital requirements may have a material adverse effect on the Bank's business, financial condition and results of operations of the Group

As a Spanish credit institution, the Bank is subject to Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (the "**CRD IV Directive**"), through which the EU began implementing the Basel III capital reforms, with effect from January 1, 2014, with certain requirements in the process of being phased in until January 1, 2019. The core regulation regarding the solvency of credit institutions is Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (the "**CRR**" and, together with the CRD IV Directive and any measures implementing the CRD IV Directive or the CRR which may from time to time be applicable in Spain, "**CRD IV**"), which is complemented by several binding regulatory technical standards, all of which are directly applicable in all EU Member States, without the need for national implementation measures. The implementation of CRD IV Directive into Spanish law has taken place through Royal Decree-law 14/2013, of November 29, **Law 10/2014**, of June 26, on the organization, supervision and solvency of credit institutions ("Law 10/2014"), Royal Decree 84/2015, of February 13 ("RD **84/2015**"), Bank of Spain Circular 2/2014, of January 31 and Bank of Spain Circular 2/2016, of February 2 (the "**Bank of Spain Circular 2/2016**"). On November 23, 2016, the European Commission published a package of proposals with further reforms to CRD IV, Directive 2014/59/EU, of May 15 establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**BRRD**") and Regulation (EU) No 806/2014 of the European Parliament and of the Council of July 15, 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (the "**SRM Regulation**") (the "**EU Banking Reforms**"), including measures to increase the resilience of EU institutions and enhance financial stability. The timing for the final implementation of these reforms as at the date of this Annual Report is unclear. As of the date of this Annual Report, the EU Banking Reforms are being subject to further discussions and possible amendments at the European Parliament, in the European Council and the European Commission.

CRD IV, among other things, established minimum “Pillar 1” capital requirements and increased the level of capital required by means of a “combined buffer requirement” that entities must comply with from 2016 onwards. The “combined buffer requirement” introduced five new capital buffers: (i) the capital conservation buffer, (ii) the G-SIB buffer, (iii) the institution-specific countercyclical buffer, (iv) the D-SIB buffer, and (v) the systemic risk buffer. The “combined buffer requirement” applies in addition to the minimum “Pillar 1” capital requirements and is required to be satisfied with common equity tier 1 (“**CET1**”) capital.

The G-SIB buffer applies to those institutions included on the list of G-SIBs, which is updated annually by the Financial Stability Board (the “**FSB**”). The Bank has been excluded from this list with effect from January 1, 2017 and so, unless the FSB (or the Bank of Spain) indicates otherwise in the future, it will no longer be required to maintain a G-SIB buffer.

The Bank of Spain announced on November 24, 2017 that the Bank continues to be considered a D-SIB, and consequently the Bank was required to maintain a fully-loaded D-SIB buffer of a CET1 capital ratio of 0.75% on a consolidated basis. The D-SIB buffer is being phased-in from January 1, 2016 to January 1, 2019, with the result that the D-SIB buffer applicable to the Bank for 2018 is a CET1 capital ratio of 0.5625% on a consolidated basis.

The Bank of Spain agreed in December 2015 to set the countercyclical capital buffer applicable to credit exposures in Spain at 0% from January 1, 2016. This percentage is revised each quarter. The Bank of Spain agreed on March 23, 2018 to maintain the countercyclical capital buffer at 0% for the second quarter of 2018.

The Bank of Spain has greater discretion in relation to the institution-specific countercyclical buffer, the buffer for D-SIBs and the systemic risk buffer (a buffer to prevent systemic or macro prudential risks). With the entry into force of the Single Supervisory Mechanism (the “**SSM**”) on November 4, 2014, the ECB also has the ability to provide certain recommendations in this respect.

Moreover, Article 104 of the CRD IV Directive, as implemented by Article 68 of Law 10/2014, and similarly Article 16 of Council Regulation (EU) No. 1024/2013 of October 15, 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the “SSM Regulation”), also contemplates that in addition to the minimum “Pillar 1” capital requirements and the combined buffer requirements, supervisory authorities may impose (above “Pillar 1” requirements and below the combined buffer requirements) further “Pillar 2” capital requirements to cover other risks, including those not considered to be fully captured by the minimum “own funds” “Pillar 1” requirements under CRD IV or to address macro-prudential considerations.

The ECB is required as established under the Regulation (EU) No 468/2014 of the ECB of April 16, 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the ECB and national competent authorities and with national designated authorities (the “**SSM Framework Regulation**”), to carry out a supervisory review and evaluation process (the **“SREP**”) of BBVA and the Group at least on an annual basis.

In this regard, the European Banking Authority (the “**EBA**”) published on December 19, 2014 its final guidelines for common procedures and methodologies in respect of the SREP (the “**EBA SREP Guidelines**”). Included in this were the EBA’s proposed guidelines for a common approach to determining the amount and composition of additional “Pillar 2” own funds requirements to be implemented from January 1, 2016. In accordance with these guidelines, national supervisors should set a specific capital instruments with which to comply with the “Pillar 2” requirements to cover certain specified risks of at least 56% CET1 capital and at least 75% Tier 1 capital, as it has also been included in the EU Banking Reforms. The EBA SREP Guidelines and the EU Banking Reforms also contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by the “combined buffer requirement” and/or additional macro-prudential requirements.

Any additional "Pillar 2" own funds requirement that may be imposed on the Bank and/or the Group by the ECB pursuant to the SREP will require the Bank and/or the Group to hold capital levels above the minimum "Pillar 1" capital requirements.

As a result of the most recent SREP carried out by the ECB in 2017, we have been informed by the ECB that, effective from January 1, 2018, BBVA is required to maintain (i) a CET1 phased-in capital ratio of 8.4375% (on a consolidated basis) and 7.875% (on an individual basis); and (ii) a phased-in total capital ratio of 11.9375% (on a consolidated basis) and 11.375% (on an individual basis).

This phased-in total capital ratio of 11.9375% on a consolidated basis level includes (i) the minimum CET1 capital ratio required under "Pillar 1" (4.5%); (ii) the "Pillar 1" Additional Tier 1 capital requirement (1.5%); (iii) the "Pillar 1" Tier 2 capital requirement (2%); (iv) the additional CET1 capital requirement under "Pillar 2" (1.5%); (v) the capital conservation buffer (1.875% CET1); and (vi) the D-SIB buffer (0.5625% CET1).

As of March 31, 2018, the Bank's phased-in total capital ratio was 15.4% on a consolidated basis and 17.64% on an individual basis. At that date, the Bank's CET1 phased-in capital ratio was 11.1% on a consolidated basis and 17.25% on an individual basis. Although the ratios exceed the applicable regulatory requirements described above, but there can be no assurance that the total capital requirements imposed on the Bank and/or the Group from time to time may not be higher than the levels of capital available at such point in time. There can also be no assurance as to the result of any future SREP carried out by the ECB and whether this will impose any further "Pillar 2" additional own funds requirements on the Bank and/or the Group.

The EU Banking Reforms propose new requirements that capital instruments should meet in order to be considered as Additional Tier 1 instruments or Tier 2 instruments. In accordance with the EU Banking Reforms (as they currently stand), these new requirements are not subject to a grandfathering or exemption regime for currently issued Additional Tier 1 instruments and/or Tier 2 instruments. As a result, such instruments could be subject to regulatory uncertainties on their inclusion as capital if the EU Banking Reforms are approved in the form in which they were originally published, which may lead to regulatory capital shortfalls and ultimately a breach of the applicable minimum regulatory capital requirements, with the consequences that would result from it as indicated in these risk factors.

Any failure by the Bank and/or the Group to meet the capital requirements of "Pillar 1", any "Pillar 2" additional own funds requirements and/or any "combined buffer requirement" could result in the imposition of restrictions or prohibitions on "discretionary payments" as discussed below or administrative actions or sanctions, which, in turn, may have a material adverse effect on the Group's results.

According to Article 48 of Law 10/2014, Article 73 of RD 84/2015 and Rule 24 of Bank of Spain Circular 2/2016, any entity not meeting its "combined buffer requirement" is required to determine its Maximum Distributable Amount ("**MDA**") as described therein. Until the MDA has been calculated and communicated to the Bank of Spain, where applicable, the relevant entity will be subject to restrictions on (i) distributions relating to CET1 capital, (ii) payments in respect of variable remuneration or discretionary pension revenues and (iii) distributions relating to Additional Tier 1 instruments ("discretionary payments") and, thereafter, any such discretionary payments by that entity will be subject to such MDA limit.

Furthermore, as set forth in Article 48 of Law 10/2014, the adoption by the Bank of Spain of the measures prescribed in Articles 68.2.h) and 68.2.i) of Law 10/2014, aimed at strengthening own funds or limiting or prohibiting the distribution of dividends respectively will also result in a requirement to determine the MDA and restrict discretionary payments up to the limit of such MDA. Pursuant to the EU Banking Reforms, the MDA calculation as well as the consequences that would result, according to the indicated in the previous paragraph, could have as a consequence a breach of MREL (as defined below) (see "*—Any failure by the Bank and/or the Group to comply with* its MREL could have a material adverse effect on the Bank's business, financial condition and results of operations." below).

As set out in the "Opinion of the European Banking Authority on the interaction of Pillar 1, Pillar 2 and combined buffer requirements and restrictions on distributions" published on December 16, 2015 (the "**December 2015 EBA Opinion**"), in the EBA's opinion competent authorities should ensure that the CET1 capital to be taken into account in determining the CET1 capital available to meet the "combined buffer requirement" for the purposes of the MDA calculation is limited to the amount not used to meet the "Pillar 1" and, if applicable, "Pillar 2" own funds requirements of the institution. There can be no assurance as to how and when binding effect will be given to the December 2015 EBA Opinion in Spain, including as to the consequences for an institution of its capital levels falling below those necessary to meet these requirements. The EU Banking Reforms propose certain amendments in order to clarify, for the purposes of restrictions on distributions, the hierarchy between the "Pillar 2" additional own funds requirements, the minimum "own funds" "Pillar 1" requirements, the own funds and eligible liabilities requirement, MREL and the "combined buffer requirements" (which is referred to as "stacking order"). Furthermore, pursuant to the EU Banking Reforms, an institution would not be entitled to make distributions relating to CET1 capital or payments in respect of variable remuneration or discretionary pension revenues, before having made the payments due on Additional Tier 1 instruments.

On July 1, 2016, the EBA published additional information explaining how supervisors intend to use the results, in their opinion, of an EU-wide stresses tests. The EBA stated, among other things, that the incorporation of the quantitative results of the EU-wide stress test into SREP assessments may include setting additional supervisory monitoring metrics in the form of capital guidance. Such guidance will not be included in MDA calculations but competent authorities would expect banks to meet that guidance except when explicitly agreed. Competent authorities have remedial tools if an institution refuses to follow such guidance. The EU Banking Reforms also propose that a distinction be made between "Pillar 2" capital requirements and "Pillar 2" capital guidance, with only the former being mandatory requirements. Notwithstanding the foregoing, the EU Banking Reforms propose that, in addition to certain other measures, supervisory authorities be entitled to impose further "Pillar 2" capital requirements where an institution repeatedly fails to follow the "Pillar 2" capital guidance previously imposed.

The ECB has also set out in its recommendation of December 28, 2017 on dividend distribution policies that credit institutions should establish dividend policies using conservative and prudent assumptions in order, after any distribution, to satisfy the applicable capital requirements and the outcomes of the SREP.

Any failure by the Bank and/or the Group to comply with its regulatory capital requirements could also result in the imposition of further "Pillar 2" requirements and the adoption of any early intervention or, ultimately, resolution measures by resolution authorities pursuant to Law 11/2015 of June 18 on the Recovery and Resolution of Credit Institutions and Investment Firms (Ley 11/2015 de 18 de junio de recuperación y resolución de entidades de crédito y empresas de servicios de inversión), in effect at the time, replaced or supplemented from time to time ("**Law 11/2015**"), which, together with Royal Decree 1012/2015 of November 6 by virtue of which Law 11/2015 is developed and Royal Decree 2606/1996 of December 20 on credit entities' deposit guarantee fund is amended ("**RD 1012/2015**"), has implemented the BRRD into Spanish law. See "*—Bail-in and write-down powers under the BRRD and the SRM Regulation may adversely affect our business and the value of any securities we may issue*".

At its meeting of January 12, 2014, the oversight body of the Basel Committee on Banking Supervision ("**BCBS**") endorsed the definition of the leverage ratio set forth in CRD IV, to promote consistent disclosure, which applied from January 1, 2015. As of the date of this Annual Report, there is no applicable regulation in Spain which establishes a specific leverage ratio requirement for credit institutions. However, the EU Banking Reforms propose a binding leverage ratio requirement of 3% of Tier 1 capital that is added to an institution's own funds requirements and that an institution must meet in addition to its risk based requirements.

Summary table of accounting assets and leverage ratio exposure conciliation **(millions of euros)**	31/12/2017 ***Phased-In***	31/12/2017 ***Fully Loaded***
a) Total assets as per published financial statements	690,059	690,059
b) Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(17,079)	(17,079)
c) Adjustments for derivative financial instruments	(14,772)	(14,772)
d) Adjustments for securities financing transactions "SFTs"	(1,248)	(1,248)
e) Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) (1)	62,441	62,441
f) (Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-	-
g) Other adjustments	(9,920)	(9,643)
Total leverage ratio exposure	**709,480**	**709,758**
h) Tier 1	46,980	46,316
Total leverage ratio exposures	709,480	709,758
Leverage ratio		
Leverage ratio	**6.62%**	**6.53%**

(1) This corresponds to off-balance sheet exposure after application of the conversion factors obtained in accordance with Article 429, paragraph 10 of the CRR.

Basel III implementation differs across jurisdictions in terms of timing and applicable rules. This lack of uniformity among implemented rules may lead to an uneven playing field and to competition distortions. Moreover, the lack of regulatory coordination, with some countries bringing forward the application of Basel III requirements or increasing such requirements, could adversely affect a bank with global operations such as the Bank and could undermine its profitability.

There can be no assurance that the implementation of the above capital requirements will not adversely affect the Bank's ability to pay "discretionary payments" or result in the cancellation of such payments (in whole or in part), or require the Bank to issue additional securities that qualify as regulatory capital, to liquidate assets, to curtail business or to take any other actions, any of which may have adverse effects on the Bank's business, financial condition and results of operations. Furthermore, increased capital requirements may negatively affect the Bank's return on equity and other financial performance indicators.

The basic solvency magnitudes at the consolidated level, in accordance with the regulations applicable on each of the dates shown (Basel III phased-in), are shown below. The capital ratios are calculated under CRD IV of Basel III as of 2014, applying a phase of 80% for 2017, 60% for 2016, 40% for 2015 and 20% for 2014.

Total Capital Phased-in (Millions of euros)	**31/03/2018**	**31/12/2017**	**31/12/2016**	**31/12/2015**
Common Equity Tier 1 (CET 1)	39,877	42,341	47,370	48,554
Additional Tier 1 (AT1) capital	6,129	4,639	2,713	-
Tier 2 (T2) capital	9,032	8,798	8,810	11,646
Total Capital	55,038	55,778	58,893	60,200
Total risk-weighted assets	358,386	362,875	388,951	401,285
CET 1 Ratio	11.13%	11.67%	12.18%	12.10%
AT1 Ratio	1.71%	1.28%	0.70%	0.00%
Ratio of Tier 1	12.84%	12.95%	12.88%	12.10%
Ratio of Tier 2	2.52%	2.42%	2.27%	2.90%
Total Capital Ratio	15.36%	15.37%	15.14%	15.00%

As of March 31, 2018 and December 31, 2017 and 2016, BBVA Group had a capital CET 1 fully-loaded ratio of 10.9%, 11.1% and 10.9%, respectively.

As of December 31, 2017 the Leverage ratio phased-in stood at 6.62% and the Leverage ratio fully-loaded stood at 6.53%.

Bail-in and write-down powers under the BRRD and the SRM Regulation may adversely affect our business and the value of any securities we may issue

The BRRD (which has been implemented in Spain through Law 11/2015 and RD 1012/2015) and the SRM Regulation are designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in unsound credit institutions or investment firms (each, an "institution") so as to ensure the continuity of the institution's critical financial and economic functions, while minimizing the impact of an institution's failure on the economy and financial system. The BRRD further provides that any extraordinary public financial support through additional financial stabilization tools is only to be used by a Member State as a last resort, after having assessed and utilized the resolution tools set out below to the maximum extent possible while maintaining financial stability.

In accordance with Article 20 of Law 11/2015, an institution will be considered as failing or likely to fail in any of the following circumstances: (i) it is, or is likely in the near future to be, in significant breach of its solvency or any other requirements necessary for maintaining its authorization; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances). The determination that an institution is failing or likely to fail may depend on a number of factors which may be outside of that institution's control.

As provided in the BRRD, Law 11/2015 contains four resolution tools and powers which may be used alone or in combination where a Relevant Spanish Resolution Authority (as defined below) considers that (i) an institution is failing or likely to fail, (ii) there is no reasonable prospect that any other measure would prevent the failure of such institution within a reasonable timeframe and (iii) a resolution action, instead of the winding up of the institution under normal insolvency proceedings, is in the public interest. The four resolution tools are (i) sale of business, which enables resolution authorities to direct the sale of the institution or the whole or part of its business on commercial terms; (ii) bridge institution, which enables resolution authorities to transfer all or part of the business of the institution to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control), which may limit the capacity of the institution to meet its repayment obligations; (iii) asset separation, which enables resolution authorities to transfer certain categories of assets (normally impaired or otherwise problematic) to one or more asset management vehicles to allow them to be managed with a view to maximizing their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) the Spanish Bail-in Power (as defined below). Any exercise of the Spanish Bail-in Power by the Relevant Spanish Resolution Authority may include the write down and/or conversion into equity or other securities or obligations (which equity, securities and obligations could also be subject to any future application of the Spanish Bail-in Power) of certain liabilities claims of an institution.

"Relevant Spanish Resolution Authority" means the Spanish Fund for the Orderly Restructuring of Banks (Fondo de Restructuración Ordenada Bancaria) ("FROB"), the European Single Resolution Mechanism ("SRM") and, as the case may be, according to Law 11/2015, the Bank of Spain and the CNMV, and any other entity with the authority to exercise the Spanish Bail-in Power from time to time. "Spanish Bail-in Power" means any write-down, conversion, transfer, modification, or suspension power existing from time to time under: (i) any law, regulation, rule or requirement applicable from time to time in Spain, relating to the transposition or development of the BRRD (as amended, replaced or supplemented from time to time), including, but not limited to (a) Law 11/2015, (b) RD 1012/2015; and (c) the SRM Regulation, each as amended, replaced or supplemented from time to time; or (ii) any other law, regulation, rule or requirement applicable from time to time in Spain pursuant to which (a) obligations or liabilities of banks, investment firms or other financial institutions or their affiliates can be reduced, cancelled, modified, transferred or converted into shares, other securities, or other obligations of such persons or any other person (or suspended for a temporary period or permanently) or (b) any right in a contract governing such obligations may be deemed to have been exercised.

In accordance with Article 48 of Law 11/2015 (and subject to any exclusions that may be applied by the Relevant Spanish Resolution Authority under Article 43 of Law 11/2015), in the case of any application of the Spanish Bail-in Power, the sequence of any resulting write-down or conversion by the Relevant Spanish Resolution Authority shall be in the following order: (i) CET1 items; (ii) the principal amount of Additional Tier 1 instruments; (iii) the principal amount of Tier 2 capital instruments; (iv) the principal amount of other subordinated claims that are not Additional Tier 1 capital or Tier 2 capital; and (v) the principal amount or outstanding amount of the remaining eligible liabilities in the order of the hierarchy of claims in normal insolvency proceedings.

The BRRD, Law 11/2015 and the SRM Regulation provide for resolution authorities to have the further power to permanently write-down or convert into equity capital instruments at the point of non-viability (the "**Conversion and Amortization Competition**" ("Non-Viability Loss Absorption")) of an institution or a group. The point of non-viability of an institution is the point at which the Relevant Spanish Resolution Authority determines that the institution (i) meets the conditions for resolution; or (ii) will no longer be viable unless (a) the relevant capital instruments are written down or converted into equity or (b) extraordinary public support is to be provided and without such support the Relevant Spanish Resolution Authority determines that the institution would no longer be viable. The point of non-viability of a group is the point at which the group infringes or there are objective elements to support a determination that the group, in the near future, will infringe its consolidated solvency requirements in a way that would justify action by the Relevant Spanish Resolution Authority in accordance with article 38.3 of Law 11/2015. Non-Viability Loss Absorption may be imposed prior to or in combination with any other exercise of the Spanish Bail-in Power or any other resolution tool or power (where the conditions for resolution referred to above are met).

Any application of the Spanish Bail-in Power (including a Non-Viability Loss Absorption) under the BRRD and SRM Regulation shall be in accordance with the hierarchy of claims in normal insolvency proceedings (unless otherwise provided by Applicable Banking Regulations). "Applicable Banking Regulations" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency then applicable to the Bank and/or the Group including, without limitation to the generality of the foregoing, CRD IV, the BRRD and SRM Regulation and those laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency then in effect in Spain (whether or not such regulations, requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Bank and/or the Group).

To the extent that any resulting treatment of a holder of the Bank's securities pursuant to the exercise of the Spanish Bail-in Power (except as indicated below with respect to a Non-Viability Loss Absorption) is less favorable than would have been the case under such hierarchy in normal insolvency proceedings, a holder of such affected securities would have a right to compensation under the BRRD and the SRM Regulation based on an independent valuation of the institution, in accordance with Article 10 of RD 1012/2015 and the SRM Regulation. Any such compensation, however, together with any other compensation provided by any Applicable Banking Regulations (including, among such other compensation, in accordance with article 36.5 of Law 11/2015) is unlikely to compensate that holder for the losses it has actually incurred and there is likely to be, in any case, a considerable delay in the recovery of such compensation. In addition, in the case of a Non-Viability Loss Absorption there is uncertainty about the possibility that a holder of the affected securities would have a right to compensation under the BRRD and the SRM Regulation if any resulting treatment of such holder pursuant to the exercise of the Spanish Bail-in Power was less favorable than would have been the case under such hierarchy in normal insolvency proceedings.

The powers set out in the BRRD, as implemented through Law 11/2015 and RD 1012/2015, and the SRM Regulation impact how credit institutions and investment firms are managed, as well as, in certain circumstances, the rights of creditors. Pursuant to Law 11/2015, upon any application of the Spanish Bail-in Power (including a Non-Viability Loss Absorption), holders of, among others, unsecured debt securities, subordinated obligations and shares issued by us may be subject to, among other things, a write-down (including to zero) and/or conversion into equity or other securities or obligations on any application of the Spanish Bail-in Power. The exercise of any such powers (or any of the other resolution powers and tools) may result in such holders of such securities losing some or all of their investment or otherwise having their rights under such securities adversely affected, including by becoming holders of further subordinated instruments. Such exercise could also involve modifications to, or the disapplication of, provisions in the terms and conditions of certain securities including alteration of the principal amount or any interest payable on debt instruments, the maturity date or any other dates on which payments may be due, as well as the suspension of payments for a certain period. As a result, the exercise of the Spanish Bail-in Power (including, where applicable, the Non-Viability Loss Absorption) with respect to such securities or the taking by the Spanish Resolution Authority of any other action, or any suggestion that the exercise or taking of any such action may happen, could materially adversely affect the rights of holders of such securities, the market price or value or trading behaviour of our securities and/or the ability of the Bank to satisfy its obligations under any such securities.

The exercise of the Spanish Bail-in Power (including by imposing a Non-Viability Loss Absorption) by the Relevant Spanish Resolution Authority is likely to be inherently unpredictable and may depend on a number of factors which may also be outside of the Bank's control. In addition, as the Relevant Spanish Resolution Authority will retain an element of discretion and such authority may exercise such competences and powers without prior notice to holders of the affected securities, holders of such securities may not be able to refer to publicly available criteria in order to anticipate any potential exercise of any such Spanish Bail-in Power (including a Non-Viability Loss Absorption). Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any such powers by the Relevant Spanish Resolution Authority may occur.

This uncertainty may adversely affect the value of the unsecured debt securities, subordinated obligations and shares issued by us. The price and trading behaviour of such securities may be affected by the threat of a possible exercise of any power under Law 11/2015 and/or the SRM Regulation (including any early intervention measure before any resolution) or any suggestion of such exercise, even if the likelihood of such exercise is remote. Moreover, the Relevant Spanish Resolution Authority may exercise any such powers without providing any advance notice to the holders of affected securities.

In addition, the EBA has published certain regulatory technical standards and implementing technical standards to be adopted, in any case, the European Commission and certain other guidelines. These standards and guidelines could be potentially relevant to determining when or how a Relevant Spanish Resolution Authority may exercise the Spanish Bail-in Power (including a Non-Viability Loss Absorption). Included in this are guidelines on the treatment of shareholders in bail-in or the write-down and conversion of capital instruments, and on the rate of conversion of debt to equity or other securities or obligations in any bail-in. No assurance can be given that these standards and guidelines will not be detrimental to the rights under the unsecured debt securities, subordinated obligations and shares issued by, nor its value.

Any failure by the Bank and/or the Group to comply with its MREL could have a material adverse effect on the Bank's business, financial condition and results of operations

The BRRD prescribes that banks shall hold a minimum level of own funds and eligible liabilities in relation to total liabilities known as the minimum requirement for own funds and eligible liabilities ("MREL"). According to Commission Delegated Regulation (EU) 2016/1450 of May 23, 2016 (the "**MREL Delegated Regulation**"), the level of own funds and eligible liabilities required under MREL will be set by the resolution authority for each bank (and/or group) based on, among other things, the criteria set forth in Article 45.6 of the BRRD, including the systemic importance of the institution. Eligible liabilities may be senior or subordinated, provided that, among other requirements, they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted by the resolution authority of a Member State under that law or through contractual provisions.

MREL came into force on January 1, 2016. However, the EBA has recognized the impact which this requirement may have on banks' funding structures and costs, and the MREL Delegated Regulation states that the resolution authorities shall determine an appropriate transitional period but that this shall be as short as possible.

In addition, as a result of the EU Banking Reforms, Directive (EU) 2017/2399 of the European Parliament and of the Council of December 12, 2017 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy was approved with the aim to harmonize national laws on insolvency and recovery and resolution of credit institutions and investment firms, by creating a new credit class of "non-preferred" senior debt that should only be bailed-in after junior ranking instruments but before other senior liabilities. In this regard, on June 23, 2017 Royal Decree-Law 11/2017 of June 23 on urgent measures in financial matters (*Real Decreto-ley 11/2017, de 23 de junio, de medidas urgentes en materia financiera)* introduced into Spanish law the new class of "non-preferred" senior debt.

On November 9, 2015, the FSB published its final Total Loss-Absorbing Capacity ("TLAC") Principles and Term Sheet (the "TLAC Principles and Term Sheet"), proposing that G-SIBs maintain significant minimum amounts of liabilities that are subordinated (by law, contract or structurally) to certain prior-ranking liabilities, such as guaranteed insured deposits, and forming a new standard for G-SIBs. The TLAC Principles and Term Sheet contain a set of principles on loss-absorbing and recapitalization capacity of G-SIBs in resolution and a term sheet for the implementation of these principles in the form of an internationally agreed standard. The TLAC Principles and Term Sheet require a minimum TLAC requirement to be determined individually for each G-SIB at the greater of (i) 16% of risk-weighted assets as of January 1, 2019 and 18% as of January 1, 2022, and (ii) 6% of the Basel III Tier 1 leverage ratio exposure measured as of January 1, 2019, and 6.75% as of January 1, 2022. The Bank is no longer classified as a G-SIB by the FSB with effect from January 1, 2017. However, if the Bank were to be so classified in the future or if TLAC requirements as set out below are adopted and implemented in Spain and extended to non-G-SIBs through the imposition of requirements similar to MREL as set out below, then this could create additional minimum requirements for the Bank.

In addition, the EU Banking Reforms establish some exemptions which could allow senior debt instruments to be used to comply with MREL. However, there is uncertainty regarding the final form of the EU Banking Reforms insofar as such eligibility is concerned and how those regulations and exemptions are to be interpreted and applied. This uncertainty may impact upon the ability of BBVA to comply with its MREL (at both individual and consolidated levels (together, "MRELs")) by the relevant deadline. In this regard, the EBA submitted on December 14, 2016 its final report on the implementation and design of the MREL framework (the "EBA MREL Report"), which contains a number of recommendations to amend the current MREL framework. Additionally, the EU Banking Reforms contain the legislative proposal of the European Commission for the amendment of the MREL framework and the implementation of the TLAC standards. The EU Banking Reforms propose the amendment of a number of aspects of the MREL framework to align it with the TLAC standards included in the TLAC Principles and Term Sheet. To maintain coherence between the MREL rules applicable to G-SIBs and those applicable to non-G-SIBs, the EU Banking Reforms also propose a number of changes to the MREL rules applicable to non-G-SIBs. While the EU Banking Reforms propose for minimum harmonized or "Pillar 1" MRELs for G-SIBs, in the case of non-G-SIBs, it is proposed that MRELs will be imposed on a bank-specific basis. For G-SIBs, it is also proposed that a supplementary or "Pillar 2" MRELs may be further imposed on a bank-specific basis. The EU Banking Reforms further provide for the resolution authorities to give guidance to an institution to have own funds and eligible liabilities in excess of the requisite levels for certain purposes.

Neither the BRRD nor the MREL Delegated Regulation provides details on the implications of a failure by an institution to comply with its MREL requirement. However, the EU Banking Reforms propose that this be addressed by the relevant authorities on the basis of their powers to address or remove impediments to resolution, the exercise of their supervisory powers under the CRD IV Directive, early intervention measures, and administrative penalties and other administrative measures.

Furthermore, in accordance with the EBA MREL Report, the EBA recommends that resolution authorities and competent authorities should engage in active monitoring of compliance with their respective requirements and considers that (i) the powers of resolution authorities to respond to a breach of MREL should be enhanced (which would require resolution authorities to be given the power to require the preparation and execution of an MREL restoration plan, to use their powers to address impediments to resolvability, to request that distribution restrictions be imposed on an institution by a competent authority and to request a joint restoration plan in cases where an institution breaches both MREL and minimum capital requirements); (ii) resolution authorities should assume a lead role in responding to a failure to issue or roll over MREL-eligible debt leading to a breach of MREL; and (iii) if there are both losses and a failure to roll over or issue MREL-eligible debt, both the relevant resolution authority and relevant competent authority should attempt to agree on a joint restoration plan (provided that both authorities believe that the institution is not failing or likely to fail). In addition, under the EBA Guidelines on triggers for use of early intervention measures of May 8, 2015 a significant deterioration in the amount of eligible liabilities and own funds held by an institution for the purposes of meeting its MRELs may put an institution in a situation where conditions for early intervention are met, which may result in the application by the competent authority of early intervention measures.

Further, as outlined in the EBA MREL Report, the EBA's recommendation is that an institution will not be able to use the same CET1 capital to meet both MREL and the combined buffer requirements. In addition, the EU Banking Reforms provide that, in the case of the own funds of an institution that may otherwise contribute to the combined buffer requirement where there is any shortfall in MREL, this will be considered as a failure to meet the combined buffer requirement such that those own funds will automatically be used instead to meet that institution's MRELs and will no longer count towards its combined buffer requirement. Accordingly, this could trigger a limit on discretionary payments (see "—*Increasingly onerous capital requirements may have a material adverse effect on the Bank's business, financial condition and results of operations*").

Additionally, if the FROB, the **SRM** or a Relevant Spanish Resolution Authority finds that there could exist any obstacles to resolvability by the Bank and/or the Group, a higher MREL could be imposed.

Moreover, with respect to the EU Banking Reforms, there are uncertainties concerning how the subsidiaries of the Group would be treated in determining the resolution group of the Bank and the applicable MRELs, which may lead to a situation where the consolidated MREL of the Bank would not fully reflect its multiple-point-of-entry resolution strategy.

Any failure or perceived failure by the Bank and/or the Group to comply with its MREL may have a material adverse effect on the Bank and/or the Group business, financial conditions and results of operations and could result, among other measures, in the imposition of restrictions or prohibitions on discretionary payments by the Bank, including the payment of dividends and interest or distributions on Additional Tier 1 instruments. There can also be no assurance as to the relationship between the "Pillar 2" additional own funds requirements, the "combined buffer requirement", the MRELs once implemented in Spain and the restrictions or prohibitions on discretionary payments.

Increased taxation and other burdens imposed on the financial sector may have a material adverse effect on the Bank's business, financial condition and results of operations

On February 14, 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common financial transaction tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in securities issued by the Group or other issuers (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside the participating Member States. Generally, it would apply to certain dealings in securities where at least one party is a financial institution and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (i) by transacting with a person established in a participating Member State or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation among the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and participating Member States may decide not to participate.

Law 18/2014, of October 15, introduced a 0.03% tax on bank deposits in Spain. This tax is payable annually by Spanish banks. There can be no assurance that additional national or transnational bank levies or financial transaction taxes will not be adopted by the authorities of the jurisdictions where the Bank operates.

Any levies or taxes imposed on the Bank pursuant to the foregoing or otherwise in any of the jurisdictions where it operates could have a material adverse effect on the Bank ’s busi
results of operations.

Contributions for assisting in the future recovery and resolution of the Spanish banking sector may have a material adverse effect on the Bank's business, financial condition and results of operations

Law 11/2015 and RD 1012/2015 require Spanish credit institutions, including BBVA, to make at least an annual ordinary contribution to the National Resolution Fund (*Fondo de Resolución Nacional*), payable on request of the FROB. The total amount of contributions to be made to the National Resolution Fund by all Spanish banking entities must equal at least 1% of the aggregate amount of all deposits guaranteed by the Deposit Guarantee Fund (*Fondo de Garantía de Depósitos de Entidades de Crédito*) by December 31, 2024. The contribution will be adjusted to the risk profile of each institution in accordance with the criteria set out in Council Implementing Regulation (EU) 2015/81 of December 19, 2014 and RD 1012/2015. The FROB may, in addition, collect extraordinary contributions.

Furthermore, Law 11/2015 also provides for an additional charge (*tasa*) which shall be used to further fund the activities of the FROB, in its capacity as a resolution authority, which charge shall equal 2.5% of the above annual ordinary contribution to be made to the National Resolution Fund.

Moreover, Commission Delegated Regulation (EU) 2017/2361 of September 14, 2017 establishes the system of contributions to the administrative expenditures of the Single Resolution Board, to be paid by credit institutions in the EU.

In addition, since 2016, the Bank has been required to make contributions directly to the EU Single Resolution Fund, once the National Resolution Fund has been integrated into it. The amount of the contributions made by the bank has not been significant. See "*—Regulatory developments related to the EU fiscal and banking union may have a material adverse effect on the Bank's business, financial condition and results of operations*".

Any levies, taxes or funding requirements imposed on the Bank pursuant to the foregoing or otherwise in any of the jurisdictions where it operates could have a material adverse effect on the Bank's business, financial condition and results of operations.

Regulatory developments related to the EU fiscal and banking union may have a material adverse effect on the Bank's business, financial condition and results of operations

The project of achieving a European banking union was launched in the summer of 2012. Its main goal is to resume progress towards the European single market for financial services by restoring confidence in the European banking sector and ensuring the proper functioning of monetary policy in the Eurozone.

Banking union is expected to be achieved through new harmonized banking rules (the single rulebook) and a new institutional framework with stronger systems for both banking supervision and resolution that will be managed at the European level. Its two main pillars are the SSM and the SRM.

The SSM is intended to assist in making the banking sector more transparent, unified and safer. In accordance with the SSM Framework Regulation, the ECB fully assumed its new supervisory responsibilities within the SSM, in particular the direct supervision of the largest European banks (including the Bank), on November 4, 2014.

The SSM represents a significant change in the approach to bank supervision at a European and global level, even if it is not expected to result in any radical change in bank supervisory practices in the short term. The SSM has resulted in the direct supervision by the ECB of the largest financial institutions, including the Bank, and indirect supervision of around 3,500 financial institutions. In the coming years, the SSM is expected to work to establish a new supervisory culture importing best practices from the 19 supervisory authorities that form part of the SSM. Several steps have already been taken in this regard, such as (i) the publication of the Supervisory Guidelines, (ii) the approval of the SSM Framework Regulation, (iii) the approval of Regulation (EU) 2016/445 of the ECB of March 14, 2016 on the exercise of options and discretions available in Union law, and (iv) a set of guidelines on the application of CRR's national options and discretions. In addition, the SSM represents an extra cost for the financial institutions that fund it through payment of supervisory fees.

By allowing for the consistent application of EU banking rules through the SSM, the banking union is expected to help resume momentum toward economic and monetary union. In order to complete such union, a single deposit guarantee scheme is still needed, which may require a change to the existing European treaties. This is the subject of continued negotiation by European leaders to ensure further progress is made in European fiscal, economic and political integration.

Regulations adopted towards achieving a banking and/or fiscal union in the EU and decisions adopted by the ECB in its capacity as the Bank's main supervisory authority may have a material effect on the Bank's business, financial condition and results of operations. In addition, on January 29, 2014, the European Commission released its proposal on the structural reforms of the European banking sector, which will impose new constraints on the structure of European banks. The proposal is aimed at ensuring the harmonization between the divergent national initiatives in Europe. It includes a prohibition on proprietary trading similar to that contained in Section 619 of the Dodd-Frank Act (also known as the Volcker Rule) and a mechanism to potentially require the separation of trading activities (including market-making), such as in the Financial Services (Banking Reform) Act 2013, complex securitizations and risky derivatives.

The other main pillar of the EU banking union is the SRM, the main purpose of which is to ensure a prompt and coherent resolution of failing banks in Europe at minimum cost. The SRM Regulation establishes uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the SRM and a Single Resolution Fund. The new Single Resolution Board started operating on January 1, 2015 and fully assumed its resolution powers on January 1, 2016. The Single Resolution Fund has also been in place since January 1, 2016, funded by contributions from European banks in accordance with the methodology approved by the Council of the European Union. The Single Resolution Fund is intended to reach a total amount of €55 billion by 2024 and to be used as a separate backstop only after an 8% bail-in of a bank's total liabilities including own funds has been applied to cover capital shortfalls (in line with the BRRD).

There can be no assurance that regulatory developments related to the EU fiscal and banking union, and initiatives undertaken at the EU level, will not have a material adverse effect on the Bank's business, financial condition and results of operations.

The Group's anti-money laundering and anti-terrorism policies may be circumvented or otherwise not be sufficient to prevent all money laundering or terrorism financing

Group companies are subject to rules and regulations regarding money laundering and the financing of terrorism. Monitoring compliance with anti-money laundering and anti-terrorism financing rules can put a significant financial burden on banks and other financial institutions and pose significant technical problems. Although the Group believes that its current policies and procedures are sufficient to comply with applicable rules and regulations, it cannot guarantee that its anti-money laundering and anti-terrorism financing policies and procedures will not be circumvented or otherwise not be sufficient to prevent all money laundering or terrorism financing. Any of such events may have severe consequences, including sanctions, fines and, notably, reputational consequences, which could have a material adverse effect on the Group's financial condition and results of operations.

The Group is exposed to risks in relation to compliance with anti-corruption laws and regulations and economic sanctions programs

The Group is required to comply with the laws and regulations of various jurisdictions where it conducts operations. In particular, its operations are subject to various anti-corruption laws, including the U.S. Foreign Corrupt Practices Act of 1977 and the United Kingdom Bribery Act of 2010, and economic sanction programs, including those administered by the United Nations, the EU and the United States, including the U.S. Treasury Department's Office of Foreign Assets Control. The anti-corruption laws generally prohibit providing anything of value to government officials for the purposes of obtaining or retaining business or securing any improper business advantage. As part of the Group's business, the Group may deal with entities the employees of which are considered government officials. In addition, economic sanctions programs restrict the Group's business dealings with certain sanctioned countries, individuals and entities.

Although the Group has internal policies and procedures designed to ensure compliance with applicable anti-corruption laws and sanctions regulations, there can be no assurance that such policies and procedures will be sufficient or that its employees, directors, officers, partners, agents and service providers will not take actions in violation of the Group's policies and procedures (or otherwise in violation of the relevant anti-corruption laws and sanctions regulations) for which it or they may be ultimately held responsible. Violations of anti-corruption laws and sanctions regulations could lead to financial penalties being imposed on the Group, limits being placed on the Group's activities, the Group's authorizations and licenses being revoked, damage to the Group's reputation and other consequences that could have a material adverse effect on the Group's business, results of operations and financial condition. Further, litigation or investigations relating to alleged or suspected violations of anti-corruption laws and sanctions regulations could be costly.

Local regulation may have a material effect on the Bank's business, financial condition, results of operations and cash flows

The Bank's operations are subject to regulatory risks, including the effects of changes in laws, regulations, policies and interpretations, in the various jurisdictions outside Spain where it operates. Regulations in certain jurisdictions where the Bank operates differ in a number of material respects from equivalent regulations in Spain. For example, local regulations may require the Bank's subsidiaries and affiliates to meet capital requirements that are different from those applicable to the Bank as a Spanish bank, they may prohibit certain activities permitted to be undertaken by the Bank in Spain or they may require certain approvals to be obtained in connection with such subsidiaries and affiliates' activities. Changes in regulations may have a material effect on the Group's business and operations, particularly changes affecting Mexico, the United States or Turkey, which are the Group's most significant jurisdictions by assets other than Spain.

Furthermore, the governments in certain regions where the Group operates have exercised, and continue to exercise, significant influence over the local economy. Governmental actions, including changes in laws or regulations or in the interpretation of existing laws or regulations, concerning the economy and state-owned enterprises, or otherwise affecting the Group's activity, could have a significant effect on the private sector entities in general and on the Bank's subsidiaries in particular. In addition, the Group's activities in emerging economies, such as Venezuela, are subject to a heightened risk of changes in governmental policies, including expropriation, nationalization, international ownership legislation, interest-rate caps, exchange controls, government restrictions on dividends and tax policies. Any of these risks could have a material adverse effect on the Group's business, financial condition and results of operations.

B. Macroeconomic risks that may affect the issuer or the sector

Economic conditions in the countries where the Group operates could have a material adverse effect on the Group's business, financial condition and results of operations

Despite the recent growth of the global economy, uncertainty remains. The deterioration of economic conditions in the countries where the Group operates could adversely affect the cost and availability of funding for the Group, the quality of the Group's loan and investment securities portfolios and levels of deposits and profitability, which may also require the Group to take impairments on its exposures to the sovereign debt of one or more countries or otherwise adversely affect the Group's business, financial condition and results of operations. In addition, the process the Group uses to estimate losses inherent in its credit exposure requires complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of its borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of the Group's estimates, which may, in turn, affect the reliability of the process and the sufficiency of the Group's loan loss provisions.

The Group faces, among others, the following economic risks:

- weak economic growth or recession in the countries where it operates;
- changes in the institutional environment in the countries where it operates could evolve into sudden and intense economic and/or regulatory downturns;

- deflation, mainly in Europe, or significant inflation, such as the significant inflation recently experienced by Venezuela (see F.S Note 2.2.20 "Entities and branches located in countries with hyperinflationary economies") and, to a lesser extent, Argentina;

- changes in foreign exchange rates such as recent devaluations in Venezuela (see F.S Note 2.2.20 "Entities and branches located in countries with hyperinflationary economies") and Argentina with the result in changes in the reported earnings of the Group's subsidiaries outside the Eurozone, and their assets, including their risk-weighted assets, and liabilities;

- a lower interest rate environment, even a prolonged period of negative interest rates in some areas where the Bank operates, which could lead to decreased lending margins and lower returns on assets;

- a higher interest rate environment, including as a result of an increase in interest rates by the Federal Reserve or any further tightening of monetary policies, including to address inflationary pressures and currency devaluations in Latin America, which could endanger a still tepid and fragile economic recovery and make it more difficult for customers of the Group's mortgage and consumer loan products to service their debts;

- adverse developments in the real estate market, especially in Spain, Mexico, the United States and Turkey, given the Group's exposures to such markets;

- poor employment growth and structural challenges restricting employment growth, such as in Spain, where unemployment has remained relatively high, which may negatively affect the household income levels of the Group's retail customers and may adversely affect the recoverability of the Group's retail loans, resulting in increased loan loss provisions;

- lower oil prices, which could particularly affect producing areas, such as Venezuela, Mexico, Texas or Colombia, to which the Group is materially exposed;

- changes in laws, regulations and policies as a result of election processes in the different geographies in which the Group operates, which may negatively affect the Group's business or customers in those geographies and other geographies in which the Group operates;

- the potential exit by an EU Member State from the European Monetary Union ("EMU"), which could materially adversely affect the European and global economy, cause a redenomination of financial instruments or other contractual obligations from the euro to a different currency and substantially disrupt capital, interbank, banking and other markets, among other effects;

- the possible political, economic and regulatory impacts in the United Kingdom and the EU derived from the outcome of the referendum held in the United Kingdom on June 23, 2016, which resulted in a vote in favor of the United Kingdom leaving the EU and the UK government giving notice to the EU under Article 50(2) of the Treaty on European Union of its intention to withdraw from the EU. The possible impact of the United Kingdom exiting the EU could include, among other things, political instability in the United Kingdom, the EU as a whole, or countries forming part of the EU; regulatory changes in the United Kingdom and/or in the EU; economic slowdown in the United Kingdom, in the EU and/or outside the EU; deterioration of the creditworthiness of borrowers based in or related to the United Kingdom and/or the EU; and volatility in financial markets which could limit or condition BBVA's or any other issuer's access to capital markets, all of which may arise regardless of the uncertainty as to the timing and duration of the exit process; and

- an eventual government default or restructuring on public debt, which could affect the Group primarily in two ways: directly, through portfolio losses (the main exposures of the BBVA Group correspond to Spain, Mexico, the United States and Turkey, which as of December 31, 2017 amounted to 103,623 million, approximately 15% of the total volume of the Group's consolidated assets); and indirectly, through instabilities that a default in public debt could cause to the banking system as a whole, particularly since commercial banks' exposure to government debt is generally high in several countries in which the Group operates.

For additional information relating to certain economic risks that the Group faces in Spain, see "—Since the Group's loan portfolio is highly concentrated in Spain, adverse changes affecting the Spanish economy could have a material adverse effect on its financial condition". For additional information relating to certain economic risks that the Group faces in emerging market economies such as Latin America and Turkey, see "*—The Group may be materially adversely affected by developments in the emerging markets where it operates*".

Any of the above risks could have a material adverse effect on the Group's business, financial condition and results of operations.

Since the Group's loan portfolio is highly concentrated in Spain, adverse changes affecting the Spanish economy could have a material adverse effect on its financial condition

The Group has historically developed its lending business in Spain, which continues to be one of the main focuses of its business. The Group's loan portfolio in Spain has been adversely affected by the deterioration of the Spanish economy since 2009. After rapid economic growth until 2007, Spanish gross domestic product ("**GDP**") contracted in the period 2009-10 and 2012-13. The effects of the financial crisis were particularly pronounced in Spain given its heightened need for foreign financing as reflected by its high current account deficit, resulting from the gap between domestic investment and savings, and its public deficit. The current account imbalance has been corrected and the public deficit is in a downward trend, with GDP growth above 3% in 2015, 2016 and 2017 and unemployment falling to 17.2% in the fourth quarter of 2017. However, real or perceived difficulties in servicing public or private debt, triggered by foreign or domestic factors such as an increase in global financial risk or a decrease in the rate of domestic growth, could increase Spain's financing costs, hindering economic growth, employment and households' gross disposable income.

As of December 31, 2017, the balance of the "Loans and advances to customers" gross segment in the Spanish business segment amounted to 188,463 million euros, which represented approximately 47% of the balance of the "Loans and advances to customers" gross of the group. As mentioned in the Quarterly Information for January-March 2018 and interim consolidated financial statements for the three months period between January 1 and March 31, 2018, the Group NPL ended at March 31, 2018 at 4.4%, compared to 4.6%, 4.9% and 5.4% as of December 31, 2017, 2016 and 2015, respectively. The Spanish economy is particularly sensitive to economic conditions in the Eurozone, the main market for Spanish goods and services exports. Accordingly, an interruption in the recovery in the Eurozone might have an adverse effect on Spanish economic growth. Given the relevance of the Group's loan portfolio in Spain, any adverse changes affecting the Spanish economy could have a material adverse effect on the Group's business, financial condition and results of operations.

We may be adversely affected by political events in Catalonia

The business of the Bank in Spain includes extensive operations in Catalonia. Although actions carried out by the Spanish Government have helped diminish the level of uncertainty in the region resulting from its pro-independence movement, regional elections carried out in December 2017 resulted in pro-independence parties winning the majority of seats. As of the date of this Annual Report, a new government has not yet been formed. There is still significant uncertainty regarding the outcome of political and social tensions in Catalonia, which could result in volatile capital markets and other financing conditions in Spain or otherwise adversely affect the environment in which we operate in Catalonia and the rest of Spain, any of which could have an adverse effect on the business, liquidity, financial condition and results of operations. The bank's business in Catalonia represents 19.2% of the Bank's business in Spain.

Any decline in the Kingdom of Spain's sovereign credit ratings could adversely affect the Group's business, financial condition and results of operations

Since the Bank is a Spanish company with substantial operations in Spain, its credit ratings may be adversely affected by the assessment by rating agencies of the creditworthiness of the Kingdom of Spain. As a result, any decline in the Kingdom of Spain's sovereign credit ratings could result in a decline in the Bank's credit ratings. In addition, the Group holds a substantial amount of securities issued by the Kingdom of Spain, autonomous communities within Spain and other Spanish issuers. Any decline in the Kingdom of Spain's credit ratings could adversely affect the value of the Kingdom of Spain's and other public or private Spanish issuers' respective securities held by the Group in its various portfolios or otherwise materially adversely affect the Group's business, financial condition and results of operations. Furthermore, the counterparties to many of the Group's loan agreements could be similarly affected by any decline in the Kingdom of Spain's credit ratings, which could limit their ability to raise additional capital or otherwise adversely affect their ability to repay their outstanding commitments to the Group and, in turn, materially and adversely affect the Group's business, financial condition and results of operations.

The Group may be materially adversely affected by developments in the emerging markets where it operates

The economies of some of the emerging markets where the Group operates, mainly Latin America and Turkey, experienced significant volatility in recent decades, characterized, in some cases, by slow or declining growth, declining investment and hyperinflation.

Emerging markets are generally subject to greater risks than more developed markets. For example, there is typically a greater risk of loss from unfavorable political and economic developments, social and geopolitical instability, and changes in governmental policies, including expropriation, nationalization, international ownership legislation, interest-rate caps and tax policies, and political unrest, such as the attempted coup in Turkey on July 15, 2016 and state of emergency entitling the exercise of additional powers by the Turkish government first declared on July 20, 2016 and which continues to be in place. In addition, these emerging markets are affected by conditions in other related markets and in global financial markets generally and some are particularly affected by commodities price fluctuations, which in turn may affect financial market conditions through exchange rate fluctuations, interest rate volatility and deposits volatility. As a global economic recovery remains fragile, there are risks of deterioration. If the global economic conditions deteriorate, the business, financial condition, operating results and cash flows of the Bank's subsidiaries in emerging economies, mainly in Latin America and Turkey, may be materially adversely affected.

Furthermore, financial turmoil in any particular emerging market could negatively affect other emerging markets or the global economy in general. Financial turmoil in emerging markets tends to adversely affect stock prices and debt securities prices of other emerging markets as investors move their money to more stable and developed markets, and may reduce liquidity to companies located in the affected markets. An increase in the perceived risks associated with investing in emerging economies in general, or the emerging market economies where the Group operates in particular, could dampen capital flows to such economies and adversely affect such economies.

In addition, any changes in laws, regulations and policies pursued by the U.S. Government may adversely affect the emerging markets in which the Group operates, particularly Mexico due to the trade and other ties between Mexico and the United States. See "*—Our business could be adversely affected by global political developments, particularly with regard to U.S. policies that affect Mexico" below*.

If economic conditions in the emerging market economies where the Group operates deteriorate, the Group's business, financial condition and results of operations could be materially adversely affected.

As of March 31, 2018 and as of December 31, 2017, the assets of the South America business segment were 71,969 and 74,636 million euros respectively, representing approximately 10.5% and 10.8% of the Group's total assets; the total assets of Turkey's business segment were 74,389 and 78,694 million euros, representing approximately 10.8% and 11.4% respectively; and the Group's assets in the Mexico business segment were 93,275 and 94,061 million euros, which represent approximately 13.6% and 13.6% of the total assets of the Group respectively (see F.S.: Note 6 " Operating segment reporting") and the Interim Financial Statements 1Q18 "Operating Segments reporting"

Our business could be adversely affected by global political developments, particularly with regard to U.S. policies that affect Mexico

Changes in economic, political and regulatory conditions in the United States or in U.S. laws and policies governing foreign trade and foreign relations could create uncertainty in the international markets and could have a negative impact on the Mexican economy and public finances. This correlation is due, in part, to the high level of economic activity between the two countries generally, including the trade facilitated by the North American Free Trade Agreement ("**NAFTA**"), as well as due to their physical proximity.

Following the U.S. elections in November 2016 and the change in the U.S. administration for the four-year period from 2017 to 2020, there is uncertainty regarding future U.S. policies with respect to matters of importance to Mexico and its economy, particularly including trade and immigration. In particular, since August 16, 2017, the U.S. administration has been renegotiating the terms of NAFTA with its Mexican and Canadian counterparts. The U.S. administration, which has also stated that it may withdraw from the agreement, seeks to lower the trade deficit between the United States and Mexico, eliminate certain subsidies and practices by State-owned companies (such as *Petróleos Mexicanos* (Pemex)) which are perceived to distort the market and achieve stronger protection for U.S. digital trade and intellectual properties. Because the Mexican economy is heavily influenced by the U.S. economy, the re-negotiation, or even termination, of NAFTA and/or the adoption of other U.S. government policies may adversely affect economic conditions in Mexico. Any decision taken by the U.S. administration that has an impact on the Mexican economy, such as by reducing the levels of remittances, reducing commercial activity among the two countries or slowing direct foreign investment in Mexico, could adversely affect the Group's business, financial condition and results of operations.

U.S. immigration policies could also affect trade and other relations between Mexico and the United States and have other consequences for Mexican government policies. These factors could have an impact on Mexico's GDP growth, the exchange rate between the U.S. dollar or euro and the Mexican peso, levels of foreign direct investment and portfolio investment in Mexico, interest rates, inflation and the Mexican economy generally, which in turn, may have an impact on the Group's business, financial condition and results of operations.

The Group's earnings and financial condition have been, and its future earnings and financial condition may continue to be, materially affected by depressed asset valuations resulting from poor market conditions

Severe market events such as the past sovereign debt crisis, rising risk premiums and falls in share market prices, have resulted in the Group recording large write-downs on its credit market exposures in recent years. Several factors could further depress the valuation of our assets. Current political processes such as the implementation of "Brexit", which will result in the United Kingdom leaving the European Union, the surge of populist trends in several European countries or potential changes in U.S. economic policies implemented by the U.S. administration, could increase global financial volatility and lead to the reallocation of assets. Doubts on the asset quality of European banks also affected their evolution in the market during 2016 and such doubts remained in 2017. In addition, uncertainty about China's growth expectations and its policymaking capability to address certain severe future challenges has recently resulted in sudden and intense deterioration of the valuation of global assets and further increased volatility in the global financial markets. Additionally, in dislocated markets, hedging and other risk management strategies may not be as effective as they are in more normal market conditions due in part to the decreasing credit quality of hedge counterparties. Any deterioration in economic and financial market conditions could lead to further impairment charges and write-downs.

Exposure to the real estate market makes the Group vulnerable to developments in this market

The Group has a relevant exposure to the real estate market, mainly in Spain (see F.S.: APPENDIX XII section "Concentration of risk on activities in the real-estate market in Spain"). As of December 31, 2017, 2016 and 2015 the exposure to the construction and real estate sector in Spain was 11,981, 15,285 and 18,744 million euros, respectively, of which the risk for financing for construction and real estate development it was 5,224, 7,930 and 9,681 million euros, respectively, which represents 2.9%, 5.0% and 6.0% of the credit to the business balance sheet in Spain (excluding Public Administrations) and 0, 8%, 1.1% and 1.3% of the total assets of the Consolidated Group, respectively. The Group has substantial exposure to the real estate market, mainly in Spain, Mexico and the United States. The Group is exposed to the real estate market due to the fact that real estate assets secure many of its outstanding loans and due to the significant amount of real estate assets held on its balance sheet and its stakes in real estate companies such as Metrovacesa, S.A. and Testa Residencial SOCIMI, S.A. Any deterioration of real estate prices could materially and adversely affect the Group's business, financial condition and results of operations.

C. Liquidity and Financial Risks

The Bank has a continuous demand for liquidity to fund its business activities. The Bank may suffer during periods of market-wide or firm-specific liquidity constraints, and liquidity may not be available to it even if its underlying business remains strong

Liquidity and funding continue to remain a key area of focus for the Group and the industry as a whole. Like all major banks, the Group is dependent on confidence in the short- and long-term wholesale funding markets. Should the Group, due to exceptional circumstances or otherwise, be unable to continue to source sustainable funding, its ability to fund its financial obligations could be affected (see F.S.: Note 7.5 Liquidity Risk).

The Bank's profitability or solvency could be adversely affected if access to liquidity and funding is constrained or made more expensive for a prolonged period of time. Under extreme and unforeseen circumstances, such as the closure of financial markets and uncertainty as to the ability of a significant number of firms to ensure they can meet their liabilities as they fall due, the Group's ability to meet its financial obligations as they fall due or to fulfill its commitments to lend could be affected through limited access to liquidity (including government and central bank facilities). In such extreme circumstances, the Group may not be in a position to continue to operate without additional funding support, which it may be unable to access. These factors may have a material adverse effect on the Group's solvency, including its ability to meet its regulatory minimum liquidity requirements. These risks can be exacerbated by operational factors such as an over-reliance on a particular source of funding or changes in credit ratings, as well as market-wide phenomena such as market dislocation, regulatory change or major disasters.

In addition, corporate and institutional counterparties may seek to reduce aggregate credit exposures to the Bank (or to all banks), which could increase the Group's cost of funding and limit its access to liquidity. The funding structure employed by the Group may also prove to be inefficient, thus giving rise to a level of funding cost where the cumulative costs are not sustainable over the longer term. The funding needs of the Group may increase and such increases may be material to the Group's business, financial condition and results of operations.

Withdrawals of deposits or other sources of liquidity may make it more difficult or costly for the Group to fund its business on favorable terms, cause the Group to take other actions or, even, to the adoption of any other actions included in the regulation of resolution by the Spanish Resolution Authority

Historically, one of the Group's principal sources of funds has been savings and demand deposits. Large-denomination time deposits may, under some circumstances, such as during periods of significant interest-rate-based competition for these types of deposits, be a less stable source of deposits than savings and demand deposits. The level of wholesale and retail deposits may also fluctuate due to other factors outside the Group's control, such as a loss of confidence (including as a result of political initiatives, including bail-in and/or confiscation and/or taxation of creditors' funds) or competition from investment funds or other products. The introduction of a national tax on outstanding deposits could be negative for the Group's activities in Spain.

Moreover, there can be no assurance that, in the event of a sudden or unexpected withdrawal of deposits or shortage of funds in the banking systems or money markets in which the Group operates, or where such withdrawal specifically affects the Group, the Group will be able to maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets. Furthermore, in such an event, the Bank could be subject to the adoption of an early intervention or, ultimately, resolution measure by a Relevant Spanish Resolution Authority pursuant to Law 11/2015 (including, among others but without limitation, the Spanish Bail-in Power (including a Non-Viability Loss Absorption)). See *"—Bail-in and write-down powers under the BRRD and the SRM Regulation may adversely affect our business and the value of any securities we may issue*".

In addition, if public sources of liquidity, such as the ECB extraordinary measures adopted in response to the financial crisis since 2008, are removed from the market, there can be no assurance that the Group will be able to maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets or taking additional deleverage measures, and could be subject to the adoption of any early intervention or, ultimately, resolution measures by resolution authorities pursuant to Law 11/2015 (including, among others but without limitation, the Spanish Bail-in Power (including a Non-Viability Loss Absorption).

As of March 31, 2018 and December 31, 2017, 2016 and 2015, the balance of "Customer deposits" represented approximately 72%, 69%, 68% and 67%, respectively, of the total of "Financial liabilities at amortized cost" of the BBVA Group (see FS: Note 22" Financial liabilities at amortized cost "and Interim Financial Statements 1Q18 "Liabilities at amortized cost").

Implementation of internationally accepted liquidity ratios might require changes in business practices that affect the profitability of the Bank's business activities

The liquidity coverage ratio ("LCR") is a quantitative liquidity standard developed by the BCBS to ensure that those banking organizations to which this standard is to apply have sufficient high-quality liquid assets to cover expected net cash outflows over a 30-day liquidity stress period. The final standard was announced in January 2013 by the BCBS.

The LCR has been progressively implemented since 2015 in accordance with the CRR, with banks having to fully comply (100%) with such ratio from January 1, 2018. The Bank´s LCR as of December 2017 stands at 128%.

The BCBS's net stable funding ratio ("NSFR") has a time horizon of one year and has been developed to provide a sustainable maturity structure of assets and liabilities such that banks maintain a stable funding profile in relation to their on- and off-balance sheet activities that reduces the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that could increase the risk of its failure. The BCBS contemplates that the NSFR, including any revisions, must be implemented by member countries as a minimum standard by January 1, 2018, with no phase-in scheduled. The EU Banking Reforms propose the introduction of a harmonized binding requirement for the NSFR across the EU.

Various elements of the LCR and the NSFR, as they are implemented by national banking regulators and complied with by the Bank, may cause changes that affect the profitability of business activities and require changes to certain business practices, which could expose the Bank to additional costs (including increased compliance costs) or have a material adverse effect on the Bank's business, financial condition or results of operations. These changes may also cause the Bank to invest significant management attention and resources to make any necessary changes.

The Group's businesses are subject to inherent risks concerning borrower and counterparty credit quality which have affected and are expected to continue to affect the recoverability and value of assets on the Group's balance sheet

The Group has exposures to many different products, counterparties and obligors and the credit quality of its exposures can have a significant effect on the Group's earnings. Adverse changes in the credit quality of the Group's borrowers and counterparties or collateral, or in their behavior or businesses, may reduce the value of the Group's assets, and materially increase the Group's write-downs and provisions for impairment losses. Credit risk can be affected by a range of factors, including an adverse economic environment, reduced consumer and/or government spending, global economic slowdown, changes in the rating of individual counterparties, the debt levels of individual contractual counterparties and the economic environment they operate in, increased unemployment, reduced asset values, increased personal or corporate insolvency levels, reduced corporate profits, changes (and the timing, quantum and pace of these changes) in interest rates, counterparty challenges to the interpretation or validity of contractual arrangements and any external factors of a legislative or regulatory nature. In recent years, the global economic crisis has driven cyclically high bad debt charges.

Quantitative information on credit risk exposure, as stated in F.S. Note 7.3.1 "Credit risk exposure", referring to the years 2017, 2016 and 2015, is shown below:

Maximum Credit Risk Exposure (Millions of euros)			
	2017	**2016**	**2015**
Financial assets held for trading	**29,430**	**31,995**	**37,424**
Debt securities	22,573	27,166	32,825
Government	20,716	24,165	29,454
Credit institutions	816	1,652	1,765
Other sectors	1,041	1,349	1,606
Equity instruments	6,801	4,675	4,534
Loans and advances to customers	56	154	65
Other financial assets designated at fair value through profit or loss	**2,709**	**2,062**	**2,311**
Loans and advances to customers	648	-	62
Debt securities	174	142	173
Government	93	84	132
Credit institutions	63	47	29
Other sectors	18	11	11
Equity instruments	1,888	1,920	2,075
Available-for-sale financial assets	**70,761**	**79,553**	**113,710**
Debt securities	66,273	74,739	108,448
Government	53,378	55,047	81,579
Credit institutions	3,902	5,011	8,069
Other sectors	8,993	14,682	18,800
Equity instruments	4,488	4,814	5,262
Loans and receivables	**444,320**	**482,011**	**490,580**
Loans and advances to central banks	7,300	8,894	17,830
Loans and advances to credit institutions	26,297	31,416	29,368
Loans and advances to customers	400,369	430,474	432,856
Government	32,525	34,873	38,611
Agriculture	3,876	4,312	4,315
Industry	52,026	57,072	56,913
Real estate and construction	29,671	37,002	38,964
Trade and finance	47,951	47,045	43,576
Loans to individuals	172,868	192,281	194,288
Other	61,452	57,889	56,188
Debt securities	10,354	11,226	10,526
Government	4,412	4,709	3,275
Credit institutions	31	37	125
Other sectors	5,911	6,481	7,126
Held-to-maturity investments	**13,765**	**17,710**	**-**
Government	12,620	16,049	-
Credit institutions	1,056	1,515	-
Other sectors	89	146	-
Derivatives (trading and hedging)	**45,628**	**54,122**	**49,350**
TOTAL FINANCIAL ASSETS RISK	**606,613**	**667,454**	**693,375**
Loan commitments given	94,268	107,254	123,620
Financial guarantees given	16,545	18,267	19,176
Other Commitments given	45,738	42,592	42,813
Total Maximum Credit Exposure	**763,165**	**835,567**	**878,984**

The quantitative information related to the maximum credit risk exposure for the first quarter ended March 31, 2018 and the year ended December 31, 2017 is in the Quarterly Report January-March 2018, as it is shown below:

Maximum Credit Risk Exposure (millions of euros)	March 2018
Financial assets held for trading	**61,534**
Debt securities	30,545
Equity instruments	6,385
Loans and advances to customers	24,603
Non-trading financial assets mandatorily at fair value through profit or loss	**4,360**
Loans and advances to customers	1,698
Debt securities	256
Equity instruments	2,406
Financial assets designated at fair value through profit or loss	**1,330**
Derivatives (trading and hedging)	**43,861**
Financial assets at fair value through other comprehensive income	**59,235**
Debt securities	56,478
Government	45,266
Credit institutions	3,653
Other sectors	7,537
Equity instruments	2,756
Financial assets at amortized cost	**431,392**
Loans and advances to central banks	7,072
Loans and advances to credit institutions	10,694
Loans and advances to customers	381,683
Debt securities	31,943
TOTAL FINANCIAL ASSETS RISK	**601,712**
TOTAL LOAN COMMITMENTS AND FINANCIAL GUARANTEES	**172,331**
Total Maximum Credit Exposure	**774,043**

Quantitative information impaired financial assets and contingent risks, referred to the 2017 and 2016 periods, are included in the F.S. Note 7.3.4 "Past due but not impaired and impaired secured loans risks", is shown below:

Impaired assets Breakdown by sectors	2017	2016
Debt securities	**66**	**272**
Loans and advances	**19,401**	**22,925**
Central banks	-	-
General governments	171	295
Credit institutions	11	10
Other financial corporations	12	34
Non-financial corporations	10,791	13,786
Households	8,417	8,801
TOTAL IMPAIRED FINANCIAL ASSETS	**19,467**	**23,197**

The quantitative information related to Impaired assets for the first quarter ended March 31, 2018 and the year ended December 31, 2017 is in the is in the Quarterly Report January-March 2018, as it is shown below:

Impaired financial assets and contingent risks Breakdown by type of asset and by sector (Millions of euros)	March 2018	December 2017
Financial assets at fair value through other comprehensive income	15	70
Debt securities	15	70
Financial assets at amortized cost	19,004	19,780
Loans and advances to credit institutions	11	11
Loans and advances to customers	18,960	19,753
Debt securities	33	17
Total impaired financial assets	**19,018**	**19,850**
Impaired financial guarantees given	**555**	**739**
Total impaired financial assets and contigent risks	**19,573**	**20,590**

The NPL ratio of the BBVA Group as of March 31, 2018 was 4.4% and as of December 31, 2017 it was 4.6% compared to 4.9% and 5.4% as of December 31, 2016 and 2015 respectively (see MR attached to the FS section "Business areas" to see the detail by business areas). The NPL coverage ratio of impaired assets as of March 31, 2018 and December 31, 2017 was 73% and 65% compared to 70% and 74% as of December 31, 2016 and 2015, respectively.

Non-performing or low credit quality loans have in the past and can continue to negatively affect the Bank's results of operations. The Bank cannot assure that it will be able to effectively control the level of the impaired loans in its total loan portfolio. At present, default rates are partly cushioned by low rates of interest which have improved customer affordability, but the risk remains of increased default rates as interest rates start to rise. The timing, quantum and pace of any rise is a key risk factor. All new lending is dependent on the Group's assessment of each customer's ability to pay, and there is an inherent risk that the Group has incorrectly assessed the credit quality or willingness of borrowers to pay, possibly as a result of incomplete or inaccurate disclosure by those borrowers or as a result of the inherent uncertainty that is involved in the exercise of constructing models to estimate the true risk of lending to counterparties. The Group estimates and establishes reserves for credit risks and potential credit losses inherent in its credit exposure. This process, which is critical to the Group's results and financial condition, requires difficult, subjective and complex judgments, including forecasts of how macro-economic conditions might impair the ability of borrowers to repay their loans. As is the case with any such assessments, there is always a risk that the Group will fail to adequately identify the relevant factors or that it will fail to estimate accurately the effect of these identified factors, which could have a material adverse effect on the Group's business, financial condition or results of operations.

The Group's business is particularly vulnerable to volatility in interest rates

The Group's results of operations are substantially dependent upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Interest rates are highly sensitive to many factors beyond the Group's control, including fiscal and monetary policies of governments and central banks, regulation of the financial sectors in the markets in which it operates, domestic and international economic and political conditions and other factors. Changes in market interest rates, including cases of negative reference rates, can affect the interest rates that the Group receives on its interest-earning assets differently to the rates that it pays for its interest-bearing liabilities. This may, in turn, result in a reduction of the net interest income the Group receives, which could have a material adverse effect on its results of operations.

In addition, the high proportion of loans referenced to variable interest rates makes debt service on such loans more vulnerable to changes in interest rates. In addition, a rise in interest rates could reduce the demand for credit and the Group's ability to generate credit for its clients, as well as contribute to an increase in the credit default rate. As a result of these and the above factors, significant changes or volatility in interest rates could have a material adverse effect on the Group's business, financial condition or results of operations, (see F.S.: Note 7.4.2 "Structural Risk").

Sensitivity to Interest-Rate Analysis - December 2017

	Impact on Net Interest Income (*)		Impact on Economic Value (**)	
	100 Basis-Point Increase	100 Basis-Point Decrease	100 Basis-Point Increase	100 Basis-Point Decrease
Europe (***)	**+ (10% - 15%)**	**- (5% - 10%)**	**+ (0% - 5%)**	**- (0% - 5%)**
Mexico	**+ (0% - 5%)**	**- (0% - 5%)**	**- (0% - 5%)**	**+ (0% - 5%)**
USA	**+ (5% - 10%)**	**- (5% - 10%)**	**- (0% - 5%)**	**- (0% - 5%)**
Turkey	**- (0% - 5%)**	**+ (0% - 5%)**	**- (0% - 5%)**	**+ (0% - 5%)**
South America	**+ (0% - 5%)**	**- (0% - 5%)**	**- (0% - 5%)**	**+ (0% - 5%)**
BBVA Group	**+ (0% - 5%)**	**- (0% - 5%)**	**+ (0% - 5%)**	**- (0% - 5%)**

(*) Percentage of "1 year" net interest income forecast for each unit.
(**) Percentage of net assets for each unit.
(***) In Europe downward movement allowed until more negative level than current rates.

The Bank and certain of its subsidiaries are dependent on their credit ratings and any reduction of their credit ratings could materially and adversely affect the Group's business, financial condition and results of operations

The Bank and certain of its subsidiaries are rated by various credit rating agencies. The credit ratings of the Bank and such subsidiaries are an assessment by rating agencies of their ability to pay their obligations when due. Any actual or anticipated decline in the Bank's or such subsidiaries' credit ratings to below investment grade or otherwise may increase the cost of and decrease the Group's ability to finance itself in the capital markets, secured funding markets (by affecting its ability to replace downgraded assets with better-rated ones), or interbank markets, through wholesale deposits or otherwise, harm its reputation, require it to replace funding lost due to the downgrade, which may include the loss of customer deposits, and make third parties less willing to transact business with the Group or otherwise materially adversely affect its business, financial condition and results of operations. Furthermore, any decline in the Bank's or such subsidiaries' credit ratings to below investment grade or otherwise could breach certain agreements or trigger additional obligations under such agreements, such as a requirement to post additional collateral, which could materially adversely affect the Group's business, financial condition and results of operations. The ratings of the main rating agencies are in the Management Report attached to the Financial Statements of 2017, as well as in the Management Report attached to the Interim Financial statements for the first quarter of 2018, in both cases in the "Solvency" section. See the section Risk Factors of this Registration Document entitled "Any decline in the Kingdom of Spain's sovereign credit ratings could adversely affect the Group's business, financial condition and results of operations".

Highly-indebted households and corporations could endanger the Group's asset quality and future revenues

In recent years, households and businesses have reached a high level of indebtedness, particularly in Spain, which has created increased risk in the Spanish banking system. In addition, the high proportion of loans referenced to variable interest rates makes debt service on such loans more vulnerable to upward movements in interest rates and the profitability of the loans more vulnerable to interest rate decreases. Highly indebted households and businesses are less likely to be able to service debt obligations as a result of adverse economic events, which could have an adverse effect on the Group's loan portfolio and, as a result, on its financial condition and results of operations. Moreover, the increase in households' and businesses' indebtedness also limits their ability to incur additional debt, reducing the number of new products that the Group may otherwise be able to sell to them and limiting the Group's ability to attract new customers who satisfy its credit standards, which could have an adverse effect on the Group's ability to achieve its growth plans.

The Group depends in part upon dividends and other funds from subsidiaries

Some of the Group's operations are conducted through its financial services subsidiaries. As a result, the Bank's ability to pay dividends, to the extent the Bank decides to do so, depends in part on the ability of the Group's subsidiaries to generate earnings and to pay dividends to BBVA. Payment of dividends, distributions and advances by the Group's subsidiaries will be contingent upon their earnings and business considerations and is or may be limited by legal, regulatory and contractual restrictions. For instance, the repatriation of dividends from the Group's Venezuelan and Argentinean subsidiaries have been subject to certain restrictions and there is no assurance that further restrictions will not be imposed. Additionally, the Bank's right to receive any assets of any of the Group's subsidiaries as an equity holder of such subsidiaries upon their liquidation or reorganization will be effectively subordinated to the claims of subsidiaries' creditors. The Group also has to comply with increased capital requirements, which could result in the imposition of restrictions or prohibitions on discretionary payments including the payment of dividends and other distributions to the Bank by its subsidiaries (see "—Increasingly onerous capital requirements may have a material adverse effect on the Bank's business, financial condition and results of operations").

D. Business and Industry Risks

The Group faces increasing competition in its business lines

The markets in which the Group operates are highly competitive and this trend will likely continue with new business models likely to be developed in coming years which impact is unforeseeable. In addition, the trend towards consolidation in the banking industry has created larger and stronger banks with which the Group must now compete.

The Group also faces competition from non-bank competitors, such as payment platforms, e-commerce businesses, department stores (for some credit products), automotive finance corporations, leasing companies, factoring companies, mutual funds, pension funds, insurance companies, and public debt.

In the last years, the financial services sector has experienced a significant transformation, closely linked to the development of the Internet and mobile technologies. Part of that transformation involves the entrance of new players, such as non-bank digital providers that compete (and cooperate) between them and with banks in most of the areas of financial services as well as large digital players such as Amazon, Facebook or Apple, who have also started to offer financial services (mainly, payments and credit) ancillary to their core value proposition. However, as of the date of this Annual Report, there is an uneven playing field between banks and such non-bank players. For example, banking groups are subject to prudential regulations that have implications for most of their businesses, including those in which they compete with non-bank players that are only subject to activity-specific regulations or benefit from regulatory uncertainty. In addition, fintech activities are generally subject to additional rules on internal governance when they are carried out within a banking group. For instance, the CRD IV Directive limits the ratio between the variable and the fixed salary that financial institutions can pay to certain staff members identified as risk takers. This places banking groups at a competitive disadvantage for attracting and retaining digital talent and for retaining the founders and management teams of acquired start-ups.

Existing loopholes in the regulatory framework are another source of uneven playing fields between banks and non-bank players. Some new services or business models are not yet covered under existing regulations. In these cases, asymmetries between players arise since regulated providers often face obstacles to engage in unregulated activities. For instance, the EBA has recommended to competent authorities that they prevent credit institutions, payment institutions and e-money institutions from buying, holding or selling virtual currencies.

The Group's future success may depend, in part, on its ability to use technology to provide products and services that provide convenience to customers. Despite the technological capabilities the Group has been developing and its commitment to digitalization, as a result of the uneven playing field referred to above or for other reasons, the Group may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to its customers, which would adversely affect the Group's business, financial condition and results of operations.

In addition, companies offering new applications and financial-related services based on artificial intelligence are becoming more competitive. The often lower cost and higher processing speed of these new applications and services can be especially attractive to technologically-adept purchasers. As technology continues to evolve, more tasks currently performed by people may be replaced by automation, machine learning and other advances outside of the Group's control. If the Group is not able to successfully keep pace with these technological advances, its business may be adversely impacted.

In addition, the project of achieving a European capital markets union was launched by the European Commission as a plan to mobilize capital in Europe, being one of its main objectives to provide businesses with a greater choice of funding at lower costs and to offer new opportunities for savers and investors. These objectives are expected to be achieved by developing a more diversified financial system complementing bank financing with deep and developed capital markets, which may adversely affect the Group's business, financial condition and results of operations.

The Group faces risks related to its acquisitions and divestitures

The Group's mergers and acquisitions activity involves divesting its interests in some businesses and strengthening other business areas through acquisitions. The Group may not complete these transactions in a timely manner, on a cost-effective basis or at all. Even though the Group reviews the companies it plans to acquire, it is generally not feasible for these reviews to be complete in all respects. As a result, the Group may assume unanticipated liabilities, or an acquisition may not perform as well as expected. In addition, transactions such as these are inherently risky because of the difficulties of integrating people, operations and technologies that may arise. There can be no assurance that any of the businesses the Group acquires can be successfully integrated or that they will perform well once integrated. Acquisitions may also lead to potential write-downs due to unforeseen business developments that may adversely affect the Group's results of operations.

The Group's results of operations could also be negatively affected by acquisition or divestiture-related charges, amortization of expenses related to intangibles and charges for impairment of long-term assets. The Group may be subject to litigation in connection with, or as a result of, acquisitions or divestitures, including claims from terminated employees, customers or third parties, and the Group may be liable for future or existing litigation and claims related to the acquired business or divestiture because either the Group is not indemnified for such claims or the indemnification is insufficient. These effects could cause the Group to incur significant expenses and could materially adversely affect its business, financial condition and results of operations.

The Group is party to lawsuits, tax claims and other legal proceedings

Due to the nature of the Group's business, the Bank and its subsidiaries are involved in litigation, arbitration and regulatory proceedings in jurisdictions around the world, the financial outcome of which is unpredictable, particularly where the claimants seek unspecified or undeterminable damages, or where the cases argue novel legal theories, involve a large number of parties or are at early stages of discovery. An adverse outcome or settlement in these proceedings could result in significant costs and may have a material adverse effect on the Group's business, financial condition, cash flows, results of operations and reputation.

In addition, responding to the demands of litigation may divert management's time and attention and financial available for other functions or activities. While the Group provisions such risks based on its assessment of such matters and in accordance with applicable accounting rules, it is possible that losses resulting from such risks, if proceedings are decided in whole or in part adversely to the Group, could exceed the amount of provisions made for such risks, which, in turn, could have a material adverse effect on the Group's business, financial condition and results of operations. See "Item 8. *Financial information—Consolidated Statements and Other Financial Information—Legal proceedings*" and Note 24 to the BBVA Group Consolidated Financial Statements for additional information on the Group's legal, regulatory and arbitration proceedings, including the floor clauses. The additional allocations that have been carried out during the fiscal year 2017, to cover the possible claims and demands that could present in relation to the floor clauses, have not been significant.

The Group's ability to maintain its competitive position depends significantly on its international operations, which expose the Group to foreign exchange, political and other risks in the countries in which it operates, which could cause an adverse effect on its business, financial condition and results of operations

The Group operates commercial banks and insurance and other financial services companies in various countries and its overall success as a global business depends upon its ability to succeed in differing economic, social and political conditions. The Group is particularly sensitive to developments in Mexico, the United States, Turkey and Argentina, which represented 12.86%, 10.67%, 11.43% and 1.35% of the Group's assets as of December 31, 2017, respectively.

The Group is confronted with different legal and regulatory requirements in many of the jurisdictions in which it operates. See " *—Legal,* *on the Bank's business, financial condition, results of operations and cash flows*". These include, but are not limited to, different tax regimes and laws relating to the repatriation of funds or nationalization or expropriation of assets. The Group's international operations may also expose it to risks and challenges which its local competitors may not be required to face, such as exchange rate risk, difficulty in managing a local entity from abroad, political risk which may be particular to foreign investors and limitations on the distribution of dividends.

The Group's structural exchange-rate risk exposure level has remained fairly stable since the end of 2016. The hedging policy intends to keep low levels of sensitivity to movements in the exchange rates of emerging currencies against the euro and focuses on Mexican peso and Turkish lira. The risk mitigation level in capital ratio due to the book value of BBVA Group's holdings in foreign emerging currencies stood at around 70% and, as of the end of 2017, CET1 ratio sensitivity to the appreciation of 1% in the euro exchange rate for each currency is: US Dollar +1,2 bps; Mexican peso -0,1 bps; Turkish Lira -0,1 bps; other currencies -0,3 bps. On the other hand, hedging of emerging-currency denominated earnings of 2017 has reached a 61%, concentrated in Mexican peso and Turkish lira.

The Group's presence in locations such as the Latin American markets or Turkey requires it to respond to rapid changes in market conditions in these countries and exposes the Group to increased risks relating to emerging markets. See "*—Macroeconomic Risks—The Group may be materially adversely affected by developments in the emerging markets where it operates*". There can be no assurance that the Group will succeed in developing and implementing policies and strategies that are effective in each country in which it operates or that any of the foregoing factors will not have a material adverse effect on its business, financial condition and results of operations.

E. Financial, Reporting and Other Operational Risks

Our financial results, regulatory capital and ratios may be negatively affected by changes to accounting standards

We report our results and financial position in accordance with the EU-IFRS required to be applied under the Bank of Spain's Circular 4/2004, which has been replaced by the Bank of Spain's Circular 4/2017 for financial statements as of January 1, 2018 and later, and in compliance with IFRS-IASB. Changes to IFRS or interpretations thereof may cause our future reported results and financial position to differ from current expectations, or historical results to differ from those previously reported due to the adoption of accounting standards on a retrospective basis. Such changes may also affect our regulatory capital and ratios. We monitor potential accounting changes and, when possible, we determine their potential impact and disclose significant future changes in our financial statements that we expect as a result of those changes. Currently, there are a number of issued but not yet effective IFRS changes, as well as potential IFRS changes, some of which could be expected to impact our reported results, financial position and regulatory capital in the future. In particular, IFRS 9, requires us to record credit losses on loans at inception net of expected loss basis instead of recording credit losses on an incurred loss basis. For further information about IFRS 9, IFRS 15 developments in financial accounting and reporting standards, see Note 2.3 to the Consolidated Financial Statements ("Recent IFRS pronouncements").

At the date of preparation of these consolidated Financial Statements, the estimated impact on the CET1 fully-loaded ratio would imply a decrease of approximately 31 basis points and the estimated impact on the volume of provisions would represent an increase of approximately 10% over the level current provisions.

Weaknesses or failures in the Group's internal or outsourced processes, systems and security could materially adversely affect its results of operations, financial condition or prospects, and could result in reputational damage

Operational risks, through inadequate or failed internal processes, systems (including financial reporting and risk monitoring processes) or security, or from people-related or external events, including the risk of fraud and other criminal acts carried out by Group employees or against Group companies, are present in the Group's businesses. These businesses are dependent on processing and reporting accurately and efficiently a high volume of complex transactions across numerous and diverse products and services, in different currencies and subject to a number of different legal and regulatory regimes. Any weakness in these internal processes, systems or security could have an adverse effect on the Group's results, the reporting of such results, and on the ability to deliver appropriate customer outcomes during the affected period. In addition, any breach in security of the Group's systems could disrupt its business, result in the disclosure of confidential information and create significant financial and legal exposure for the Group. Although the Group devotes significant resources to maintain and regularly update its processes and systems that are designed to protect the security of its systems, software, networks and other technology assets, there is no assurance that all of its security measures will provide absolute security. Furthermore, the Group has outsourced certain functions (such as the storage of certain information) to third parties and, as a result, it is dependent on the adequacy of the internal processes, systems and security measures of such third parties. Any actual or perceived inadequacies, weaknesses or failures in the Group's systems, processes or security or the systems, processes or security of such third parties could damage the Group's reputation (including harming customer confidence) or could otherwise have a material adverse effect on its business, financial condition and results of operations.

The financial industry is increasingly dependent on information technology systems, which may fail, may not be adequate for the tasks at hand or may no longer be available

Banks and their activities are increasingly dependent on highly sophisticated information technology ("IT") systems. IT systems are vulnerable to a number of problems, such as software or hardware malfunctions, computer viruses, hacking and physical damage to vital IT centers. IT systems need regular upgrading and banks, including the Bank, may not be able to implement necessary upgrades on a timely basis or upgrades may fail to function as planned.

Furthermore, the Group is under continuous threat of loss due to cyber-attacks, especially as it continues to expand customer capabilities to utilize internet and other remote channels to transact business. Two of the most significant cyber-attack risks that it faces are e-fraud and breach of sensitive customer data. Loss from e-fraud occurs when cybercriminals breach and extract funds directly from customers' or the Group's accounts. A breach of sensitive customer data, such as account numbers, could present significant reputational, legal and/or regulatory costs to the Group.

Over the past few years, there have been a series of distributed denial of service attacks on financial services companies. Distributed denial of service attacks are designed to saturate the targeted online network with excessive amounts of network traffic, resulting in slow response times, or in some cases, causing the site to be temporarily unavailable. Generally, these attacks have not been conducted to steal financial data, but meant to interrupt or suspend a company's internet service. While these events may not result in a breach of client data and account information, the attacks can adversely affect the performance of a company's website and in some instances have prevented customers from accessing a company's website. Distributed denial of service attacks, hacking and identity theft risks could cause serious reputational harm. Cyber threats are rapidly evolving and the Group may not be able to anticipate or prevent all such attacks. The Group's risk and exposure to these matters remains heightened because of the evolving nature and complexity of these threats from cybercriminals and hackers, its plans to continue to provide internet banking and mobile banking channels, and its plans to develop additional remote connectivity solutions to serve its customers. The Group may incur increasing costs in an effort to minimize these risks and could be held liable for any security breach or loss.

Additionally, fraud risk may increase as the Company offers more products online or through mobile channels.

In addition to costs that may be incurred as a result of any failure of its IT systems, the Group could face fines from bank regulators if it fails to comply with applicable banking or reporting regulations as a result of any such IT failure or otherwise.

The Group faces security risks, including denial of service attacks, hacking, social engineering attacks targeting its colleagues and customers, malware intrusion or data corruption attempts, and identity theft that could result in the disclosure of confidential information, adversely affect its business or reputation, and create significant legal and financial exposure. The Group's computer systems and network infrastructure and those of third parties, on which it is highly dependent, are subject to security risks and could be susceptible to cyber-attacks, such as denial of service attacks, hacking, terrorist activities or identity theft. The Group's business relies on the secure processing, transmission, storage and retrieval of confidential, proprietary and other information in its computer and data management systems and networks, and in the computer and data management systems and networks of third parties. In addition, to access the Group's network, products and services, its customers and other third parties may use personal mobile devices or computing devices that are outside of its network environment and are subject to their own cybersecurity risks.

The Group, its customers, regulators and other third parties, including other financial services institutions and companies engaged in data processing, have been subject to, and are likely to continue to be the target of, cyber-attacks. These cyber-attacks include computer viruses, malicious or destructive code, phishing attacks, denial of service or information, ransomware, improper access by employees or vendors, attacks on personal email of employees, ransom demands to not expose security vulnerabilities in the Group's systems or the systems of third parties or other security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of the Group, its employees, its customers or of third parties, damage its systems or otherwise materially disrupt the Group's or its customers' or other third parties' network access or business operations. As cyber threats continue to evolve, the Group may be required to expend significant additional resources to continue to modify or enhance its protective measures or to investigate and remediate any information security vulnerabilities or incidents. Despite efforts to ensure the integrity of the Group's systems and implement controls, processes, policies and other protective measures, the Group may not be able to anticipate all security breaches, nor may it be able to implement guaranteed preventive measures against such security breaches. Cyber threats are rapidly evolving and the Group may not be able to anticipate or prevent all such attacks and could be held liable for any security breach or loss.

Cybersecurity risks for banking organizations have significantly increased in recent years in part because of the proliferation of new technologies, and the use of the internet and telecommunications technologies to conduct financial transactions. For example, cybersecurity risks may increase in the future as the Group continues to increase its mobile-payment and other internet-based product offerings and expand its internal usage of web-based products and applications. In addition, cybersecurity risks have significantly increased in recent years in part due to the increased sophistication and activities of organized crime affiliates, terrorist organizations, hostile foreign governments, disgruntled employees or vendors, activists and other external parties, including those involved in corporate espionage. Even the most advanced internal control environment may be vulnerable to compromise. Targeted social engineering attacks and "spear phishing" attacks are becoming more sophisticated and are extremely difficult to prevent. In such an attack, an attacker will attempt to fraudulently induce colleagues, customers or other users of the Group's systems to disclose sensitive information in order to gain access to its data or that of its clients. Persistent attackers may succeed in penetrating defenses given enough resources, time, and motive. The techniques used by cyber criminals change frequently, may not be recognized until launched and may not be recognized until well after a breach has occurred. The risk of a security breach caused by a cyber-attack at a vendor or by unauthorized vendor access has also increased in recent years. Additionally, the existence of cyber-attacks or security breaches at third-party vendors with access to the Group's data may not be disclosed to it in a timely manner.

The Group also faces indirect technology, cybersecurity and operational risks relating to the customers, clients and other third parties with whom it does business or upon whom it relies to facilitate or enable its business activities, including, for example, financial counterparties, regulators and providers of critical infrastructure such as internet access and electrical power. As a result of increasing consolidation, interdependence and complexity of financial entities and technology systems, a technology failure, cyber-attack or other information or security breach that significantly degrades, deletes or compromises the systems or data of one or more financial entities could have a material impact on counterparties or other market participants, including the Group. This consolidation, interconnectivity and complexity increase the risk of operational failure, on both individual and industry-wide bases, as disparate systems need to be integrated, often on an accelerated basis. Any third-party technology failure, cyber-attack or other information or security breach, termination or constraint could, among other things, adversely affect the Group's ability to effect transactions, service its clients, manage its exposure to risk or expand its business.

Cyber-attacks or other information or security breaches, whether directed at the Group or third parties, may result in a material loss or have material consequences. Furthermore, the public perception that a cyber-attack on its systems has been successful, whether or not this perception is correct, may damage the Group's reputation with customers and third parties with whom it does business. Hacking of personal information and identity theft risks, in particular, could cause serious reputational harm. A successful penetration or circumvention of system security could cause the Group serious negative consequences, including loss of customers and business opportunities, significant business disruption to its operations and business, misappropriation or destruction of its confidential information and/or that of its customers, or damage to the Group's or its customers' and/or third parties' computers or systems, and could result in a violation of applicable privacy laws and other laws, litigation exposure, regulatory fines, penalties or intervention, loss of confidence in the Group's security measures, reputational damage, reimbursement or other compensatory costs, additional compliance costs, and could adversely impact its results of operations, liquidity and financial condition.

The Group could be the subject of misinformation

The Group may be the subject of intentional misinformation and misrepresentations deliberately propagated to harm the Group's reputation or for other deceitful purposes. Such misinformation could also be propagated by profiteering short sellers seeking to gain an illegal market advantage by spreading false information concerning the Group. The Group cannot assure that it will effectively neutralize and contain any false information that may be propagated regarding the Group, which could have an adverse effect on the Group's business, financial condition and results of operations.

The Bank's financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of its operations and financial position

The preparation of financial statements in accordance with IFRS-IASB requires the use of estimates. It also requires management to exercise judgment in applying relevant accounting policies. The key areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the consolidated and individual financial statements, include impairment of certain financial assets, the assumptions used to quantify certain provisions and for the actuarial calculation of post-employment benefit liabilities and commitments, the useful life and impairment losses of tangible and intangible assets, the valuation of goodwill and purchase price allocation of business combinations, the fair value of certain unlisted financial assets and liabilities, the recoverability of deferred tax assets and the exchange rate and the inflation rate of Venezuela. There is a risk that if the judgment exercised or the estimates or assumptions used subsequently turn out to be incorrect then this could result in significant loss to the Group, beyond that anticipated or provided for, which could have an adverse effect on the Group's business, financial condition and results of operations.

Observable market prices are not available for many of the financial assets and liabilities that the Group holds at fair value and a variety of techniques to estimate the fair value are used. Should the valuation of such financial assets or liabilities become observable, for example as a result of sales or trading in comparable assets or liabilities by third parties, this could result in a materially different valuation to the current carrying value in the Group's financial statements.

The further development of standards and interpretations under IFRS-IASB could also significantly affect the results of operations, financial condition and prospects of the Group.

CHAPTER 1
RESPONSIBLE PERSONS

1.1 PERSONS RESPONSIBLE FOR THE INFORMATION GIVEN IN THE REGISTRANT DOCUMENT

Ms. Mª Ángeles Peláez Morón, with granted powers by virtue of the power of attorney granted in Madrid on July 19, 2013 before the Notary Mr. Carlos Rives Gracia, recorded in his book of records under number 1825, registered with the Company Register of Vizcaya on July 24, 2013, volume 5323 of the General Section of Companies, Folio 177, Sheet BI-17 (A), Entry 3009, on behalf of BANCO BILBAO VIZCAYA ARGENTARIA, S.A.(hereinafter "Banco Bilbao Vizcaya Argentaria", "BBVA" or the "Bank"), assume responsibility for the entire contents of this Registration Document.

1.2. STATEMENT OF RESPONSIBILITY

Ms. Mª Ángeles Peláez Morón, Head of Group Financial Accounting, states that, the information contained in this Registration Document is, to the best of her knowledge, in accordance with the facts and contains no omission likely to materially affect its import, having taken all reasonable care to ensure that such is the case.

CHAPTER 2
STATUTORY AUDITORS

2.1. STATUTORY AUDITORS

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. Individual Financial Statements, as well as the Consolidated Financial Statements of the Consolidated Group (hereinafter, "BBVA Group"), for the year ended December 31, 2017 have been audited by KPMG, S.L, with a registered office in Madrid, Torre de Cristal en Paseo de la Castellana 259-C, and CIF B-78510153, and which is currently registered with the ROAC under number S-0702.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. Individual Financial Statements, as well as the Consolidated Financial Statements of the BBVA Group, for the years ended December 2016 and 2015 have been audited by Deloitte, S.L.

The aforementioned Financial Statements and the management reports individual and consolidated of Banco Bilbao Vizcaya Argentaria, S.A. and BBVA Group respectively, for years ended December 31, 2017, 2016 and 2015, along with their corresponding audit reports are filed with the CNMV.

2.2. AUDITORS APPOINTMENT

The auditors have not resigned or been removed from their duties during the period covered by the historical financial information presented in this Registration Document (years 2017, 2016 and 2015), nor to the date of this Registration Document.

On July 28, 2016, the Board of Directors resolved to propose to the Ordinary General Meeting of Shareholders of BBVA the appointment of KPMG Auditores, S.L., as auditor of BBVA and its consolidated Group for 2017, 2018 and 2019. Subsequently, at the General Shareholders' Meeting held on March 17, 2017, it was agreed to elect KPMG as auditor.

CHAPTER 3
SELECTED FINANCIAL INFORMATION

3.1 SELECTED HISTORICAL FINANCIAL INFORMATION

The selected financial information for the years ended December 31, 2017, 2016 and 2015, is shown below:

BBVA Group Highlights (consolidated figures)	December 2017	%	December 2016	December 2015 [4]
Balance sheet (millions of euros)				
Total assets	690,059	(5.7)	731,856	749,855
Loans and advances to customers (gross)	400,369	(7.0)	430,474	432,855
Deposits from customers	376,379	(6.2)	401,465	403,362
Other customer funds	134,906	2.1	132,092	131,822
Total customer funds	511,285	(4.2)	533,557	535,184
Total equity	53,323	(3.8)	55,428	55,282
Income statement (millions of euros)				
Net interest income	17,758	4.1	17,059	16,426
Gross income	25,270	2.5	24,653	23,680
Operating profit before tax	12,770	7.7	11,862	11,363
Protit/(loss) before tax	6,931	8.4	6,392	5,879
Net attributable profit	3,519	1.3	3,475	2,642
Data per share and share performance ratios				
Number of shares (million)	6,668	1.5	6,567	6,367
Share price (euros)	7.11	10.9	6.41	6.74
Earning per share (euros) [1]	0.48	(0.7)	0.49	0.37
Book value per share (euros) (*)	6.96	(3.6)	7.22	7.47
Tangible book value per share (euros) (*)	5.69	(0.6)	5.73	5.88
Market capitalization (millions of euros)	47,422	12.6	42,118	42,905
Yield (dividend/price; %) (*)	4.23		5.75	5.49
Significant ratios (%)				
ROE (net attributable profit/average shareholders' funds) (2) (*)	6.4		6.7	5.2
ROTE (net attributable profit/average shareholders' funds excluding intangible assets) (2) (*)	7.7		8.2	6.4
ROA (profit or loss for the year/average total assets) (*)	0.68		0.64	0.46
RORWA (profit or loss for the year/average risk-weighted assets) (*)	1.27		1.19	0.87
Efficiency ratio (*)	49.5		51.9	52.0
Cost of risk	0.87		0.84	1.06
NPL ratio (*)	4.4		4.9	5.4
NPL coverage ratio (*)	65		70	74
Capital adequacy ratios (%)				
CET1 fully-loaded	11.1		10.9	10.3
CET1 phase-in (3)	11.7		12.2	12.1
Tier 1 phase-in (3)	13.0		12.9	12.1
Total ratio phase-in (3)	15.4		15.1	15.0
Other information				
Number of shareholders	891,453	(4.7)	935,284	934,244
Number of employees	131,856	(2.2)	134,792	137,968
Number of branches	8,271	(4.5)	8,660	9,145
Number of ATMs	31,688	1.8	31,120	30,616

(*) Alternative performance measure (APM). See section "Alternative performances measures (APMs) of the Management Report.
(1) Adjusted by additional Tier 1 instrument remuneration.
(2) The ROE ratio include in the denominator the Group's average shareholders' funds, but do not take into account the caption within total equity named "Accumulated other comprehensive income" with an average balance of -€1,139m in 2015, -€4,492m in 2016 and -€7,015 in 2017.
(3) The capital ratios are calculated under CRD IV from Basel III regulation, applying a 80% phase-in for 2017 and a 60% for 2016.
(4) Since the third quarter of 2015, the total stake in Garanti is consolidated by the full integration method. For previous periods, the financial information provided in this document is presented integrated in the proportion corresponding to the percentage of the Group's stake then (25.01%).

The consolidated financial statements of BBVA Group for the year 2017 are prepared in accordance with the presentation models required by Circular 5/2015 of the CNMV. The aim is to adapt the content of the public financial information from the credit institutions and formats of the financial statements established mandatory by the European Union regulation for the credit institution.

The information included in the accompanying consolidated financial statements and the explanatory notes referring to December 31, 2016 and December 31, 2015 are presented exclusively for the purpose of comparison with the information for December 31, 2017.

3.2 SELECTED HISTORICAL INTERIM FINANCIAL INFORMATION

The latest available interim financial information corresponds to the interim financial statements (with limited review of the external auditor) as of March 31, 2018, registered with the CNMV on May 11, 2018, which is incorporated by reference to this Registration Document, prepared in accordance with the Spanish regulations in force (Circular 4/2004 and 4/2017 of the Bank of Spain) and other provisions of the applicable financial reporting regulatory framework of the Bank.

The key financial information for the three month periods ended 31 March, 2018 and 2017 is as follows:

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

BBVA Group highlights (Consolidated figures)

	NIIF 9		NIC 39	
	31/03/2018	Δ%	31/03/2017	31/12/2017
Balance sheet (millions of euros)				
Total assets	685,441	(4.7)	719,193	690,059
Loans and advances to customers (gross)	381,683	(11.6)	431,899	400,369
Deposits from customers	360,213	(9.6)	398,499	376,379
Other customer funds	130,440	(3.6)	135,290	134,906
Total customer funds	490,653	(8.1)	533,789	511,285
Total equity	51,823	(5.6)	54,918	53,323
Income statement (millions of euros)				
Net interest income	4,288	(0.8)	4,322	17,758
Gross income	6,096	(4.5)	6,383	25,270
Operating income	3,117	(4.0)	3,246	12,770
Profit/(loss) before tax	2,237	8.3	2,065	6,931
Net attributable profit	1,340	11.8	1,199	3,519
The BBVA share and share performance ratios				
Number of shares (millions)	6,668	1.5	6,567	6,668
Share price (euros)	6.43	(11.6)	7.27	7.11
Earning per share (euros) (1)	0.19	10.7	0.17	0.48
Book value per share (euros)	6.81	(7.0)	7.32	6.96
Tangible book value per share (euros)	5.58	(5.2)	5.88	5.69
Market capitalization (millions of euros)	42,868	(10.2)	47,739	47,422
Yield (dividend/price; %)	3.4		5.1	4.2
Significant ratios				
ROE (net attributable profit/average shareholders' funds +/- average accumulated other comprehensive income) (2)	11.9		10.2	7.4
ROTE (net attributable profit/average shareholders' funds excluding average intangible assets +/- average accumulated other comprehensive income) (2)	14.6		12.8	9.1
ROA (Profit or loss for the year/average total assets)	0.97		0.84	0.68
RORWA (Profit or loss for the year/average risk-weighted assets)	1.83		1.56	1.27
Efficiency ratio (*)	48.9		49.15	49.47
Cost of risk	0.85		0.90	0.87
NPL ratio (*)	4.4		4.9	4.6
NPL coverage ratio (*)	73		71	65
Capital adequacy ratios (%)				
CET 1 fully-loaded	10.9		11.0	11.1
CET 1 phased-in (3)	11.1		11.6	11.7
Tier 1 phased-in (3)	12.8		12.8	13.0
Total ratio phased-in (3)	15.4		15.3	15.5
Other information				
Number of shareholders	890,146	(3.2)	919,274	891,453
Number of employees	131,745	(0.9)	133,007	131,856
Number of branches	8,200	(3.5)	8,499	8,271
Number of ATMs	31,602	1.3	31,185	31,688

General note: data as of 31-03-17 and 31-12-17 are presented for comparison purposes only.

(*) Alternative performance measure (APM). See section "Alternative performances measures (APMs) of the Management Report.

(1) Adjusted by additional Tier 1 instrument remuneration.

(2) The ROE and ROTE ratios include in the denominator the Group's average shareholders' funds and take into account another item within total equity with the heading "Accumulated other comprehensive income". Excluding this item, the ROE would stand at 9.1% in the first quarter 2017, 6.4% in 2017 and 9.9% in the first quarter 2018 and the ROTE on 11.1%, 7.7% and 11.7%, respectively.

(3) As of March 31, 2018 phased-in ratios include the temporary treatment on the impact of IFRS9, calculated in accordance with Article 473 bis of CRR. For 2017 the capital ratios are calculated under CRD IV from Basel III regulation, in which a phase-in of 80% is applied.

CHAPTER 5
INFORMATION ABOUT THE ISSUER

5.1 HISTORY AND DEVELOPMENT OF THE ISSUER

5.1.1 Legal and commercial name of the issuer

The legal name of the issuer is Banco Bilbao Vizcaya Argentaria, S.A., with tax identification number A-48265169 and C.N.A.E (National Classification of Economic Activities) number 65121, and operates under the commercial name "BBVA".

5.1.2 Place of registration of the issuer and its registration number

Banco Bilbao Vizcaya Argentaria, S.A. was incorporated in the Special Register of Banks and Bankers of the Bank of Spain with number 0182.

5.1.3 Date of incorporation and the duration of activity of the issuer

Banco Bilbao Vizcaya Argentaria, S.A. was incorporated under the name "Banco Bilbao Vizcaya, S.A." by virtue of the deed of merger of the banks Banco de Bilbao, S.A. and Banco de Vizcaya, SA, authorized by the notary of Bilbao Mr. José María Arriola Arana on October 1, 1988 with the number 4350 of his protocol, causing registration in the Company Register of Vizcaya under volume 2083, folio 183, Sheet BI-17-A, first inscription; proceeding to adopt its current denomination by virtue of the merger deed of the entities Banco Bilbao Vizcaya, S.A. and Argentaria, SA, Caja Postal and Banco Hipotecario, SA, in which the first of the entities absorbed the second one, granted on January 25, 2000 by the notary of Bilbao, Mr. José María Arriola Arana, registered in the Company Register of Vizcaya on January 28, 2000 under volume 3858, folio 1, Sheet nº BI-17 A, 1035th Inscription on the General Section of Companies.

The duration of the company is considered for an indefinite period of time, according to art. 4 of its By-Laws. The Company's By-Laws are publicly available and can be consulted on the corporate website www.bbva.com and the CNMV, where they are registered.

5.1.4 Domicile, legal form of the issuer, the legislation under which it operates, country of incorporation and address of its registered office

Banco Bilbao Vizcaya Argentaria S.A. has its registered office in the Plaza de San Nicolas, No. 4, 48005 Bilbao, Spain, and operates out of Calle Azul, 4, 28050, Madrid, Spain, telephone number +34 91 537 7000 and facsimile number +34 91 537 6766.

Banco Bilbao Vizcaya Argentaria S.A. is a private-law entity subject to the laws and regulations governing banking entities operating in Spain.

5.1.5 Important events in the development of the issuer's business.

The main events in the development of the issuer's business until December 31, 2017 are described in the accompanying consolidated financial statements that are incorporated into the present Registration Document, highlighting the information contained in Note 3- "BBVA Group", and in the following chapters of the accompanying Management Report to the consolidated financial statements: Results, Balance sheet and Activity and Operating segments.

The main events since the preparation of the 2017 consolidated financial statements until the date of registration of this Registration Document are as follows:

- **Presentation of the results of the first quarter of 2018**

  The results of the first quarter of 2018 are incorporated into the present Registration Document.

5.2 INVESTMENTS

5.2.1. Main investments for each financial year

The main investments and divestments until the date of registration of this Registration Document are described in Chapter 5.1.5 above. The main investments and divestments in the years 2017, 2016 and 2015 are presented by type in Note 51 "Consolidated statements of cash flows" of the accompanying Consolidated statements of cash flows. The breakdown by item is as follows:

- The main investments carried out in the years 2017, 2016 and 2015 concerning Investments in other entities are detailed in the consolidated financial statements in Note 3 "BBVA Group" (Changes in the Group in the last three years) and in Annex III. The detail of goodwill as of December 31, 2017, 2016 and 2015 generated in the main operations are included in Note 18.1 "Goodwill" and Note 16.1 "Associates and joint venture entities".

- Changes in the portfolios of securities are described in Notes 10 "Financial assets and liabilities held for trading", 11 "Financial assets and liabilities designated at fair value through profit or loss" and 12 "Available-for-sale financial assets".

- Changes in property assets are shown in Notes 17 "Tangible assets", 20 "Other assets and liabilities" and 21 "Non-current assets and disposal groups classified as held for sale".

Main transactions 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% (See Note 31).

- **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 USD 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 an important part 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.

Variations 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 is part of the corporate reorganization of its banking subsidiaries in Spain and has been successfully completed throughout 2016 and has no impact in the consolidated financial statements both from the accounting and the solvency stand points.

- Additional acquisitions of Garanti

On November 19, 2014, the Group signed a new agreement with Dogus Holding AS, Ferit Faik Sahenk, Dianne Sahenk and Defne Sahenk (hereinafter "Dogus") to, among other terms, the acquisition of 62,538,000,000 additional shares of Garanti (equivalent to 14.89% of the capital of this entity) for a maximum total consideration of 8.90 Turkish lira per batch (Garanti traded in batches of 100 shares each).

In the same agreement stated that if the payment of dividends for the year 2014 was executed by Dogus before the closing of the acquisition, that amount would be deducted from the amount payable by BBVA. On April 27, 2015, Dogus received the amount of the dividend paid to shareholders of Garanti, which amounted to Turkish Liras 0.135 per batch.

On July 27, 2015, after obtaining all the required regulatory approvals, the Group has materialized said participation increase after the acquisition of the new shares. Now the Group's interest in Garanti amounts to 39.9%.

The total price effectively paid by BBVA amounts to 8,765 TL per batch (amounting to approximately TL 5,481 million and €1,857 million applying a 2.9571 TL/EUR exchange rate).

In accordance with the EU-IFRS accounting rules, and as a consequence of the agreements reached, the BBVA Group shall, at the date of effective control, measure at fair value its previously acquired stake of 25.01% in Garanti (classified as a joint venture accounted for using the equity method) and shall consolidate Garanti in the consolidated financial statements of the BBVA Group, beginning on the above-mentioned effective control date.

Measuring the above-mentioned stake in Garanti Bank at fair value resulted in a negative impact in "Gains or (-) losses on derecognition of non-financial assets and subsidiaries, net" in the consolidated income statement of the BBVA Group in 2015, which resulted in a net negative impact in the "Profit attributable to owners of the parent" of the Consolidated Income Statement of the BBVA Group in 2015 amounting to

€1,840 million. Such accounting impact does not translate into any additional cash outflow from BBVA. Most of this impact is generated by the exchange rate differences due to the depreciation of the TL against Euro since the initial acquisition by BBVA of the 25.01% stake in Garanti Bank up to the date of effective control. As of December 31, 2015, these exchange rate differences were already registered as Other Comprehensive Income deducting the stock shareholder's equity of the BBVA Group.

The agreements with the Dogus group included an agreement for the management of the bank and the appointment by the BBVA Group of the majority of the members of its Board of Directors (7 of 10). So, the 39.9% stake in Garanti was consolidated in the BBVA Group, because of these management agreements.

The Group estimate according to the acquisition method, the comparison between the fair values assigned to the assets acquired and the liabilities assumed from Garanti, along with the identified intangible assets, and cash payment made by the BBVA Group in consideration of the transaction generated a goodwill of €624 million (at exchange rate of December 31,2016), which is registered under the heading "Intangible assets - Goodwill" in the accompanying consolidated balance sheets as of December 31, 2016 (see Note 18.1 "Goodwill").

As previously mentioned, on February 21, 2017, BBVA signed an agreement for the acquisition of an additional 9.95% of Garanti.

This agreement materializes on March 22, 2017, so, at the date of registration of this document, BBVA Group's stake in Garanti Group amounts to 49.85%.

- Acquisition of Catalunya Banc

On July 21, 2014, the Management Commission of the Banking Restructuring Fund (known as "FROB") accepted BBVA´s bid in the competitive auction for the acquisition of Catalunya Banc, S.A. ("Catalunya Banc").

On April 24, 2015, once the necessary authorizations have been obtained and all the agreed conditions precedent have been fulfilled, BBVA announced that it acquired 1,947,166,809 shares of Catalunya Banc, S.A. (approximately 98.4% of its share capital) for a price of approximately €1,165 million.

According to the purchase method, the comparison between the fair values assigned to the assets acquired and the liabilities assumed from Catalunya Banc, and the cash payment made to the FROB in consideration of the transaction generated a difference of €26 million, which is registered under the heading "Negative goodwill recognized in profit or loss" in the accompanying consolidated income statement as of December 31, 2015. According to the IFRS 3, there is a period, up to a year, to complete the necessary adjustments to the calculation of initial acquisition (see Note 18.1 "Goodwill"). After the deadline, there has not been any significant adjustment that involves amending the calculation recorded in the year 2015.

5.2.2 Description of ongoing investments

The most significant events in relation to investments and divestures of the issuer until the date of registration of this Registration Document are described in section 5.1.5. The main flows of investments and divestures in progress are summarized by typology in the F.S. Note 51 "Consolidated statements of cash flows" and described in the previous point 5.2.1 previous.

5.2.3 Description of future investments

As of the date of registration of this Registration Document, the Group does not anticipate significant future investments.

CHAPTER 8
PROPERTY, PLANTS AND EQUIPMENT

8.1 TANGIBLE ASSETS

Information concerning the tangible assets in accordance with existing regulations are described in notes 17 "Tangible assets" and 35 "Purchase and sale commitments and future payment obligations".

BBVA Group own and rent a substantial network of properties in Spain and abroad, including 3,019 branch offices in Spain and, 5,252 branch offices abroad as of December 31, 2017. As of December 31, 2016, approximately 67% of our branches in Spain and 69% of our branches abroad were rented from third parties pursuant to short-term leases that may be renewed by mutual agreement.

The future payment obligations under finance leases are found in Note 35 "Purchase and sale commitments and future payment obligations".

As of December 31, 2017, there are no liens or significant burdens on balances of tangible assets of the Group.

CHAPTER 14
ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES, AND SENIOR MANAGEMENT

14.1. INFORMATION REGARDING MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES, AND SENIOR MANAGEMENT

14.1.1. Members of the administrative, management and supervisory bodies

At the date of registration of this document, BBVA's Board of Directors comprises the following directors:

- Francisco González Rodríguez has been Chairman of the Board of Directors of BBVA since January, 2000. He also sits on the boards of Grupo Financiero BBVA Bancomer, S.A. de C.V. and BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer. Between 1996 and 1999 he was Chairman of Argentaria. Mr. González is graduated in Economics and Business Sciences from the Complutense University of Madrid.

- Carlos Torres Vila was appointed CEO of BBVA in May, 2015 and he is also the Chairman of the Technology and Cybersecurity Committee. In addition, he is director of Grupo Financiero BBVA Bancomer, S.A. de C.V. and of BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer. Mr. Torres Vila has held various positions of responsibility within the BBVA Group since joining in 2008. He was Head of the Global Digital Banking area between March 2014 and May 2015 and Head of Strategy and Corporate Development from January 2009 to March 2014. He is graduated in Electrical Engineering and Business Administration from the Massachusetts Institute of Technology (MIT), and holds a Law Degree from UNED as well as a Masters in Management from MIT.

- Tomás Alfaro Drake has been a BBVA director since March 2006. He is currently Head of Internal Development and Professor of the Finance Area of the Francisco de Vitoria University. In addition, he has occupied the position of Director of the Business and Management Degree, Director of the Marketing Degree and of the Degree (Diplomatura) in Business Sciences of the Francisco de Vitoria University from 1998 to 2012. He holds a Degree in Engineering from Universidad Pontificia Comillas (ICAI) and a Master's Degree in Economics and Business Administration (MBA) from IESE.

- José Miguel Andrés Torrecillas has been a BBVA director since March 2015 and is Lead Director since March 2016. He also chairs BBVA's Audit and Compliance Committee. He is currently member of the Board of Directors of Zardoya Otis, S.A. Prior to that, he was Chairman of Ernst & Young Spain between 2004 and 2014. He became a partner in 1987 and held various positions of responsibility such as Managing Partner of the Banking Group of Ernst & Young Spain between 1989 and 2004 and Managing Director of the Audit and Advisory practices at Ernst & Young Italy and Portugal from 2008 to 2013. Graduated in Economic and Business Sciences from the Complutense University of Madrid and he also took postgraduate studies in Management Programmes at IESE, Harvard and IMD.

- Belén Garijo López has been a BBVA director since March, 2012 and she currently chairs BBVA's Remuneration Committee. She is Member of the Executive Board of Merck Group and CEO of Merck Healthcare. She is also a member of the Board of Directors of L'Oréal and, since 2011, she has chaired the International Executive Committee of Farma, ISEC (Pharmaceutical Research and Manufacturers of America). She studied Medicine at the University of Alcalá de Henares (Madrid) and went on to specialize in Clinical Pharmacology at the Hospital La Paz. She also holds a Master in Business and Management, from Ashridge Management School - United Kingdom.

- José Manuel González-Páramo Martínez-Murillo is executive director of BBVA since May 2013 and is Head of Global Economics, Regulation & Public Affairs of the BBVA Group. In addition, he is Chairman of European DataWarehouse GmbH. He also served as a member of the Executive Committee and the Governing Council of the European Central Bank (ECB) between 2004 and 2012. Mr. José Manuel González-Páramo Martínez-Murillo holds a Degree in Economics from Columbia University of New York and a PhD in Economics from the Complutense University of Madrid.

- Sunir Kumar Kapoor was appointed to the BBVA Board in March, 2016. He is currently associate in Atlantic Bridge Capital, independent director in Stratio Big Data and consultant in GlobalLogic and Point Inside. Amongst other positions, he held that of President and CEO of UBmatrix Incorporated between 2005 and 2011 and prior to that was Executive Vice President and Chief Marketing Officer of Cassat Corporation between 2004 and 2005. He was also Vice President of Collaboration Suite (Oracle Corporation) from 2002 to 2004, founder and CEO of Tsola Incorporated between 1999 and 2001. He holds a BSc in Physics from the University of Birmingham and an MSc in Computer Systems from Cranfield Institute of Technology.

- Carlos Loring Martínez de Irujo has been a BBVA director since February, 2004. Prior to that he was a partner at J&A Garrigues between 1977 and 2004 where he was Director of the M&A Department, Director of the Banking and Capital Markets Department and a member of its Management Committee. He holds a Law Degree from the Complutense University of Madrid.

- Lourdes Máiz Carro has been a BBVA director since March, 2014. She was Secretary of the Board of Directors and Director of Legal Department of Iberia, Líneas Aéreas de España from 2001 to 2016. In 1992 she joined the Spanish State Counsel Corps (Cuerpo de Abogados del Estado) and practiced in the Ministry of Public Administrations, where she was appointed deputy to the Director until 1993. Between 1993 and 2001 she held various positions of responsibility at the Ministry of Public Administrations. She is graduated in Law and Philosophy & Education Sciences from the Complutense University of Madrid and is a Doctor of Philosophy (DPhil).

- José Maldonado Ramos has been a member of the BBVA's Board of Directors since January, 2000. Up until December 2009 he was Director and General Secretary of the Board of BBVA when he gave up his executive duties while remaining on the Board. Holding a Law Degree from the Complutense University of Madrid, in 1978 he passed State Exams and joined the Spanish State Counsel Corps (Cuerpo de Abogados del Estado).

- Ms. Ana Cristina Peralta Moreno[1] is Chair of the Audit and Control Committee of Grenergy Renovables, S.A. Also, between 2014 and 2018 she was independent director of Deutsche Bank, S.A.E. and, among other positions, she was Chair of the Risk Committee; she was independent director of Banco Etcheverría between 2013 and 2017; and she was General Director of Risks and Member of the Management Committee of Banco Pastor between 2008 and 2011. Before that she occupied several positions at Bankinter, including Chief Risk Officer and Member of the Management Committee between 2004 and 2008. She has a Degree in Economic and Business Sciences by the Universidad Complutense de Madrid.

- Juan Pi Llorens has been a BBVA director since July, 2011 and he is also the Chairman of BBVA's Risk Committee. He is also Chairman of the Board of Directors of Ecolumber, S.A. Mr. Pi has held various positions of responsibility at IBM both in Spain and internationally such as Vice President for Sales at IBM Europe, Vice President of the Technology and Systems Group at IBM Europe and Vice President of the Financial Services Sector, GMU (Growth Markets Units) in China. He was also Executive President of IBM Spain. Mr. Juan Pi Llorens has a Degree in Industrial Engineering from the Barcelona Polytechnic University.

- Susana Rodríguez Vidarte took up her BBVA directorship in May, 2002. She is a Professor of Strategy at the Faculty of Economics and Business Sciences at Universidad de Deusto. She has been Dean of the School of Economics and Business Sciences at Deusto University, Director of the University Postgraduate Area and Director of the International Institute of Business Sciences (INSIDE). She is Doctor in Economic and Business Sciences from Deusto University.

- Mr. Jan Paul Marie Francis Verplancke[2] is Director of BBVA since March 2018. He is also currently non-executive director of Abdul Latif Jameel. In addition, he has been non-executive director of Monitise between 2008 and 2011 and of Cambridge Solutions between 2006 and 2009. Also, he has been Director, Chief Information Officer, Group Head of Technology and Banking Operations, of Standard Chartered Bank, between 2004 and 2015 and he has been Vicepresident of Technology and Chief Information Officer in Dell from 1999 to 2004. He is bachelor in Science, specialized in Computer Science, by the NATO Programing Centre.

In addition, the Bank's General Shareholders' Meeting held on March 16, 2018, appointed Mr. Jaime Félix Caruana Lacorte as member of the Board of Directors of BBVA with the condition of independent directors, being their respective acceptances as directors of BBVA, and the mandatory authorization by the European Central Bank of their suitability as members of the Board of Directors, still pending as of the registration date of this document.

The main details of their education and professional experience are the following:

Mr. Jaime Félix Caruana Lacorte is the following: he was General Director of the Bank of International Settlements (BIS) between 2009 and 2017. Between 2006 and 2009 he was Head of the Monetary, Capital Markets Department and Financial Counselor and General Manager at the International Monetary Fund (IMF), he was Chair of the Basel's Banking Supervision Committee between 2003 and 2006, he was Governor of the Bank of Spain between 2000 and 2006, and he was General Manager of Banking Supervision at the Bank of Spain between 1999 and 2000. He is Telecommunications Engineer and Commercial Technician and State Economist (Técnico Comercial y Economista del Estado).

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[1] As of the registration date of this document, the mandatory authorization by the European Central Bank of his suitability for the position of member of the Board of Directors of BBVA is still pending.

[2] As of the registration date of this document, the mandatory authorization by the European Central Bank of his suitability for the position of member of the Board of Directors of BBVA is still pending.

During the five years prior to the publication of this document, none of the members of the Board of Directors or Senior Management of the Bank were convicted of fraud.

In addition, and pursuant to the information provided to BBVA, none of the Bank's directors nor Senior Management have held directorships or Senior Managerial positions in companies which have entered into an arrangement with creditors, are in a state of bankruptcy, and are in receivership or liquidation in the five years prior to the publication of this Registration Document.

Neither have they, in the five years prior to the publication of this document, been fined by regulators, nor sentenced by a court for their actions as a director of the issuer, nor, to the best of BBVA's knowledge, of any other issuer company.

14.1.2. Board Committees

Pursuant to BBVA's Bylaws, the Board of Directors, in order to better perform its duties, may create those Committees it deems necessary to assist it in matters corresponding to areas of its responsibility.

To this end, the Board of Directors has set up the following Committees indicating the members of each Committee. At the date of the publication of this Registration Document, the composition of these Committees is as follows:

Members of the Board of Directors	Executive Committee	Audit and Compliance Committee	Appointments Committee	Remuneration Committee	Risk Committee	Technology and Cybersecurity Committee
Francisco González Rodríguez	X					
Carlos Torres Vila	X					X
Tomás Alfaro Drake				X		X
José Miguel Andrés Torrecillas (*)		X	X		X	
Belén Garijo López		X		X		
José Manuel González-Páramo Martínez Murillo						
Sunir Kumar Kapoor						X
Carlos Loring Martínez de Irujo	X			X	X	
Lourdes Máiz Carro		X	X	X		
José Maldonado Ramos	X		X		X	
Ana Cristina Peralta Moreno (**)	X		X		X	
Juan Pi Llorens		X			X	X
Susana Rodríguez Vidarte	X		X		X	
Jan Paul Marie Francis Verplancke (**)						

(*) Lead Director

(**) As of the registration date of this document, the mandatory authorization by the European Central Bank of his suitability for the position of member of the Board of Directors of BBVA is still pending.

The accompanying Annual Corporate Governance Report contains information on the Board Committees' duties and its organization and functioning rules, as well as the existence of the same that is incorporated into this Registration Document (see Sections C.2.1 and C.2.5. as well as the information ancillary to section C.2.5 included in Section H).

14.1.3. Senior Management

At the date of registration of this document, BBVA's Senior Management comprises the following members:

Senior Management	Position
Francisco González Rodríguez	Group Executive Chairman
Carlos Torres Vila	Chief Executive Officer
Eduardo Arbizu Lostao	Global Head of Legal and Compliance
Domingo Armengol Calvo	General Secretary
Juan Asúa Madariaga	Global Head of Corporate and Investment Banking
Ricardo Forcano García	Global Head of Talent and Culture
Ricardo Gómez Barredo	Head of Global Accounting & Supervisors
José Manuel González-Páramo Martínez-Murillo	Head of Global Economics, Regulations & Public Affairs
Ricardo Enrique Moreno García	Global Head of Engineering
Eduardo Osuna	Head of Mexico
Cristina De Parias Halcón	Head of Spain
David Puente Vicente	Global Head of Data
Francisco Javier Rodríguez Soler	Global Head of Strategy & M&A
Jorge Sáenz-Azcúnaga Carranza	Global Head of Country Monitoring
Jaime Sáenz de Tejada Pulido	Global Head of Finance
Rafael Salinas Martínez De Lecea	Global Head of Global Risk Management
José Luis de los Santos Tejero	Global Head of Internal Audit
Derek Jensen White	Global Head of Customer and Client Solutions

Below are brief *CVs* of BBVA's Senior Management, excluding executive directors;

- Eduardo Arbizu Lostao is Global Head of Legal & Compliance at the BBVA Group since 2011. He joined the BBVA Group in 2002 as Head of Legal Affairs before going on to become Head of Legal Services, Tax Advisory and Audit & Compliance between 2007 and 2011. He has also been General Secretary and General Counsel of Barclays Bank in Spain between 1992 and 1997 and Chief Executive Officer and Managing Director of Retail Operations in Continental Europe for Barclays Group from 1997 to 2002. Previously, he held differents positions in the Spanish Ministry of Justice. He holds Law Degree from the University of Navarre and belongs to the Spanish State Counsel Corps (Cuerpo de Abogados del Estado).

- Domingo Armengol Calvo was appointed General Secretary and of the Board of Directors at BBVA in 2009. Prior to that position he was Vice Secretary of the Board between 2005 and 2009 and Director of Institutional Legal Services of BBVA from 2000 to 2009. Also, he has been Secretary of the Board of Directors of Iber Swiss Catering, S.A. between 1993 and 1995. He holds a Law Degree from the University of Zaragoza and Masters in Corporate Tax by the UPM.

- Juan Asúa Madariaga has been Global Head of Corporate & Investment Banking of BBVA Group since 2012. He is currently sole director of Pensil de Pomares, S.L. He has held several positions of responsibility at the BBVA Group, such as Head of Spain and Portugal between 2007 and 2012, and Head of Corporate and Middle Cap Co. of Spain and Portugal between 2006 and 2007. He holds an Industrial Engineering Degree from the University of the Basque Country, an MBA from IESE and a Master's Degree in Financial Management from Johnson School of Management of New York.

- Ricardo Forcano García is Global Head of Talent & Culture at the BBVA Group since 2016. Mr. Forcano García joined the BBVA Group in 2011 as Director of New Business Models before going on to be appointed Head of Corporate Strategy. In 2014 he became Head of Strategy & Finance of Digital Banking. During his career he has held various positions of responsibility in business development, corporate strategy and M&A, such as Director of Strategy and Business Development at Grupo Heraldo and Deputy Head of Corporate Strategy at Endesa. He has a Degree in Industrial Engineering from the University of Zaragoza and a Master's Degree in Technology Management from the Massachusetts Institute of Technology (MIT).

- Ricardo Gómez Barredo has been Head of Global Accounting & Supervisors for the BBVA Group since 2011. Prior to that position he held several positions of responsibility at the BBVA Group such as Head of Financial Planning and Management Control of BBVA Group between 2007 and 2011 and Head of Financial Analysis and Planning between 2003 and 2006. He holds a Degree in Economics and Business Sciences from the Autonomous University of Madrid and a Master in Tax Advice from Universidad Pontificia Comillas (ICADE).

- Ricardo Enrique Moreno García is Global Head of Engineering at the BBVA Group since 2015. With over 20 years' experience at the BBVA Group, Mr. Moreno García has held various positions of responsibility in the areas of technology and strategy transformation of the Group and has headed up several business units. Between 2006 and 2010 he was Transformation Process Manager at the BBVA Group and Director of Systems & Operations for the Americas between 2003 and 2006. Between 2010 and 2015 he occupied the position of General Manager of BBVA Banco Francés. He holds a Degree in Systems Analysis from the Engineering Faculty of the University of Buenos Aires.

- Eduardo Osuna is Head of Mexico for the BBVA Group since 2015. Throughout his career at BBVA Bancomer, Mr. Osuna has held several positions of responsibility, such as General Manager of Corporate and Government Banking between 2012 and 2015; General Manager of Commercial Banking between 2010 and 2012; as well as General Manager of Hipotecaria Nacional from 2006 to 2010 and Assistant General Manager of Risks and Legal at Hipotecaria Nacional between 2005 and 2006. He has also sat on the Management Committee of BBVA Bancomer since 2006. He holds a Mechanical-Electrical Engineering Degree from La Salle University, A.C. of Mexico and an MBA from the IPADE Business School.

- Cristina de Parias Halcón is Head of Spain at the BBVA Group since 2015. She is currently director of Diezma, S.L. She joined the Group in 1998 and has held various positions of responsibility throughout her career, including Head of Spain and Portugal in 2014, Central Area Manager between 2011 and 2014 as well as working in Digital Businesses Development from 2008 to 2011. She holds a Law Degree from the University of Seville and an MBA from IESE, University of California, Berkeley.

- David Puente Vicente became Global Head of BBVA Group Data in 2017. Prior to that, since 2015, he was Global Head of Spain's Business Development. From 1999 to 2000 he was Strategic Planning Assistant Director at Jazztel before moving to McKinsey as Senior Associate between 2002 and 2004. He joined BBVA in 2004 as Director of New Business Models before going on to be appointed Chief of CEO's Office. He holds a Business Administration Degree from CUNEF and an MBA from the Columbia Business School.

- Francisco Javier Rodríguez Soler is Global Head of Strategy & M&A at the BBVA Group since 2015. He joined the BBVA Group in 2008 as Managing Director in the Corporate Investment Banking Department and in 2010 went on to head up the M&A and Corporate Development area. He was previously Director of Investor Relations and Head of Strategy and M&A at Endesa between 2003 and 2008. He is graduated from CUNEF with a Degree in Business Administration and Economics and Business Sciences and holds an MBA from the Columbia Business School, specialized in Finance and Strategy.

- Jorge Sáenz-Azcúnaga Carranza has been Country Monitoring of BBVA since 2016. He has held various positions of responsibility in the BBVA Group as Director of Country Networks; Business Monitoring Spain, United States and Turkey (2015-2016), Northern Area Manager (2013-2015) and Manager of Strategy and Planning Spain and Portugal (2008-2013). He is graduated in Economics and Business Sciences from the Commercial University of Deusto.

- Jaime Sáenz de Tejada Pulido is Global Head of Finance at the BBVA Group since 2015. Mr. Sáenz de Tejada Pulido joined the BBVA Group in 1992 and has held various positions of responsibility over this time, including Director of Strategy and Finance in 2014, Director of Spain and Portugal between 2012 and 2014 and Business Development Manager, Spain and Portugal between 2011 and 2012. He is graduated in Law and Economics and Business Sciences from Universidad Pontificia Comillas (ICADE).

- Rafael Salinas Martínez de Lecea is Global Head of Global Risk Management at the BBVA Group since 2015. Mr. Salinas Martínez de Lecea joined the BBVA Group by the end of 1990 and was Director of Risk & Portfolio Management between 2006 and 2015 and CFO of Banco de Crédito Local de España between 2003 and 2005. He has a B.Sc. in Economics and Business Management from the University of Alicante and an MBA from the Graduate School of Business, University of Chicago.

- José Luis de los Santos Tejero has been Global Head of Internal Audit at the BBVA Group since 2002. Throughout his career he has held several positions of responsibility in public administration and the financial sector, such as Technical Chief of Staff and Vice-secretary in the Economy and Finance Ministry between 1984 and 1985, Financial Controller of Banco Exterior de España between 1996 and 1998 and Head of Internal Audit at the Argentaria Group between 1998 and 1999. He holds an Economics Degree from the Complutense University of Madrid and is a qualified State Finance Inspector at the Ministry of Economy and Finance.

- Derek Jensen White has been Global Head of Customer and Client Solutions at the BBVA Group since 2016. Prior to this appointment he held various executive positions at Barclays between 2011 and 2016, including Chief Design & Digital Officer and Chief Customer Experience Officer in the Global Retail & Business Banking department. While at Barclays Dubai he was Managing Director of Emerging Markets Strategy, Corporate Development, Marketing from 2007 to 2011. He holds a Degree in Arts, Liberal Arts and Sciences from Utah State University and an MBA in Entrepreneurship/ Entrepreneurial Studies from The Wharton School (University of Pennsylvania).

There is no family relationship between any of the members of the Board of Directors or Senior Management of BBVA.

14.2. CONFLICTS OF INTEREST INVOLVING ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

Section D.6 of the 2017 Annual Corporate Governance Report outlines the measures established to detect, determine and resolve potential conflicts of interest between the Bank and/or its Group and its directors and senior executives. It refers to the relevant sections on controlling potential conflicts of interest in the Board of Directors Regulations and the Internal Standards of Conduct in the Securities Markets.

Articles 7 and 8 of the Board of Directors Regulations outline all matters regarding potential conflicts of interest between directors and the Company's interests and their duties. In particular, article 8 of the Board Regulations states that:

"Article 8. Conflict of interest

The duty of avoiding situations of conflicts of interest referred to in the previous article obliges the directors to refrain from, in particular:

i) 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;

ii) Using the name of the Company or invoking their position as director to unduly influence the performance of private transactions;

iii) Making use of corporate assets, including the Company's confidential information, for private ends;

iv) Taking advantage of the Company's business opportunities;

v) 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;

vi) 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 to the director.

However, the Company may dispense with the aforementioned prohibitions in specific cases, authorizing 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 ten per cent 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 of Directors, will be granted after receiving a report from the Audit Committee. The only exceptions to this approval will be transactions that simultaneously meet the three following 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.

Regarding the provisions contained in the Board of Directors Regulations, no conflicts of interest were reported to the Company in 2017 nor to date of this document.

CHAPTER 16
MANAGEMENT PRACTICES

16.1. TERM AND END DATE OF THE CURRENT TENURE

The category of each director, the dates of the first appointment, re-election, if applicable, and end of each of these directors' tenures are as follows:

Members of the Board of Directors	Category	Date of first appointment	Date of last re-election	Tenure expiry date (*)
Francisco González Rodríguez	Executive	28/01/2000	11/03/2016	11/03/2019
Carlos Torres Vila	Executive	04/05/2015	11/03/2016	11/03/2019
Tomás Alfaro Drake	External (**)	18/03/2006	17/03/2017	17/03/2020
José Miguel Andrés Torrecillas	Independent	13/03/2015	16/03/2018	16/03/2021
Belén Garijo López	Independent	16/03/2012	16/03/2018	16/03/2021
José Manuel González-Páramo Martínez-Murillo	Executive	29/05/2013	17/03/2017	17/03/2020
Sunir Kumar Kapoor	Independent	11/03/2016	-	11/03/2019
Carlos Loring Martínez de Irujo	External(**)	28/02/2004	17/03/2017	17/03/2020
Lourdes Máiz Carro	Independent	14/03/2014	17/03/2017	17/03/2020
José Maldonado Ramos	External(**)	28/01/2000	16/03/2018	16/03/2021
Ana Cristina Peralta Maldonado (***)	Independent	16/03/2018	-	16/03/2021
Juan Pi Llorens	Independent	27/07/2011	16/03/2018	16/03/2021
Susana Rodríguez Vidarte	External(**)	28/05/2002	17/03/2017	17/03/2020
Jan Paul Marie Francis Verplancke (***)	Independent	16/03/2018	-	16/03/2021

The General Shareholders' Meeting of the Bank held on March 16, 2018 also appointed Mr. Jaime Félix Caruana Lacorte as member of the Board of Directors of BBVA with the condition of independent directors, being their respective acceptances as directors of BBVA, and the mandatory authorization by the European Central Bank of their suitability as members of the Board of Directors, still pending as of the registration date of this document.

(*) Pursuant to article 222 of the Corporate Enterprises Act, directors' appointments shall expire at the first general meeting held at the end of their term, or on the deadline for holding the general meeting for the review and approval, as appropriate, of the preceding year's financial statements.

(**) Director appointed as external for exceeding the 12 years term since the date of the appointment, as provided by Article 529 duodecies of the Corporate Enterprises Act.

(***) As of the registration date of this document, the mandatory authorization by the European Central Bank of his suitability for the position of member of the Board of Directors of BBVA is still pending.

Thus, and assuming that all the above mentioned individuals were already holding their positions as members of the Board of Directors, this would be composed by fifteen directors: three executive directors and twelve non-executive directors, of which eight would be independent directors and four of them would be external directors.

16.2. INFORMATION REGARDING CONTRACTS BETWEEN MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND THE BANK OR GROUP COMPANIES CONCERNING SEVERANCE TO BE PAID UPON EXPIRY OF THEIR CONTRACTS

Note 54 "Remuneration and other benefits received by the Board of Directors and members of the Bank's Senior Management" of the accompanying consolidated financial statements contains information on this matter that is incorporated into this Registration Document.

16.3. AUDIT AND COMPLIANCE COMMITTEE, REMUNERATION COMMITTEE AND APPOINTMENTS COMMITTEE

In relation to the members of the Board of Directors that as of the registration date of this document form part of the Audit and Compliance, Remuneration and Appointments Committees, see Section 14.1.2 "Board Committees".

In addition, the information on the duties of the indicated Board Committees, and their rules governing their organization and functioning, as well as the existence of their regulation is provided in the attached Annual Corporate Governance Report that is incorporated into this Registration Document (see Sections C.2.1 and C.2.5, as well as the information ancillary to Section C.2.5 included in section H).

16.4. CORPORATE GOVERNANCE REGIME AND DEGREE OF COMPLIANCE

On February 14, 2018, the Annual Corporate Governance Report ("ACGR") for the year 2017, which was approved by the Company's Board of Directors at its meeting held on February 12, 2018, was registered with the **CNMV**. The ACGR was prepared in accordance with the form established in Circular 5/2013, of June 12, of the CNMV in its version of Circular 7/2015, of December 22, of the CNMV, which reports on the Bank's degree of compliance with the corporate governance recommendations established in the Good Governance Code of Listed Companies of the CNMV.

Section G of the referred ACGR details the Bank's degree of compliance of the Corporate Governance recommendations. In particular, out of the 64 recommendations BBVA complies with a total 56, nor being applicable recommendations 2, 10, 11 and 19, and it partially complies with recommendations 5, 37 and 52 and does not comply with recommendation 17 for the reasons set out below:

- *Recommendation 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.)*

  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.

- *Recommendation 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.)*

  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.

- *Recommendation 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.*

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.

- *Recommendation 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.)*

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 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.

CHAPTER 17
EMPLOYEES

17.2. SHARES AND SHARE OPTIONS

As of May 14, 2017, the current Bank's directors and senior management held, directly and indirectly, the following shares in BBVA, S.A.:

Members of the Board of Directors	Direct Voting Rights		Indirect Voting Rights		TOTAL	
	Voting Rights	% of total voting rights	Voting Rights	% of total voting rights	Voting Rights	% of total voting rights
Francisco González Rodríguez	2,662,160	0.040%	1,780,481	0.027%	4,442,641	0.067%
Carlos Torres Vila	380,138	0.006%	-	-	380,138	0.006%
Tomás Alfaro Drake	18,114	0.000%	-	-	18,459	0.000%
José Miguel Andrés Torrecillas	10,828	0.000%	-	-	10,828	0.000%
Belen Garijo López	-	-	-	-	-	-
José Manuel González-Páramo	88,225	0.001%	-	-	88,225	0.001%
Sunir Kumar Kapoor	-	-	-	-	-	-
Carlos Loring Martínez de Irujo	59,390	0.001%	-	-	59,390	0.001%
Lourdes Máiz Carro	-	-	-	-	-	-
José Maldonado Ramos	38,761	0.001%	-		38,761	0.001%
Ana Peralta Moreno	-	-	-	-	-	-
Juan Pi Llorens	-	-	-	-	-	-
Susana Rodríguez Vidarte	26,980	0.000%	-	-	28,980	0.000%
Jan Verplancke	-	-	-	-	-	-
Total Voting Rights held by the Board of Directors	3,284,941	0.049%	1,780,481	0.027%	5,065,442	0.076%

Members of the Bank's Senior Management	Direct Voting Rights		Indirect Voting Rights		TOTAL	
	Voting Rights	% of total voting rights	Voting Rights	% of total voting rights	Voting Rights	% of total voting rights
Eduardo Arbizu Lostao	326,634	0.005%	-	-	326,634	0.005%
Domingo Armengol Calvo	111,628	0.002%	-	-	111,628	0.002%
Juan Asúa Madariaga	422,164	0.006%	31,790	0.000%	453,954	0.007%
Ricardo Forcano García	48,724	0.001%	-	-	48,724	0.001%
Ricardo Gómez Barredo	59,651	0.001%	-	-	59,651	0.001%
Ricardo Enrique Moreno García	72,472	0.001%	-	-	72,472	0.001%
Eduardo Osuna Osuna	31,874	0.000%	-	-	31,874	0.000%
Cristina De Parias Halcón	171,804	0.003%	-	-	171,804	0.003%
David Puente Vicente	65,218	0.001%	-	-	65,218	0.001%
Francisco Javier Rodríguez Soler	109,348	0.002%	-	-	109,348	0.001%
Jorge Sáenz-Azcúnaga Carranza	94,682	0.001%	-	-	94,682	0.001%
Jaime Sáenz de Tejada Pulido	307,160	0.005%	-	-	307,160	0.005%
Rafael Salinas Martínez de Lecea	183,140	0.003%	19,234	0.000%	202,374	0.003%
José Luís de los Santos Tejero	209,118	0.003%	23,279	0.000%	232,397	0.003%
Derek Jensen White	47,761	0.001%	-	-	47,761	0.001%
Total Voting Rights held by the Bank's Senior Management	**2,2261,378**	**0.034%**	**74,303**	**0.001%**	**2,335,681**	**0.035%**

Information on the share-based remuneration system for members of the Board of Directors and senior management is included in Note 44.1.1 "Share-based employee remuneration" and 54 "Remuneration and other benefits received by the Board of Directors and members of the Bank's Senior Management" of the accompanying consolidated financial statements that is incorporated into this Registration Document.

CHAPTER 18
PRINCIPAL INVESTORS

As of May 14, 2018, 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 12.39%, 6.69%, and 3.36% 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.

As mentioned in the Consolidated Financial Statements Note 26 "Capital", on October 18, 2017, Blackrock, Inc. reported to the CNMV that, it now has an indirect holding of Banco Bilbao Vizcaya Argentaria, S.A. common stock totaling 5.939%, of which 5.708% are voting rights attributed to shares and 0,231% are voting rights through financial instruments.

As mentioned in the Consolidated Financial Statements Note 26 "Capital", 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.

CHAPTER 19
RELATED-PARTY TRANSACTIONS

The latest available information on related-party transactions is for the year ended 2017. This information is updated every six months and shall be available again in the financial statements for the period ended June 30, 2018. In any case, as stated in Note 53 "Related-party transactions" of the consolidated financial statements that is incorporated into this Registration Document, BBVA and other companies in the Group, as financial institutions, engage in transactions with related parties in the normal course of their business. All of these transactions are conducted under normal market conditions and are of little relevance for the Group. They are therefore not listed individually as permitted by Order EHA/3050/2004.

As of December 31, 2017, the Group did not have any significant shareholders (see Note 53.1 "Transactions with significant shareholders" of the Consolidated Financial Statements that is incorporated into this Registration Document).

The most significant transactions entered into by the Bank's directors and senior management were carried out in the ordinary course of the Group's activities and on an arm's length basis. Note 53.3"Transactions with members of the Board of Directors and Senior Management" of the Consolidated Financial Statements that is incorporated into this Registration Document, list the amounts of these transactions at December 31, 2017, 2016 and 2015.

As of December 31, 2017 and 2016, there were no loans granted by the Group's entities to the members of the Board of Directors. The amount drawn down from the loans granted by Group entities to Board members as of December 31, 2015 amounted to €200 thousand. The amount drawn down from the loans granted by Group entities to members of senior management (excluding executive directors) as of these dates amounted to €4,049, €5,573 and €6,641 thousand, respectively.

As of December 31, 2017 and 2016, there were no loans granted to parties related to the members of the Board of Directors. The amount drawn down from the loans granted to parties related to Board members as of December 31, 2015, amounted to €10,000 thousand. As of December 31, 2017, 2016 and 2015, the amount drawn down from loans granted to parties related to members of the Group's senior management amounted to €85, €98 and €113 thousand, respectively.

As of December 31, 2017, 2016 and 2015 no guarantees had been granted to any member of the Board of Directors.

As of December 31, 2017 and 2016, the amount availed against guarantees arranged with members of the Senior Management totaled €28 thousand. As of December 31, 2015, no guarantees were issued to any members of senior management.

As of December 31, 2017, 2016 and 2015, the amount drawn down from guarantee and commercial loan transactions arranged with parties related to the members of the Bank's Board of Directors and senior management amounted to €8, €8 and €1,679 thousand, respectively.

CHAPTER 20
FINANCIAL INFORTMATION RELATED TO ASSET AND LIABILITY ISSUER, FINANCIAL POSITION AND PROFIT AND LOSSES

20.3. FINANCIAL STATEMENTS

Banco Bilbao Vizcaya Argentaria, S.A. heads a consolidated group of subsidiaries denominated BBVA Group and therefore both individual financial statements of Banco Bilbao Vizcaya Argentaria S.A and consolidated BBVA Group statements are made.

Since the consolidated financial statements allow to describe a more complete and consistent financial and results information, all financial information in this Registration Document, unless expressly mentioned on the contrary, refers to the Consolidated Financial Statements of BBVA Group.

In addition, Appendix IX of the financial statements of each year, the Individual Financial Statements of BBVA S.A are presented.

20.4. AUDIT OF HISTORICAL ANNUAL FINANCIAL INFORMATION

The historical annual financial information has been audited by the auditors.

The audit reports, mentioned in chapter 2.1 of this Registration Document, for the years ended December 31, 2017, 2016 and 2015 did not have any qualification or scope limitation.

The interim financial information as of March 31, 2018 has been reviewed by the auditors of the Group.

20.5. LATEST FINANCIAL INFORMATION

The latest audited financial information is for the year ended December 31, 2017, which meets the requirement of having no older than 15 months from the date of this Registration Document. The interim financial information as of March 31, 2018 has been subject to limited review by the auditor of the Group.

20.6 INTERIM INFORMATION AND OTHER FINANCIAL INFORMATION

The last Interim Financial information available as of date of registration of this Registration Document corresponds to the Quarterly Information January- 2018 and consolidated condensed Interim Financial Statements for the three months period from January 1 to March 31, 2018 registered in the CNMV on May 11, 2018, that is incorporated into this Registration Document. These consolidated Interim Financial Statements have been subject to limited review by the auditor of the Group.

20.7 DIVIDEND POLICY

BBVA's shareholder remuneration policy establishes the distribution of an annual pay-out of between 35% and 40% of the profits obtained in each financial year. As announced in the relevant event dated February 1, 2017, since the execution of last "Dividend Option" in April, 2017, the subsequent shareholders' remunerations that could be approved would be fully in cash.

This fully in cash shareholders' remuneration policy would depend on profits evolution and be composed, for each financial year, of an interim 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 authorisations by the competent governing bodies.

The information related to the total shareholders' remuneration during the fiscal year 2017, including the shareholder remuneration scheme called "Dividend Option", is detailed in Note 4 "Shareholder remuneration system" of the accompanying Consolidated Financial Statements. Note 4 includes the allocation of earnings for the financial year 2017 which was approved at the Annual General Meeting of Shareholders as of March 16, 2018.

On March 29, 2017, the Board of Directors approved the execution of the share capital increase charged to voluntary reserves, as agreed by the AGM held on March 17, 2017 under point three of the Agenda, to develop the Dividend Option, offering the shareholders of BBVA the possibility of receiving all or part of their remuneration in newly-issued BBVA ordinary shares or, at their choice, in cash, at a gross fixed price of 0.131 euros per right of free allocation or through its sale in the market at its quotation price. As a result of this increase, the Bank's share capital increased by €49,622,955.62 by the issuance of 101,271,338 BBVA newly-issued shares at a €0.49 par value each. 83.28% of the right owners opted to sell the rights of free allocation assigned to them to BBVA. The other 16.72% of the right owners have opted to receive newly-issued BBVA ordinary shares. As a result, BBVA acquired 1,097,962,903 rights of a fixed gross amount of €0.131 per right, for a total amount of €143,833,140.29.

Likewise, on September 27, 2017, the Board of Directors approved the payment in cash of €0.09 gross (€0.0729 net after withholding tax) per BBVA share, as interim dividend against 2017 results. The dividend was paid on October 10, 2017 (see Note 22.4 of the Financial Statements).

Finally, the AGM held on March 16, 2018 agreed, under point one of the Agenda, the payment in cash of €0.15 gross (€0.1215 net after withholding tax) per BBVA share, as final dividend against 2017 results, which will be paid on April 10, 2018.

Notwithstanding the above, the information related to cash dividends paid during the years 2017, 2016 and 2015 is detailed in Note 55.2 "Reporting requirements of the Spanish National Securities Market Commission (CNMV)" of the consolidated financial statements.

Chapter 3.1 Selected historical financial information presents the trend of profitability and equity ratios such as earnings per share, share dividend, book value per share, Price/Book Value and Price/Earnings ratio.

20.8. ONGOING LEGAL PROCEEDINGS AND LITIGATION

As it is mentioned in the "Risk Factors" section, the Issuer operates environment of greater regulatory and litigious pressure. In this environment, as of date of registration of this Registration Document, 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 the consolidated financial statements for the year 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.

20.9 SIGNIFICANT CHANGES IN FINANCIAL POSITION OR COMMERCIAL ISSUER.

There have been no significant changes in the issuer's financial position since the last interim financial information published.

CHAPTER 21
ADDITIONAL INFORMATION

21.1. COMMON STOCK

As of the date of the registration of this Document, BBVA's share capital 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 economic rights, and no single shareholder enjoys special voting rights. There is no share which is not part of the share capital of the Bank.

The AGM held on March 17, 2017 resolved, under point four of the Agenda, to confer authority on the Board of Directors to increase BBVA'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 from 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 exclude preemptive subscription rights on those capital increases; although the power to exclude preemptive subscription rights was limited, such that the nominal amount of the capital increases resolved or effectively carried out with the exclusion of preemptive 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 preemptive 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 the registration of this Document, the Board of Directors has not used the delegation referred to in the previous paragraph yet.

Contingent convertible securities

The AGM held on March 17, 2017, resolved, under point five of the Agenda, 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 legal term of five years 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 exclude preemptive subscription rights, 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 issues in issue of this authority (without prejudice to anti-dilution adjustments), with exclusion of preemptive subscription rights and of those likewise resolved or carried out with exclusion of preemptive subscription rights in use of the authority to increase the share capital conferred by the AGM held on March 17, 2017, under point four of the Agenda, do not exceed the maximum nominal amount, overall, of 20% of the share capital of BBVA at the time of the authorization, not being this limit applicable to the contingent convertible issuances (also known as CoCos).

BBVA, in use of the delegation right as agreed in the AGM held on March 17, 2017, under point five of the Agenda, issued two perpetual securities eventually convertible into new ordinary shares of BBVA (additional tier I capital instruments), without preemption subscription rights (in May 2017 for a total amount of €500 million and in November 2017 for a total amount of US $1,000 million). Both issuances are listed in the Global Exchange Market of the Irish Stock Exchange.

Otherwise, BBVA, in use of the delegation right as agreed in the AGM held on March 16, 2012, under point five of the Agenda, issued four perpetual securities eventually convertible into new ordinary shares of BBVA (additional level I capital instruments) without pre-emption rights; in April 2013 for a total amount of $1,500 million, in February 2014 and 2015 for a total amount of €1,500 million, and in April 2016 for a total amount of €1,000 million. The first two securities are listed in the Singapore Exchange Securities Trading Limited and the last two securities are listed in the Global Exchange Market of the Irish Stock Exchange.

All these six issuances of perpetual securities eventually convertible into new ordinary shares of BBVA count as additional Tier 1 capital of the Bank and/or the Group in accordance with EU regulation 575/2013, and were targeted only towards qualified investors and in any case would not be made or subscribed in Spain or by Spanish-resident investors.

The terms and conditions of these issuances foresee the possibility to convert these securities into new common shares if the trigger event occurs, that is, if Common Equity Tier 1 capital ratio of BBVA or BBVA's Group falls below 5.125%, calculated in accordance with EU regulation 575/2013 or any other regulations of common equity applicable at any time, among other assumptions.

The conversion price of these securities is variable and will depend on the market price of the BBVA share at the time of the eventual conversion, being the minimum conversion price of the securities issued in April 2013, USD $5; in February 2014, €4.5; in February 2015 and in April 2016, €3.75; in May 2017, €3.75; and in November 2017, US $4.35. These minimum conversion prices are subject to anti-dilution conversion mechanisms provided in their terms and conditions, and cannot be, in any case, lower than the nominal value of BBVA share.

Notwithstanding the above, as the Bank publicly announce on March 12, 2018 through relevant information published in CNMV's web, BBVA will early redeem the issuance of perpetual securities eventually convertible into new ordinary shares of BBVA of April 2013, previous authorization from the European Central Bank for such purposes.

Treasury stock

Information for 2017, 2016 and 2015 about treasury stock operations carried out by the issuer itself or its subsidiaries is detailed in Note 29 "Treasury shares" of the accompanying Financial Statements.

As of March 14, 2018, according to the last "notification of transactions with treasury stock" to the CNMV, the number of shares of the issuer held by the issuer itself or its subsidiaries was 21,254,916 representing 0.319% of Banco Bilbao Vizcaya Argentaria, S.A. share capital.

21.2 BYLAWS AND ARTICLES OF INCORPORATION

BBVA's Bylaws are available to the public on the Bank's corporate website www.bbva.com while the Articles of Incorporation are also available to the public and can be consulted at the Vizcaya Companies Registry.

Banco Bilbao Vizcaya Argentaria, S.A. is a Spanish company whose duration is for an indefinite period of time. It took the current name following the merger of Banco Bilbao Vizcaya, S.A. and Argentaria, Caja Postal y Banco Hipotecario, S.A., which was authorized on January 25, 2000, by Bilbao Notary Public, José María Arriola Arana, under number 149 of his official records; whereby the latter was absorbed by the former and duly registered with the Company Registry of Vizcaya as number 1035 on page BI-17- A.

Article 3 of the Bylaws describes the Bank's corporate purpose as follows:

> "*The Bank's corporate purpose is to engage in all kinds of activities, operations, acts, contracts and services within the banking business or directly or indirectly related to it, that are permitted or not prohibited by prevailing provisions and ancillary activities.*

Its corporate purpose also includes the acquisition, holding, utilization and divestment of securities, public offerings to buy and sell securities, and any kind of holdings in any company or enterprise".

Articles 33 and 48 of the Bylaws and Board of Directors Regulations outline the nature and composition of the Board of Directors.

Pursuant to article 33 of the Bylaws, the Board of Directors constitutes the natural body to perform the Company's representation, administration, management and oversight. The Board of Directors will comprise a minimum of five members, and a maximum of fifteen. The term of office for members of the Board of Directors will be three years. Directors may be re-elected one or more times for periods of the same maximum length.

Pursuant to the Bylaws, the Board of Directors may appoint an Executive Committee, with the favorable vote of two-thirds of its members and the corresponding entry in the Companies Registry. This will be composed of the directors that the Board nominates, whose positions will be renewed in the time, manner and number that the Board of Directors may decide.

Likewise, under BBVA's Bylaws, the Board of Directors, in order to better perform its duties, may create those Committees it deems necessary to assist it in matters corresponding to areas of its responsibility, determining their composition, appointing their members and establishing their duties that each one of them performs. The above notwithstanding, the Board of Directors permanently has an Executive Committee, and Audit and Compliance Committee, an Appointments Committee, a Remuneration Committee, a Risk Committee and a Technology and Cybersecurity Committee, with the composition and functions established by Law, by the Board of Directors Regulations and, when applicable, by their own regulations.

BBVA's Bylaws do not contain any clauses which might delay, postpone or prevent a change in the control of the issuer.

Description of the rights, preferences and restrictions for each of the existing classes of shares

Pursuant to article 15 of the Bylaws, the following are rights of the Bank's shareholders and may be exercised within the terms and conditions and with the limitations set out in the Company Bylaws:

- The right to participate in the distribution of corporate earnings and any net assets resulting from liquidation proportionally to the capital paid up.
- The right of pre-emptive subscription over issues of new shares or debentures convertible into shares.
- The right to attend General Meetings, in accordance with article 23 of these Company Bylaws, and to vote at them, except for holders of non-voting shares, and also to challenge corporate resolutions.
- The right to call for annual or extraordinary General Meetings, under the terms and conditions laid down by law and these Company Bylaws.
- The right to examine the annual financial statements, the management report, the proposed allocation of profit or losses and the auditors' report, and also, where applicable, the consolidated financial statement and management report, in the manner and within the time limit set out in article 29 of these Company Bylaws.
- The right to information, pursuant to applicable legislation and these Company Bylaws.
- The right to obtain certification of the resolutions and the minutes of the General Meetings for shareholders and shareholder proxies who have attended the General Meeting.
- In general, all rights that may be recognized by legal provisions or by these Company Bylaws.

Description of the conditions for calling annual and extraordinary General Meetings, including right of attendance

Pursuant to article 20 et seq of BBVA's Bylaws, General Meetings will be called at the initiative of the Company's Board of Directors whenever it deems necessary or advisable for the Company's interests, and in any case on the dates or within the periods determined by law and the Bylaws. Annual and extraordinary General Meetings must be convened by means of an announcement published in the Official Gazette of the Companies Registry (BORME) or one of the highest-readership daily newspapers in Spain, as well as being disseminated on the CNMV (securities exchange authority) website (www.cnmv.es) and the Company website (www.bbva.com), unless an applicable regulation establishes other means of public dissemination.

The announcement will indicate the date, time and place of the General Meeting at first summons and its agenda, which will contain all the matters that the Meeting will cover, and any other references that may be required by law.

Pursuant to article 23 of the Bylaws, holders of 500 or more shares whose ownership is registered in the respective accounting record at least five days before the day on which the General Meeting is scheduled, pursuant to the Securities Exchange Act and other applicable provisions, and who conserve at least that number of shares until the Meeting is held, may attend annual and extraordinary General Meeting. The holders of a lower amount of shares may join to complete, at least, such number, appointing a representative.

CHAPTER 24
REFERENCE DOCUMENTS

The Consolidated Financial Statements, audit report and the Management Report of BBVA Group of the year end December 31, 2017, as well as the Interim Financial Statements, explanatory notes and the Management report corresponding to the first three months period from January 1 and March 31 of 2018, together with the limited review report by the external auditor, attached to this Registration Document, are available to the public and can be consulted on the corporate website www.bbva.com.

Banco Bilbao Vizcaya Argentaria, S.A. Individual Financial Statements, as well as the BBVA Group Consolidated Financial Statements and the Management Reports and auditor report for the years ended December 31, 2017, 2016 and 2015, as well as the summarized Interim Financial Statements, the explanatory notes and the Management Report corresponding to the first three months period from January 1 and March 31 of 2018, have been audited have been filed with the CNMV and are available to the public on the CNMV website (www.cnmv.es) and on the BBVA corporate website (www.bbva.com).

The Consolidated Financial Statements, audit report and the Management Report corresponding to the years ended 2016 and 2015 are incorporated by reference to this Registration Document.

The Articles of Incorporation and the bylaws are also available to the public and can be consulted at the Vizcaya Companies Registry, the social bylaws can be consulted on the BBVA corporate website (www.bbva.com).

CHAPTER 26
ALTERNATIVE PERFORMANCE MEASURES

BBVA Group presents its results in accordance with the International Financial Reporting Standards (EU-IFRS). However, it also considers that some alternative performance measures (APMs) provide useful additional financial information that should be taken into account when evaluating performance. These

APMs are also used when making financial, operational and planning decisions within the Entity. The Group firmly believes that they give a true and fair view of its financial information. These APMs are generally used in the financial sector as indicators for monitoring the assets, liabilities and economic and financial situation of entities.

BBVA Group's APMs are described on the "Alternative performance measures (APMs)" chapter in the management report for the year 2017. They are presented in accordance with the European Securities and Markets Authority (ESMA) guidelines, published on October 5, 2015 ESMA/2015/1415en). These guidelines are aimed at promoting the usefulness and transparency of APMs included in prospectuses or regulated information to protect investors in the European Union. In accordance with the indications given in the guidelines, BBVA Group's APMs:

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

Banco Bilbao Vizcaya Argentaria, S.A. presents this Registration Document for its registration in the Official Registry of the National Securities Market Commission.

In recognition whereof,

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Firmado: Mª Ángeles Peláez Morón