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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 21, 2019

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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, 2018. 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, 2019 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, 2017 and 2016 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, 2018 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, 2019 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 2018, 2017 and 2016 are described in this section and also complemented with what is shown in ("F.S") 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

In addition to the risk factors described below, see "*Liquidity and Financial Risks - The implementation of internationally accepted liquidity ratios may require the introduction of changes in commercial practices that affect the profitability of the Bank's business*".

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 as a consequence of 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 supervisory framework has been intensified, in conjunction with the increased emphasis on the regulatory framework, such that the new institutional structure in Europe for supervision, with the creation of the single supervisory mechanism (the "**SSM**"), and for resolution, with the single resolution mechanism (the "**SRM**"), is changing the regulatory and supervisory framework (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*"). 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. In addition, regulatory scrutiny under existing laws and regulations has become more intense.

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

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 (as amended, replaced or supplemented from time to time, the "**CRD IV Directive**"), through which the EU began implementing the Basel III capital reforms, with effect from January 1, 2014, with certain requirements 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 (as amended, replaced or supplemented from time to time, 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, the "**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 took 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 (as amended, replaced or supplemented from time to time, 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 (as amended, replaced or supplemented from time to time, the "**SRM Regulation**"), including measures to increase the resilience of EU institutions and enhance financial stability. On May 25, 2018, the Council of the European Union published the Presidency compromise proposals relating to the European Commission's package of proposals referred to above and on June 25 and 28, 2018, the European Parliament Committee on Economic and Monetary Affairs published reports containing its proposed amendments to the European Commission's package of proposals. The final political agreement between the European Parliament and the Council on these reforms was published on February 15, 2019 (the European Commission's package of proposals together with the Presidency compromise proposals, the proposed amendments of the European Parliament and such final political agreement, the "**EU Banking Reforms**"). The timing for the final implementation of these reforms as at the date of this Annual Report is unclear.

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 (a buffer to prevent systemic or macro prudential risks). 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 was excluded from this list with effect from January 1, 2017 and so, unless otherwise indicated by the FSB (or the Bank of Spain) in the future, it will no longer be required to maintain a G-SIB buffer.

The Bank of Spain announced on November 21, 2018 that the Bank continues to be considered a D-SIB and is required to maintain a fully-loaded D-SIB buffer of a CET1 capital ratio of 0.75% 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 in December 2018 to maintain the countercyclical capital buffer at 0% for the first quarter of 2019. As of the date of this Annual Report, the countercyclical capital buffer applicable to the Group stands at 0.01% and relates to the Group's exposures in other jurisdictions.

The Bank of Spain has greater discretion in relation to the determination of the institution-specific countercyclical buffer, the buffer for D-SIBs and the systemic risk buffer. With the entry into force of the SSM on November 4, 2014, the European Central Bank (the "**ECB**") has the ability to provide certain recommendations in this respect and potentially increase such buffers.

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 further "Pillar 2" capital requirements (above "Pillar 1" requirements and below the combined buffer 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.

Furthermore, the ECB is required, under 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 the Bank and the Group at least on an annual basis.

In addition to the above, 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 the EBA SREP Guidelines 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 the composition of the capital instruments required to comply with the "Pillar 2" requirement, so that at least 56% of the "Pillar 2" requirement is covered with CET1 capital and at least 75% with Tier 1 capital, as has also been provided 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. On July 19, 2018, the EBA published its final guidelines aimed at further enhancing institutions' risk management and supervisory convergence in respect of SREP. These guidelines focus on stress testing, particularly its use in setting "Pillar 2" capital guidance and the level of interest rate risk.

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, we received a communication from the ECB pursuant to which we are required to maintain, as from March 1, 2019 on a consolidated basis, a CET1 capital ratio of 9.26% (8.53% on an individual basis) and a total capital ratio of 12.76% (12.03% on an individual basis). This total capital requirement (on a consolidated basis) includes: (i) the minimum CET1 requirement under Pillar 1 (4.5%); (ii) the Additional Tier 1 capital (**AT1**) requirement under Pillar 1 (1.5%); (iii) the **Tier 2** capital requirement under Pillar 1 (2%); (iv) the CET1 capital requirement under Pillar 2 (1.5%), which remains unchanged since the prior SREP; (v) the capital conservation buffer (2.5% of CET1); (vi) the Other Systemic Important Institution buffer (OSII) (0.75% of CET1); and (vii) the countercyclical capital buffer (0.01% of CET1).

As of December 31, 2018, the Bank's phased-in total capital ratio was 15.71% on a consolidated basis and 22.07% on an individual basis. As of December 31, 2018, the Bank's CET1 phased-in capital ratio was 11.58% on a consolidated basis and 17.45% on an individual basis. Such 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.

Additionally, on February 1, 2019, the Bank announced its new CET1 fully-loaded capital target, consisting of a CET1 ratio within the range between 11.5% and 12.0% on a consolidated basis, and which the Bank expects to achieve by 2019 year-end. No assurance can be given that the Bank will achieve this target. See "*Cautionary Statement Regarding Forward-Looking Statements*". Any failure by the Bank to maintain a consolidated CET1 capital ratio in line with its CET1 fully-loaded capital target could adversely affect the market price or value or trading behavior of any securities issued by the Bank (and, in particular, any of its capital instruments) and ultimately lead to the imposition of further "Pillar 2" guidance or requirements.

On March 15, 2018, the ECB further published the ECB's supervisory expectations for prudent levels of provisions for non-performing loans ("**NPLs**"). This was published as an addendum (the "**Addendum**") to the ECB's guidance to banks on non-performing loans published on March 20, 2017, which clarified the ECB's supervisory expectations regarding the identification, management, measurement and write-off of NPLs. The ECB states that the Addendum sets out what it deems to be a prudent treatment of NPLs with the aim of avoiding an excessive build-up of non-covered aged NPLs on banks' balance sheets in the future, which would require supervisory measures.

The ECB states that it will assess any differences between banks' practices and the prudential provisioning expectations laid out in the Addendum at least annually and will link the supervisory expectations in the Addendum to new NPLs classified as such from April 1, 2018 onwards. Banks will be asked to inform the ECB of any differences between their practices and the ECB's prudential provisioning expectations, as part of the SREP supervisory dialogue, from early 2021 onwards. Ultimately this could result in the ECB requiring banks to apply specific adjustments to own funds calculations where the accounting treatment applied by the bank is considered not prudent from a supervisory perspective, which could in turn impact on the capital position of the relevant bank. The supervisory expectations set out in the Addendum are expected to be reflected in the proposed amendments to the CRR as part of the EU Banking Reforms, which could impact the minimum coverage levels required for newly originated loans that become non-performing, requiring banks to increase their provisioning for future NPLs.

Furthermore, 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, including certain grandfathering measures. To the extent any of these new requirements are not subject to a grandfathering or exemption regime for those Additional Tier 1 instruments and/or Tier 2 instruments already in issue at the time such new requirements are implemented, such instruments could be subject to regulatory uncertainties on their inclusion as capital. This may lead to regulatory capital shortfalls and ultimately a breach of the applicable minimum regulatory capital requirements.

Any failure by the Bank and/or the Group to comply with its "Pillar 1" minimum regulatory capital ratios, 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" by the Bank as discussed below or administrative actions or sanctions, which, in turn, may have a material adverse effect on the Group's results of operations.

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 shall not make any (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, once the MDA has been calculated and communicated to the Bank of Spain, 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 to such MDA. Pursuant to the EU Banking Reforms, the calculation of the MDA and the consequences thereof, as well as the restrictions specified in the paragraph above while such calculation is pending, could also be triggered by a breach of MREL (as defined herein) (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) or a breach of the minimum leverage ratio requirement.

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"). In particular, no distinction is proposed to be made where discretionary payments are restricted to the MDA between distributions relating to CET1 capital or payments in respect of variable remuneration or discretionary pension revenues, and payments due on Additional Tier 1 instruments.

On July 1, 2016, the EBA published additional information explaining how supervisors should use the results of the 2016 EU-wide stress test for SREP assessments. 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 confirmed in its recommendation of January 7, 2019 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, among other things, 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*), as amended, replaced or supplemented from time to time ("**Law 11/2015**"), which, together with Royal Decree 1012/2015 of November 16 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 (as amended, replaced or supplemented from time to time, "**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*" below.

On November 2, 2018, the EBA, in cooperation with the ECB and the European Systemic Risk Board (the "**ESRB**"), published the results of its 2018 EU-wide stress test of 48 European banks, including the Bank. This assessment was based on the participating banks' consolidated balance sheets as of December 31, 2017. The stress test examined the resilience of banks against two separate scenarios – a baseline scenario and an adverse scenario during a three-year period beginning on December 31, 2017 and ending on December 31, 2020. Under both scenarios, the CET1 fully-loaded ratios, among other measures, of participating banks were analyzed over that period to understand bank sensitivities under prescribed stressed economic conditions. The baseline scenario was provided by the ECB and reflected macroeconomic forecasts prevailing as of December 31, 2017. The adverse scenario was prepared by the ESRB in collaboration with the ECB and the EBA and represented a severe economic downturn. As the stress test uses the Bank's consolidated balance sheet as of December 31, 2017, it does not take into account subsequent business strategies and management actions, including the sale of the Bank's 68.2% stake in Banco Bilbao Vizcaya Argentaria Chile, S.A. ("**BBVA Chile**") to The Bank of Nova Scotia group ("**Scotiabank**") on July 6, 2018 or the Cerberus Capital Management, L.P. (**"Cerberus")** transaction. The stress test is not a forecast of the Bank's profits and does not include a defined pass/fail threshold. Instead, it was utilized by the SREP carried out by the ECB in 2018. Under the stress test, the Bank's starting CET1 fully-loaded ratio as of December 31, 2017 was restated from 11.04% to 10.73% as a result of the implementation of IFRS 9. Under the baseline scenario, the Bank's CET1 fully-loaded ratio increases 1.99 basis points to 12.72% as of December 31, 2020, and under the adverse scenario the Bank's CET1 fully-loaded ratio decreases 1.93 basis points to 8.80% as of December 31, 2020.

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. In particular, any breach of this leverage ratio could also result in a requirement to determine the MDA and restrict discretionary payments to such MDA, as well as trigger the restrictions referred to above while such calculation is pending.

The following table includes a summary of the reconciliation of the accounting assets and the exposures corresponding to the leverage ratio as of December 31, 2018:

Summary table of accounting assets and leverage ratio exposure conciliation	31/12/2018 ***Phase-In***	31/12/2018 ***Fully Loaded***
a) Total assets as per published financial statements	676,689	676,689
b) Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(19,326)	(19,326)
c) Adjustments for derivative financial instruments	(7,410)	(7,410)
d) Adjustments for securities financing transactions "SFTs"	2,949	2,949
e) Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) (1)	61,409	61,409
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	(9,012)	(10,080)
Total leverage ratio exposure	**705,299**	**704,231**
h) Tier 1	45,947	45,047
Total leverage ratio exposures	705,299	704,231
Leverage ratio	**6.51%**	**6.40%**

(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.

In addition, on December 7, 2017 the BCBS announced the finalized Basel III reforms (informally referred to as Basel IV). These reforms include changes to the risk weightings applied to different assets and measures to enhance the risk sensitivity in such weightings and impose limits on the use of internal ratings-based approaches to ensure a minimum level of conservatism in the use of such ratings-based approaches and provide for greater comparability across banks where such internal ratings-based approaches are used. Revised capital floor requirements will also limit the regulatory capital benefit for banks in calculating total risk-weighted assets using internal risk models as compared to the standardized approach, with a minimum capital requirement of 50% of risk-weighted assets calculated using only the standardized approaches applying from January 1, 2022 and increasing to 72.5% from January 1, 2027. To the extent these reforms result in an increase in the total risk-weighted assets of the Bank they could also result in a corresponding decrease in the Bank's capital ratio.

The ECB has announced that it is conducting a targeted review of the internal models ("**TRIM**") being used by banks subject to its supervision for their internal ratings-based approaches in applying risk weightings to assets. TRIM is being undertaken to assess the extent to which such internal models are considered to be in line with regulatory requirements, and the results of those internal models are reliable and comparable, in order to harmonize the approaches to internal models used by banks across the European Union. During 2016, the ECB launched preliminary questionnaires and data requests, and on-site investigations were conducted in 2017 and the first half of 2018. This first phase of TRIM involved a review of the models used to assess the credit risk for retail and small and medium-sized enterprise portfolios, as well as market risk and counterparty credit risk. Phase two, focusing on the models used to assess the credit risk for so-called low-default portfolios, started in the second half of 2018 and is expected to continue throughout 2019. Though the outcome of TRIM is at this stage unknown, the objective of the ECB in undertaking TRIM is to reduce unwarranted variability in risk-weighted assets across banks, not to increase risk-weighted assets in general. Nevertheless, TRIM could lead to increases or decreases in the capital needs of banks. To the extent TRIM results in any changes being required to the internal models used by banks and such changes result in an increase in the Bank's risk-weighted assets, this could have a corresponding impact on the Bank's capital position.

The implementation of Basel reforms 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 requirements or increasing such requirements, could adversely affect a bank with global operations such as the Bank and could affect its profitability.

There can be no assurance that the implementation of the above capital requirements will not adversely affect the Bank's ability to make "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 (ROE) (Alternative Performance Measure, APM onwards, in accordance with the guidelines of the "European Securities and Markets Authority" (ESMA), see Chapter 26 of this Document and "Alternative Performance Measures (APMs) in the management report) and other financial performance indicators.

The following is the solvency data for the Group (Basel III phased-in) on a consolidated basis and in accordance with the regulations applicable to each of the dates indicated. The capital ratios have been calculated in accordance with CRD IV to 2014, applying a phased-in amount of 100% for 2018, 80% for 2017 and 60% for 2016:

Total Capital Phased-in (Millions of euros)

	31/03/2019	31/12/2018	31/12/2017	31/12/2016
Common Equity Tier 1 (CET 1)	41,756	40,313	42,341	47,370
Additional Tier 1 (AT1) capital	5,671	5,634	4,639	2,713
Tier 2 (T2) capital	7,336	8,756	8,798	8,810
Total Capital	54,764	54,703	55,778	58,893
Total risk-weighted assets	360,689	348,264	362,875	388,951
Ratio CET 1 (%)	11.6	11.6	11.7%	12.2%
AT1 Ratio	1.6%	1.6%	1.3%	0.7%
Tier 1 (%)	13.1	13.2	12.9%	12.9%
Tier 2 (%)	2.0	2.5	2.4%	2.3%
Total capital ratio (%)	15.2	15.7	15.4%	15.1%

The fully-charged ratio CET1 at the consolidated level as of March 31, 2019 and December 31, 2018, December 31, 2017 and December 31, 2016, was 11.3%, 11.3%, 11.1% and 10.9%, respectively. As of March 31, 2019 and December 31, 2018, the phased-in ratio at consolidated level CET1 was 11.58% and 11.58%, respectively.

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 or failing 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 unsecured debt 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 (as defined herein), 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 or outstanding amount of the remaining eligible liabilities in the order of the hierarchy of claims in normal insolvency proceedings.

In addition to the Spanish Bail-in Power, 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 ("**Non-Viability Loss Absorption**" and, together with the Spanish Bail-in Power, the "Spanish Statutory Loss-Absorption Powers") 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 meets the conditions for resolution or will no longer be viable unless the relevant capital instruments are written down or converted into equity or 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 exercise of the Spanish Bail-in Power or any other resolution tool or power (where the conditions for resolution referred to above are met).

To the extent that any resulting treatment of a holder of the Bank's securities pursuant to the exercise of the Spanish Statutory Loss-Absorption Powers (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 a considerable delay in the recovery of such compensation. "**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 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). Compensation payments (if any) are also likely to be made considerably later than when amounts may otherwise have been due under the affected securities. In addition, in the case of a Non-Viability Loss Absorption it is not clear 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 Non-Viability Loss Absorption 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 and/or 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 and/or Non-Viability Loss Absorption with respect to such securities or the taking by an 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 behavior 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 and/or 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, 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 and/or 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 behavior 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 by 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 and impose 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, and the value of, unsecured debt securities, subordinated obligations and shares issued by us.

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-SIB entities which 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.

Following the publication of the Single Resolution Board's ("**SRB**") initial policy statement on MREL in November 2018, the SRB published on January 16, 2019 its policy statement on MREL applicable to the second wave of resolution plans (which are those applicable to the most complex banking groups, including BBVA). This policy is based on the current regulatory framework but is also perceived to be preparing the ground for the implementation of the EU Banking Reforms.

In addition, the EU Banking Reforms establish some exemptions which could allow outstanding 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 CET 1 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.

On May 23, 2018, the Bank announced that it had received notification from the Bank of Spain regarding its MREL, as determined by the SRB. The Bank's MREL has been set at 15.08% of the total liabilities and own funds of the Bank's resolution group at a sub-consolidated level as of December 31, 2016, which corresponds to 28.04% of the risk-weighted assets of the Bank's resolution group as of December 31, 2016, and must be met by January 1, 2020. Pursuant to the Group's multiple-point-of-entry resolution strategy as established by the SRB, the Bank's resolution group consists of the Bank and its subsidiaries which belong to the same European resolution group. As of December 31, 2016, the total liabilities and own funds of the Bank's resolution group amounted to €385,647 million, of which the total liabilities and own funds of the Bank comprised approximately 95%, and the risk-weighted assets of the Bank's resolution group amounted to €207,362 million.

According to our own estimates, we believe that the current own funds and eligible liabilities structure of the Bank's resolution group is in line with the above MREL. However, the Bank's MREL is subject to change and no assurance can be given that the Bank may not be subject to a higher MREL at any time in the future.

The EU Banking Reforms further include, as part of MREL, a new subordination requirement of eligible instruments for G-SIBs and "top tier" banks (including the Bank) that will be determined according to their systemic importance, involving a minimum "Pillar 1" subordination requirement. This "Pillar 1" subordination requirement shall be satisfied with own funds and other eligible MREL instruments (which MREL instruments may not for these purposes be senior debt instruments and only MREL instruments constituting "non-preferred" senior debt under the new insolvency hierarchy introduced into Spain will be eligible for compliance with the subordination requirement). For "top tier" banks such as the Bank, this "Pillar 1" subordination requirement has been determined as the higher of 13.5% of the bank's risk weighted assets ("RWAs") and 5% of its leverage exposure. Resolution authorities may also impose further "Pillar 2" subordination requirements, which would be determined on a case-by-case basis but at a minimum level equal to the lower of 8% of a bank's total liabilities and own funds and 27% of its RWAs.

Any failure or perceived failure by the Bank and/or the Group to comply with its MREL (including the subordination requirement) may have a material adverse effect on the Bank's business, financial conditions and results of operations and could result 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.

While the final outcome of the Commission's Proposal continues to be uncertain, the Spanish council of ministers approved during a meeting held on January 18, 2019 the Bill on the Financial Transaction Tax (the "**Spanish FTT Bill**"), which is based in part on the Commission's Proposal. The Spanish FTT Bill introduces a new indirect tax, amounting to 0.2%, to be charged on acquisitions of shares in Spanish companies, regardless of the tax residence of the participants in such transactions, provided that such companies are listed and their respective market capitalization is above €1,000 million. If the Spanish FTT Bill becomes law and subsequently the FTT is approved under a Directive, the Spanish FTT Law should be adapted to the Directive's content.

Moreover, 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, 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.

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. 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.

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.

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 programs 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 anti-money laundering program (which includes, among other elements, policies, procedures, technical infrastructure, independent reviews and training activities) is sufficient to comply with applicable rules and regulations, it cannot guarantee that its anti-money laundering and anti-terrorism financing programs will not be circumvented or otherwise 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. Further, the Group engages in investigations relating to alleged or suspected violations of anti-money laundering or anti-terrorism rules and regulations from time to time and any such investigations or any related proceedings could be time-consuming and costly.

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 directly or indirectly, through third parties, 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 adopted internal policies, procedures, systems and other mitigating measures designed to ensure compliance with applicable anti-corruption laws and sanctions regulations, there can be no assurance that such policies, procedures, systems and other mitigating measures 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. The Group engages in investigations relating to alleged or suspected violations of anti-corruption laws and sanctions regulations from time to time and such investigations or any related proceedings could be time-consuming and costly and their outcomes difficult to predict. 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.

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 and affiliates 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.

The Group is party to a number of legal and regulatory actions and proceedings

BBVA and its subsidiaries are involved in a number of legal and regulatory actions and proceedings, including legal claims and proceedings, civil and criminal regulatory proceedings, governmental investigations and proceedings, tax proceedings and other proceedings, in jurisdictions around the world, the final outcome of which is unpredictable, including in the case of legal proceedings where 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 or investigation.

Legal and regulatory actions and proceedings against financial institutions have been on the rise in Spain and other jurisdictions where the Group operates over the last decade, fueled in part by certain recent consumer-friendly rulings. In certain instances, these rulings were as a result of appeals made to national or supranational courts (such as the European Court of Justice). Legal and regulatory actions and proceedings faced by the Group include legal proceedings brought by clients before Spanish and European courts in relation to mortgage loan agreements in which claimants seek that certain provisions of such agreements be declared null and void (including provisions concerning fees and other expenses, early termination, the use of certain interest rate indexes and the use of "floor" clauses limiting the interest rates in mortgages loans). The additional provisions that have been made during the financial year 2018, to cover the possible claims that may arise in relation to the floor clauses, have not been significant, for a more detailed description, see Chapter 20.8 of this Document.

In relation to mortgage loan agreements with consumers linked to the IRPH index (average rate of mortgage loans for more than three years for the acquisition of free housing, granted by credit institutions in Spain), which is considered an "official interest rate" by the mortgage transparency regulation, calculated by the Bank of Spain and published in the Spanish Official Gazette, the Spanish Supreme Court issued on December 14, 2017 ruling nº 669/2017 in which confirmed that it was not possible to determine the lack of transparency of the interest rate of the loan from the mere fact of its reference to one or another official index, or consider it abusive according to Directive 93/13.

There is still pending a preliminary ruling resolution of the European Court of Justice which challenges the decision taken by the Spanish Supreme Court. BBVA considers that the judgment of the Spanish High Court is clear and well-founded.

It is difficult to estimate the impact of a potential negative resolution by the European Court of Justice, but it may be material. Such impact may vary depending on issues such as (i) the decision of the European Court of Justice regarding the interest rate that shall apply to the financing; and (ii) whether the effects of the ruling should be applied retroactively. As of today, the amount of current mortgage loans to individuals linked to IRPH index is approximately of €3.1 billion.

Legal and regulatory actions and proceedings faced by other financial institutions regarding these or other matters, especially if such actions or proceedings result in consumer-friendly rulings, could also adversely affect the Group. The Group is also involved in antitrust proceedings and investigations in certain countries which could, among other matters, give rise to sanctions or lead to lawsuits from clients or other persons. For example, in April 2017, the Mexican Federal Economic Competition Commission (*Comisión Federal de Competencia Económica* or the "**COFECE**") launched an antitrust investigation relating to alleged monopolistic practices of certain financial institutions, including BBVA's subsidiary BBVA Bancomer, in connection with transactions in Mexican government bonds. The Mexican Banking and Securities Exchange Commission (*Comisión Nacional Bancaria y de Valores*) also initiated a separate investigation regarding this matter, which resulted in certain fines being initially imposed, insignificant in amount, which BBVA Bancomer has challenged. In March 2018, BBVA Bancomer and certain other affiliates of the Group were named as defendants in a putative class action lawsuit filed in the United States District Court for the Southern District of New York, alleging that the defendant banks and their named subsidiaries engaged in collusion with respect to the purchase and sale of Mexican government bonds. The plaintiffs seek unspecified monetary relief.

The outcome of legal and regulatory actions and proceedings, both those to which the Group is currently exposed and any others which may arise in the future, including actions and proceedings related to former subsidiaries of the Group or in respect of which the Group may have indemnification obligations, is difficult to predict. However, in connection with such matters the Group may incur significant expense, regardless of the ultimate outcome, and any such matters could expose the Group to any of the following outcomes: substantial monetary damages, settlements and/or fines; remediation of affected customers and clients; other penalties and injunctive relief; additional litigation; criminal prosecution in certain circumstances; regulatory restrictions on the Group's business operations including the withdrawal of authorizations; changes in business practices; increased regulatory compliance requirements; the suspension of operations; public reprimands; the loss of significant assets or business; a negative effect on the Group's reputation; loss of confidence by investors, counterparties, customers, clients, supervisors and other stakeholders; risk of credit rating agency downgrades; a potential negative impact on the availability and cost of funding and liquidity; and the dismissal or resignation of key individuals. There is also a risk that the outcome of any legal or regulatory actions or proceedings in which the Group is involved may give rise to changes in laws or regulations as part of a wider response by relevant lawmakers and regulators. A decision in any matter, either against the Group or another financial institution facing similar claims, could lead to further claims against the Group. In addition, responding to the demands of litigation may divert management's time and attention and the Group's financial resources. Moreover, where provisions have already been taken in connection with an action or proceeding, such provisions could prove to be inadequate.

As a result of the above, legal and regulatory actions and proceedings currently faced by the Group or to which it may become subject in the future or otherwise affected by, individually or in the aggregate, if resolved in whole or in part adversely to the Group, could have a material adverse effect on the Group's business, financial condition and results of operations.

We may be affected by actions that are incompatible with our ethics and compliance standards, and by our failure to timely detect or remedy any such actions

Some of our management and/or employees and/or persons doing business with us may engage in activities that are incompatible with our ethics and compliance standards. Although we have adopted measures designed to identify, monitor and mitigate such actions, and remediate them when we become aware of them, we are subject to the risk that our management and/or employees and/or persons doing business with us may engage in fraudulent activity, corruption or bribery, circumvent or override our internal controls and procedures or misappropriate or manipulate our assets for their personal or business advantage to our detriment.

Our business, including relationships with third parties, is guided by ethical principles. We have adopted a Code of Conduct, applicable to all companies and persons which form part of the Group, and a number of internal policies designed to guide our management and employees and reinforce our values and rules for ethical behavior and professional conduct. For further information on our Code of Conduct, see "*Item 16B.Code of Ethics*". However, we are unable to ensure that all of our management and employees, more than 125,000 people, or persons doing business with us comply at all times with our ethical principles. Acts of misconduct by any employee, and particularly by senior management, could erode trust and confidence and damage the Group's reputation among existing and potential clients and other stakeholders. Negative public opinion could result from actual or alleged conduct by Group entities in any number of activities or circumstances, including operations, employment-related offenses such as sexual harassment and discrimination, regulatory compliance, the use and protection of data and systems, and the satisfaction of client expectations, and from actions taken by regulators or others in response to such conduct.

As of the date of this Annual Report, we are conducting an investigation, led by PricewaterhouseCoopers through the Bank's external legal counsel Garrigues, along with Uría Menéndez, regarding allegations of improper activity related to our relationship with Grupo Cenyt which may have violated our ethical standards and applicable governance or regulatory obligations. Governmental authorities are also investigating this matter. We are carrying out our investigation to protect the Group's interests and in connection therewith are cooperating with governmental authorities and our supervisors. It is not possible at this time to predict the scope or duration of our investigation or any investigations by governmental authorities, or their likely outcomes.

Any failure, whether real or perceived, to follow our ethical principles or to comply with applicable governance or regulatory obligations could harm our reputation, subject us to additional regulatory scrutiny, or otherwise adversely affect 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 sustained 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 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 to determine 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 downturns and/or regulatory changes;
- a global trade war triggered by increasing tariffs and non-tariff barriers between the main economic blocks. The increase in trade barriers might adversely affect global trade flows both directly and indirectly, through the increase in financial volatility and the decrease in confidence levels of businesses and households, which could trigger an intense global economic slowdown or even a recession;
- deflation, mainly in Europe, or significant inflation, such as the significant inflation recently experienced by Venezuela and Argentina (see Note 2.2.20 "Entities and branches located in countries with hyperinflationary economies") and, to a lesser extent, Turkey;
- changes in foreign exchange rates resulting in changes in the reported earnings of the Group's subsidiaries, particularly in Venezuela and Argentina (see Note 2.2.20 "Entities and branches located in countries with hyperinflationary economies), together with the relevant impact on profits, assets (including risk-weighted assets) and liabilities;
- a lower interest rate environment, or even a prolonged period of negative interest rates in some areas where the Group 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 potential inflationary pressures and currency devaluations in Latin America, which could endanger economic growth 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 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;

- substantially lower oil prices, which could particularly affect producing areas, such as Venezuela, Mexico, Texas or Colombia, to which the Group is materially exposed or, conversely, substantially higher oil prices, which could have a negative impact on disposable income levels in oil consuming areas, such as Spain or Turkey, where the Group is also 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, 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 related to the United Kingdom's proposed withdrawal from the European Union; and

- an eventual government default on or restructuring of public debt, which could affect the Group primarily in two ways: directly, through portfolio losses (The Group's exposure to public debt is mainly focused on Spain, Mexico, The United States and Turkey, which together amounted €106,175 million, equivalent to 15.7% of the Group's consolidated total assets);, and indirectly, through instabilities that a default on or restructuring of 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 (see Appendix XII a) Additional information on Risk Concentration of the Annual Report).

For additional information relating to certain 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 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*". For further additional information related to macroeconomic risk factors, see "Operating segments" section of the Management Report and Note 3 of the Annual Report.

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 so that, as of December 31, 2018, the total risks in financial instruments in Spain reached 279,880 million euros, equivalent to 37.1% of the total risks that the Group had in financial instruments (equivalent to 775,369 million euros, see Appendix XII c) "Additional information on Risk Concentration" of the Annual Report. 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, falling to 2.5% in 2018, and unemployment falling to 15.3% in 2018. While GDP growth is expected to remain positive in the next years, there is uncertainty regarding the sustainability of external growth as well as doubts over Spain's economic policy. 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, 2018, the amount of loans and advances to consumers of the Group in Spain was 169,856 million euros, representing 45% of the total amount of loans and advances to consumers that appeared in the consolidated balance sheet of the Group. As of March 31, 2019 and December 31, 2018, the Group's Non-performing loan ratio (APM) was 3.9%, 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, adverse changes in economic conditions 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

Our Spanish business 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, 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 our business, liquidity, financial condition and results of operations.

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. As of December 31, 2018, the Group's exposure to the public debt portfolio of the Kingdom of Spain was 48,473 million euros (see Appendix XII a) "Additional information on Risk Concentration" of the Annual Report), representing 7% of the consolidated total assets of the Group (compared to 7% at December 31, 2017 and 6% at December 31, 2016).

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 (see the section "Operating Segments" sections "Mexico, Turkey and South America" of the attached Management Report), experienced significant volatility in recent decades, characterized, in some cases, by slow or declining growth, declining investment, volatile interest rates, volatile currency values, hyperinflation and political tension.

Emerging markets are generally subject to greater risks than more developed markets. For example, there is typically a greater risk of loss in operating in emerging markets from unfavorable political and economic developments, both global and domestic, social and geopolitical instability, changes in economic policies (such as monetary, fiscal and macroprudential policies) or governmental decisions, including expropriation, nationalization, international ownership legislation, interest-rate caps, restrictions on business practices such as on commissions that can be charged, currency and exchange controls and tax policies and political unrest. In particular, Argentina, where the Bank operates through BBVA Banco Francés S.A. ("**BBVA Banco Francés**"), and Turkey, where the Bank operates through Garanti, have recently experienced significant exchange rate volatility (for example, the Argentine peso lost a significant portion of its value against the U.S. dollar during the course of 2018), rapidly-increasing interest rates and deteriorating economic conditions, adversely affecting our operations in such countries and the value of the related assets and liabilities when translated into euros (see Note 2.2.20 of the Annual Report).

In addition, emerging markets are affected by conditions in other related markets and in global financial markets generally (such as U.S. interest rates and the U.S. dollar exchange rate) 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. Despite sustained global economic growth, there are increasing risks of deterioration that might be triggered by a full-blown trade war, geopolitical events or changes in financial risk appetite. If 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. Hyperinflation in Argentina had a negative impact of €266 million in the "Profit attributable to parent company" for 2018. For additional information, see Note 2.2.20 to the Consolidated Financial Statements.

Furthermore, financial turmoil in any particular emerging market could negatively affect other emerging markets or the global economy in general. Financial turmoil in a particular emerging market tends to adversely affect exchange rates, 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 markets 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*".

As of December 31, 2018 and December 31, 2017: (i) the Group's total assets corresponding to the South American operating segment were, 52,385 and 74,636 million euros, respectively, representing 7.7% and 10.8% of the Group's total assets, respectively; (ii) the Group's total assets in the Turkish business segment were, 66,250 and 78,694 million euros, respectively, representing 9.8% and 11.4% of the Group's total assets, respectively (see Note 6 "Operating segment reporting" of the Annual Report) and (iii) the Group's total assets corresponding to the business segment in Mexico were, 96,455 and 94,061 million euros, respectively, representing 14.3% and 13.6% of the Group's total assets, respectively.

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.

We may be adversely affected by the United Kingdom's planned exit from the European Union

In a referendum held in the United Kingdom on June 23, 2016, a majority of those voting voted for the United Kingdom to leave the European Union (referred to as "**Brexit**"). On March 29, 2017, the United Kingdom gave formal notice under Article 50 of the Treaty on European Union officially notifying the European Union of its decision to withdraw from the European Union, which began a statutory two-year period during which officials from the United Kingdom and the European Union have been negotiating the terms of the United Kingdom's withdrawal from, and future relationship with, the European Union. No agreement has yet been reached and approved by the relevant parties as of the date of this Annual Report. Extensions of this period must be approved unanimously by all member states of the European Union. If no agreement is reached and approved by March 29, 2019, and no extension is agreed, the United Kingdom would automatically leave the European Union and EU laws and regulations would cease to apply to the United Kingdom on such date unless the United Kingdom revokes its formal notice under Article 50 of the Treaty on European Union.

As of the date of this Annual Report, the United Kingdom remains a member of the European Union. However, Brexit has already affected and could continue to adversely affect European and/or worldwide economic and market conditions and could continue to contribute to instability in the global financial markets. The long-term effects of Brexit will depend in part on whether the UK Parliament approves an agreement negotiated with the Council of the European Union, whether the United Kingdom leaves the European Union with no agreement in place (referred to as a "hard Brexit"), or whether the United Kingdom ultimately remains a member of the European Economic Area or the European Union, as a result of a second referendum, new UK elections or otherwise.

The Group currently maintains a branch in the United Kingdom, had 126 employees in the United Kingdom as of December 31, 2018, has significant cross-border outstandings with the United Kingdom, primarily with banks and other financial institutions, as well as sovereign risk exposure of €51 million as of December 31, 2018, and has a 39.06% stake in the UK digital bank Atom Bank plc. In addition to its effects on the European and global economy and financial markets, Brexit, and in particular a hard Brexit, could impair or otherwise limit our ability to transact business in the United Kingdom or elsewhere. In addition, we expect that Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replicate or replace. If the United Kingdom were to significantly alter its regulations affecting the banking industry, we could face significant new costs and compliance difficulties as it may be time-consuming and expensive for us to alter our internal operations in order to comply with new regulations. In addition, we may face challenges in the recruitment and mobility of employees as well as adverse effects from fluctuations in the value of the pound sterling that may directly or indirectly affect the value of any assets of the Group, including those assets, and their respective risk-weighted assets, denominated in such currency. Moreover, it is possible that Brexit, particularly a hard Brexit, could cause a recession in the United Kingdom as well as in the European Union, including in Spain. Due to the ongoing political uncertainty as regards the terms of the United Kingdom's possible withdrawal from the European Union and their future relationship, the precise impact on the business of the Group is difficult to determine. Any of the above or other effects of Brexit could have a material adverse effect on the Group's business, financial condition and results of operations.

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, 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, and on November 30, 2018 the United States, Mexico and Canada signed the United States-Mexico-Canada Agreement (the "**USMCA**"). While the United States, Mexico and Canada have agreed the terms of USMCA, NAFTA currently remains in effect. In the United States, USMCA can come into effect only following the completion of the procedures required by the U.S. Trade Promotion Authority, including a Congressional vote on an implementing bill. USMCA will also need to be approved by the legislatures of Canada and Mexico. As such, there remains significant uncertainty as to whether USMCA will be ratified in its current form, or at all.

Because the Mexican economy is heavily influenced by the U.S. economy, the re-negotiation or termination of NAFTA and/or the adoption of USMCA or 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 asset impairment

Regulatory, business, economic or political changes and other factors could lead to asset impairment. 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 or otherwise lead to the impairment of such assets (including goodwill and deferred tax assets). Current political processes such as the implementation of Brexit, which may result in the United Kingdom leaving the European Union, the surge of populist trends in several European countries, increased trade tensions 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 regarding the asset quality of European banks also affected their evolution in the market in recent years. In addition, uncertainty about China's growth expectations and its policymaking capability to address certain severe challenges has contributed to the 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. In addition, the Group may be required to derecognize deferred tax assets if it believes it is unable to use them over the period for which the deferred tax assets remain deductible.

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 APPENDIX XII b) "Additional information on Risk Concentration" of the Annual Report"). As of December 31, 2018, 2017 and 2016, the group's exposure to the construction and real estate sectors in Spain amounted to 11,045, 11,981 and 15,285 million euros, respectively, of which 3,183, 5,224 and 7,930 million euros, respectively. corresponded to construction loan risks and real estate development activities (representing, respectively, 1.7%, 2.9% and 5% of the Group's loans and advances to consumers in the Spanish balance sheet of the Group -excluding the public sector- and at 0.5%, 0.8% and 1.1% of the Group's consolidated assets, respectively) it continues to be 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 Divarian Propiedad, S.A. Any deterioration of real estate prices could materially and adversely affect the Group's business, financial condition and results of operations. The total real estate exposure, including the developer loan, foreclosed assets and other assets, reflected a coverage rate of 53% at the end of 2018 (see M.R. attached to the Annual Report section "Business areas", "Non-core Real Estate").

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 Note 7.5 "Liquidity risk" of the Annual Report).

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 fulfil 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 lead to the exercise of any Spanish Bail-in Power

Historically, one of the Group's principal sources of funds has been savings and demand deposits (see Note 22 "Financial liabilities at amortized cost" of the Annual Report). 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 administrative initiatives, including the exercise of any Spanish Bail-in Power 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 adversely affect the Group's activities, especially 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 and/or Non-Viability Loss Absorption). See "*—Legal, Regulatory and Compliance Risks—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" below.
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 and/or Non-Viability Loss Absorption).

As of March 31, 2019 and December 31, 2018, 2017 and 2016, the balance of "Customer Deposits" represented approximately 73%, 74%, 69% and 68%, respectively, of "Financial liabilities at amortized cost" of BBVA Group (see Note 22 of the Annual Report and Note 20 of the Interim Financial Statements 1Q19 "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 applies 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 had to fully comply (100%) with such ratio since January 1, 2018. As of December 31, 2018, the LCR of the Group was 127%.

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 contemplated that the NSFR, including any revisions, was to be implemented by member countries as a minimum standard by January 1, 2018, with no phase-in. While the NSFR has not yet been introduced, 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.

The maximum exposure to the Group's credit risk as of December 31, 2018, as stated in the Note 7.3.2 of the Annual Report "Maximum exposure to credit risk", described below. This information does not deduct collateral or credit improvements obtained to ensure compliance with payment obligations. The information is disaggregated according to the nature of the financial instruments and the counterparty:

Maximum Credit Risk Exposure (Millions of Euros)

	December 2018	Stage 1	Stage 2	Stage 3
Financial assets held for trading	**59,581**			
Debt securities	25,577			
Equity instruments	5,254			
Loans and advances to customers	28,750			
Non-trading financial assets mandatorily at fair value through profit or loss	**5,135**			
Loans and advances to customers	1,803			
Debt securities	237			
Equity instruments	3,095			
Financial assets designated at fair value through profit or loss	**1,313**			
Derivatives (trading and hedging)	**38,249**			
Financial assets at fair value through other comprehensive income	**56,332**	**56,329**	**3**	**-**
Debt securities	53,737	53,734	3	-
Equity instruments	2,595	2,595	-	-
Loans and advances to credit institutions	33	33	-	-
Financial assets at amortized cost	**431,927**	**384,632**	**30,902**	**16,394**
Loans and advances to central banks	3,947	3,947	-	-
Loans and advances to credit institutions	9,175	9,131	34	10
Loans and advances to customers	386,225	339,204	30,673	16,348
Debt securities	32,580	32,350	195	35
Total financial assets risk	**592,538**	**440,960**	**30,905**	**16,394**
Total loan commitments and financial guarantees	**170,511**	**161,404**	**8,120**	**987**
Total maximum credit exposure	**763,049**			

The quantitative information related to the maximum credit risk exposure for the first quarter ended March 31, 2019 and the year ended December 31, 2018 is in the Quarterly Report January-March 2019, as it is shown below:

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.

Maximum Credit Risk Exposure (Millions of Euros)

	March 2019	Stage 1	Stage 2	Stage 3
Financial assets held for trading	**62,344**			
Debt securities	27,018			
Equity instruments	5,844			
Loans and advances to customers	29,482			
Non-trading financial assets mandatorily at fair value through profit or loss	**5,535**			
Loans and advances to customers	1,807			
Debt securities	220			
Equity instruments	3,508			
Financial assets designated at fair value through profit or loss	**1,311**			
Derivatives (trading and hedging)	**39,674**			
Financial assets at fair value through other comprehensive income	**60,236**	**60,236**	**-**	**-**
Debt securities	57,529	57,529	-	-
Equity instruments	2,674	2,674	-	-
Loans and advance to credit institutions	33	33		
Financial assets at amortized cost	**445,610**	**397,679**	**31,320**	**16,612**
Loans and advances to central banks	4,983	4,983	-	-
Loans and advances to credit institutions	10,827	10,756	59	12
Loans and advances to customers	393,321	345,654	31,109	16,559
Debt securities	36,479	36,287	152	40
Total financial assets risk	**614,709**	**457,915**	**31,320**	**16,612**
Total loan commitments and financial guarantees	**171,551**	**161,593**	**8,990**	**969**
Total maximum credit exposure	**786,261**			

Quantitative information impaired financial assets and contingent risks, referred to the 2018 and 2017 periods, are included in the F.S. Note 7.3.5 "Past due but not impaired and impaired secured loans risks", is shown below:

Impaired assets
Breakdown by sectors

	2018	2017
Debt securities	**35**	**66**
Loans and advances	**16,359**	**19,401**
General governments	128	171
Credit institutions	10	11
Other financial corporations	11	12
Non-financial corporations	8,372	10,791
Households	7,838	8,417
TOTAL IMPAIRED FINANCIAL ASSETS	**16,394**	**19,467**

The ratio of non-performing loans of the Group was 3.9% and 4.6% as of December 31, 2018 and 2017, respectively (see M.R. attached to the Annual Report sections "Highlights" and "Business areas" to see the breakdown by business areas), (compared to 4.9% and 5.4% as of December 31, 2016 and 2015, respectively). The coverage ratio (APM) of low-quality loans of the Group was 73% and 65% as of December 31, 2018 and 2017, respectively, (as opposed 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 (APM) 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 in default rates (APM) are key risk factors. 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 (APM). 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").

The following table shows the average levels of interest risk, in terms of sensitivity, of the Group´s main geographies during the 2018 financial year:

Sensitivity to Interest-Rate Analysis - December 2018

	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 (***)	+ (5% - 10%)	- (5% - 10%)	+ (0% - 5%)	- (0% - 5%)
Mexico	+ (0% - 5%)	- (0% - 5%)	+ (0% - 5%)	- (0% - 5%)
USA	+ (5% - 10%)	- (5% - 10%)	- (5% - 10%)	+ (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 ratings agencies can be found in the Management Report attached to the Annual Report section "Solvency - Ratings".

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. As of December 31 2018, 2017 and 2016, the 62%, 62%, 62% and 66% of the operations of "Loans and advances to customers" with a maturity of more than one year were formalized at a variable interest rate (see Note 14.3 "Loans and advances to customers" of the Annual Report). 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 (see Note 31 "Minority interest" of the Annual Report). Payment of dividends, distributions and advances by the Group's subsidiaries is 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, including trade 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 "—Legal, Regulatory and Compliance Risks—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 whose 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 recent 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, Google, Facebook or Apple, who have also started to offer financial services (mainly, payments and credit) ancillary to their core business. 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 such as the Group 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 or delivering 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 affected.

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 (see DR-CHAPTER 5.2.1 "Principal investments in each year" and C.A. Note 3 "BBVA Group" section "Significant changes in the Group").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 because either the Group is not indemnified for such claims or the indemnification is insufficient. Further, in the case of a divestiture, the Group may be required to indemnify the buyer in respect of certain matters, including claims against the divested entity or business. Any of the foregoing, could cause the Group to incur significant expenses and could materially adversely affect its business, financial condition and results of operations.

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 14.3%, 12.1%, 9.8% and 1.2% of the Group's assets as at December 31, 2018, respectively.

The Group is confronted with different legal and regulatory requirements in many of the jurisdictions in which it operates. See "*—Legal, Regulatory and Compliance Risks—Local regulation may have a material effect 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. As of December 31, 2018, approximately 45.4% of the Group's assets and approximately 44.6% of its liabilities were denominated in currencies other than euro.

The Group's exposure to interest rate risk has remained reasonably stable since the end of 2016. The hedging policy aims to maintain low levels of sensitivity to emerging currency movements against the euro and focuses mainly on the Mexican peso, and the Turkish lira. The level of risk mitigation in the Group's capital ratio in relation to the book value of foreign currencies owned by the Group remained at around 70% and, at December 31, 2018, the sensitivity to the CET1 ratio at a 1% appreciation in the euro for each currency was: US dollars 1.1 basis points; Mexican peso -0.2 basis points; Turkish lira -0.2 basis points; other currencies -0.2 basis points. On the other hand, the coverage of revenues obtained in emerging currencies reached 82% in 2018, concentrating on the Mexican peso and the 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

Weaknesses or failures in the Group's internal or outsourced processes, systems and security could materially adversely affect its business, financial condition and results of operations 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 impact and significant 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 Group 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.

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

The Group faces security risks, including denial of service attacks, hacking, social engineering attacks targeting its partners 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 and the measures implemented by the Group may not be sufficient. 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 the Group's 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.

BBVA'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 compliance 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 the classification, measurement and impairment of 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 and inflation rates 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. See "—*Our financial results, regulatory capital and ratios may be negatively affected by changes to accounting standards*".

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

We report our results and financial position in compliance with IFRS-IASB and in accordance with EU-IFRS required to be applied under the Bank of Spain's Circular 4/2017, which replaced the Bank of Spain's Circular 4/2004 for financial statements relating to periods ended January 1, 2018 and thereafter. 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. For further information about developments in financial accounting and reporting standards, see Note 2.3 to our Consolidated Financial Statements ("Recent IFRS pronouncements").

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 years ended December 31, 2018 and 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 year ended December 2016 have been audited by Deloitte, S.L.

The aforementioned individual and consolidated 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, 2018, 2017 and 2016, 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 2018, 2017 and 2016), 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.

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CHAPTER 3
SELECTED FINANCIAL INFORMATION

3.1 SELECTED HISTORICAL FINANCIAL INFORMATION

The selected financial information for the years ended December 31, 2018, 2017 and 2016, is shown below:

BBVA Group Highlights (consolidated figures)	December 2018	%	December 2017	%	December 2016
Balance sheet (millions of euros)					
Total assets	676,689	(1.9)	690,059	(5.7)	731,856
Loans and advances to customers (gross)	386,225	(3.5)	400,369	(7.0)	430,474
Deposits from customers	375,970	(0.1)	376,379	(6.2)	401,465
Total customer funds	474,120	(7.3)	511,285	(4.2)	533,557
Total equity	52,874	(0.8)	53,323	(3.8)	55,428
Income statement (millions of euros)					
Net interest income	17,591	(0.9)	17,758	4.1	17,059
Gross income	23,747	(6.0)	25,270	2.5	24,653
Operating income	12,045	(5.7)	12,770	7.7	11,862
Operating profit before tax	7,580	9.4	6,931	8.4	6,392
Attributable to owners of the parent	5,324	51.3	3,519	1.3	3,475
Data per share and share performance ratios					
Number of shares	6,668	-	6,668	1.5	6,567
Share price (euros)	4.64	(34.8)	7.11	11.0	6.41
Earning per share (euros)	0.76	55.9	0.48	(1.1)	0.49
Book value per share (euros) (*)	7.12	2.2	6.96	(3.5)	7.22
Tangible book value per share (euros) (*)	5.86	2.9	5.69	(0.6)	5.73
Market capitalization (millions of euros)	30,909	(34.8)	47,422	12.6	42,118
Yield (dividend/price; %)	5.39	-	4.23	0	5.80
Significant ratios (%)					
ROE (net attributable profit/average shareholders' funds +/- average accumulated other comprehensive income) (2) (*)	11.5		7.4		7.3
ROTE (net attributable profit/average shareholders' funds excluding average intangible assets +/- average accumulated other comprehensive income) (2) (*)	14.1		9.1		9.2
ROA (Profit or loss for the year/average total assets) (*)	0.91		0.68		0.64
RORWA (Profit or loss for the year/average risk-weighted assets - RWA) (*)	1.74		1.27		1.19
Efficiency ratio (*)	49.3		49.5		51.9
Cost of risk (*)	1.01		0.89		0.85
NPL ratio (*)	3.9		4.6		5.0
NPL coverage ratio (*)	73		65		70
Capital adequacy ratios (%)					
CET 1 fully-loaded	11.3		11.1		10.9
CET1 phase-in (3)	11.6		11.7		12.2
Tier 1 phase-in (3)	12.9		13.0		12.9
Total ratio phase-in (3)	15.7		15.5		15.1
Other information					
Number of shareholders	902,708	1.3	891,453	(4.7)	935,284
Number of employees	125,627	(4.7)	131,856	(2.2)	134,792
Number of branches	7,963	(3.7)	8,271	(4.5)	8,660
Number of ATMs	32,029	1.1	31,688	1.8	31,120

(*) 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 (APM) and ROTE (APM) ratios include, in the denominator, the Group's average shareholders' funds and take into account the item called "Accumulated other comprehensive income", which forms part of the equity. Excluding this item, the ROE (APM) would stand at 10.1%, in 2018; 6.7%, in 2017; and 6.9%, in 2016; and the ROTE (APM) at 12.0%, 8.0% and 8.6%, respectively.
(3) As of December,31 2018 phased-in ratios include the temporary treatment on the impact of IFRS 9, calculated in accordance with Article 473 bis of Capital Requirements Regulation (CRR). The capital ratios are calculated under CRD IV from Basel III regulation, in which a phase-in of 80% is applied for 2017 and a phase-in of 60% for 2016.

General note: the application of accounting for hyperinflation in Argentina was performed for the first time in September 2018 with accounting effects on January 1, 2018, recording the impact of the nine months in the third quarter. In order to make the 2019 information comparable to the 2018, the income statements and balance sheets of the first three quarters of 2018 have been reexpressed to reflect these impacts.

The consolidated financial statements of BBVA Group for the year 2018 are prepared in accordance with the presentation models required by Circular 3/2018 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, 2017 and 2016 are presented exclusively for the purpose of comparison with the information for December 31, 2018.

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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, 2019, registered with the CNMV on April 30, 2019, which is incorporated by reference to this Registration Document, prepared in accordance with the Spanish regulations in force (Circular 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, 2019 and 2018 is as follows:

BBVA Group Highlights				
	31/03/2019	Δ%	31/03/2018	31/12/2018
Balance sheet (millions of euros)				
Total assets	691,200	0.8	685,688	676,689
Loans and advances to customers (gross)	393,321	3.0	381,683	386,225
Deposits from customers	378,527	5.1	360,213	375,970
Total customer funds	481,754	4.9	459,113	474,120
Total equity	53,547	2.9	52,043	52,874
Income statement (millions of euros)				
Net interest income	4,420	3.1	4,287	17,591
Gross income	6,069	0.7	6,026	23,747
Operating income	3,147	3.2	3,050	12,045
Attributable to owners of the parent	1,164	(9.8)	1,290	5,324
The BBVA share and share performance ratios				
Number of shares	6,668	-	6,668	6,668
Share price (euros)	5.09	(20.8)	6.43	4.64
Earning per share (euros)	0.16	(9.7)	0.18	0.76
Book value per share (euros) (*)	7.20	5.4	6.83	7.12
Tangible book value per share (euros) (*)	5.94	6.1	5.60	5.86
Market capitalization (millions of euros)	33,960	(20.8)	42,868	30,909
Yield (dividend/price; %)	4.9		3.4	5.4
Significant ratios (%)				
ROE (net attributable profit/average shareholders' funds +/- average accumulated other comprehensive income) (2) (*)	9.9		11.5	11.5
ROTE (net attributable profit/average shareholders' funds excluding average intangible assets +/- average accumulated other comprehensive income) (2) (*)	11.9		14.0	14.1
ROA (Profit or loss for the year/average total assets) (*)	0.84		0.93	0.91
RORWA (Profit or loss for the year/average risk-weighted assets - RWA) (*)	1.60		1.75	1.74
Efficiency ratio (*)	48.1		49.4	49.3
Cost of risk (*)	1.06		0.85	1.01
NPL ratio (*)	3.9		4.4	3.9
NPL coverage ratio (*)	74		73	73
Capital adequacy ratios (%)				
CET 1 fully-loaded	11.3		10.9	11.3
CET 1 phased-in (3)	11.6		11.1	11.6
Total ratio phased-in (3)	15.2		15.4	15.7
Other information				
Number of clients (million)	75.7	2.9	73.6	74.8
Number of shareholders	892,316	0.2	890,146	902,708
Number of employees	125,749	(4.6)	131,745	125,627
Number of branches	7,844	(4.3)	8,200	7,963
Number of ATMs	31,922	1.0	31,602	32,029

(*) 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 (APMs) include, in the denominator, the Group's average shareholders' funds and take into account the item called "Accumulated other comprehensive income", which forms part of the equity. Excluding this item, the ROE would stand at 8.6%, in the first quarter of 2019; 10.1%, in 2018; and 10.1%, in the first quarter of 2018; and the ROTE at 10.2%, 11.9% and 12.0%, respectively.

(3) As of March 31, 2019, phased-in ratios include the temporary treatment on the impact of IFRS 9, calculated in accordance with Article 473 bis of the Capital Requirements Regulation (CRR).
General note: the application of accounting for hyperinflation in Argentina was performed for the first time in September 2018 with accounting effects on January 1, 2018, recording the impact of the nine months in the third quarter. In order to make the 2019 information comparable to the 2018, the income statements and balance sheets of the first three quarters of 2018 have been reexpressed to reflect these impacts.

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 6419, 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, S.A.", 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 Bizkaia under volume 2083, page 183, Sheet Bl-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, Caja Postal and Banco Hipotecario, S.A.", 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 Bizkaia on January 28, 2000 under volume 3858, page 1, Sheet nº Bl-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.

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.

Since the preparation of the 2018 consolidated financial statements until the date of registration of this Registration Document, no other subsequent events not mentioned above in the attached financial statements have taken place that could significantly affect the Group's earnings or its equity position. The results of the first quarter of 2019 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 2018, 2017 and 2016 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 2018, 2017 and 2016 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 "Changes and notification of participations in the BBVA Group". 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. Investments in joint ventures, associates" section "Joint ventures and associates".

- Changes in the portfolios of securities are described in Notes 10 "Financial assets and liabilities held for trading", 11 "Non-trading financial assets mandatorily at fair value through profit or loss", 12 "Financial assets and liabilities designated at fair value through profit or loss" and 13 "Financial assets at fair value through other comprehensive income".

- 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 2018

- Divestitures

- **Sale of BBVA's stake in BBVA Chile**

On November 28, 2017, BBVA received a binding offer (the "Offer") from The Bank of Nova Scotia group ("Scotiabank") for the acquisition of BBVA's stake in Banco Bilbao Vizcaya Argentaria Chile, S.A. ("BBVA Chile") as well as in other companies of the Group in Chile with operations that are complementary to the banking business (amongst them, BBVA Seguros Vida, S.A.). BBVA owned approximately, directly and indirectly, 68.19% of BBVA Chile share capital. On December 5, 2017, BBVA accepted the Offer and entered into a sale and purchase agreement and the sale was completed on July, 6, 2018.

The consideration received in cash by BBVA as consequence of the referred sale amounts to, approximately, USD 2,200 million. The transaction results in a capital gain, net of taxes, of €633 million, which was recognized in 2018.

- **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 is transferred (the "Business").

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 position of the REOs as of 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.

On October 10, 2018, after obtaining all required authorizations, BBVA completed the transfer of the real estate business in Spain. Closing of the transaction has resulted in the sale of 80% of the share capital of the company Divarian Propiedad, S.A. to an entity managed by Cerberus.

Divarian is the company to which the BBVA Group has previously contributed the Business provided that the effective transfer of several real estate assets (REO´s) remains subject to the fulfilment of certain conditions precedent, as stated in the referred relevant event. The final price payable by Cerberus will be adjusted depending on the volume of REO´s effectively contributed.

As of December 31, 2018, the transaction did not have a significant impact on BBVA Group's attributable profit or the Common Equity Tier 1 (fully loaded).

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).

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.

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 2,840 branch offices in Spain and, 5,123 branch offices abroad as of December 31, 2018. As of December 31, 2018, approximately 67% of our branches in Spain and 63% 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, 2018, 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:

- Carlos Torres Vila was appointed Chairman of the Board of Directors of BBVA in December 2018 and he is also the Chairman of the Executive Committee and of the Technology and Cybersecurity Committee. Previously, he held the position of Chief Executive Officer of BBVA between May 2015 and December 2018. 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 high responsibility within the BBVA Group since joining in 2008. He was Head of Digital Banking 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 (Bachelor of Sciences) 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 Sloan School of Management.

- Onur Genç was appointed Chief Executive Officer of BBVA in December 2018. In addition, he is director of BBVA Compass Bancshares, Inc., Grupo Financiero BBVA Bancomer, S.A. de C.V. and BBVA Bancomer S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer. He was Chairman and CEO of BBVA Compass and BBVA's Country Manager in the USA from January 2017 to December 2018. Deputy CEO at Turkiye Garanti Bankasi, A.S. between 2015 and 2017 and Executive Vice President at that entity between 2012 and 2015. He holds a Bachelor of Science degree in Electrical Engineering from the University of Bogaziçi (Turkey), and a Master in Business Administration and Management (MSIA / MBA) at the Carnegie Mellon University (USA).

- 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 de 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 Deputy Chair of the Board of Directors since April 2019. He also chairs the Appointments and Corporate Governance Committee of BBVA. 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.

- Jaime Félix Caruana Lacorte was appointed director of BBVA in March 2018 and chairs the Audit Committee of BBVA since April 2019. 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), between 2003 and 2006 he was Chair of the Basel's Banking Supervision Committee, between 2000 and 2006 he was Governor of the Bank of Spain, and between 1999 and 2000 he was General Manager of Banking Supervision at the Bank of Spain. He is a Telecommunications Engineer from the ETSIT (Higher Technical School of Telecommunications Engineers) of the Polytechnic University of Madrid and is a Commercial Technician and State Economist.

- 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 chairs 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 and Autonoma University in Madrid. 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 & 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. He holds a Ph. Doctor Degree in Economics from Columbia University of New York and a PhD in Economics from the Complutense University of Madrid. In addition, he is Professor of Public Finance and Tax System of the Complutense University of Madrid.

- Sunir Kumar Kapoor was appointed to the BBVA Board in March, 2016. He is currently operating partner in Atlantic Bridge Capital, independent director in Stratio Big Data and consultant in mCloud. 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. President and CEO of E-Stamp Corporation from 1996 to 1999 and Vice President of Strategy, Marketing and Planning of Oracle Corporation from 1994 to 1996. 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).

- Ana Cristina Peralta Moreno was appointed to the BBVA Board in March, 2018. She is currently independent director and 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, S.A. between 2013 and 2014; and she was General Director of Risks and Member of the Management Committee of Banco Pastor, S.A. between 2008 and 2011. Before that she occupied several positions at Bankinter, S.A., 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. In addition, he completed a Master's Degree in Economic-Financial Management at CEF, a Program for Management Development (PMD) at Harvard Business School and a Senior Management Program at IESE.

- Juan Pi Llorens has been a BBVA director since July, 2011 and Lead Director since April, 2019. He is also Chairman of BBVA's Risk and Compliance Committee and Chairman of the Board of Directors of Ecolumber, S.A. He has held various positions of responsibility at IBM both in Spain and internationally such as Vice President for Sales at IBM Europe from 2005 to 2008, Vice President of the Technology and Systems Group at IBM Europe between 2008 and 2010 and Vice President of the Financial Services Sector at GMU (Growth Markets Units) in China between 2009 and 2011. He was also Executive President of IBM Spain between 1998 and 2001. Mr. Juan Pi Llorens has a Degree in Industrial Engineering from the Barcelona Polytechnic University and a General Management Program at IESE.

- 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 between 1996 and 2009, Director of the International Institute of Business Sciences (INSIDE) between 2003 and 2008 and Director of the University Postgraduate Area between 2009 and 2012. She is Doctor in Economic and Business Sciences from Deusto University.

- Jan Paul Marie Francis Verplancke is director of BBVA since March 2018. 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 Belgium.

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 Committee	Appointments and Corporate Governance Committee	Remunerations Committee	Risk and Compliance Committee	Technology and Cybersecurity Committee
Carlos Torres Vila	X					X
Onur Genç	X					
Tomás Alfaro Drake				X		X
José Miguel Andrés Torrecillas (*)		X	X		X	
Jaime Félix Caruana Lacorte	X	X			X	
Belén Garijo López		X	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		
José Maldonado Ramos	X		X			
Ana Cristina Peralta Moreno		X		X		
Juan Pi Llorens (**)			X		X	X
Susana Rodríguez Vidarte	X		X		X	
Jan Paul Marie Francis Verplancke						X

(*) Lead Director
(**) Coordinator Director

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 applicable as of December 31, 2018, is provided in the attached Annual Corporate Governance Report that is incorporated into this Registration Document (see Sections C.2.1 and C.2.3, as well as the information ancillary to Section C.2.1 included in section H). As of the date of this Registration Document, the duties of the Board Committees, and their rules governing their organization and functioning, is provided in the Regulations of the Board of Directors, approved at its meeting held on April 29, 2019, as well as in its specific regulations, available in the corporate website (www.bbva.com), "Shareholders and Investors, Corporate Governance and Remuneration Policy" section.

14.1.3. Senior Management

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

Senior Management	Position
Carlos Torres Vila	Group Executive Chairman
Onur Genç	Chief Executive Officer
Eduardo Arbizu Lostao	Head of Regulation & Internal Control
Domingo Armengol Calvo	General Secretary
María Jesús Arribas de Paz	Head of Legal
Carlos Casas Moreno	Head of Talent & Culture
Victoria del Castillo Marchese	Head of Strategy & M&A
Ricardo Forcano García	Head of Engineering & Organization
María Luisa Gómez Bravo	Head of Corporate & Investment Banking
José Manuel González-Páramo Martínez-Murillo	Head of Global Economics & Public Affairs
Joaquín Manuel Gortari Díez	Head of Internal Audit
Ricardo Martín Manión	Head of Data
Eduardo Osuna Osuna	Mexico Country Manager
Cristina De Parias Halcón	Spain Country Manager
David Puente Vicente	Head of Client Solutions
Jorge Sáenz-Azcúnaga Carranza	Head of Country Monitoring
Jaime Sáenz de Tejada Pulido	Chief Financial Officer
Rafael Salinas Martínez De Lecea	Head of Global Risk Management

Below are brief *CVs* of BBVA's Senior Management, excluding executive directors whose main experience is described in section 14.1.1 above:

- Eduardo Arbizu Lostao is Global Head of Supervisors, Regulation & Compliance Area of the BBVA Group since December 2018, which in March 2019 integrate the non-financial risks and internal risk control areas, therefore changing its name to Regulation & Internal Control. Head of Legal & Compliance area of BBVA Group from 2011 to 2018. 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 different 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.
- María Jesús Arribas de Paz is Head of Legal at the BBVA Group since December 2018. She held the position of Head of Corporate Legal Services between 2002 and 2018 and between 1996 and 2002 she was head of Legal Services and Board Secretary at Finanzia Banco de Crédito, S.A. She holds a Law and Business Degree from the Pontifical University of Comillas, ICADE.

- Carlos Casas Moreno is Head of Talent & Culture at the BBVA Group since December 2018. He was Head of Compensation, Benefits & Key Roles from 2016 to 2018. He was responsible for Organization Matters and Global Talent Management Policies in the same area between 2015 and 2016 and between 2010 and 2015 he took part in the Reengineering Process within the area of Innovation and Technology. Previously, he served as a consultant at McKinsey & Company between 2000 and 2010.He holds a Degree in Business Administration from the Pontifical University of Comillas, ICADE and Northeastern University Boston (USA) and an MBA from the INSEAD business school INSEAD (Fontainebleau, France and Singapore).

- Victoria Del Castillo Marchese is Head of Strategy & M&A at the BBVA Group since December 2018. Before that she held several relevant positions in the Strategy & M&A and Finance Areas within the BBVA Group, such as Head of M&A for Europe and Turkey in the Strategy & M&A Area (2014 to 2018), Director of Strategic Projects of the Finance Area (2009 to 2014) and Head of M&A for the USA (2006 to 2009) and Equity Analyst within the BBVA Global Markets area (2001 to 2006). She has a Degree in Business Administration and Management from the Autonomous University of Madrid.

- Ricardo Forcano García is Head of Engineering & Organization at the BBVA Group since December 2018. He held the position of Head of Talent & Culture at the BBVA Group since 2016 until his appointment to his new position. He joined the BBVA Group in 2011 as Director of New Business Models. Subsequently, he held the positions of Director of Corporate Strategy from 2012 to 2014, Director of Strategy and Finance of Banca Digital between 2014 and 2015 and Director of Business Development - Growth Markets between 2015 and 2016. Prior to joining the BBVA Group he was Director of Strategy and Business Development in the Heraldo Group and Deputy Director of Corporate Strategy in 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).

- María Luisa Gómez Bravo is Head of the Corporate & Investment Banking Area of the BBVA Group since December 2018. She has over twenty years of experience in the BBVA Group, holding various positions of responsibility, including: Global Director investment and cost management (2017-2018); Director of Investor Relations and Shareholders (2014-2017); Director of Transformation and Operations of BBVA Spain and Portugal and Director of BBVA Seguros and BBVA Portugal (2012-2014); Global Director of Asset Management (2008-2012); COO (chief operating officer) of wholesale banking and global head of Cash Management (2006-2008) and Financial, Risk and Corporate Development Director at Consumer Finance (2004-2006). She has a degree in Law and Business from the Pontifical University of Comillas, ICADE.

- Joaquín Manuel Gortari is Head of Internal Audit of the BBVA Group since December 2018. He has over twenty years of experience in the BBVA Group, holding various positions of responsibility, such as Chief of Staff to the Chairman (from 2010 to 2018), CFO in the Area of Technology and Operations (from 2008 to 2010), CFO of BBVA in USA (2004-2008) and Deputy Director to CFO of BBVA Group (from 2003 to 2004) and member of the Argentaria Corporate Expansion Unit (1995 to 2003). He holds a Law Degree from the University of Navarra and an MBA from Instituto de Empresa and an Executive MBA from the University of Chicago.

- Ricardo Martín Manión is Head of Data at the BBVA Group since April 2019. He has held several positions of responsibility, throughout his career in the Bank, mainly related to digital banking, highlighting Global Responsible of Data Strategy & Data Science Innovation between 2017 and 2019, Responsible of Digital Transformation of BBVA Spain between 2013 and 2016 or the Spain Marketing Director from 2011 to 2013. He also has been Global Responsible of digital banking in Nordea between 2016 and 2017. He holds an Economics degree from the Complutense University of Madrid, he is Doctor Cum Laude in Econometrics and Quantitative Economics and a Global Executive MBA from Columbia Business School & London Business School.

- Eduardo Osuna Osuna is Country Manager of Mexico of the BBVA Group since 2015. Throughout his career at BBVA Bancomer, he 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 Country Manager of Spain since 2015. She is currently director of BBVA Seguros, S.A. Compañía de Seguros y Reaseguros. She joined the BBVA 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 Client Solutions at the BBVA Group since Abril 2019 and is Director of BBVA Data & Analytics. He has the Head of Data from 2017 to his actual position. Prior of that, he was Global Head of Spain's Business Development from 2015 to 2017. He has held various positions at BBVA Group such as Chief of CEO´s Office from 2009 to 2012 and Director of New Business Models from 2004 to 2006. He also has held the position of Senior Associate at McKinsey & Company between 2002 and 2004. He holds a Business Administration Degree from CUNEF and an MBA from the Columbia Business School.

- Jorge Sáenz-Azcúnaga Carranza has been Country Monitoring of BBVA Group since 2016. Director of BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, of Grupo Financiero BBVA Bancomer, S.A. de C.V. and of BBVA Compass Bancshares, Inc. and Vice President of Turkiye Garanti Bankasi, A.S. 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), Manager of Strategy and Planning Spain and Portugal (2008-2013) and Head of CEO Office from 2002 to 2005. 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. Director of Turkiye Garanti Bankasi, A.S. He 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, Business Development Manager, Spain and Portugal between 2011 and 2012 and Central Area Manager of Madrid and Castilla La Mancha from 2007 to 2010. He is graduated in Law and Economics and Business Sciences from Pontifical University of Comillas, ICADE.

- Rafael Salinas Martínez de Lecea is Global Head of Global Risk Management at the BBVA Group since 2015. Director of Turkiye Garanti Bankasi, A.S. He 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.

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

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

Section D.6 of the 2018 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, available on the corporate website (www.bbva.com) states that the following:

"Article 8. Conflict of interest

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

a) Carrying out transactions with the Company, unless these relate to ordinary transactions, performed under standard conditions for customers and of minor relevance. Such transactions are deemed to be those whose information is not necessary to provide a true picture of the Company's equity, financial situation and results.

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

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

d) Taking advantage of the Company's business opportunities.

e) 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.

f) Engaging in activities on 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.

2. However, the Company may exempt the aforementioned prohibitions in specific cases, authorising a director or a related party to carry out a certain transaction with the Company, to use certain corporate assets, to take advantage of a specific business opportunity or to obtain an advantage or remuneration from a third party.

3. When the authorisation is intended to exempt the prohibition of obtaining an advantage or remuneration from third parties, or affects a transaction whose value is over 10% of the corporate assets, it must necessarily be approved by the General Shareholder's Meeting.

4. 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 may be expected is compensated by the benefits that are foreseen from the exemption. The exemption will be granted by an express and separate resolution of the General Shareholder's Meeting.

5. In remaining cases, the authorisation may also be resolved by the Board of Directors, provided that 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 authorised transaction is harmless to the corporate equity or, where applicable, that it is carried out under market conditions and that the process is transparent.

6. The approval of the transactions of the Bank or its Group companies with directors, when these correspond to the Board of Directors, will be granted, where appropriate, after receiving a report from the Audit Committee. The only exceptions to this approval will be those transactions which meet simultaneously all three of the following characteristics:

   a) They are carried out under contracts with standardised terms and are applied en masse to a large number of customers.

   b) They are executed at rates or prices set in general by the party acting as supplier of the goods or services; and

   c) They are worth less than 1% 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 2018 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 (*)
Carlos Torres Vila (Group Executive Chairman)	Executive	04/05/2015	15/03/2019	15/03/2022
Onur Genç (Chief Executive Officer)	Executive	20/12/2018	15/03/2019	15/03/2022
Tomás Alfaro Drake	External (**)	18/03/2006	17/03/2017	17/03/2020
José Miguel Andrés Torrecillas (Deputy Chair)	Independent	13/03/2015	16/03/2018	16/03/2021
Jaime Félix Caruana Lacorte	Independent	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	15/03/2019	15/03/2022
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 Moreno	Independent	16/03/2018	-	16/03/2021
Juan Pi Llorens (Lead Director)	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

(*) 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 duodeciesof the Corporate Enterprises Act.

Thus, the Board of Directors is composed by fifteen directors: three executive directors and twelve non-executive directors, of which eight are independent directors and four of them are 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 COMMITTEE, REMUNERATIONS COMMITTEE AND APPOINTMENTS AND CORPORATE GOVERNANCE 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, Remunerations and Appointments and Corporate Governance 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 applicable as of December 31, 2018, is provided in the attached Annual Corporate Governance Report that is incorporated into this Registration Document (see Sections C.2.1 and C.2.3, as well as the information ancillary to Section C.2.1 included in section H). As of the date of this Registration Document, the duties of the Board Committees, and their rules governing their organization and functioning, is provided in the Regulations of the Board of Directors, approved at its meeting held on April 29, 2019, as well as in its specific regulations, available in the corporate website (www.bbva.com), "Shareholders and Investors, Corporate Governance and Remuneration Policy" section.

16.4. CORPORATE GOVERNANCE REGIME AND DEGREE OF COMPLIANCE

On February 13, 2019, the Annual Corporate Governance Report ("ACGR") for the year 2018, which was approved by the Company's Board of Directors at its meeting held on February 11, 2019, 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 2/2018, of June 12, 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 57, nor being applicable recommendations 2, 10, 11, 19 and 20, and it partially complies with recommendations 5 and 37 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 on 17 March 2017 delegated to the Board of Directors a power to increase share capital and issue convertible securities, along with the 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, the conversion of which is intended to satisfy regulatory solvency requirements as to eligibility as capital instruments in accordance with applicable regulations, because such instruments are not dilutive for 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 27 June 2018, 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 BBVA Regulations of the Board of Directors, which establishes that there should be a majority of non-executive directors over executive directors, the Executive Committee of the Board of Directors, as of 31 December 2018, partially reflects the participation of the different categories of director on the Board of Directors; the Chairman and Secretary of the Executive Committee hold the same positions on the Board of Directors, and it is composed of two executive directors and four non-executive directors, of whom one is an independent director and three are external directors, giving a majority of non-executive directors in accordance with the Regulations of the Board of Directors.

CHAPTER 17
EMPLOYEES

17.2. SHARES AND SHARE OPTIONS

As of May 17, 2019, the current Bank's directors and senior management held, directly or indirectly, the following shares in BBVA:

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
Carlos Torres Vila	559,731	0.008%	-	-	559,731	0.008%
Onur Genç	92,324	0.001%	-	-	92,324	0.001%
Tomás Alfaro Drake	18,459	0.000%	-	-	18,459	0.000%
José Miguel Andrés Torrecillas	10,828	0.000%	-	-	10,828	0.000%
Jaime Félix Caruana Lacorte	-	-	-	-	-	-
Belén Garijo López	-	-	-	-	-	-
José Manuel González-Páramo	119,533	0.002%	-	-	119,533	0.002%
Sunir Kumar Kapoor	10,000	-	-	-	10,000	0.000%
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 Cristina Peralta Moreno	-	-	-	-	-	-
Juan Pi Llorens	-	-	-	-	-	-
Susana Rodríguez Vidarte	26,980	0.000%	-	-	26,980	0.000%
Jan Paul Marie Francis Verplancke	-	-	-	-	-	-
Total Voting Rights held by the Board of Directors	**936,006**	**0.014%**	-	-	**936,006**	**0.014%**

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	389,520	0.006%	-	-	389,520	0.006%
Domingo Armengol Calvo	125,777	0.002%	-	-	125,777	0.002%
María Jesús Arribas de Paz	85,167	0.001%	-	-	85,167	0.001%
Carlos Casas Moreno	28,510	0.000%	-	-	28,510	0.000%
Victoria del Castillo Marchese	17,087	0.000%	-	-	17,087	0.000%
Ricardo Forcano García	66,614	0.001%	-	-	66,614	0.001%
María Luisa Gómez Bravo	149,929	0.002%	-	-	149,929	0.002%
Joaquín Manuel Gortari Díez	57,353	0.001%	-	-	57,353	0.001%
Ricardo Martín Manión	27.590	0,000%	8,026	0.000%	35,616	0.000%
Eduardo Osuna Osuna	65,001	0.001%	-	-	65,001	0.001%
Cristina de Parias Halcón	222,182	0.003%	-	-	222,182	0.003%
David Puente Vicente	98,075	0.001%	-	-	98,075	0.001%
Jorge Sáenz-Azcúnaga Carranza	97,057	0.001%	-	-	97,057	0.001%
Jaime Sáenz de Tejada Pulido	397,915	0.006%	211	0.000%	398,126	0.006%
Rafael Salinas Martínez de Lecea	227,745	0.003%	19,998	0.000%	247,743	0.004%
Total Voting Rights held by the Bank's Senior Management	**2,055,522**	**0.031%**	**28,235**	**0.000%**	**2,083,757**	**0.031%**

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.

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.

CHAPTER 18
PRINCIPAL INVESTORS

As of December 31, 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 10.69%, 6.33%, and 2.31% of BBVA common stock, respectively. Of said positions held by the custodian banks, BBVA is not aware of any individual shareholders with direct or indirect holdings greater than or equal to 3% of BBVA common stock outstanding.

On April 18, 2019, Blackrock, Inc. reported to the CNMV that, it now has an indirect holding of Banco Bilbao Vizcaya Argentaria, S.A. common stock totaling 5.917%, of which 5.48% are voting rights attributed to shares and 0,437% 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 2018. This information is updated every six months and shall be available again in the financial statements for the period ended June 30, 2019. 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, 2018, 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, 2018, 2017 and 2016.

As of December 31, 2018, the amount availed against the loans granted by the Group's entities to the members of the Board of Directors amounted to €611 thousand. 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 availed against the loans granted by the Group's entities to the members of Senior Management on those same dates (excluding the executive directors) amounted to €3,783, €4,049 and €5,573 thousand, respectively.

As of December 31, 2018, 2017 and 2016, there were no loans granted to parties related to the members of the Board of Directors. As of December 31, 2018, 2017 and 2016 the amount availed against the loans granted to parties related to members of the Senior Management amounted to €69, €85 and €98 thousand, respectively.

As of December 31, 2018, 2017 and 2016 no guarantees had been granted to any member of the Board of Directors.

As of December 31, 2018, 2017 and 2016, the amount availed against guarantees arranged with members of the Senior Management amounted to €38, €28 and €28 thousand, respectively.

As of December 31, 2018, no commercial loans and guarantees has been granted with parties related to the members of the Bank's Board of Directors and the Senior Management. As of December 31, 2017 and 2016, the amount availed against commercial loans and guarantees arranged with parties related to the members of the Bank's Board of Directors and the Senior Management totaled €8 thousand.

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 (for the information related to the year 2016, see the Financial Statements of the year 2017).

As mentioned in Note 1.3 "Comparison of information", certain figures from previous years have been restated, due to changes in accounting policies related to the application of IFRS 9, to hyperinflationary economies and business areas.

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, 2018, 2017 and 2016 did not have any qualification or scope limitation.

The interim financial information as of March 31, 2019 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, 2018, 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, 2019 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, 2019 registered in the CNMV on April 30, 2019, 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, communicated in October 2013 and in February 2017, and after the execution of the 2017 "Dividend Option" in April 2017, 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 would be fully in cash.

This fully in cash shareholders' remuneration policy is 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 authorizations by the competent governing bodies.

The Board of Directors, at its meeting held on September 26, 2018, approved the payment in cash of €0.10 (€0.081 net of withholding tax) per BBVA share, as gross interim dividend based on 2018 results. The total amount paid to shareholders on October 10, 2018 (see Note 4 "Shareholder remuneration system").

Also, The Board of Directors, at the Annual General Meeting of March 15, 2019, approved the payment in cash of €0.16 (€0.1296 net of withholding tax) per BBVA share as final dividend for 2018. The dividend was paid on April 10, 2019.

Information on shareholder remuneration policy during 2018 is provided in Note 4 "Shareholder remuneration system" of the consolidated financial statements. The Note details the results distribution for the year 2018, approved by the Board of Directors at the Annual General Meeting of March 15, 2019.

Notwithstanding the above, the information related to cash dividends paid during the years 2018, 2017 and 2016 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 (APM), Price/Book Value and Price/Earnings ratio.

20.8. ONGOING LEGAL PROCEEDINGS AND LITIGATION

The financial sector faces an environment of increasing regulatory and litigious pressure. In this environment, different Group's entities are 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, none of such actions is material, individually or as a whole, and that no significant impact will derive from them either on the operating results, liquidity or financial situation at a consolidated or individual bank level. The Group Management considers that the provisions made in connection with these judicial proceedings are adequate.

As mentioned in Note 7.2 "Risk factors" of the consolidated financial statements, the Group is subject or may be subject in the future to a series of judicial and regulatory investigations, procedures and actions which, in case of a negative result, could have an adverse impact on the Group.

Also, as mentioned in the Management Report "Other Non - financial Information Report", "Other Non - financial risks" section, news related to the procurement by the Bank of services offered by companies related to the Grupo Cenyt have been recently released. Through mass media, the Bank has been aware that the aforementioned facts could be the object of an investigation by judicial authorities, without the Bank having received any formal notice for the moment.

The Bank is carrying out a forensic investigation led by PwC through the Bank's external legal counsel Garrigues, along with Uría, for the defense of its legitimate interests, collaborating with judicial authorities and supervisors within the framework of its defense.

It is not possible to predict in this moment neither the scope or duration of the Bank´s or the judicial authorities´ investigation nor their possible results or implications for the Group. We cannot exclude at the

moment the opening of proceeding, legal or regulatory actions against the Bank that could have a negative reputational or economic impact for the Bank or the Group.

In the Consolidated Financial Statements corresponding to the 2016 financial year, the judicial procedure related to the clauses limiting the interest rate on mortgage loans with consumers (known as "floor clauses") was considered material in relation to this topic, after the judgment of the Court of Justice of the European Union (CJEU) published in December 2016 and after the analysis carried out on the portfolio of mortgage loans to consumers to whom a land clause had been applied, BBVA provided a provision of €577 million in 2016 (with an impact on the Attributed Profit of approximately €404 million) that were recorded in the consolidated profit and loss account for 2016, to cover the possible claims that may arise. This provision has been used for this purpose during the year 2017. The additional provisions that have been carried out during the 2018 and 2017 fiscal years, to cover 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.

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 totally or partially exclude shareholders' pre-emptive subscription rights within the framework of a specific issue of convertible securities, although this power was limited to ensure the nominal amount of the capital increases resolved or effectively carried out to cover the conversion of mandatory convertible 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.

In use of the authority mentioned above, BBVA carried out, on March 29, 2019 another issuance of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of €1.000 million. This issuance is listed in the AIAF Fixed Income Securities Market and in any case the issuance shall be offered or sold to any retail clients, as these terms are defined in the regulations of the stock market. The issuance qualifies as additional tier 1 capital of the Bank and the Group in accordance with Regulation EU 575/2013 (See Note 22.4 of the Consolidated Financial Statements included in this Registration Document).

Likewise, on September 24, 2018, BBVA carried out another issuance of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of €1,000 million. This issuance is listed in the AIAF Fixed Income Securities Market and in any case the issuance shall be offered or sold to any retail clients, as these terms are defined in the regulations of the stock market. The issuance qualifies as additional tier 1 capital of the Bank and the Group in accordance with Regulation EU 575/2013 (See Note 22.4 of the Consolidated Financial Statements included in this Registration Document).

In past years, BBVA has carried out, in use of the authority to issue convertible securities conferred by the AGM, two additional issuances of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders (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, and were targeted only towards qualified investors and in any case would not be made or subscribed in Spain or by Spanish-resident investors. Furthermore, these two issuances qualify as additional tier 1 capital of the Bank and the Group in accordance with Regulation UE 575/2013 (See Note 22.4 of the Consolidated Financial Statements included in this Registration Document).

Treasury stock

Information for 2018, 2017 and 2016 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 january 16, 2019, 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 49,551,289 representing 0.743% 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 Bizkaia 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 Bizkaia 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, utilisation and divestment of securities, public offerings to buy and sell securities, and any kind of holdings in any company or enterprise*".

The functioning and composition of the Board of Directors of BBVA and its Committees is regulated in articles 33 to 48 of the Bylaws and in the Regulations of the Board.

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, an Audit Committee, an Appointments and Corporate Governance Committee, a Remunerations Committee, a Risk and Compliance 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, at any moment, 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, within the notice period required by law, 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, 2018, 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 2019, 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, 2018, 2017 and 2016, 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 2019, together with the limited review report by the external auditor 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 2017 and 2016 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).

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.

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, although the calculation and definitions might defer with those used by other entities.

BBVA Group's APMs are described on the "Alternative performance measures (APMs)" chapter in the management report for the year 2018. 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).

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.

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

BBVA Creating Opportunities

Consolidated Financial Statements, Management Report and Auditors' Report for the year 2018

Banco Bilbao Vizcaya Argentaria, S.A. and Subsidiaries

Consolidated Financial Statements
31 December 2018

Consolidated Management Report
2018

(With Independent Auditor's Report Thereon)

Translation of a report originally issued in Spanish based on our work performed in accordance with prevailing legislation regulating the audit of annual accounts in Spain on the consolidated financial statements originally issued in Spanish and prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain (see notes 1.2 and 57). In the event of discrepancy, the Spanish-language version prevails.

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Financial Statements

Translation of a report originally issued in Spanish based on our work performed in accordance with prevailing legislation regulating the audit of annual accounts in Spain on the financial statements originally issued in Spanish and prepared in accordance with the provisions of the financial reporting framework applicable in Spain (see notes 1.2 and 57). In the event of discrepancy, the Spanish-language version prevails.

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

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter the "Bank") and its subsidiaries which, together with the Bank, form the Banco Bilbao Vizcaya Argentaria Group (hereinafter the "Group") which comprise the consolidated balance sheet at 31 December 2018, the consolidated income statement, consolidated statement of recognized income and expense, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the related notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Banco Bilbao Vizcaya Argentaria Group at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Loans and Advances to Customers

See notes 2.4, 7.3, 14.3 and 47 to the consolidated financial statements

Key audit matter	*How the matter was addressed in our audit*
As described in note 14.3 to the Group's consolidated financial statements, the loans and advances to customers portfolio presents a net balance of Euros 374,027 million at 31 December 2018, and the impairment provisions made at that date amount to Euros 12,199 million. In order to estimate impairment of financial assets, as of 1 January 2018, the Group applied International Financial Reporting Standard 9 *Financial Instruments* (IFRS 9), which includes relevant amendments in this regard. Accordingly, the Group estimated the effects of first-time application of this standard at that date (see note 2.4 to the consolidated financial statements). For the purposes of estimating impairment, financial assets measured at amortized cost in accordance with IFRS 9 are classified into three categories (Stage 1, 2 or 3) according to whether a significant increase in credit risk since their initial recognition has been identified or whether the financial assets are credit impaired. For the Group, establishing this classification is a relevant process as the calculation of credit risk coverage varies according to the category in which the financial asset has been included. Impairment is calculated based on an expected loss model, which the Group estimates on both an individual and a collective basis. This calculation entails a considerable level of judgement as this is a significant and complex estimate.	In relation to the Group's implementation of IFRS 9 with regard to the impairment of financial assets, we have performed procedures, with the involvement of our credit risk specialists, to assess the concepts, criteria and methodologies defined, and have carried out control tests and tests of detail on the analysis conducted by the Group regarding the credit risk classification of financial instruments and on the models for estimating provisions for impairment. Our audit approach regarding the application of IFRS 9 as of 1 January 2018 also included assessing the relevant controls linked to the processes for estimating impairment of the portfolio of financial assets measured at amortized cost due to credit risk and performing different tests of detail thereon. Our procedures related to the control environment focused on the following key areas: • Governance: identification of the credit risk management framework and relevant controls. • Accounting policies: assessment of their alignment with applicable accounting regulations. • Classification of financial assets on the basis of their credit risk in accordance with the criteria defined by the Group, particularly the criteria for identifying and classifying refinancing and restructuring transactions.

Impairment of Loans and Advances to Customers

See notes 2.4, 7.3, 14.3 and 47 to the consolidated financial statements

Key audit matter	*How the matter was addressed in our audit*
Individual provisions consider estimates of future business performance and the market value of guarantees provided for credit transactions. For the collective analysis, estimates of expected losses are based on automated processes that are complex in their design and implementation, that use large databases, models and parameters to estimate provisions, and that require that past, present and future information be considered. The consideration of this matter as a key audit matter is based both on the significance for the Group of the loans and advances to customers portfolio and on the relevance and complexity of the process for classifying the financial assets for the purposes of estimating the related impairment and of the calculation of this impairment.	• Testing of the relevant controls relating to the information available for the monitoring of outstanding loans. • Collateral and guarantees: evaluation of the design of the relevant management and valuation controls for guarantees. • Evaluation of the process for estimating both individual and collective provisions for expected losses. • Databases: evaluation of the integrity, accuracy, quality and relevancy of the data and of the control and management process in place. Our tests of detail on the estimate of expected losses have comprised the following: • With regard to the impairment of individually significant loans, we selected a sample from the significant risk population for which there was objective evidence of impairment and assessed the sufficiency of the provisions recorded. • With respect to the impairment provisions estimated collectively, we evaluated the methodology used by the Group, assessing the integrity of the input balances for the process and validating the correct functioning of the calculation engine. We also reviewed the quality of the transactional data used to estimate impairment. Lastly, we analyzed whether the information disclosed in the notes to the consolidated financial statements is appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Group.

Classification and Measurement of Financial Instruments at Fair Value See notes 2.4, 8.1 and 41 to the consolidated financial statements	
Key audit matter	*How the matter was addressed in our audit*
As of 1 January 2018, the Group applies International Financial Reporting Standard 9 *Financial Instruments* (IFRS 9), which includes relevant amendments regarding the classification and measurement of financial instruments. Accordingly, the Group estimated the effects of first-time application of this standard at that date (see note 2.4 to the consolidated financial statements). The classification and initial measurement of financial instruments (essentially financial assets and derivatives) may require a high level of judgement and complex estimates, and determines the criteria to be applied in their subsequent measurement. As described in note 8.1 to the consolidated financial statements, the Group has financial assets and financial liabilities held for trading amounting to Euros 90,117 million and Euros 80,774 million, respectively, of which Euros 63,387 million and Euros 57,842 million, respectively, have been measured using valuation techniques as no quoted price in an active market is available (classified therefore for measurement purposes as level 2 or 3). In the absence of a quoted price in an active market, determining the fair value of financial instruments requires a complex estimate using valuation techniques that may take into consideration market data that are neither directly nor indirectly observable, or complex pricing models which demand a high degree of subjectivity. We have therefore considered the estimate of fair value through these measurement methods as a key audit matter.	In relation to the Group's implementation of IFRS 9 with regard to the classification and measurement of financial instruments, we have performed procedures, with the involvement of our specialists in this area, to assess the concepts, criteria and methodologies defined, and have carried out control tests and tests of detail on the analysis conducted by the Group. Our procedures relating to the assessment of the relevant controls linked to the processes for classifying and measuring financial instruments were focused on identifying the risk management framework and controls over transactions in the financial markets in which the Group operates, evaluating the application of the Group's policies and procedures for the recognition and classification of instruments based on existing business models and their contractual characteristics, and examining the key controls associated with the process to measure financial instruments and with the analysis of the integrity, accuracy, quality and relevancy of the data used and of the control and management process in place for the existing databases. With regard to the tests of detail performed, we selected a sample of the financial instruments measured at fair value and assessed the appropriateness of their classification, the adequacy of the measurement criterion used and the accuracy of the measurement thereof. To this end, we also examined the most significant pricing models used by the Group. Lastly, we analyzed whether the information disclosed in the notes to the financial statements has been prepared in accordance with the criteria stipulated in the financial reporting framework applicable to the Group.

Accounting Policy for Recognizing the Impacts on Equity of Companies Domiciled in Hyperinflationary Economies

See notes 1.3, 2.2.16, 2.2.20, 28 and 30 to the consolidated financial statements

Key audit matter	*How the matter was addressed in our audit*
The Group controls several subsidiaries that operate in countries with high inflation rates (Venezuela and Argentina). As a result, in accordance with IAS 29, the Group adjusts the financial statements of subsidiaries domiciled in these countries to correct for the effects of inflation in each year. Moreover, in accordance with IAS 21, the Group translates the adjusted financial statements of these subsidiaries to Euros by applying the closing rate for the year, the trend of which is closely linked to that of the inflation rate and in broad terms tends to correct the effects thereof. When the Venezuelan economy began to be considered hyperinflationary for the purposes of IFRS-EU, the Group adopted an accounting policy consisting of recognizing the effects of the adjustments for inflation and translation differences in accumulated other comprehensive income within equity. As indicated in note 1.3 to the consolidated financial statements, in order to give a more true and fair view of these financial statements, in 2018 the Group decided to change its accounting policy in relation to the recognition in equity of the effects of adjustments for inflation and of translation differences relating to subsidiaries in hyperinflationary economies, considering that, in accordance with IAS 8, when reflecting operations in hyperinflationary economies, it is more relevant and reliable to present the impact of the two adjustments in a single reserve account. This change, which has resulted in a restatement of the comparative figures for the Group companies located in Venezuela, requires the Group to apply significant judgement in assessing the greater relevance and reliability thereof and this has therefore been considered as a key audit matter.	Our audit approach included the following: • Assessing the Group's considerations of prevailing legislation. • Based on analysis of International Financial Reporting Standards, evaluating the appropriateness of the new accounting policy adopted by the Group. • Based on the historical information available and our knowledge of the Group, analyzing the elements that, according to the Group's evaluation, support the view that the new accounting policy offers and provides more reliable and relevant information on operations in hyperinflationary economies, in accordance with the criteria set out in IAS 8. • Verifying, through tests of detail, the quantitative impact recognized in the accompanying consolidated financial statements derived from the change in the accounting policy. • Evaluating whether the information disclosed in the consolidated financial statements about the change in accounting policy complies with the requirements of the financial reporting framework applicable to the Group.

Risks Associated with Information Technology	
Key audit matter	*How the matter was addressed in our audit*
The Group processes a large volume of transactions on a daily basis and has a complex technological operating environment, with large data processing centers in Spain and Mexico which provide support to subsidiaries in different countries, an independent data processing environment in Spain for its insurance activity, separate data processing centers in Turkey, Argentina and Venezuela, and other data processing services in the United States and Latin America. Given the heavy reliance of the Group's business on information technology (IT) systems, it is critical to evaluate the controls over the main technological risks associated with the information systems, IT platforms and programs considered relevant for our audit, and we have therefore considered this a key audit matter.	Our assessment of the Group's information systems that are key to preparing financial information included the following: • We evaluated the IT general controls (access to programs and data, management of program changes, management of program development and management of operations in the production environment) in place over the technological platforms and relevant programs associated with the critical areas of our work. When deficiencies were identified, we verified the existence of compensatory controls that mitigate these deficiencies. • We determined the Group's business processes that are key for our audit, and for those processes we identified the programs used and the automated controls in place over information flows. For the information systems, IT platforms and programs considered key for our audit, we analyzed the threats and vulnerabilities associated with the integrity, accuracy and availability of information, and identified and tested the operating effectiveness of the controls implemented to mitigate these risks.

Other Information: Consolidated Management Report

Other information solely comprises the consolidated management report for the year ended December 31, 2018, the preparation of which is the responsibility of the Bank's Directors and which does not form an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not encompass the consolidated management report. Our responsibility with respect to the information contained in the consolidated management report is defined in the legislation regulating the audit of accounts, which establishes two different levels for this information:

a) A specific level applicable to the non-financial information statement and to certain information included in the Annual Corporate Governance Report (ACGR), as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that this information has been provided in the consolidated management report, or where applicable, that the consolidated management report makes reference to the separate report on non-financial information, as provided for in legislation, and if not, to report on this matter.

b) A general level applicable to the rest of the information included in the consolidated management report, which consists of assessing and reporting on the consistency of this information with the consolidated financial statements, based on knowledge of the Group obtained during the audit of the aforementioned consolidated financial statements and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the consolidated management report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, we have cheked that the information referred to in a) above has been provided in the consolidated management report and that the rest of the information contained in the consolidated management report is consistent with that disclosed in the consolidated financial statements for 2018, and that the content and presentation of the report are in accordance with applicable legislation.

Responsibility of the Bank's Directors and the Audit and Compliance Committee for the Consolidated Financial Statements

The Bank's Directors are responsible for the preparation of the accompanying consolidated financial statements in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Bank's Audit and Compliance Committee is responsible for overseeing the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank's Directors.

- Conclude on the appropriateness of the Bank's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated to the Bank's Audit and Compliance Committee, we determine those that were of most significance in the audit of the consolidated financial statements for the year ended 31 December 2018 and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Bank's Audit and Compliance Committee

The opinion expressed in this report is consistent with our additional report to the Bank's Audit and Compliance Committee dated 8 February 2019.

Appointment Period

We were appointed as auditor by the shareholders at the ordinary general meeting held on 17 March 2017 for a period of three years, from the year commenced 1 January 2017.

KPMG Auditores, S.L.
(on the Spanish Official Register of Auditors ("ROAC") with No. S0702)

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

12 February 2019

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

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Consolidated balance sheets as of December 31, 2018, 2017 and 2016

ASSETS (Millions of Euros)

	Notes	2018	2017 (*)	2016 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**9**	**58,196**	**42,680**	**40,039**
FINANCIAL ASSETS HELD FOR TRADING	**10**	**90,117**	**64,695**	**74,950**
Derivatives		30,536	35,265	42,955
Equity instruments		5,254	6,801	4,675
Debt securities		25,577	22,573	27,166
Loans and advances to central banks		2,163	-	-
Loans and advances to credit institutions		14,566	-	-
Loans and advances to customers		12,021	56	154
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	**11**	**5,135**		
Equity instruments		3,095		
Debt securities		237		
Loans and advances to central banks		-		
Loans and advances to credit institutions		-		
Loans and advances to customers		1,803		
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**12**	**1,313**	**2,709**	**2,062**
Equity instruments		-	1,888	1,920
Debt securities		1,313	174	142
Loans and advances to central banks		-	-	-
Loans and advances to credit institutions		-	-	-
Loans and advances to customers		-	648	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**13**	**56,337**	**69,476**	**79,221**
Equity instruments		2,595	3,224	4,641
Debt securities		53,709	66,251	74,580
Loans and advances to central banks		-	-	-
Loans and advances to credit institutions		33	-	-
Loans and advances to customers		-	-	-
FINANCIAL ASSETS AT AMORTIZED COST	**14**	**419,660**	**445,275**	**483,672**
Debt securities		32,530	24,093	28,905
Loans and advances to central banks		3,941	7,300	8,894
Loans and advances to credit institutions		9,163	26,261	31,373
Loans and advances to customers		374,027	387,621	414,500
HEDGING DERIVATIVES	**15**	**2,892**	**2,485**	**2,833**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		**(21)**	**(25)**	**17**
JOINT VENTURES AND ASSOCIATES	**16**	**1,578**	**1,588**	**765**
Joint ventures		173	256	229
Associates		1,405	1,332	536
INSURANCE AND REINSURANCE ASSETS	**23**	**366**	**421**	**447**
TANGIBLE ASSETS	**17**	**7,229**	**7,191**	**8,941**
Property, plants and equipment		7,066	6,996	8,250
For own use		6,756	6,581	7,519
Other assets leased out under an operating lease		310	415	732
Investment properties		163	195	691
INTANGIBLE ASSETS	**18**	**8,314**	**8,464**	**9,786**
Goodwill		6,180	6,062	6,937
Other intangible assets		2,134	2,402	2,849
TAX ASSETS	**19**	**18,100**	**16,888**	**18,245**
Current		2,784	2,163	1,853
Deferred		15,316	14,725	16,391
OTHER ASSETS	**20**	**5,472**	**4,359**	**7,274**
Insurance contracts linked to pensions		-	-	-
Inventories		635	229	3,298
Other		4,837	4,130	3,976
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	**21**	**2,001**	**23,853**	**3,603**
TOTAL ASSETS		**676,689**	**690,059**	**731,856**

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

The accompanying Notes 1 to 57 and Appendices I to XIII are an integral part of the consolidated financial statements as of December 31, 2018.

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Consolidated balance sheets as of December 31, 2018, 2017 and 2016

LIABILITIES AND EQUITY (Millions of Euros)

	Notes	2018	2017 (*)	2016 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	**10**	**80,774**	**46,182**	**54,675**
Trading derivatives		31,815	36,169	43,118
Short positions		11,025	10,013	11,556
Deposits from central banks		10,511	-	-
Deposits from credit institutions		15,687	-	-
Customer deposits		11,736	-	-
Debt certificates		-	-	-
Other financial liabilities		-	-	-
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**12**	**6,993**	**2,222**	**2,338**
Deposits from central banks		-	-	-
Deposits from credit institutions		-	-	-
Customer deposits		976	-	-
Debt certificates		2,858	-	-
Other financial liabilities		3,159	2,222	2,338
Of which: Subordinated liabilities		-	-	-
FINANCIAL LIABILITIES AT AMORTIZED COST	**22**	**509,185**	**543,713**	**589,210**
Deposits from central banks		27,281	37,054	34,740
Deposits from credit institutions		31,978	54,516	63,501
Customer Deposits		375,970	376,379	401,465
Debt certificates		61,112	63,915	76,375
Other financial liabilities		12,844	11,850	13,129
Of which: Subordinated liabilities		18,047	17,316	17,230
HEDGING DERIVATIVES	**15**	**2,680**	**2,880**	**2,347**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		**-**	**(7)**	**-**
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	**23**	**9,834**	**9,223**	**9,139**
PROVISIONS	**24**	**6,772**	**7,477**	**9,071**
Provisions for pensions and similar obligations		4,787	5,407	6,025
Other long term employee benefits		62	67	69
Provisions for taxes and other legal contingencies		686	756	418
Provisions for contingent risks and commitments		636	578	950
Other provisions		601	669	1,609
TAX LIABILITIES	**19**	**3,276**	**3,298**	**4,668**
Current		1,230	1,114	1,276
Deferred		2,046	2,184	3,392
OTHER LIABILITIES	**20**	**4,301**	**4,550**	**4,979**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE		**-**	**17,197**	**-**
TOTAL LIABILITIES		**623,814**	**636,736**	**676,428**

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

The accompanying Notes 1 to 57 and Appendices I to XIII are an integral part of the consolidated financial statements as of December 31, 2018.

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Consolidated balance sheets as of December 31, 2018, 2017 and 2016

LIABILITIES AND EQUITY (Continued) (Millions of Euros)

	Notes	2018	2017 (*)	2016 (*)
SHAREHOLDERS' FUNDS		**54,326**	**53,283**	**50,985**
Capital	**26**	**3,267**	**3,267**	**3,218**
Paid up capital		3,267	3,267	3,218
Unpaid capital which has been called up		-	-	-
Share premium	**27**	**23,992**	**23,992**	**23,992**
Equity instruments issued other than capital		**-**	**-**	**-**
Other equity instruments		**50**	**54**	**54**
Retained earnings	**28**	**23,018**	**23,612**	**21,844**
Revaluation reserves	**28**	**3**	**12**	**20**
Other reserves	**28**	**(58)**	**(35)**	**(59)**
Reserves or accumulated losses of investments in subsidiaries, joint ventures and associates		(58)	(35)	(59)
Other		-	-	-
Less: Treasury shares	**29**	**(296)**	**(96)**	**(48)**
Profit or loss attributable to owners of the parent		**5,324**	**3,519**	**3,475**
Less: Interim dividends		**(975)**	**(1,043)**	**(1,510)**
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**30**	**(7,215)**	**(6,939)**	**(3,622)**
Items that will not be reclassified to profit or loss		**(1,284)**	**(1,183)**	**(1,095)**
Actuarial gains or losses on defined benefit pension plans		(1,245)	(1,183)	(1,095)
Non-current assets and disposal groups classified as held for sale		-	-	-
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates		-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income		(155)	-	-
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		-		
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)		-		
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-		
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		116		
Items that may be reclassified to profit or loss		**(5,932)**	**(5,755)**	**(2,527)**
Hedge of net investments in foreign operations (effective portion)		(218)	1	(118)
Foreign currency translation		(6,643)	(7,297)	(3,341)
Hedging derivatives. Cash flow hedges (effective portion)		(6)	(34)	16
Financial assets available for sale			1,641	947
Fair value changes of debt instruments measured at fair value through other comprehensive income		943		
Hedging instruments (non-designated items)		-		
Non-current assets and disposal groups classified as held for sale		1	(26)	-
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates		(9)	(40)	(31)
MINORITY INTERESTS (NON-CONTROLLING INTEREST)	**31**	**5,764**	**6,979**	**8,064**
Accumulated other comprehensive income (loss)		(3,236)	(2,550)	(1,430)
Other		9,000	9,530	9,494
TOTAL EQUITY		**52,874**	**53,323**	**55,428**
TOTAL EQUITY AND TOTAL LIABILITIES		**676,689**	**690,059**	**731,856**

MEMORANDUM ITEM (OFF-BALANCE SHEET EXPOSURES) (Millions of Euros)

	Notes	2018	2017 (*)	2016 (*)
Loan commitments given	33	118,959	94,268	107,254
Financial guarantees given	33	16,454	16,545	18,267
Other commitments given	33	35,098	45,738	42,592

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Consolidated income statements for the years ended December 31, 2018, 2017 and 2016

CONSOLIDATED INCOME STATEMENTS (Millions of Euros)

	Notes	2018	2017 (*)	2016 (*)
Interest and other income	37.1	29,831	29,296	27,708
Interest expense	37.2	(12,239)	(11,537)	(10,648)
NET INTEREST INCOME		**17,591**	**17,758**	**17,059**
Dividend income	38	157	334	467
Share of profit or loss of entities accounted for using the equity method	39	(7)	4	25
Fee and commission income	40	7,132	7,150	6,804
Fee and commission expense	40	(2,253)	(2,229)	(2,086)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	41	216	985	1,375
Gains (losses) on financial assets and liabilities held for trading, net	41	707	218	248
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	41	96		
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	41	143	(56)	114
Gains (losses) from hedge accounting, net	41	72	(209)	(76)
Exchange differences, net	41	(9)	1,030	472
Other operating income	42	949	1,439	1,272
Other operating expense	42	(2,101)	(2,223)	(2,128)
Income from insurance and reinsurance contracts	43	2,949	3,342	3,652
Expense from insurance and reinsurance contracts	43	(1,894)	(2,272)	(2,545)
GROSS INCOME		**23,747**	**25,270**	**24,653**
Administration costs		(10,494)	(11,112)	(11,366)
Personnel expenses	44.1	(6,120)	(6,571)	(6,722)
Other administrative expenses	44.2	(4,374)	(4,541)	(4,644)
Depreciation and amortization	45	(1,208)	(1,387)	(1,426)
Provisions or reversal of provisions	46	(373)	(745)	(1,186)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	47	(3,981)	(4,803)	(3,801)
Financial assets measured at amortized cost		(3,980)	(3,676)	(3,598)
Financial assets at fair value through other comprehensive income		(1)	(1,127)	(202)
NET OPERATING INCOME		**7,691**	**7,222**	**6,874**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates		-	-	-
Impairment or reversal of impairment on non-financial assets	48	(138)	(364)	(521)
Tangible assets		(5)	(42)	(143)
Intangible assets		(83)	(16)	(3)
Other assets		(51)	(306)	(375)
Gains (losses) on derecognition of non - financial assets and subsidiaries, net	49	78	47	70
Negative goodwill recognized in profit or loss		-	-	-
Profit (loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	50	815	26	(31)
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	55.2	**8,446**	**6,931**	**6,392**
Tax expense or income related to profit or loss from continuing operations		(2,295)	(2,169)	(1,699)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS		**6,151**	**4,762**	**4,693**
Profit or loss after tax from discontinued operations, net		-	-	-
PROFIT FOR THE YEAR		**6,151**	**4,762**	**4,693**
Attributable to minority interest [non-controlling interest]	31	827	1,243	1,218
Attributable to owners of the parent	55.2	5,324	3,519	3,475

	2018	2017 (*)	2016 (*)
EARNINGS PER SHARE (Euros)	**0.76**	**0.48**	**0.49**
Basic earnings per share from continued operations	0.76	0.48	0.49
Diluted earnings per share from continued operations	0.76	0.48	0.49
Basic earnings per share from discontinued operations	-	-	-
Diluted earnings per share from discontinued operations	-	-	-

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Consolidated statements of recognized income and expenses for the years ended December 31, 2018, 2017 and 2016

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSES (MILLIONS OF EUROS)

	2018	2017 (*)	2016 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	**6,151**	**4,762**	**4,693**
OTHER RECOGNIZED INCOME (EXPENSES)	**(2,523)**	**(4,439)**	**(3,012)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(141)**	**(91)**	**(240)**
Actuarial gains and losses from defined benefit pension plans	(79)	(96)	(303)
Non-current assets and disposal groups held for sale	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	(172)		
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	166		
Income tax related to items not subject to reclassification to income statement	(56)	5	63
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(2,382)**	**(4,348)**	**(2,772)**
Hedge of net investments in foreign operations (effective portion)	**(244)**	**80**	**166**
Valuation gains or losses taken to equity	(244)	112	166
Transferred to profit or loss	-	-	-
Other reclassifications	-	(32)	-
Foreign currency translation	**(1,537)**	**(5,080)**	**(2,157)**
Valuation gains or losses taken to equity	(1,542)	(5,089)	(2,110)
Transferred to profit or loss	5	(22)	(47)
Other reclassifications	-	31	-
Cash flow hedges (effective portion)	**27**	**(67)**	**80**
Valuation gains or losses taken to equity	(32)	(122)	134
Transferred to profit or loss	58	55	(54)
Transferred to initial carrying amount of hedged items	-	-	-
Other reclassifications	-	-	-
Available-for-sale financial assets		**719**	**(694)**
Valuation gains or losses taken to equity		384	438
Transferred to profit or loss		347	(1,248)
Other reclassifications		(12)	116
Debt securities at fair value through other comprehensive income	**(901)**		
Valuation gains or losses taken to equity	(766)		
Transferred to profit or loss	(135)		
Other reclassifications	-		
Non-current assets and disposal groups held for sale	**20**	**(20)**	**-**
Valuation gains or losses taken to equity	-	-	-
Transferred to profit or loss	20	-	-
Other reclassifications	-	(20)	-
Entities accounted for using the equity method	**9**	**(14)**	**(89)**
Income tax relating to items subject to reclassification to income statements	**244**	**35**	**(78)**
TOTAL RECOGNIZED INCOME/EXPENSES	**3,628**	**323**	**1,681**
Attributable to minority interest (non-controlling interests)	(420)	127	305
Attributable to the parent company	4,048	196	1,376

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Consolidated statements of changes in equity for the years ended December 31, 2018, 2017 and 2016

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (MILLIONS OF EUROS)

2018	Capital (Note 26)	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves (Note 28)	Other reserves (Note 28)	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends (Note 4)	Accumulated other comprehensive income (Note 30)	Non-controlling interest: Valuation adjustments (Note 31)	Non-controlling interest: Other (Note 31)	Total
Balances as of January 1, 2018	**3,267**	**23,992**	**-**	**54**	**25,474**	**12**	**(44)**	**(96)**	**3,519**	**(1,043)**	**(8,792)**	**(3,378)**	**10,358**	**53,323**
Effect of changes in accounting policies (Note 1.3)	-	-	-	-	(2,713)	-	9	-	-	-	1,756	850	(822)	(919)
Adjusted initial balance	**3,267**	**23,992**	**-**	**54**	**22,761**	**12**	**(34)**	**(96)**	**3,519**	**(1,043)**	**(7,036)**	**(2,528)**	**9,536**	**52,404**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,324**	**-**	**(1,276)**	**(1,247)**	**827**	**3,628**
Other changes in equity	**-**	**-**	**-**	**(4)**	**256**	**(10)**	**(23)**	**(199)**	**(3,519)**	**68**	**1,096**	**540**	**(1,364)**	**(3,158)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(992)	-	(4)	-	-	(975)	-	-	(378)	(2,349)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,684)	-	-	-	-	-	(1,684)
Sale or cancellation of treasury shares	-	-	-	-	(24)	-	-	1,484	-	-	-	-	-	1,460
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity (see Note 2.2.20)	-	-	-	-	1,408	(10)	(19)	-	(3,519)	1,043	1,096	540	(540)	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(19)	-	-	-	-	-	-	-	-	-	(19)
Other increases or (-) decreases in equity	-	-	-	15	(135)	-	-	-	-	-	-	-	(446)	(566)
Balances as of December 31, 2018	**3,267**	**23,992**	**-**	**50**	**23,018**	**3**	**(58)**	**(296)**	**5,324**	**(975)**	**(7,215)**	**(3,236)**	**9,000**	**52,874**

The accompanying Notes 1 to 57 and Appendices I to XIII are an integral part of the consolidated financial statements as of December 31, 2018.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated statements of changes in equity for the years ended December 31, 2018, 2017 and 2016

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (MILLIONS OF EUROS)

2017 (*)	Capital (Note 26)	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves (Note 28)	Other reserves (Note 28)	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends (Note 4)	Accumulated other comprehensive income (Note 30)	Non-controlling interest: Valuation adjustments (Note 31)	Non-controlling interest: Other (Note 31)	Total
Balances as of January 1, 2017	**3,218**	**23,992**	**-**	**54**	**23,688**	**20**	**(67)**	**(48)**	**3,475**	**(1,510)**	**(5,458)**	**(2,246)**	**10,310**	**55,428**
Effect of changes in accounting policies (Note 1.3)	-	-	-	-	(1,843)	-	7	-	-	-	1,836	817	(817)	-
Adjusted initial balance	**3,218**	**23,992**	**-**	**54**	**21,845**	**20**	**(60)**	**(48)**	**3,475**	**(1,510)**	**(3,622)**	**(1,429)**	**9,493**	**55,428**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,519**	**-**	**(3,317)**	**(1,122)**	**1,243**	**323**
Other changes in equity	**50**	**-**	**-**	**-**	**1,768**	**(8)**	**25**	**(48)**	**(3,475)**	**467**	**-**	**-**	**(1,207)**	**(2,428)**
Issuances of common shares	50	-	-	-	(50)	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	9	-	(9)	-	-	(900)	-	-	(290)	(1,189)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,674)	-	-	-	-	-	(1,674)
Sale or cancellation of treasury shares	-	-	-	-	1	-	-	1,626	-	-	-	-	-	1,627
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	-	1,932	(8)	41	-	(3,475)	1,510	-	-	-	(0)
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(22)	-	-	-	-	-	-	-	-	-	(22)
Other increases or (-) decreases in equity	-	-	-	22	(125)	-	(6)	-	-	(144)	-	-	(917)	(1,169)
Balances as of December 31, 2017	**3,267**	**23,992**	**-**	**54**	**23,612**	**12**	**(34)**	**(96)**	**3,519**	**(1,043)**	**(6,939)**	**(2,551)**	**9,529**	**53,323**

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

The accompanying Notes 1 to 57 and Appendices I to XIII are an integral part of the consolidated financial statements as of December 31, 2018.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated statements of changes in equity for the years ended December 31, 2018, 2017 and 2016

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (MILLIONS OF EUROS)

2016 (*)	Capital (Note 26)	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves (Note 28)	Other reserves (Note 28)	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends (Note 4)	Accumulated other comprehensive income (Note 30)	Non-controlling interest: Valuation adjustments (Note 31)	Non-controlling interest: Other (Note 31)	Total
Balances as of January 1, 2016	**3,120**	**23,992**	**-**	**35**	**22,588**	**22**	**(98)**	**(309)**	**2,642**	**(1,352)**	**(3,349)**	**(1,333)**	**9,325**	**55,281**
Effect of changes in accounting policies (Note 1.3)	-	-	-	-	(1,834)	-	7	-	-	-	1,826	816	(816)	-
Adjusted initial balance	**3,120**	**23,992**	**-**	**35**	**20,754**	**22**	**(91)**	**(309)**	**2,642**	**(1,352)**	**(1,523)**	**(517)**	**8,509**	**55,282**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,475**	**-**	**(2,099)**	**(913)**	**1,218**	**1,681**
Other changes in equity	**98**	**-**	**-**	**19**	**1,090**	**(2)**	**31**	**260**	**(2,642)**	**(158)**	**-**	**-**	**(233)**	**(1,535)**
Issuances of common shares	98	-	-	-	(98)	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	93	-	(93)	-	-	(1,301)	-	-	(234)	(1,535)
Purchase of treasury shares	-	-	-	-	-	-	-	(2,004)	-	-	-	-	-	(2,004)
Sale or cancellation of treasury shares	-	-	-	-	(30)	-	-	2,264	-	-	-	-	-	2,234
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	-	1,166	(2)	126	-	(2,642)	1,352	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(16)	3	-	-	-	-	-	-	-	-	(12)
Other increases or (-) decreases in equity	-	-	-	35	(44)	-	(2)	-	-	(210)	-	(0)	2	(219)
Balances as of December 31, 2016	**3,218**	**23,992**	**-**	**54**	**21,845**	**20**	**(60)**	**(48)**	**3,475**	**(1,510)**	**(3,622)**	**(1,429)**	**9,494**	**55,428**

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

The accompanying Notes 1 to 57 and Appendices I to XIII are an integral part of the consolidated financial statements as of December 31, 2018.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated statements of cash flows for the years ended December 31, 2018, 2017 and 2016

CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (MILLIONS OF EUROS)	Notes	2018	2017 (*)	2016 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)	**51**	**8,664**	**2,055**	**6,623**
1. Profit for the year		**6,151**	**4,762**	**4,693**
2. Adjustments to obtain the cash flow from operating activities:		**7,695**	**8,526**	**6,784**
Depreciation and amortization		1,208	1,387	1,426
Other adjustments		6,487	7,139	5,358
3. Net increase/decrease in operating assets		**(12,679)**	**(4,894)**	**(4,428)**
Financial assets held for trading		1,379	5,662	1,289
Non-trading financial assets mandatorily at fair value through profit or loss		(643)		
Other financial assets designated at fair value through profit or loss		349	(783)	(2)
Financial assets at fair value through other comprehensive income		(206)	5,032	14,445
Loans and receivables		(12,652)	(14,503)	(21,075)
Other operating assets		(906)	(302)	915
4. Net increase/decrease in operating liabilities		**10,286**	**(3,916)**	**1,273**
Financial liabilities held for trading		(466)	(6,057)	361
Other financial liabilities designated at fair value through profit or loss		1,338	19	(53)
Financial liabilities at amortized cost		10,481	2,111	(7)
Other operating liabilities		(1,067)	11	972
5. Collection/Payments for income tax		**(2,789)**	**(2,423)**	**(1,699)**
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	**51**	**7,516**	**2,902**	**(560)**
1. Investment		**(2,154)**	**(2,339)**	**(3,978)**
Tangible assets		(943)	(777)	(1,312)
Intangible assets		(552)	(564)	(645)
Investments in joint ventures and associates		(150)	(101)	(76)
Subsidiaries and other business units		(20)	(897)	(95)
Non-current assets held for sale and associated liabilities		(489)	-	-
Held-to-maturity investments			-	(1,850)
Other settlements related to investing activities		-	-	-
2. Divestments		**9,670**	**5,241**	**3,418**
Tangible assets		731	518	795
Intangible assets		-	47	20
Investments in joint ventures and associates		558	18	322
Subsidiaries and other business units		4,268	936	73
Non-current assets held for sale and associated liabilities		3,917	1,002	900
Held-to-maturity investments			2,711	1,215
Other collections related to investing activities		196	9	93
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	**51**	**(5,092)**	**(98)**	**(1,113)**
1. Payments		**(8,995)**	**(5,763)**	**(4,335)**
Dividends		(2,107)	(1,698)	(1,599)
Subordinated liabilities		(4,825)	(2,098)	(502)
Treasury stock amortization		-	-	-
Treasury stock acquisition		(1,686)	(1,674)	(2,004)
Other items relating to financing activities		(377)	(293)	(230)
2. Collections		**3,903**	**5,665**	**3,222**
Subordinated liabilities		2,451	4,038	1,000
Treasury shares increase		-	-	-
Treasury shares disposal		1,452	1,627	2,222
Other items relating to financing activities		-	-	-
D) EFFECT OF EXCHANGE RATE CHANGES		**(2,498)**	**(4,266)**	**(3,463)**
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)		**8,590**	**594**	**1,489**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**45,549**	**44,955**	**43,466**
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (E+F)	**51**	**54,138**	**45,549**	**44,955**

COMPONENTS OF CASH AND EQUIVALENT AT END OF THE YEAR (Millions of Euros)		2018	2017 (*)	2016 (*)
Cash		6,346	6,416	7,413
Balance of cash equivalent in central banks		47,792	39,132	37,542
Other financial assets		-	-	-
Less: Bank overdraft refundable on demand		-	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**51**	**54,138**	**45,549**	**44,955**

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

The accompanying Notes 1 to 57 and Appendices I to XIII are an integral part of the consolidated financial statements as of December 31, 2018.

Notes to the Consolidated Financial Statements

1. Introduction, basis for the presentation of the Consolidated Financial Statements, internal control over financial information and other information

1.1 Introduction

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

The Bylaws and other public information are available for inspection at the Bank's registered address (Plaza San Nicolás, 4 Bilbao) as noted on its web site (www.bbva.com).

In addition to the activities it carries out directly, the Bank heads a group of subsidiaries, joint ventures and associates which perform a wide range of activities and which together with the Bank constitute the Banco Bilbao Vizcaya Argentaria Group (hereinafter, "the Group" or "the BBVA Group"). In addition to its own separate Financial Statements, the Bank is required to prepare Consolidated Financial Statements comprising all consolidated subsidiaries of the Group.

As of December 31, 2018, the BBVA Group had 297 consolidated entities and 66 entities accounted for using the equity method (see Notes 3 and 16 and Appendix I to V).

The Consolidated Financial Statements of the BBVA Group for the year ended December 31, 2017 were approved by the shareholders at the Annual General Meetings ("AGM") on March 16, 2018.

BBVA Group's Consolidated Financial Statements and the Financial Statements for the Bank and the majority of the remaining entities within the Group have been prepared as of December 31, 2018, and are pending approval by their respective AGMs. Notwithstanding, the Board of Directors of the Bank understands that said financial statements will be approved without changes.

1.2 Basis for the presentation of the Consolidated Financial Statements

The BBVA Group's Consolidated Financial Statements are presented in accordance with the International Financial Reporting Standards endorsed by the European Union (hereinafter, "EU-IFRS") applicable as of December 31, 2018, considering the Bank of Spain Circular Circular 4/2017, and with any other legislation governing financial reporting applicable to the Group in Spain (see Note 1.3).

The BBVA Group's accompanying Consolidated Financial Statements for the year ended December 31, 2018 were prepared by the Group's Directors (through the Board of Directors meeting held on February 11, 2019) by applying the principles of consolidation, accounting policies and valuation criteria described in Note 2, so that they present fairly the Group's total consolidated equity and financial position as of December 31, 2018, together with the consolidated results of its operations and cash flows generated during the year ended December 31, 2018.

These Consolidated Financial Statements were prepared on the basis of the accounting records kept by the Bank and each of the other entities in the Group. Moreover, they include the adjustments and

reclassifications required to harmonize the accounting policies and valuation criteria used by the Group (see Note 2.2).

All effective accounting standards and valuation criteria with a significant effect in the Consolidated Financial Statements were applied in their preparation.

The amounts reflected in the accompanying Consolidated Financial Statements are presented in millions of euros, unless it is more appropriate to use smaller units. Some items that appear without a balance in these Consolidated Financial Statements are due to how the units are expressed. Also, in presenting amounts in millions of euros, the accounting balances have been rounded up or down. It is therefore possible that the totals appearing in some tables are not the exact arithmetical sum of their component figures.

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

1.3 Comparative information

The information included in the accompanying consolidated financial statements relating to the years ended December 31, 2017 and December 31, 2016, in accordance to the applicable regulation, is presented for the purpose of comparison with the information for December, 31 2018.

Changes in accounting policies

Application of IFRS 9

As of January 1, 2018, IFRS 9 “Financial instruments” replaced IAS 39 “Financial Instruments: Recognition and Measurement” and includes changes in the requirements for the classification and measurement of financial assets and financial liabilities, the impairment of financial assets and hedge accounting (see Note 2.2.1). As permitted by the standard, IFRS 9 has not been applied retrospectively for previous years. The impact of the first application of IFRS 9 is presented in Note 2.4.

As a consequence of the application of IFRS 9, the comparative information for the financial years 2017 and 2016 included in these Consolidated Financial Statements has been subject to some non-significant modifications in order to improve the comparability with the figures of the financial year 2018.

Hyperinflationary economies

The Group experience applying IAS 29 "Financial information in hyperinflationary economies" in its subsidiaries in Venezuela allows us to confirm the complexity of applying the accounting mechanism of inflation together with the historical movements of the exchange rates in a way that results are economically understandable, especially when there is not a consistent evolution between inflation and exchange rate in each period.

In this context, with the aim of improving the faithful representation of the financial statements, during 2018 the Group made an accounting policy change which involves recording in a single account of "Shareholders' funds – retained earnings", both the revaluation of non-monetary items due to the effect of hyperinflation and the differences generated when translating the restated financial statements of the subsidiaries in hyperinflationary economies into euros. Translation differences, prior to the accounting policy change were recorded in the item “Accumulated other comprehensive income – items that may be reclassified to profit or loss – foreign currency translation” (see Notes 2.2.16 and 2.2.20). The accounting policy change, in accordance with IAS 8, offers and provides more reliable and relevant information of operations in hyperinflationary economies.

In order to make the information comparable, we have restated the information of the previous years, in such a way that €1,853, €1,836 and €1,826 million have been reclassified from "Accumulated other comprehensive income – items that may be reclassified to profit or loss – foreign currency translation" to

"Shareholders' funds – retained earnings" as of December 31, 2017, December 31, 2016 and January 1, 2016, respectively, relating to the Group companies registered in Venezuela (an economy that was also considered hyperinflationary in 2017 and 2016). Additionally, €828, €817 and €816 million have been reclassfied from "Non-controlling interest –Accumulated other comprehensive income" to "Non-controlling interest – other" as of December 31, 2017, December 31, 2016 and January 1, 2016, respectively.

The reclassification corresponding to January 1, 2018, 2017 and 2016 is recorded as "Effects of changes in accounting policies" in the Consolidated Statement of Changes in Equity corresponding to the years ended December 31, 2018, 2017 and 2016. In the consolidated balance sheet as of December 31, 2018, 2017 and 2016, the heading " Shareholders' funds – retained earnings"includes both the translation differences and the effects of restatement for inflation for the years 2018, 2017 and 2016.

Operating segments

During 2018, there were no significant changes to the existing structure of the BBVA Group's operating segments in comparison to 2017 (see Note 6). Certain prior year balances have been reclassified to conform to current year presentation.

1.4 Seasonal nature of income and expenses

The nature of the most significant activities carried out by the BBVA Group's entities is mainly related to typical activities carried out by financial institutions, which are not significantly affected by seasonal factors within the same year.

1.5 Responsibility for the information and for the estimates made

The information contained in the BBVA Group's Consolidated Financial Statements is the responsibility of the Group's Directors.

Estimates were required to be made at times when preparing these Consolidated Financial Statements in order to calculate the recorded or disclosed amount of some assets, liabilities, income, expenses and commitments. These estimates relate mainly to the following:

- Impairment on certain financial assets (see Notes 7, 13, 14 and 16).
- The assumptions used to quantify certain provisions (see Note 24) and for the actuarial calculation of post-employment benefit liabilities and commitments (see Note 25).
- The useful life and impairment losses of tangible and intangible assets (see Notes 17, 18, 20 and 21).
- The valuation of goodwill and price allocation of business combinations (see Note 18).
- The fair value of certain unlisted financial assets and liabilities (see Notes 7, 8, 10, 11, 12 and 13).
- The recoverability of deferred tax assets (See Note 19).

Although these estimates were made on the basis of the best information available as of December 31, 2018, future events may make it necessary to modify them (either up or down) over the coming years. This would be done prospectively in accordance with applicable standards, recognizing the effects of changes in the estimates in the corresponding consolidated income statement.

During 2018 there were no significant changes to the assumptions and estimations made as of December 31, 2017, except as indicated in these Consolidated Financial Statements.

1.6 BBVA Group's Internal Control over Financial Reporting

BBVA Group's Financial Statements is prepared under an Internal Control over Financial Reporting Model (hereinafter "ICFR"). It provides reasonable assurance with respect to the reliability and the integrity of the consolidated financial statements. It is also aimed to ensure that the transactions are processed in accordance with the applicable laws and regulations.

The ICFR is in accordance with the control framework established in 2013 by the "Committee of Sponsoring Organizations of the Treadway Commission" (hereinafter, "COSO"). The COSO 2013 framework sets five components that constitute the basis of the effectiveness and efficiency of the internal control systems:

- The establishment of an appropriate control framework.
- The assessment of the risks that could arise during the preparation of the financial information.
- The design of the necessary controls to mitigate the identified risks.
- The establishment of an appropriate system of information to detect and report system weaknesses.
- The monitoring activities over the controls to ensure they perform correctly and are effective over time.

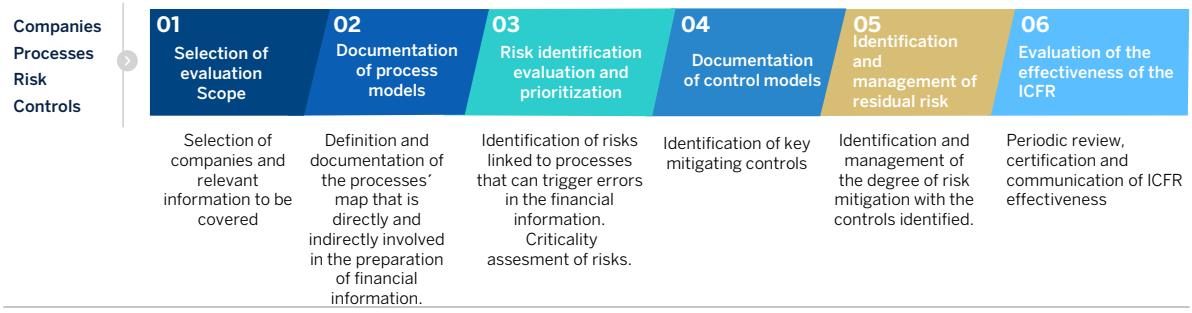
The ICFR is a dynamic model that evolves continuously over time to reflect the reality of the BBVA Group's businesses and processes, as well as the risks and controls designed to mitigate them. It is subject to a continuous evaluation by the internal control units located in the different entities of BBVA Group.

These internal control units are integrated within the BBVA internal control model which is based in two pillars:

- A control system organized into three lines of defense:
  - The first line is located within the business and support units, which are responsible for identifying risks associated with their processes and to execute the controls established to mitigate them.
  - The second line comprises the specialized control units (Compliance, Internal Financial Control, Internal Risk Control, Engineering Risk, Fraud & Security, and Operations Control among others). This second line defines the models and controls under their areas of responsibility and monitors the design, correct implementation and effectiveness of the controls
  - The third line is the Internal Audit unit, which conducts an independent review of the model, verifying the compliance and effectiveness of the model.
- A set of committees called Corporate Assurance that helps to escalate the internal control issues to the management at a Group level and also in each of the countries where the Group operates.

The internal control units comply with a common and standard methodology established at Group level, as set out in the following diagram:

BBVA's INTERNAL CONTROL OVER FINANCIAL REPORTING



The ICFR Model is subject to annual evaluations by the Group's Internal Audit Unit. It is also supervised by the Audit and Compliance Committee of the Bank's Board of Directors.

The BBVA Group also complies with the requirements of the Sarbanes-Oxley Act (hereafter "SOX") for Consolidated Financial Statements as a listed company with the U.S. Securities and Exchange Commission ("SEC"). The main senior executives of the Group are involved in the design, compliance and implementation of the internal control model to make it effective and to ensure the quality and accuracy of the financial information.

The description of the ICFR included in the Corporate Governance Annual Report within the Management Report attached to the consolidated financial statements for the year ended December 31, 2018.

2. Principles of consolidation, accounting policies and measurement bases applied and recent IFRS pronouncements

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

2.1 Principles of consolidation

In terms of its consolidation, in accordance with the criteria established by IFRS, the BBVA Group is made up of four types of entities: subsidiaries, joint ventures, associates and structured entities, defined as follows:

- Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of the subsidiaries are fully consolidated with those of the Bank. The share of non-controlling interests from subsidiaries in the Group's consolidated total equity is presented under the heading "Minority interests (Non-controlling interests)" in the consolidated balance sheet. Their share in the profit or loss for the period or year is presented under the heading "Attributable to minority interest (non-controlling interests)" in the accompanying consolidated income statement (see Note 31).

Note 3 includes information related to the main subsidiaries in the Group as of December 31, 2018. Appendix I includes other significant information on these entities.

- Joint ventures

Joint ventures are those entities over which there is a joint arrangement to joint control with third parties other than the Group (for definitions of joint arrangement, joint control and joint venture, refer to Glossary).

The investments in joint ventures are accounted for using the equity method (see Note 16). Appendix II shows the main figures for joint ventures accounted for using the equity method.

- Associates

Associates are entities in which the Group is able to exercise significant influence (for definition of significant influence, see Glossary). Significant influence is deemed to exist when the Group owns 20% or more of the voting rights of an investee directly or indirectly, unless it can be clearly demonstrated that this is not the case.

However, certain entities in which the Group owns 20% or more of the voting rights are not included as Group associates, since the Group does not have the ability to exercise significant influence over these entities. Investments in these entities, which do not represent material amounts for the Group, are classified as "Financial assets at fair value through other comprehensive income".

In contrast, some investments in entities in which the Group holds less than 20% of the voting rights are accounted for as Group associates, as the Group is considered to have the ability to exercise significant influence over these entities. As of December 31, 2018, these entities are not significant in the Group.

Appendix II shows the most significant information related to the associates (see Note 16), which are accounted for using the equity method.

- Structured Entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when the voting rights relate to administrative matters only and the relevant activities are directed by means of contractual arrangements (see Glossary).

In those cases where the Group sets up entities or has a holding in such entities, in order to allow its customers access to certain investments, to transfer risks or for other purposes, in accordance with internal criteria and procedures and with applicable regulations, the Group determines whether control over the entity in question actually exists and therefore whether it should be subject to consolidation.

Such methods and procedures determine whether there is control by the Group, considering how the decisions are made about the relevant activities, assesses whether the Group has all power over the relevant elements, exposure, or rights, to variable returns from involvement with the investee and the ability to use power over the investee to affect the amount of the investor's returns.

- Structured entities subject to consolidation

To determine if a structured entity is controlled by the Group, and therefore should be consolidated into the Group, the existing contractual rights (different from the voting rights) are analyzed. For this reason, an analysis of the structure and purpose of each investee is performed and, among others, the following factors will be considered:

- Evidence of the current ability to manage the relevant activities of the investee according to the specific business needs (including any decisions that may arise only in particular circumstances).
- Potential existence of a special relationship with the investee.
- Implicit or explicit Group commitments to support the investee.
- The ability to use the Group´s power over the investee to affect the amount of the Group's returns.

There are cases where the Group has a high exposure to variable returns and retains decision-making power over the investee, either directly or through an agent.

The main structured entities of the Group are the asset securitization funds, to which the BBVA Group transfers loans and receivables portfolios, and other vehicles, which allow the Group's customers to gain access to certain investments or to allow for the transfer of risks or for other purposes (see Appendices I and V). The BBVA Group maintains the decision-making power over the relevant activities of these vehicles and financial support through securitized market standard contracts. The most common ones are: investment positions in equity note tranches, funding through subordinated debt, credit enhancements through derivative instruments or liquidity lines, management rights of defaulted securitized assets, "clean-up" call derivatives, and asset repurchase clauses by the grantor.

For these reasons, the loans and receivable portfolios related to the vast majority of the securitizations carried out by the Bank or Group subsidiaries are not derecognized in the books of said entity and the issuances of the related debt securities are registered as liabilities within the Group's consolidated balance sheet.

- Non-consolidated structured entities

  The Group owns other vehicles also for the purpose of allowing customers access to certain investments, to transfer risks, and for other purposes, but without the Group having control of the vehicles, which are not consolidated in accordance with "IFRS 10 - Consolidated Financial Statements". The balance of assets and liabilities of these vehicles is not material in relation to the Group's Consolidated Financial Statements.

  As of December 31, 2018, there was no material financial support from the Bank or its subsidiaries to unconsolidated structured entities.

  The Group does not consolidate any of the mutual funds it manages since the necessary control conditions are not met (see definition of control in the Glossary). Particularly, the BBVA Group does not act as arranger but as agent since it operates the mutual funds on behalf and for the benefit of investors or parties (arranger or arrangers) and, for this reason it does not control the mutual funds when exercising its authority for decision making.

  The mutual funds managed by the Group are not considered structured entities (generally, retail funds without corporate identity over which investors have participations which gives them ownership of said managed equity). These funds are not dependent on a capital structure that could prevent them from carry out activities without additional financial support, being in any case insufficient as far as the activities themselves are concerned. Additionally, the risk of the investment is absorbed by the fund participants, and the Group is only exposed when it becomes a participant, and as such, there is no other risk for the Group.

In all cases, the operating results of equity method investees acquired by the BBVA Group in a particular period only include the period from the date of acquisition to the financial statements date. Similarly, the results of entities disposed of during any only include year the period from the start of the year to the date of disposal.

The consolidated financial statements of subsidiaries, associates and joint ventures used in the preparation of the Consolidated Financial Statements of the Group have the same presentation date as the Consolidated Financial Statements. If financial statements at those same dates are not available, the most recent will be used, as long as these are not older than three months, and adjusted to take into account the most significant transactions. As of December 31, 2018, except for the case of the consolidated financial statements of two subsidiaries and six associates and joint-ventures deemed non-significant for which financial statements as of November 30, 2018 were used, the December 31, 2018 financial statements for of all Group entities were utilized.

BBVA banking subsidiaries, associates and joint ventures worldwide, are subject to supervision and regulation from a variety of regulatory bodies in relation to, among other aspects, the satisfaction of minimum capital requirements. The obligation to satisfy such capital requirements may affect the ability of such entities to transfer funds in the form of cash dividends, loans or advances. In addition, under the laws of the various jurisdictions where such entities are incorporated, dividends may only be paid out through funds legally available for such purpose. Even when the minimum capital requirements are met and funds are legally available, the relevant regulators or other public administrations could discourage or delay the transfer of funds to the Group in the form of cash, dividends, loans or advances for prudential reasons.

Separate financial statements

The separate financial statements of the parent company of the Group (Banco Bilbao Vizcaya Argentaria, S.A.) are prepared under Spanish regulations (Circular 4/2017 of the Bank of Spain) and following other regulatory requirements of financial information applicable to the Bank. The Bank uses the cost method to account in its separate financial statements for its investments in subsidiaries, associates and joint venture entities, which are consistent with the requirements of Bank of Spain Circular 4/2017 and IAS 27.

As of January 1, 2018, Circular 4/2017 issued by the Bank of Spain on public and reserved financial information standards, and financial statement models entered into force for credit institutions. The purpose of this circular is to adapt the Spanish credit institutions accounting system to changes in the European accounting system resulting from the adoption of two new International Financial Reporting Standards (IFRS), specifically "IFRS 15 - Revenue from contracts with customers "and" IFRS 9 - Financial instruments ".

Appendix IX shows BBVA's financial statements as of and for the years ended December 31, 2018 and 2017.

2.2 Accounting policies and valuation criteria applied

The accounting standards and policies and the valuation criteria applied in preparing these Consolidated Financial Statements may differ from those used by some of the entities within the BBVA Group. For this reason, necessary adjustments and reclassifications have been made in the consolidation process to standardize these principles and criteria and comply with the EU-IFRS.

The accounting standards and policies and valuation criteria used in preparing the accompanying Consolidated Financial Statements are as follows:

2.2.1 Financial instruments

As mentioned before in Note 1.3, IFRS 9 became effective as of January 1, 2018 and replaced IAS 39 regarding the classification and measurement of financial assets and liabilities, the impairment of financial assets and hedge accounting.

The disclosures related to the financial years 2017 and 2016 which are presented for the purpose of comparability, are based on the accounting policies and valuation criteria applicable under IAS 39.

Classification and measurement of financial assets under IFRS 9

Classification of financial assets

IFRS 9 contains three main categories for financial assets classification: measured at amortized cost, measured at fair value with changes in through other comprehensive income, and measured at fair value through profit or loss.

The classification of financial assets measured at amortized cost or fair value must be carried out on the basis of two tests: the entity's business model and the assessment of the contractual cash flow, commonly known as the "solely payments of principle and interest" criterion (hereinafter, the SPPI).

A debt instrument will be classified in the amortized cost portfolio if the two following conditions are fulfilled:

- The financial asset is managed within a business model whose purpose is to maintain the financial assets to receive contractual cash flows; and
- In accordance with the contractual characteristics of the instrument its cash flows only represent the return of the principal and interest, basically understood as consideration for the time value of money and the debtor's credit risk.

A debt instrument will be classified in the portfolio of financial assets at fair value with changes through other comprehensive income if the two following conditions are fulfilled:

- The financial asset is managed with a business model whose purpose combines collection of the contractual cash flows and sale of the assets, and
- The contractual characteristics of the instrument generate, at specific dates, cash flows which only represent the return of the principal and interest.

A debt instrument will be classified at fair value with changes in profit and loss provided that the entity's business model for their management or the contractual characteristics of its cash flows do not require classification into one of the portfolios described above.

In general, equity instruments will be measured at fair value through profit or loss. However the Group may make an irrevocable election at initial recognition to present subsequent changes in the fair value through other comprehensive income.

Financial assets will only be reclassified when BBVA Group decides to change the business model. In this case, all of the financial assets assigned to this business model will be reclassified. The change of the objective of the business model should occur before the date of the reclassification.

Valuation of financial assets

All financial instruments are initially recognized at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument.

Excluding all trading derivatives not considered as accounting or economic hedges, all the changes in the fair value of the financial instruments arising from the accrual of interest and similar items are recognized under the headings "Interest and other income" or "Interest expense", as appropriate, in the accompanying consolidated income statement in the period in which the change occurred (see Note 37). The changes in fair value after the initial recognition, for reasons other than those mentioned in the preceding paragraph, are treated as described below, according to the categories of financial assets.

"Financial assets held for trading", "Non-trading financial assets mandatorily at fair value through profit and loss" and "Financial assets designated at fair value through profit or loss"

Financial assets are recorded under the heading "Financial assets held for trading" if the objective of the business model is to generate gains by buying and selling these financial instruments or generate short-term results. The financial assets recorded in the heading "Non-trading financial assets mandatorily at fair value through profit and loss" are assigned to a business model which objective is to obtain the contractual cash flows and / or to sell those instruments but its contractual cash flows do not comply with the requirements of the SPPI test. In "Financial assets designated at fair value through profit or loss" the Group classifies financial assets only if it eliminates or significantly reduces a measurement or recognition inconsistency (an 'accounting mismatch') that would otherwise arise from measuring financial assets or financial liabilities, or recognizing gains or losses on them, on different bases.

The assets recognized under these headings of the consolidated balance sheets are measured upon acquisition at fair value and changes in the fair value (gains or losses) are recognized as their net value under the heading "Gains (losses) on financial assets and liabilities, net" in the accompanying consolidated income statements (see Note 41). Interests from derivatives designated as economic hedges on interest rate are recognized in "Interest and other income" or "Interest expense" (see Note 37), depending on the result of the hedging instrument. However, changes in fair value resulting from variations in foreign exchange rates are recognized under the heading "Gains (losses) on financial assets and liabilities, net" in the accompanying consolidated income statements (Note 41).

"Financial assets at fair value through other comprehensive income"

- Debt instruments

Assets recognized under this heading in the consolidated balance sheets are measured at their fair value. Subsequent changes in fair value (gains or losses) are recognized temporarily net of tax effect, under the heading "Accumulated other comprehensive income- Items that may be reclassified to profit or loss - Fair value changes of debt instruments measured at fair value through other comprehensive income" in the consolidated balance sheets (see Note 30).

The amounts recognized under the headings "Accumulated other comprehensive income- Items that may be reclassified to profit or loss - Fair value changes of financial assets measured at fair value through other comprehensive income" and "Accumulated other comprehensive income- Items that may be reclassified to profit or loss - Exchange differences" continue to form part of the Group's consolidated equity until the corresponding asset is derecognized from the consolidated balance sheet or until an impairment loss is recognized on the corresponding financial instrument. If these assets are sold, these amounts are derecognized and included under the headings "Gains (losses) on financial assets and liabilities, net" or "Exchange differences, net", as appropriate, in the consolidated income statement for the year in which they are derecognized (see Note 41).

The net impairment losses in "Financial assets at fair value through other comprehensive income" over the year are recognized under the heading "Impairment losses on financial assets, net – Financial assets at fair value through other comprehensive income" (see Note 47) in the consolidated income statements for that period.

Changes in foreign exchange rates which affect monetary items are recognized under the heading "Exchange differences, net" in the accompanying consolidated income statements (see Note 41).

- Equity instruments

The BBVA Group, at the time of the initial recognition, may elect to present changes in the fair value in other comprehensive income of an investment in an equity instrument that is not held for trading. The election is irrevocable and can be made on an instrument-by-instrument basis. Subsequent changes in fair value (gains or losses) are recognized, under the heading "Accumulated other comprehensive income (loss) – Items that will not be reclassified to profit or loss – Fair value changes of equity instruments measured at fair value through other comprehensive income".

"Financial assets at amortized cost"

A financial asset is classified as subsequently measured at amortized cost if it is held within a business model whose objective is to hold financial assets in order to collect and it meets the SPPI Criterion.

The assets under this category are subsequently measured at amortized cost, using the effective interest rate method.

Net impairment losses of assets recorded under these headings arising in each period are recognized under the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss – financial assets measured at cost" (see Note 47) in the consolidated income statement for that period.

Classification and measurement of financial liabilities under IFRS 9

Classification of financial liabilities

Under IFRS 9, financial liabilities are classified in the following categories:

- Financial liabilities at amortized cost;
- Financial liabilities that are held for trading including derivatives are financial instruments which are recorded in this category when the Group's objective is to generate gains by buying and selling these financial instruments;
- Financial liabilities that are designated at fair value through profit or loss on initial recognition under the Fair Value Option. The Group has the option to designate irrevocably on initial recognition a financial liability as at fair value through profit or loss provided that doing so results in the elimination or significant reduction of measurement or recognition inconsistency, or if a group of financial liabilities, or a group of financial assets and financial liabilities, has to be managed, and its

performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy.

Valuation of financial liabilities

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

Excluding all trading derivatives not considered as accounting or economic hedges, all the changes in the fair value of the financial instruments arising from the accrual of interest and similar items are recognized under the headings "Interest and other income" or "Interest expense", as appropriate, in the accompanying consolidated income statement in the period in which the change occurred (see Note 37).

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

"Financial liabilities held for trading" and "Financial liabilities designated at fair value through profit or loss"

The subsequent changes in the fair value (gains or losses) of the liabilities recognized under these headings of the consolidated balance sheets are recognized as their net value under the heading "Gains (losses) on financial assets and liabilities, net" in the accompanying consolidated income statements (see Note 41), except for the financial liabilities designated at fair value through profit and loss under the fair value option for which the amount of change in the fair value that is attributable to changes in the own credit risk which is presented in under the heading "Accumulated other comprehensive income (loss) – Items that will not be reclassified to profit or loss – Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk". Interests from derivatives designated as economic hedges on interest rate are recognized in "Interest and other income" or "Interest expense" (Note 37), depending on the result of the hedging instrument. However, changes in fair value resulting from variations in foreign exchange rates are recognized under the heading "Gains (losses) on financial assets and liabilities, net" in the accompanying consolidated income statements (Note 41).

"Financial liabilities at amortized cost"

The liabilities under this category are subsequently measured at amortized cost, using the effective interest rate method.

Measurement of financial assets and liabilities under IAS 39 applicable in the financial years 2017 and 2016

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

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

Excluding all trading derivatives not considered as accounting or economic hedges, all the changes in the fair value of the financial instruments arising from the accrual of interest and similar items are recognized under the headings "Interest and other income" or "Interest expense", as appropriate, in the accompanying consolidated income statement the year in which the change occurred (see Note 37). The dividends received from other entities, other than associated entities and joint venture entities, are recognized under the heading "Dividend income" in the accompanying consolidated income statement in the year in which the right to receive them arises (see Note 38).

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

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

The assets and liabilities recognized under these headings of the consolidated balance sheets are measured upon acquisition at fair value and changes in the fair value (gains or losses) are recognized as their net value under the heading "Gains (losses) on financial assets and liabilities, net" in the accompanying consolidated income statements (see Note 41). Interests from derivatives designated as economic or accounting hedges on interest rate are recognized under the heading "Interest and other income" or "Interest expense" (Note 37), depending on the result of the hedging instrument. Changes in fair value resulting from variations in foreign exchange rates are recognized under the heading "Gains (losses) on financial assets and liabilities, net" in the accompanying consolidated income statements (Note 41).

"Financial assets at fair value through other comprehensive income"

Assets recognized under this heading in the consolidated balance sheets are measured at their fair value. Subsequent changes in fair value (gains or losses) are recognized temporarily net of tax effect, under the heading "Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Financial assets at fair value through other comprehensive income" in the consolidated balance sheets (see Note 30).

The amounts recognized under the headings "Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Financial assets at fair value through other comprehensive income" and "Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Exchange differences" continue to form part of the Group's consolidated equity until the corresponding asset is derecognized from the consolidated balance sheet or until an impairment loss is recognized on the corresponding financial instrument. If these assets are sold, these amounts are derecognized and included under the headings "Gains (losses) on financial assets and liabilities, net" or "Exchange differences, net", as appropriate, in the consolidated income statement for the year in which they are derecognized (see Note 41).

The net impairment losses in "Financial assets at fair value through other comprehensive income" over the year are recognized under the heading "Impairment losses on financial assets, net – Other financial instruments not at fair value through profit or loss" (see Note 47) in the consolidated income statements for that year.

Changes in the value of non-monetary items resulting from changes in foreign exchange rates are recognized temporarily under the heading "Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Exchange differences" in the accompanying consolidated balance sheets. Changes in foreign exchange rates which affect monetary items are recognized under the heading "Exchange differences, net" in the accompanying consolidated income statements (see Note 41).

"Financial assets and liabilities at amortized cost"

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

Net impairment losses of assets recognized under these headings arising in each year are recognized under the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss – financial assets measured at cost" (see Note 47) in the consolidated income statement for that year.

"Derivatives-Hedge Accounting" and "Fair value changes of the hedged items in portfolio hedges of interest-rate risk" applicable in the financial years 2018, 2017 and 2016

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

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

- In fair value hedges, the changes in the fair value of the derivative and the hedged item attributable to the hedged risk are recognized under the heading "Gains or losses from hedge accounting, net" in the consolidated income statement, with a corresponding offset under the headings where hedging items ("Hedging derivatives") and the hedged items are recognized, as applicable. Almost all of the hedges used by the Group are for interest-rate risks. Therefore, the valuation changes are recognized under the headings "Interest and other income" or "Interest expense", as appropriate, in the accompanying consolidated income statement (see Note 37).
- In fair value hedges of interest rate risk of a portfolio of financial instruments (portfolio-hedges), the gains or losses that arise in the measurement of the hedging instrument are recognized in the consolidated income statement, and the gains or losses that arise from the change in the fair value of the hedged item (attributable to the hedged risk) are also recognized in the consolidated income statement (in both cases under the heading "Gains or losses from hedge accounting, net", using, as a balancing item, the headings "Fair value changes of the hedged items in portfolio hedges of interest rate risk" in the consolidated balance sheets, as applicable).
- In cash flow hedges, the gain or loss on the hedging instruments relating to the effective portion are recognized temporarily under the heading "Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Hedging derivatives. Cash flow hedges" in the consolidated balance sheets, with a balancing entry under the heading "Hedging derivatives" of the Assets or Liabilities of the consolidated balance sheets as applicable. These differences are recognized in the accompanying consolidated income statement under the headings "Interest and other income" or "Interest expense" at the time when the gain or loss in the hedged instrument affects profit or loss, when the forecast transaction is executed or at the maturity date of the hedged item (see Note 37).
- Differences in the measurement of the hedging items corresponding to the ineffective portions of cash flow hedges are recognized directly in the heading "Gains or losses from hedge accounting, net" in the consolidated income statement (see Note 41).
- In the hedges of net investments in foreign operations, the differences attributable to the effective portions of hedging items are recognized temporarily under the heading "Accumulated other comprehensive income - Items that may be reclassified to profit or loss – Hedging of net investments in foreign transactions" in the consolidated balance sheets with a balancing entry under the heading "Hedging derivatives" of the Assets or Liabilities of the consolidated balance sheets as applicable. These differences in valuation are recognized under the heading "Exchange differences, net" in the consolidated income statement when the investment in a foreign operation is disposed of or derecognized (see Note 41).

Other financial instruments under IAS 39 applicable in the financial years 2017 and 2016

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

- Equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying asset and are settled by delivery of those instruments are recorded in the consolidated balance sheet at acquisition cost; this may be adjusted, where appropriate, for any impairment loss (see Note 8).

- Accumulated other comprehensive income arising from financial instruments classified at the consolidated balance sheet date as "Non-current assets and disposal groups classified as held for sale" are recognized with the corresponding entry under the heading "Accumulated other comprehensive income- Items that may be reclassified to profit or loss – Non-current assets and disposal groups classified as held for sale" in the accompanying consolidated balance sheets (see note 30).

Impairment losses on financial assets

Definition of impaired financial assets under IFRS 9

IFRS 9 replaced the "incurred loss" model in IAS 39 with one of "expected credit loss". The IFRS 9 impairment model is applied to financial assets valued at amortized cost and to financial assets valued at fair value with changes in accumulated other comprehensive income, except for investments in equity instruments and contracts for financial guarantees and loan commitments unilaterally revocable by BBVA. Likewise, all the financial instruments valued at fair value with change through profit and loss are excluded from the impairment model.

The new standard classifies financial instruments into three categories, which depend on the evolution of their credit risk from the moment of initial recognition. The first category includes the transactions when they are initially recognized (Stage 1); the second comprises the financial assets for which a significant increase in credit risk has been identified since its initial recognition (Stage 2) and the third one, the impaired financial assets (Stage 3).

The calculation of the provisions for credit risk in each of these three categories must be done differently. In this way, expected loss up to 12 months for the financial assets classified in the first of the aforementioned categories must be recorded, while expected losses estimated for the remaining life of the financial assets classified in the other two categories must be recorded. Thus, IFRS 9 differentiates between the following concepts of expected loss:

- Expected loss at 12 months: expected credit loss that arises from possible default events within 12 months following the presentation date of the financial statements; and

- Expected loss during the life of the transaction: this is the expected credit loss that arises from all possible default events over the remaining life of the financial instrument.

All this requires considerable judgment, both in the modeling for the estimation of the expected losses and in the forecasts, on how the economic factors affect such losses, which must be carried out on a weighted probability basis.

The BBVA Group has applied the following definitions in accordance with IFRS 9:

- Default

  BBVA has applied a definition of default for financial instruments that is consistent with that used in internal credit risk management, as well as the indicators under applicable regulation at the date of implementation of IFRS 9. Both qualitative and quantitative indicators have been considered.

  The Group has considered there is a default when one of the following situations occurs:

  - Payment past-due for more than 90 days; or
  - There are reasonable doubts regarding the full reimbursement of the instrument.

  In accordance with IFRS 9, the 90-day past-due stipulation may be waived in cases where the entity considers it appropriate, based on reasonable and documented information that it is appropriate to use

a longer term. As of December 31, 2018, the Group has not considered periods higher than 90 days for any of the significant portfolios.

- Credit impaired asset

An asset is credit-impaired according to IFRS 9 if one or more events have occurred and they have a detrimental impact on the estimated future cash flows of the asset. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower.
- A breach of contract (e.g. a default or past due event).
- A lender having granted a concession to the borrower – for economic or contractual reasons relating to the borrower's financial difficulty – that the lender would not otherwise consider.
- It becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for that financial asset because of financial difficulties.
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event. Instead, the combined effect of several events may cause financial assets to become credit-impaired.

The definition of impaired financial assets in the Group is aligned with the definition of default explained in the above paragraphs.

- Significant increase in credit risk

The objective of the impairment requirements is to recognize lifetime expected credit losses for financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking.

The model developed by the Group for assessing the significant increase in credit risk has a two-prong approach that is applied globally, although the specific characteristics of each geographic area are respected:

- Quantitative criterion: the Group uses a quantitative analysis based on comparing the current expected probability of default over the life of the transaction with the original adjusted expected probability of default, so that both values are comparable in terms of expected default probability for their residual life. The thresholds used for considering a significant increase in risk take into account special cases according to geographic areas and portfolios. Depending on how old current transactions are, at the time implementation of the standard, some simplification were made to compare the probabilities of default between the current and the original moment, based on the best information available at that moment.
- Qualitative criterion: most indicators for detecting significant risk increase are included in the Group's systems through rating/scoring systems or macroeconomic scenarios, so the quantitative analysis covers the majority of circumstances. The Group will use additional qualitative criteria when it considers it necessary to include circumstances that are not reflected in the rating/score systems or macroeconomic scenarios used.

Additionally, instruments under one of the following circumstances are considered Stage 2:

- More than 30 days past due. According to IFRS 9, default of more than 30 days is a presumption that can be rebutted in those cases in which the entity considers, based on reasonable and documented information, that such non-payment does not represent a significant increase in risk. As of December 31, 2018, the Group has not considered periods higher than 30 days for any of the significant portfolios.
- Watch list: They are subject to special watch by the Risks units because they show negative signs in their credit quality, even though there may be no objective evidence of impairment.
- Refinance or restructuring that does not show evidence of impairment.

Although the standard introduces a series of operational simplifications or practical solutions for analyzing the increase in significant risk, the Group does not use them as a general rule. However, for high-quality assets, mainly related to certain government institutions and bodies, the standard allows for considering that their credit risk has not increased significantly because they have a low credit risk at the presentation date.

Thus the classification of financial instruments subject to impairment under the new IFRS 9 is as follows:

- Stage 1– without significant increase in credit risk

  Financial assets which are not considered to have significantly increased in credit risk have loss allowances measured at an amount equal to 12 months expected credit losses.

- Stage 2– significant increases in credit risk

  When the credit risk of a financial asset has increased significantly since the initial recognition, the impairment losses of that financial instrument is calculated as the expected credit loss during the entire life of the asset.

- Stage 3 – Impaired

  When there is objective evidence that the instrument is credit impaired, the financial asset is transferred to this category in which the provision for losses of that financial instrument is calculated as the expected credit loss during the entire life of the asset.

Definition of impaired financial assets under IAS 39 applicable in the financial years 2017 and 2016

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

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

As a general rule, the carrying amount of impaired financial assets is adjusted with a charge to the consolidated income statement for the year in which the impairment becomes known. The recoveries of previously recognized impairment losses are reflected, if appropriate, in the consolidated income statement for the year in which the impairment is reversed or reduced, with an exception: any recovery of previously recognized impairment losses for an investment in an equity instrument classified as financial assets at fair value through other comprehensive income is not recognized in the consolidated income statement, but under the heading " Accumulated other comprehensive income - Items that may be reclassified to profit or loss - financial assets at fair value through other comprehensive income" in the consolidated balance sheet (see Note 30).

In general, amounts collected on impaired loans and receivables are used to recognize the related accrued interest and any excess amount is used to reduce the unpaid principal.

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

Method for calculating expected credit loss under IFRS 9

Method for calculating expected loss

In accordance with IFRS 9, the measurement of expected losses must reflect:

- A considered and unbiased amount, determined by evaluating a range of possible results.
- The time value of money.
- Reasonable and supportable information that is available without undue cost or effort and that reflects current conditions and forecasts of future economic conditions.

The Group measures the expected losses both individually and collectively. The purpose of the Group's individual measurement is to estimate expected losses for significant impaired instruments, or instruments classified in Stage 2. In these cases, the amount of credit losses is calculated as the difference between expected discounted cash flows at the effective interest rate of the transaction and the carrying amount of the instrument.

For the collective measurement of expected losses the instruments are grouped into groups of assets based on their risk characteristics. Exposure within each group is segmented according to the common credit risk characteristics, similar characteristics of the credit risk, indicative of the payment capacity of the borrower in accordance with their contractual conditions. These risk characteristics have to be relevant in estimating the future flows of each group. The characteristics of credit risk may consider, among others, the following factors:

- Type of instrument.
- Rating or scoring tools.
- Credit risk scoring or rating.
- Type of collateral.
- Amount of time at default for stage 3.
- Segment.
- Qualitative criteria which can have a significant increase in risk.
- Collateral value if it has an impact on the probability of a default event.

The estimated losses are derived from the following parameters:

- PD: estimate of the probability of default in each period.
- EAD: estimate of the exposure in case of default at each future period, taking into account the changes in exposure after the presentation date of the financial statements.
- LGD: estimate of the loss in case of default, calculated as the difference between the contractual cash flows and receivables, including guarantees.

In the case of debt securities, the Group supervises the changes in credit risk through monitoring the external published credit ratings.

To determine whether there is a significant increase in credit risk that is not reflected in the published ratings, the Group also revises the changes in bond yields, and when they are available, the prices of CDS, together with the news and regulatory information available on the issuers.

Use of present, past and future information

IFRS 9 requires incorporation of present, past and future information to detect any significant increase in risk and measure expected loss.

The standard does not require identification of all possible scenarios for measuring expected loss. However, the probability of a loss event occurring and the probability it will not occur have to be considered, even though the possibility of a loss may be very small. Also, when there is no linear relation between the different future economic scenarios and their associated expected losses, more than one future economic scenario must be used for the measurement.

The approach used by the Group consists of using first the most probable scenario (baseline scenario) consistent with that used in the Group's internal management processes, and then applying an additional adjustment, calculated by considering the weighted average of expected losses in other economic scenarios (one more positive and the other more negative). The main macroeconomic variables that are valued in each of the scenarios for each of the geographies in which the Group operates are Gross Domestic Product (GDP), tax rates, unemployment rate and loan to value (LTV).

Method for calculating the impairment on financial assets under IAS 39 applicable in the financial years 2017 and 2016

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

Impairment of debt instruments measured at amortized cost

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

The BBVA Group has developed policies, methods and procedures to estimate incurred losses on outstanding credit risk. These policies, methods and procedures are applied in the due diligence, approval and execution of debt instruments and commitments and guarantees given; as well as in identifying the impairment and, where appropriate, in calculating the amounts necessary to cover estimated losses.

The amount of impairment losses on debt instruments measured at amortized cost is calculated based on whether the impairment losses are determined individually or collectively. First it is determined whether there is objective evidence of impairment individually for individually significant debt instrument, and collectively for debt instrument that are not individually significant. If the Group determines that there is no objective evidence of impairment, the assets are classified in groups of debt instrument based on similar risk characteristics and impairment is assessed collectively.

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

- Significant financial difficulties of the obligors.
- Ongoing delays in the payment of interest or principal.

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

Impairment losses on financial assets individually evaluated for impairment

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

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

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

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

Impairment losses on financial assets collectively evaluated for impairment

With regard to the collective impairment analysis, financial assets are grouped by risk type considering the debtor's capacity to pay based on the contractual terms. As part of this analysis, the BBVA Group estimates the impairment loan losses that are not individually significant, distinguishing between those that show objective evidence of impairment, and those that do not show objective evidence of impairment, as well as the impairment of significant loans that the BBVA Group has deemed as not showing an objective evidence of impairment.

With respect to financial assets that have no objective evidence of impairment, the Group applies statistical methods using historical experience and other specific information to estimate the losses that the Group has incurred as a result of events that have occurred as of the date of preparation of the Consolidated Financial Statements but have not been known and will be apparent, individually after the date of submission of the information. This calculation is an intermediate step until these losses are identified on an individual level, at which time these financial instruments will be segregated from the portfolio of financial assets without objective evidence of impairment.

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

- Exposure at default (EAD) is the amount of risk exposure at the date of default by the counterparty.
- Probability of default (PD) is the probability of the counterparty failing to meet its principal and/or interest payment obligations. The PD is associated with the rating/scoring of each counterparty/transaction.

- Loss given default (LGD) is the estimate of the loss arising in the event of default. It depends mainly on the characteristics of the counterparty, and the valuation of the guarantees or collateral associated with the asset.

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

In addition, to identify the possible incurred but not reported losses (IBNR) in the unimpaired portfolio, an additional parameter called "LIP" (loss identification period) has to be introduced. The LIP parameter is the period between the time at which the event that generates a given loss occurs and the time when the loss is identified at an individual level.

When the property right is contractually acquired at the end of the foreclosure process or when the assets of distressed borrowers are purchased, the asset is recognized in the consolidated balance sheets (see Note 2.2.4).

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

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

When there is objective evidence that the negative differences arising on measurement of these debt instruments are due to impairment, they are no longer considered as "Accumulated other comprehensive income - Items that may be reclassified to profit or loss - financial assets at fair value through other comprehensive income" and are recognized in the consolidated income statement.

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

Impairment of equity instruments

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

- *Equity instruments classified at available for sale at fair value:* When there is objective evidence that the negative differences arising on measurement of these equity instruments are due to impairment, they are no longer registered as "Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Financial assets available for sale" and are recognized in the consolidated income statement. In general, the Group considers that there is objective evidence of impairment on equity instruments classified as available-for-sale when significant unrealized losses have existed over a sustained period of time due to a price reduction of at least 40% or over a period of more than 18 months.

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

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

  Any recovery of previously recognized impairment losses for an investment in an equity instrument classified at fair value through other comprehensive income is not recognized in the consolidated income statement, but under the heading " Accumulated other comprehensive income - Items that

may be reclassified to profit or loss - financial assets available for sale" in the consolidated balance sheet (see Note 30).

- *Equity instruments measured at cost:* The impairment losses on equity instruments measured at acquisition cost are equal to the excess of their carrying amount over the present value of expected future cash flows discounted at the market rate of return for similar equity instruments. In order to determine these impairment losses, unless there is better evidence, an assessment of the equity of the investee is carried out (excluding Accumulated other comprehensive income due to cash flow hedges) based on the last approved (consolidated) balance sheet, adjusted by the unrealized gains at measurement date.

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

2.2.2 Transfers and derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets is determined by the form in which risks and benefits associated with the financial assets involved are transferred to third parties. Thus the financial assets are only derecognized from the consolidated balance sheet when the cash flows that they generate are extinguished, when their implicit risks and benefits have been substantially transferred to third parties or when the control of financial asset is transferred even in case of no physical transfer or substantial retention of such assets. In the latter case, the financial asset transferred is derecognized from the consolidated balance sheet, and any right or obligation retained or created as a result of the transfer is simultaneously recognized.

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

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

- The transferred financial asset is not derecognized from the consolidated balance sheet and continues to be measured using the same criteria as those used before the transfer.
- A financial liability is recognized at the amount equal to the amount received, which is subsequently measured at amortized cost or fair value with changes in the income statement, whichever the case.
- Both the income generated on the transferred (but not derecognized) financial asset and the expenses of the new financial liability continue to be recognized.

2.2.3 Financial guarantees

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

In their initial recognition, financial guarantees are recognized as liabilities in the consolidated balance sheet at fair value, which is generally the present value of the fees, commissions and interest receivable from these contracts over the term thereof, and the Group simultaneously recognize a corresponding asset in the consolidated balance sheet for the amount of the fees and commissions received at the inception of the transactions and the amounts receivable at the present value of the fees, commissions and interest outstanding.

Financial guarantees, irrespective of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required for them. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments measured at amortized cost (see Note 2.2.1).

The provisions recognized for financial guarantees considered impaired are recognized under the heading "Provisions - Provisions for contingent risks and commitments" on the liability side in the consolidated balance sheets (see Note 24). These provisions are recognized and reversed with a charge or credit, respectively; to "Provisions or reversal of provision" in the consolidated income statements (see Note 46).

Income from financial guarantees is recorded under the heading "Fee and commission income" in the consolidated income statement and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee (see Note 40).

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

The headings "Non-current assets and disposal groups held for sale" and "Liabilities included in disposal groups classified as held for sale" in the consolidated balance sheets includes the carrying amount of assets that are not part of the BBVA Group's operating activities. The recovery of this carrying amount is expected to take place through the price obtained on its disposal (see Note 21).

These headings include individual items and groups of items ("disposal groups") and disposal groups that form part of a major operating segment and are being held for sale as part of a disposal plan ("discontinued operations"). The heading "Non-current assets and disposal groups held for sale" include the assets received by the subsidiaries from their debtors, in full or partial settlement of the debtors' payment obligations (assets foreclosed or received in payment of debt and recovery of lease finance transactions), unless the Group has decided to make continued use of these assets. The BBVA Group has units that specialize in real estate management and the sale of this type of asset.

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

Non-current assets and disposal groups classified as held for sale are generally measured, at the acquisition date and at any later date deemed necessary, at either their carrying amount or the fair value of the property (less costs to sell), whichever is lower.

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

At the time of the initial recognition, these real estate assets foreclosed or received in payment of debts, classified as "Non-current assets and disposal groups held for sale" and "Liabilities included in disposal

groups classified as held for sale" are valued at the lower of: their restated fair value less estimated sale costs and their carrying amount; a deterioration or impairment reversal can be recognized for the difference if applicable.

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

Fair value of non-current assets held for sale from foreclosures or recoveries is based, mainly, in appraisals or valuations made by independent experts on an annual basis or more frequently, should there be indicators of impairment.

Gains and losses generated on the disposal of assets and liabilities classified as non-current held for sale, and liabilities included in disposal groups classified as held for sale as well as impairment losses and, where pertinent, the related recoveries, are recognized in "Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" in the consolidated income statement (see Note 50). The remaining income and expense items associated with these assets and liabilities are classified within the relevant consolidated income statement headings.

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

2.2.5 Tangible assets

Property, plant and equipment for own use

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

Property, plant and equipment for own use are presented in the consolidated balance sheets at acquisition cost, less any accumulated depreciation and, where appropriate, any estimated impairment losses resulting from comparing this net carrying amount of each item with its corresponding recoverable amount (see Note 17).

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

The tangible asset depreciation charges are recognized in the accompanying consolidated income statements under the heading "Depreciation and Amortization" (see Note 45) and are based on the application of the following depreciation rates (determined on the basis of the average years of estimated useful life of the various assets):

Depreciation Rates for Tangible Assets

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

At each reporting date, the Group entities analyze whether there are internal or external indicators that a tangible asset may be impaired. When there is evidence of impairment, the Group analyzes whether this impairment actually exists by comparing the asset's net carrying amount with its recoverable amount (as the higher between its recoverable amount less disposal costs and its value in use). When the carrying amount exceeds the recoverable amount, the carrying amount is written down to the recoverable amount and depreciation charges going forward are adjusted to reflect the asset's remaining useful life.

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

In the BBVA Group, most of the buildings held for own use are assigned to the different Cash-Generating-Units (CGU) to which they belong. The corresponding impairment analysis are performed for these CGUs to check whether sufficient cash flows are generated to support the value of the assets comprised within.

Running and maintenance expenses relating to tangible assets held for own use are recognized as an expense in the year they are incurred and recognized in the consolidated income statements under the heading "Administration costs - Other administrative expenses - Property, fixtures and equipment" (see Note 44.2).

Other assets leased out under an operating lease

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

Investment properties

The heading **"Tangible assets - Investment properties"** in the consolidated balance sheets reflects the net values (purchase cost minus the corresponding accumulated depreciation and, if appropriate, estimated impairment losses) of the land, buildings and other structures that are held either to earn rentals or for capital appreciation through sale and that are neither expected to be sold off in the ordinary course of business nor are destined for own use (see Note 17).

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

The BBVA Group determines periodically the fair value of its investment properties in such a way that, at the end of the financial year, the fair value reflects the market conditions of investment property assets' market at this date. This fair value will be determined taking as references the valuations performed by independent experts.

2.2.6 Inventories

The balance under the heading "Other assets - Inventories" in the consolidated balance sheets mainly includes the land and other properties that the BBVA Group's real estate entities hold for development and sale as part of their real estate development activities (see Note 20).

The cost of inventories includes those costs incurred in their acquisition and development, as well as other direct and indirect costs incurred in getting them to their current condition and location.

In the case of the cost of real estate assets accounted for as inventories, the cost is comprised of: the acquisition cost of the land, the cost of urban planning and construction, non-recoverable taxes and costs corresponding to construction supervision, coordination and management. Financing cost incurred during the year form part of cost, provided that the inventories require more than a year to be in a condition to be sold.

Properties purchased from customers in distress, which the Group manages for sale, are measured at the acquisition date and any subsequent time, at either their related carrying amount or the fair value of the property (less costs to sell), whichever is lower. The carrying amount at acquisition date of these properties is defined as the balance pending collection on those assets that originated said purchases (net of provisions).

Impairment

The amount of any subsequent adjustment due to inventory valuation for reasons such as damage, obsolescence, reduction in sale price to its net realizable value, as well as losses for other reasons and, if appropriate, subsequent recoveries of value up to the limit of the initial cost value, are registered under the heading "Impairment or reversal of impairment on non-financial assets" in the accompanying consolidated income statements (see Note 48) for the year in which they are incurred.

In the case of the above mentioned real-estate assets, if the fair value less costs to sell is lower than the carrying amount of the loan recognized in the consolidated balance sheet, a loss is recognized under the heading "Impairment or reversal of impairment on non-financial assets" in the consolidated income statement for the year. In the case of real-estate assets accounted for as inventories, the BBVA Group's criterion for determining their net realizable value is mainly based on independent appraisals no more than one year old, or less if there are indications of impairment.

Inventory sales

In sale transactions, the carrying amount of inventories is derecognized from the consolidated balance sheet and recognized as an expense under the income statement heading "Other operating expenses – Changes in inventories" in the year in which the income from its sale is recognized. This income is recognized under the heading "Other operating income – Financial income from non-financial services" in the consolidated income statements (see Note 42).

2.2.7 Business combinations

A business combination is a transaction, or any other deal, by which the Group obtains control of one or more businesses. It is accounted for by applying the acquisition method.

According to this method, the acquirer has to recognize the assets acquired and the liabilities and contingent liabilities assumed, including those that the acquired entity had not recognized in the accounts. The method involves the measurement of the consideration received for the business combination and its allocation to the assets, liabilities and contingent liabilities measured according to their fair value, at the purchase date, as well as the recognition of any non-controlling participation (minority interests) that may arise from the transaction.

In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss under the heading "Gains (losses) on derecognition of non-financial assets and subsidiaries, net" of the consolidated income statements. In prior reporting periods, the acquirer may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

In addition, the acquirer shall recognize an asset in the consolidated balance sheet under the heading "Intangible asset - Goodwill" if on the acquisition date there is a positive difference between:

- the sum of the consideration transferred, the amount of all the non-controlling interests and the fair value of stock previously held in the acquired business; and
- the net fair value of the assets acquired and liabilities assumed.

If this difference is negative, it shall be recognized directly in the income statement under the heading "Negative goodwill recognized in profit or loss".

Non-controlling interests in the acquired entity may be measured in two ways: either at their fair value; or at the proportional percentage of net assets identified in the acquired entity. The method of valuing non-controlling interest may be elected in each business combination. BBVA Group has always elected for the second method.

2.2.8 Intangible assets

Goodwill

Goodwill represents a portion of consideration transferred in advance by the acquiring entity for the future economic benefits from assets that cannot be individually identified and separately recognized. Goodwill is never amortized. It is subject periodically to an impairment analysis, and is written off if there has been impairment (see Note 18).

Goodwill is assigned to one or more cash-generating units that expect to be the beneficiaries of the synergies derived from the business combinations. The cash-generating units represent the Group's smallest identifiable asset groups that generate cash flows for the Group and that are largely independent of the flows generated from the Group's other assets or groups of assets. Each unit or units to which goodwill is allocated:

- Is the lowest level at which the entity manages goodwill internally.
- Is not larger than an operating segment.

The cash-generating units to which goodwill has been allocated are tested for impairment (including the allocated goodwill in their carrying amount). This analysis is performed at least annually or more frequently if there is any indication of impairment.

For the purpose of determining the impairment of a cash-generating unit to which a part of goodwill has been allocated, the carrying amount of that cash-generating unit, adjusted by the theoretical amount of the goodwill attributable to the non-controlling interests, in the event they are not valued at fair value, is compared with its recoverable amount.

The recoverable amount of a cash-generating unit is equal to the fair value less sale costs or its value in use, whichever is greater. Value in use is calculated as the discounted value of the cash flow projections that the unit's management estimates and is based on the latest budgets approved for the coming years. The main assumptions used in its calculation are: a sustainable growth rate to extrapolate the cash flows indefinitely, and the discount rate used to discount the cash flows, which is equal to the cost of the capital assigned to each cash-generating unit, and equivalent to the sum of the risk-free rate plus a risk premium inherent to the cash-generating unit being evaluated for impairment.

If the carrying amount of the cash-generating unit exceeds the related recoverable amount, the Group recognizes an impairment loss; the resulting loss is apportioned by reducing, first, the carrying amount of the goodwill allocated to that unit and, second, if there are still impairment losses remaining to be recognized, the carrying amount of the remainder of the assets. This is done by allocating the remaining loss in proportion to the carrying amount of each of the assets in the unit. In the event the non-controlling interests are measured at fair value, the deterioration of goodwill attributable to non-controlling interests will be

recognized. In any case, an impairment loss recognized for goodwill shall not be reversed in a subsequent period.

Goodwill impairment losses are recognized under the heading "Impairment or reversal of impairment on non-financial assets – Intangible assets" in the consolidated income statements (see Note 48).

Other intangible assets

These assets may have an indefinite useful life if, based on an analysis of all relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the consolidated entities. In all other cases they have a finite useful life (see Note 18).

Intangible assets with a finite useful life are amortized according to the duration of this useful life, using methods similar to those used to depreciate tangible assets. The defined useful life intangible asset is made up mainly of IT applications acquisition costs which have a useful life of 3 to 5 years. The depreciation charge of these assets is recognized in the accompanying consolidated income statements under the heading "Depreciation and amortization" (see Note 45).

The consolidated entities recognize any impairment loss on the carrying amount of these assets with charge to the heading "Impairment or reversal of impairment on non - financial assets- Intangible assets" in the accompanying consolidated income statements (see Note 48). The criteria used to recognize the impairment losses on these assets and, where applicable, the recovery of impairment losses recognized in prior years, are similar to those used for tangible assets.

2.2.9 Insurance and reinsurance contracts

The assets and liabilities of the BBVA Group's insurance subsidiaries are recognized according to their nature under the corresponding headings of the consolidated balance sheets, and the initial recognition and valuation is carried out according to the criteria set out in IFRS 4.

The heading "Insurance and reinsurance assets" in the accompanying consolidated balance sheets includes the amounts that the consolidated insurance subsidiaries are entitled to receive under the reinsurance contracts entered into by them with third parties and, more specifically, the reinsurer´s share of the technical provisions recognized by the consolidated insurance subsidiaries.

The heading "Liabilities under insurance and reinsurance contracts" in the accompanying consolidated balance sheets includes the technical provisions for direct insurance and inward reinsurance recognized by the consolidated insurance subsidiaries to cover claims arising from insurance contracts open at period-end (see Note 23).

The income or expenses reported by the BBVA Group's consolidated insurance subsidiaries on their insurance activities is recognized, in accordance with their nature, in the corresponding items of the consolidated income statements.

The consolidated insurance entities of the BBVA Group recognize the amounts of the premiums written and a charge for the estimated cost of the claims that will be incurred at their final settlement to their consolidated income statements. At the close of each year the amounts collected and unearned, as well as the costs incurred and unpaid, are accrued.

The most significant provisions registered by consolidated insurance entities with respect to insurance policies issued by them are set out by their nature in Note 23.

According to the type of product, the provisions may be as follows:

- Life insurance provisions:

  Represents the value of the net obligations undertaken with the life insurance policyholder. These provisions include:

  - Provisions for unearned premiums. These are intended for the accrual, at the date of calculation, of the premiums written. Their balance reflects the portion of the premiums received until the closing date that has to be allocated to the period from year-end to the end of the insurance policy period.
  - Mathematical reserves: Represents the value of the life insurance obligations of the insurance entities at year-end, net of the policyholder's obligations, arising from life insurance contracted.

- Non-life insurance provisions:

  - Provisions for unearned premiums. These provisions are intended for the accrual, at the date of calculation, of the premiums written. Their balance reflects the portion of the premiums received until the closing date that has to be allocated to the period between the year-end and the end of the policy period.
  - Provisions for unexpired risks: The provision for unexpired risks supplements the provision for unearned premiums by the amount by which that provision is not sufficient to reflect the assessed risks and expenses to be covered by the consolidated insurance subsidiaries in the policy period not elapsed at year-end.

- Provision for claims:

  This reflects the total amount of the outstanding obligations arising from claims incurred prior to year-end. Insurance subsidiaries calculate this provision as the difference between the total estimated or certain cost of the claims not yet reported, settled or paid, and the total amounts already paid in relation to these claims.

- Provision for bonuses and rebates:

  This provision includes the amount of the bonuses accruing to policyholders, insurees or beneficiaries and the premiums to be returned to policyholders or insurees, as the case may be, based on the behavior of the risk insured, to the extent that such amounts have not been individually assigned to each of them.

- Technical provisions for reinsurance ceded:

  Calculated by applying the criteria indicated above for direct insurance, taking account of the assignment conditions established in the open reinsurance contracts.

- Other technical provisions:

  Insurance entities have recognized provisions to cover the probable mismatches in the market reinvestment interest rates with respect to those used in the valuation of the technical provisions.

The BBVA Group controls and monitors the exposure of the insurance subsidiaries to financial risk and, to this end, uses internal methods and tools that enable it to measure credit risk and market risk and to establish the limits for these risks.

2.2.10 Tax assets and liabilities

Expenses on corporate income tax applicable to the BBVA Group's Spanish entities and on similar income taxes applicable to consolidated foreign entities are recognized in the consolidated income statement, except when they result from transactions on which the profits or losses are recognized directly in equity, in which case the related tax effect is also recognized in equity.

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

Deferred tax assets and liabilities include temporary differences, defined as the amounts to be payable or recoverable in future years arising from the differences between the carrying amount of assets and liabilities and their tax bases (the "tax value"), and tax loss and tax credit or discount carry forwards (see Note 19).

The "Tax Assets" line item in the accompanying consolidated balance sheets includes the amount of all the assets of a tax nature, broken down into: "Current" (amounts of tax recoverable in the next twelve months) and "Deferred" (which includes the amount of tax to be recovered in future years, including those arising from tax losses or credits for deductions or rebates that can be compensated). The "Tax Liabilities" line item in the accompanying consolidated balance sheets includes the amount of all the liabilities of a tax nature, except for provisions for taxes, broken down into: "Current" (income tax payable on taxable profit for the year and other taxes payable in the next twelve months) and "Deferred" (the amount of corporate tax payable in subsequent years).

Deferred tax liabilities attributable to taxable temporary differences associated with investments in subsidiaries, associates or joint venture entities are recognized as such, except where the Group can control the timing of the reversal of the temporary difference and it is unlikely that it will reverse in the future. Deferred tax assets are recognized to the extent that it is considered probable that the consolidated entities will have sufficient taxable profits in the future against which the deferred tax assets can be utilized and are not from the initial recognition (except in the case of a business combination) of other assets or liabilities in a transaction that does not affect the fiscal outcome or the accounting result.

The deferred tax assets and liabilities recognized are reassessed by the consolidated entities at each balance sheet date in order to ascertain whether they still qualify as deferred tax assets and liabilities, and the appropriate adjustments are made on the basis of the findings of the analyses performed. In those circumstances in which it is unclear how a specific requirement of the tax law applies to a particular transaction or circumstance, and the acceptability of the definitive tax treatment depends on the decisions taken by the relevant taxation authority in future, the entity recognizes current and deferred tax liabilities and assets considering whether it is probable or not that a taxation authority will accept an uncertain tax treatment. Thus, if the entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the entity uses the amount expected to be paid to (recovered from) the taxation authorities.

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

2.2.11 Provisions, contingent assets and contingent liabilities

The heading "Provisions" in the consolidated balance sheets includes amounts recognized to cover the BBVA Group's current obligations arising as a result of past events. These are certain in terms of nature but uncertain in terms of amount and/or settlement date. The settlement of these obligations is deemed likely to entail an outflow of resources embodying economic benefits (see Note 24). The obligations may arise in connection with legal or contractual provisions, valid expectations formed by Group entities relative to third

parties in relation to the assumption of certain responsibilities or through virtually certain developments of particular aspects of the regulations applicable to the operation of the entities; and, specifically, future legislation to which the Group will certainly be subject. The provisions are recognized in the consolidated balance sheets when each and every one of the following requirements is met:

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

Among other items, these provisions include the commitments made to employees by some of the Group entities (mentioned in Note 2.2.12), as well as provisions for tax and legal litigation.

Contingent assets are possible assets that arise from past events and whose existence is conditional on, and will be confirmed only by, the occurrence or non-occurrence of events beyond the control of the Group. Contingent assets are not recognized in the consolidated balance sheet or in the consolidated income statement; however, they will be disclosed, should they exist, in the Notes to the Consolidated Financial Statements, provided that it is probable will give rise to an increase in resources embodying economic benefits.

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

Contingent liabilities are not recognized in the consolidated balance sheet or the income statement (excluding contingent liabilities from business combination) but are disclosed in the Notes to the Consolidated Financial Statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

2.2.12 Pensions and other post-employment commitments

Below we provide a description of the most significant accounting policies relating to post-employment and other employee benefit commitments assumed by BBVA Group entities (see Note 25).

Short-term employee benefits

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

Costs are charged and recognized under the heading "Administration costs – Personnel expenses – Other personnel expenses" of the consolidated income statement (see Note 44.1).

Post-employment benefits – Defined-contribution plans

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

The contributions made to these plans in each year by BBVA Group entities are charged and recognized under the heading "Administration costs – Personnel expenses – Defined-contribution plan expense" of the consolidated income statement (see Note 44.1).

Post-employment benefits – Defined-benefit plans

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

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

Furthermore, certain Group entities provide welfare and medical benefits which extend beyond the date of retirement of the employees entitled to the benefits.

All of these commitments are quantified based on actuarial valuations, with the amounts recorded under the heading "Provisions – Provisions for pensions and similar obligations" in the consolidated balance sheet and determined as the difference between the value of the defined-benefit commitments and the fair value of plan assets at the date of the Consolidated Financial Statements (see Note 25).

Current service cost are charged and recognized under the heading "Administration costs – Personnel expenses – Defined-benefit plan expense" of the consolidated income statement (see Note 44.1).

Interest credits/charges relating to these commitments are charged and recognized under the headings "Interest and other income" and "Interest expense" of the consolidated income statement (see Note 37).

Past service costs arising from benefit plan changes as well as early retirements granted during the year are recognized under the heading "Provisions or reversals of provisions" of the consolidated income statement (see Note 46).

Other long-term employee benefits

In addition to the above commitments, certain Group entities provide long-term service awards to their employees, consisting of monetary amounts or periods of vacation granted upon completion of a number of years of qualifying service.

These commitments are quantified based on actuarial valuations and the amounts recorded under the heading "Provisions – Other long-term employee benefits" of the consolidated balance sheet (see Note 24).

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

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

In establishing the actuarial assumptions we take into account that:

- They should be unbiased, i.e. neither unduly optimistic nor excessively conservative.
- Each assumption does not contradict the others and adequately reflect the existing relationship between economic variables such as price inflation, expected wage increases, discount rates and the expected return on plan assets, etc. Future wage and benefit levels should be based on market expectations, at the balance sheet date, for the period over which the obligations are to be settled.
- The interest rate used to discount benefit commitments is determined by reference to market yields, at the balance sheet date, on high quality bonds.

The BBVA Group recognizes actuarial gains/losses relating to early retirement benefits, long service awards and other similar items under the heading "Provisions or reversal of provisions" of the consolidated income statement for the period in which they arise (see Note 46). Actuarial gains/losses relating to pension and medical benefits are directly charged and recognized under the heading "Accumulated other comprehensive income – Items that will not be reclassified to profit or loss – Actuarial gains or losses on defined benefit pension plans" of equity in the consolidated balance sheet (see Note 30).

2.2.13 Equity-settled share-based payment transactions

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

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

2.2.14 Termination benefits

Termination benefits are recognized in the financial statements when the BBVA Group agrees to terminate employment contracts with its employees and has established a detailed plan.

2.2.15 Treasury shares

The value of common stock issued by the BBVA Group's entities and held by them - basically, shares and derivatives on the Bank's shares held by some consolidated entities that comply with the requirements to be recognized as equity instruments - are recognized as a decrease to net equity, under the heading "Shareholders' funds - Treasury stock" in the consolidated balance sheets (see Note 29).

These financial assets are recognized at acquisition cost, and the gains or losses arising on their disposal are credited or debited, as appropriate, to the heading "Shareholders' funds - Retained earnings" in the consolidated balance sheets (see Note 28).

2.2.16 Foreign-currency transactions and exchange differences

The BBVA Group's functional currency, and thus the currency in which the Consolidated Financial Statements are presented, is the euro. As such, all balances and transactions denominated in currencies other than the euro are deemed to be denominated in "foreign currency".

Conversion to euros of the balances held in foreign currency is performed in two consecutive stages:

- Conversion of the foreign currency to the entity's functional currency (currency of the main economic environment in which the entity operates); and
- Conversion to euros of the balances held in the functional currencies of the entities whose functional currency is not the euro.

Conversion of the foreign currency to the entity's functional currency

Transactions denominated in foreign currencies carried out by the consolidated entities (or entities accounted for using the equity method) are initially accounted for in their respective currencies. Subsequently, the monetary balances in foreign currencies are converted to their respective functional currencies using the exchange rate at the close of the financial year. In addition,

- Non-monetary items valued at their historical cost are converted to the functional currency at the exchange rate applicable on the purchase date.
- Non-monetary items valued at their fair value are converted at the exchange rate in force on the date on which such fair value was determined.
- Income and expenses are converted at the period's average exchange rates for all the operations carried out during the year. When applying this criterion the BBVA Group considers whether significant variations have taken place in exchange rates during the year which, owing to their impact on the statements as a whole, may require the application of exchange rates as of the date of the transaction instead of such average exchange rates.

The exchange differences produced when converting the balances in foreign currency to the functional currency of the consolidated entities are generally recognized under the heading "Exchange differences, net" in the consolidated income statements (see Note 41). However, the exchange differences in non-monetary items, measured at fair value, are recognized temporarily in consolidated equity under the heading "Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Exchange differences" in the consolidated balance sheets (see Note 30).

Conversion of functional currencies to euros

The balances in the financial statements of consolidated entities whose functional currency is not the euro are converted to euros as follows:

- Assets and liabilities: at the closing spot exchange rates as of the date of each of the consolidated balance sheets.
- Income and expenses and cash flows are converted by applying the exchange rate applicable on the date of the transaction, and the average exchange rate for the financial year may be used, unless it has undergone significant variations.
- Equity items: at the historical exchange rates.

The exchange differences arising from the conversion to euros of balances in the functional currencies of the consolidated entities whose functional currency is not the euro are recognized under the heading "Accumulated other comprehensive income – Items that may be reclassified to profit or loss - Exchange differences" in the consolidated balance sheets (Notes 30 and 31 respectively). Meanwhile, the differences arising from the conversion to euros of the financial statements of entities accounted for by the equity method are recognized under the heading " Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Entities accounted for using the equity method" (Note 30) until the item to which they relate is derecognized, at which time they are recognized in the income statement.

The financial statements of companies of hyperinflationary economies are restated for the effects of changes in prices before their conversion to euros following the provisions of IAS 29 "Financial information in hyperinflationary economies" (see note 2.2.20). Both these adjustments for inflation and the exchange differences that arise when converting the financial statements of companies into hyperinflationary economies are accounted for in Reserves.

The breakdown of the main consolidated balances in foreign currencies, with reference to the most significant foreign currencies, is set forth in Appendix VII.

Venezuela

Local financial statements of the Group subsidiaries in Venezuela are expressed in Venezuelan Bolivar, and converted into euros for the consolidated financial statements, since Venezuela is a country with strong exchange restrictions and has different rates officially published. Since December 31, 2015, the Board of Directors considers that the use of the Venezuelan official exchanges rates for converting bolivars into euros in preparing the Consolidated Financial Statements does not reflect the true picture of the financial statements of the Group and the financial position of the Group subsidiaries in Venezuela. Therefore, since the year ended December 31, 2015, the exchange rate for converting bolivars into euros is an estimation taking into account the lack of official data and the evolution of the estimated inflation in Venezuela.

As of December 31, 2018, 2017 and 2016, the impact on the financial statements that would have resulted by applying the last published official exchange rate instead of the exchange rate estimated by BBVA Group was not significant.

2.2.17 Recognition of income and expenses

The most significant policies used by the BBVA Group to recognize its income and expenses are as follows.

- Interest income and expenses and similar items:

  As a general rule, interest income and expenses and similar items are recognized on the basis of their period of accrual using the effective interest rate method.

  They shall be recognized within the consolidated income statement according to the following criteria, independently from the financial instruments' portfolio which generates the income or expenses:

  - The interest income past-due before the initial recognition and pending to be received will form part of the gross carrying amount of the debt instrument.
  - The interest income accrued after the initial recognition will form part of the gross carrying amount of the debt instrument until it will be received.

  The financial fees and commissions that arise on the arrangement of loans and advances (basically origination and analysis fees) are deferred and recognized in the income statement over the expected life of the loan. From that amount, the transaction costs identified as directly attributable to the arrangement of the loans and advances will be deducted. These fees are part of the effective interest rate for the loans and advances.

  Once a debt instrument has been impaired, interest income is recognized applying the effective interest rate used to discount the estimated recoverable cash flows on the carrying amount of the asset.

- Income from dividends received:

  Dividends shall be recognized within the consolidated income statement according to the following criteria, independently from the financial instruments' portfolio which generates this income:

  - When the right to receive payment has been declared before the initial recognition and when the payment is pending to be received, the dividends will not form part of the gross carrying amount of the equity instrument and will not be recognized as income. Those dividends are accounted for as financial assets separately from the net equity instrument.
  - If the right to receive payment is received after the initial recognition, the dividends from the net equity instruments will be recognized within the consolidated income statement. If the dividends correspond indubitable to the profits of the issuer before the date of initial recognition, they will not be recognized as income but as reduction of the gross carrying amount

of the equity instrument because it represents a partly recuperation of the investment. Amongst other circumstances, the generation date can be considered to be prior to the date of initial recognition if the amounts distributed by the issuer as from the initial recognition are higher than its profits during the same period.

- Commissions, fees and similar items:
  - Income and expenses relating to commissions and similar fees are recognized in the consolidated income statement using criteria that vary according to the nature of such items. The most significant items in this connection are:
  - Those relating to financial assets and liabilities measured at fair value through profit or loss, which are recognized when collected/paid.
  - Those arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services.
  - Those relating to a singular transaction, which are recognized when this singular transaction is carried out.
- Non-financial income and expenses:

  These are recognized for accounting purposes on an accrual basis.
- Deferred collections and payments:

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

2.2.18 Sales of assets and income from the provision of non-financial services

The heading "Other operating income" in the consolidated income statements includes the proceeds of the sales of assets and income from the services provided by the Group entities that are not financial institutions. In the case of the Group, these entities are mainly real estate and service entities (see Note 42).

2.2.19 Leases

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

When the consolidated entities act as the lessor of an asset under finance leases, the aggregate present values of the lease payments receivable from the lessee plus the guaranteed residual value (normally the exercise price of the lessee's purchase option on expiration of the lease agreement) are recognized as financing provided to third parties and, therefore, are included under the heading "Loans and receivables" in the accompanying consolidated balance sheets (see Note 14).

When the consolidated entities act as lessors of an asset in operating leases, the acquisition cost of the leased assets is recognized under "Tangible assets – Property, plant and equipment – Other assets leased out under an operating lease" in the consolidated balance sheets (see Note 17). These assets are depreciated in line with the criteria adopted for items of tangible assets for own use, while the income arising from the lease arrangements is recognized in the consolidated income statements on a straight-line basis within "Other operating expenses" (see Note 42).

If a fair value sale and leaseback results in an operating lease, the profit or loss generated from the sale is recognized in the consolidated income statement at the time of sale. If such a transaction gives rise to a finance lease, the corresponding gains or losses are accrued over the lease period.

The assets leased out under operating lease contracts to other entities in the Group are treated in the Consolidated Financial Statements as for own use, and thus rental expense and income is eliminated in consolidation and the corresponding depreciation is recognized.

2.2.20 Entities and branches located in countries with hyperinflationary economies

In accordance with the IFRS-EU criteria, to determine whether an economy has a high inflation rate the country's economic situation is examined, analyzing whether certain circumstances are fulfilled, such as whether the population prefers to keep its wealth or save in non-monetary assets or in a relatively stable foreign currency, whether prices can be set in that currency, whether interest rates, wages and prices are pegged to a price index or whether the accumulated inflation rate over three years reaches or exceeds 100%. The fact that any of these circumstances is fulfilled will not be a decisive factor in considering an economy hyperinflationary, but it does provide some reasons to consider it as such.

Argentina

In 2018, the Argentinian economy was considered to be hyperinflationary as defined by the aforementioned criteria. Accordingly, as of December 31, 2018, it was necessary to adjust the financial statements of the Group's subsidiaries based in Argentina to correct for the effect of inflation.

Pursuant to the requirements of IAS 29, the monetary headings (mainly loans and credits) have not been re-expressed, while the non-monetary headings (mainly tangible fixed assets and equity) have been re expressed in accordance with the change in the country's Consumer Price Index.

The accumulated historical differences between the re-expressed costs and the previous costs in the non-monetary headings as of December 31, 2017 were credited to "Equity" in the balance sheet, effective on January 1, 2018, while the differences corresponding to 2018, and the re-expression of results were recognized in the consolidated income statement for 2018 in accordance with the nature of the income and expenses.

During the year ended December 31, 2018 there was a reclassification in "Transfers within total equity" of the Consolidated Statements of Changes in Equity between "Accumulated other comprehensive income" and "Shareholders' funds – Retained earnings" for €1,096 million, and from "Non-controlling interest – Accumulated other comprehensive income (loss)" to "Non-controlling interest – Other" for €540 million in accordance to IAS 29 and to the accounting policy approved by the Group in relation to the hyperinflation (see Note 1.3).

During the financial year 2018, the increase in the reserves of Group entities located in Argentina derived from the re-expression for hyperinflation (IAS 29) amounts to €703 million, of which €463 million have been registered within "Shareholders' funds - Retained earnings" and €240 million within "Minority interests – Other". Furthermore, during the financial year 2018 the decrease in the reserves of Group entities located in Argentina derived from conversion (IAS 21) amounts to €-773 million, of which €-515 million have been registered within "Shareholders' funds - Retained earnings", and €-258 million within "Minority interests – Other". The net impact of both effects is presented under the caption "Other increases or (-) decreases in equity" in the consolidated Statement of Changes in Equity for the financial year ended December 31, 2018. The net loss in the profit attributable to the dominating entity of the Group in 2018 derived from the application of IAS 29 amounted to €209 million. In addition, there is a net loss in the profit attributable to the dominating entity of the Group in 2018 derived from the application of IAS 21 which amounted to €57 million.

The breakdown of the General Price Index ("GPI") and the inflation index used as of December 31, 2018 for the inflation restatement of the financial statements of the Group companies located in Argentina is as follows:

General Price Index

	2018
GPI	184
Average GPI	152
Inflation of the period	48%

Venezuela

Since 2009, the economy of Venezuela can be considered hyperinflationary under the above criteria. As a result, the financial statements of the BBVA Group's entities located in Venezuela have therefore been adjusted to correct for the effects of inflation in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies". As stated in Note 1.3, BBVA has restated prior year information.

The losses recognized under the heading "Profit attributable to the parent company" in the accompanying consolidated income statement as a result of the adjustment for inflation on net monetary position of the Group entities in Venezuela amounted to €12, €13 and €28 million in 2018, 2017 and 2016 respectively (see Note 2.2.16).

2.3 Recent IFRS pronouncements

Changes introduced in 2018

The following amendments to the IFRS standards or their interpretations (hereinafter "IFRIC") became effective on or after January 1, 2018.

IFRS 9 - "Financial instruments"

IFRS 9 replaced IAS 39 for financial statements from January 1, 2018 onwards and includes new classification and measurement requirements for financial assets and liabilities and impairment requirements for financial assets (see Note 2.2.1).

Regarding the hedge accounting, the Group has elected to continue applying IAS 39 to its hedge accounting as permitted by IFRS 9.

Amended IFRS 9 – Prepayment Features with Negative Compensation

The amendments to IFRS 9 allow entities to measure certain prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income if a specified condition is met, instead of at fair value through profit or loss. The condition is that the financial asset would otherwise meet the criteria of having contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of that prepayment feature.

The amendments should be applied to the accounting periods beginning on or after January 1, 2019, although early application is permitted. The Group has applied this amendment to the accounting period beginning on January 1, 2018 and it has not had a significant impact on the Group´s financial statements.

Amended IFRS 7 - "Financial instruments: Disclosures"

The IASB modified IFRS 7 in December 2011 to include new disclosures on financial instruments that entities will have to provide in the period that they apply IFRS 9 for the first time.

IFRS 15 - "Revenue from contracts with customers"

IFRS 15 contains the principles that an entity shall apply to account for revenue and cash flows arising from a contract with a customer (see Note 2.2.17).

The core principle of IFRS 15 is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services, in accordance with contractual agreements (either over time or at a certain time). It is considered that the good or service is transferred when the customer obtains control over it.

The new Standard replaces IAS 18 – Revenue, IAS 11 - Construction Contracts, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 – Revenue-Transactions Involving Advertising Services.

This standard has not had a significant impact on the Group's Consolidated Financial Statements.

IFRS 2 – "Classification and Measurement of Share-based Payment Transactions"

The amendments made to IFRS 2 provide requirements on three different aspects:

- When measuring the fair value of a cash-settled share-based payment vesting conditions, other than market conditions, the conditions for the irrevocability shall be taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction.
- A transaction in which an entity settles a share-base payment arrangement net by withholding a specified portion of the equity instruments to meet a statutory tax withholding obligation will be classified as equity settled in its entirety if, without the net settlement feature, the entire share-based payment would otherwise be classified as equity-settled.
- In case of modification of a share-based payment from cash-settled to equity-settled, the modification will be accounted for derecognizing the original liability and recognizing in equity the fair value of the equity instruments granted to the extent that services have been rendered up to the modification date; any difference will be recognized immediately in profit or loss.

This standard has not had a significant impact on the Group's Consolidated Financial Statements.

Amended IFRS 4 – "Insurance Contracts"

The amendments made to IFRS 4 address the temporary accounting consequences of the different effective dates of IFRS 9 and the forthcoming insurance contracts standard, by introducing two optional solutions:

- *The deferral approach or temporary exemption*, that gives entities whose predominant activities are connected with insurance the option to defer the application of IFRS 9 and continue applying IAS 39 until 2021.
- *The overlay approach*, that gives all issuers of insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the additional accounting volatility that may arise from applying IFRS 9 compared to applying IAS 39 before applying the forthcoming insurance contracts standard.

This standard has not had a significant impact on the Group's Consolidated Financial Statements.

Annual improvements cycle to IFRSs 2014-2016 – Minor amendments to IFRS 1 and IAS 28

The annual improvements cycle to IFRSs 2014-2016 includes minor changes and clarifications to IFRS 1-First-time Adoption of International Financial Reporting Standards and IAS 28 – Investments in Associates and Joint Ventures, which should be applied to the accounting periods beginning on or after January 1, 2018, although early application was permitted for modifications to IAS 28.

This standard has not had a significant impact on the Group's Consolidated Financial Statements.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation addresses how to determine the date of the transaction, and thus, the exchange rate to use to translate the related asset, expense or income on initial recognition, in circumstances in which a non-monetary prepayment asset or a non-monetary deferred income liability arising from the payment or receipt of advance consideration is recognized in advance of the related asset, income or expense. It requires that the date of the transaction will be the date on which an entity initially recognizes the non-monetary asset or non-monetary liability.

If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

This standard has not had a significant impact on the Group's consolidated financial statements.

Amended IAS 40 – Investment Property

The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property.

This standard has not had a significant impact on the Group's financial statements.

Standards and interpretations issued but not yet effective as of December 31, 2018

The following new International Financial Reporting Standards together with their interpretations had been published at the date of preparation of the accompanying consolidated financial statements, but are not mandatory as of December 31, 2018. Although in some cases the IASB allows early adoption before their effective date, the BBVA Group has not proceeded with this option for any such new standards.

Amended IFRS 10 – "Consolidated financial statements" and IAS 28 amended

The amendments to IFRS 10 and IAS 28 establish that when an entity sells or transfers assets which are considered a business (including its consolidated subsidiaries) to an associate or joint venture of the entity, the latter will have to recognize any gains or losses derived from such transaction in its entirety. Notwithstanding, if the assets sold or transferred are not considered a business, the entity will have to recognize the gains or losses derived only to the extent of the interests in the associate or joint venture with unrelated investors.

These changes will be applicable to accounting periods beginning on the effective date, still to be determined, although early adoption is allowed.

IFRS 16 – "Leases"

On January 13, 2016, the IASB issued IFRS 16 which will replace IAS 17 "Leases" for financial statements from January 1, 2019 onwards. The new standard introduces a single lessee accounting model and will require a lessee to recognize assets and liabilities for all leases. The only exceptions are short-term contracts and those in which the underlying assets have low value. A lessee will be required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

With regard to lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor will continue to classify its leases as operating leases or finance leases, and account for those two types of leases differently.

During the financial years 2017 and 2018 the Group has carried out a project to implement IFRS 16 with the participation of all affected areas. The standard will mainly affect the accounting of operating leases of the Group.

With regard to the estimated impact on the Consolidated Financial Statements, at the transition date, the Group has decided to apply the modified retrospective approach which requires recognition of a lease liability equal to the present value of the future payments committed on January 1, 2019. Regarding the measurement of the right-of-use asset, the Group has elected to record an amount equal to the lease liability. As a result of this approach, the Group expects to recognize assets for the right-of-use and lease liabilities for an approximate amount of 3,600 million euros mainly coming from the Group's activity in Spain as well as from bank branches leases. The estimated impact in terms of capital (CET1) for the Group amounts to -12 basis points.

The final impact of adopting the standard as of January 1, 2019 may change because:

- the Group has not concluded the tests;
- the new accounting policies, methodologies and parameters may be subject to changes until the Group presents its financial statements that include the final impact as of the date of initial application.

IFRS 17 – Insurance Contracts

IFRS 17 establishes the principles for the accounting for insurance contracts and supersedes IFRS 4. The new standard introduces a single accounting model for all insurance contracts and requires the entities to use updated assumptions.

An entity shall divide the contracts into groups and recognize and measure groups of insurance contracts at the total of:

- the fulfilment cash flows, that comprises the estimate of future cash flows, an adjustment to reflect the time value of money and the financial risk associated with the future cash flows and a risk adjustment for non-financial risk; and
- the contractual service margin that represents the unearned profit.

The amounts recognized in the consolidated income statement shall be disaggregated into insurance revenue, insurance service expenses and insurance finance income or expenses. Insurance revenue and insurance service expenses shall exclude any investment components. Insurance revenue shall be recognized over the period the entity provides insurance coverage and in proportion to the value of the provision of coverage that the insurer provides in the period.

This Standard will be applied to the accounting years starting on or after January 1, 2021.

IFRIC 23 - Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

If the entity considers that it is probable that the taxation authority will accept an uncertain tax treatment, the Interpretation requires the entity to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings.

If the entity considers that it is not probable that the taxation authority will accept an uncertain tax treatment, the Interpretation requires the entity to use the most likely amount or the expected value (sum of the probability. weighted amounts in a range of possible outcomes) in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The method used should be the method that the entity expects to provide the better prediction of the resolution of the uncertainty.

The interpretation will be applied to the accounting periods beginning on or after January 1, 2019.

Amended IAS 28 – Long-term Interests in Associates and Joint Ventures

The amendments to IAS 28 clarify that an entity is required to apply IFRS 9 to long term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The amendments will be applied to the accounting periods beginning on or after January 1, 2019.

Annual improvements cycle to IFRSs 2015-2017

The annual improvements cycle to IFRSs 2015-2017 includes minor changes and clarifications to IFRS 3-Business Combinations, IFRS 11 – Joint Arrangements, IAS 12 – Income Taxes and IAS 23 – Borrowing Costs, which will be applied to the accounting periods beginning on or after January 1, 2019, although early application is permitted.

Amended IAS 19 – Plan Amendment, Curtailment or Settlement

The small amendments in IAS 19 concern the cases if a plan is amended, curtailed or settled during the period. In these cases, an entity should ensure that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The amendments will be applied to the accounting periods beginning on or after January 1, 2019.

Amended IFRS 3 – Definition of a business

The amendments clarify the difference between the acquisition of a business or the acquisition of a set of assets. To determine whether a transaction is an acquisition of a business, an entity should evaluate and conclude if the two following conditions are fulfilled:

- the fair value of the acquired assets is not concentrated in one single asset or group of similar assets.
- the entirety of acquired activities and assets includes, as a minimum, an input and a substantial process which, together, contribute to the capacity to create products.

The amendments will be applied to the accounting periods beginning on or after January 1, 2020, although early application is permitted.

Amended IAS 1 and IAS 8 – Definition of material

The amendments clarify the definition of material in the elaboration of the financial statements by aligning the definition of the conceptual framework, IAS 1 and IAS 8 (which, before the amendments, included similar but not identical definitions). The new definition of material is the following: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The amendments will be applied to the accounting periods beginning on or after January 1, 2020, although early application is permitted.

2.4 Transition to IFRS 9 and condensed consolidated opening balance sheet as of January 1, 2018

2.4.1 Transition to IFRS 9

As mentioned in the Notes 1.3, 2.2.1 and 2.3, IFRS 9 replaced IAS 39 for financial statements from January 1, 2018 onwards and includes new classification and measurement requirements for financial assets and liabilities, impairment requirements for financial assets and hedge accounting policy.

The application of this standard on January 1, 2018, had a significant impact on the consolidated financial statements of the Group at that date.

Classification and measurement of financial instruments

Financial assets

IFRS 9 has a new approach to classification and measurement of financial assets which is a mirror of the business model used for asset management purposes and its cash flow characteristics.

IFRS 9 contains three main categories for financial assets classification: valued at amortized cost, valued at fair value with changes in other accumulated comprehensive income, and valued at fair value through profit or loss. The standard eliminates the IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

The classification of financial instruments measured at amortized cost or fair value must be carried out on the basis of: the entity's business model and the assessment of the contractual cash flow, commonly known as the "solely payments of principle and interest" criterion (hereinafter, the SPPI). The purpose of the SPPI test is to determine whether in accordance with the contractual characteristics of the instrument its cash flows only represent the return of the principal and interest, basically understood as consideration for the time value of money and the debtor's credit risk.

A financial instrument will be classified in the amortized cost portfolio when it is managed with a business model whose purpose is to maintain the financial assets to receive contractual cash flows, and passes the SPPI test. They will be classified in the portfolio of financial assets at fair value with changes in other comprehensive income if they are managed with a business model whose purpose combines collection of the contractual cash flows and sale of the assets, and meets the SPPI test. They will be classified at fair value with changes in profit and loss provided that the entity's business model for their management or the contractual characteristics of its cash flows do not require classification into one of the portfolios described above.

The Group reviewed the existing business models in the geographic areas where it operates to establish classification in accordance with IFRS 9, taking into account the special characteristics of the local structures and organizations, as well as the type of products.

The Group has defined criteria to determine the acceptable frequency and reasons for sales so that the instrument can remain in the category of held to collect contractual cash flows.

Regardless of the frequency and importance of the sales, some types of sales are not incompatible with the category of held to collect contractual flows: sales due to reduction in credit quality; sales close to the maturity of transactions so that variations in market prices will not have a significant effect on the cash flows of the financial asset; sales in response to a change in regulations or in taxation; sales in response to an internal restructuring or significant business combination; sales derived from the execution of a liquidity crisis plan when the crisis event is not reasonably foreseeable.

The Group segmented the portfolio of instruments for carrying out the SPPI test by differentiating products with standard contracts (all the instruments have identical contractual characteristics and are broadly used), for which the Group has carried out the SPPI test by reviewing the standard framework contract. For those products with similar, but not identical characteristics compliance has been assessed through a sampling exercise of contracts. All the financial instruments with specific contractual characteristics have been analyzed individually.

As a result of the analyses carried out on both the business model and the contractual characteristics, certain accounting reclassifications resulted affecting both financial assets and, as the case may be, financial liabilities related to those assets. In general, there is a greater volume of assets valued at fair value with changes in the income statement and the valuation method of some instruments has also been changed according to the one that best reflects the business model to which they belong. Changes in the valuation model to avoid exceeding the criterion of solely payment of principal and interest are not significant.

As of December 31, 2017, the Group had certain investments in financial instruments classified as available-for-sale which, in accordance with IFRS 9, the Group designated as financial assets at fair value through other comprehensive income. As a result, all the gains and losses at fair value of these instruments are now reported in accumulated other comprehensive income. Impairment losses would not be recognized to profit and loss, and gains or losses would not be reclassified to the income statement in the case of divestment. The remaining investments held by the Group as of December 31, 2017 in equity instruments classified as available-for-sale are now accounted for as fair value through changes in profit or loss.

Financial liabilities

IFRS 9 largely maintains the requirements under IAS 39 for classifying financial liabilities. However, a new aspect introduced by IFRS 9 is the recognition of changes in the fair value of the financial liabilities to which the fair value option is applied. In this case, the changes in the fair value attributable to the credit risk itself are recognized as other comprehensive income, while the rest of the variation is recognized in the income statement. In any case, the variation of credit risk itself may be recognized in the income statement if the treatment described above generates accounting asymmetry.

Financial assets impairments

IFRS 9 replaced the "incurred loss" model in IAS 39 with one of "expected credit loss". The IFRS 9 impairment model is applied to financial assets valued at amortized cost and to financial assets valued at fair value through other comprehensive income, except for investments in equity instruments and contracts for financial guarantees and loan commitments unilaterally revocable by BBVA. Likewise, all the financial instruments valued at fair value with change through profit and loss are excluded from the impairment model.

The new standard classifies financial instruments into three categories, which depend on the evolution of their credit risk from the moment of initial recognition. The first category includes the transactions when they are initially recognized (Stage 1); the second comprises the financial assets for which a significant increase in

credit risk has been identified since its initial recognition (Stage 2) and the third one, the impaired financial assets (Stage 3).

The calculation of the provisions for credit risk in each of these three categories must be done differently. In this way, expected loss up to 12 months for the financial assets classified in the first of the aforementioned categories must be recorded, while expected losses estimated for the remaining life of the financial assets classified in the other two categories must be recorded. Thus, IFRS 9 differentiates between the following concepts of expected loss:

- Expected loss at 12 months: expected credit loss that arises from possible default events within 12 months following the presentation date of the financial statements; and
- Expected loss during the life of the transaction: this is the expected credit loss that arises from all possible default events over the remaining life of the financial instrument.

All this requires considerable judgment, both in the modeling for the estimation of the expected losses and in the forecasts, on how the economic factors affect such losses, which must be carried out on a weighted probability basis.

The BBVA Group has applied the following definitions in accordance with IFRS 9:

- Default

BBVA has applied a definition of default for financial instruments that is consistent with that used in internal credit risk management, as well as the indicators under applicable regulation at the date of implementation of IFRS 9. Both qualitative and quantitative indicators have been considered.

The Group has considered there is a default when one of the following situations occurs:

- payment past-due for more than 90 days; or
- there are reasonable doubts regarding the full reimbursement of the instrument.

In accordance with IFRS 9, the 90-day past-due stipulation may be waived in cases where the entity considers it appropriate, based on reasonable and documented information that it is appropriate to use a longer term. As of December 31, 2018, the Group has not considered periods higher than 90 days for any of the significant portfolios.

- Credit impaired asset

An asset is credit-impaired according to IFRS 9 if one or more events have occurred and they have a detrimental impact on the estimated future cash flows of the asset. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower.
- A breach of contract (e.g. a default or past due event).
- A lender having granted a concession to the borrower – for economic or contractual reasons relating to the borrower's financial difficulty – that the lender would not otherwise consider.
- It becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for that financial asset because of financial difficulties.
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event. Instead, the combined effect of several events may cause financial assets to become credit-impaired.

The definition of impaired financial assets in the Group is aligned with the definition of default explained in the above paragraphs.

- Significant increase in credit risk

The objective of the impairment requirements is to recognize lifetime expected credit losses for financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking.

The model developed by the Group for assessing the significant increase in credit risk has a two-prong approach that is applied globally, although the specific characteristics of each geographic area are respected:

- Quantitative criterion: the Group uses a quantitative analysis based on comparing the current expected probability of default over the life of the transaction with the original adjusted expected probability of default, so that both values are comparable in terms of expected default probability for their residual life. The thresholds used for considering a significant increase in risk take into account special cases according to geographic areas and portfolios. Depending on how old current financial assets are, at the time implementation of the standard, some simplification has been made to compare the probabilities of default between the current and the original moment, based on the best information available at that moment.
- Qualitative criterion: most indicators for detecting significant risk increase are included in the Group's systems through rating/scoring systems or macroeconomic scenarios, so quantitative analysis covers the majority of circumstances. The Group will use additional qualitative criteria when it considers it necessary to include circumstances that are not reflected in the rating/score systems or macroeconomic scenarios used.

Additionally, instruments under one of the following circumstances are considered Stage 2:

- More than 30 days past due. According to IFRS 9, default of more than 30 days is a presumption that can be rebutted in those cases in which the entity considers, based on reasonable and documented information, that such non-payment does not represent a significant increase in risk. As of December 31, 2018, the Group has not considered periods superior to 30 days for any of the significant portfolios.
- Watch list: They are subject to special watch by the Risks units because they show negative signs in their credit quality, even though there may be no objective evidence of impairment.
- Refinance or restructuring that does not show evidence of impairment.

Although the standard introduces a series of operational simplifications or practical solutions for analyzing the increase in significant risk, the Group does not expect to use them as a general rule. However, for high-quality assets, mainly related to certain government institutions and bodies, the standard allows for considering that their credit risk has not increased significantly because they have a low credit risk at the presentation date.

Thus the classification of financial instruments subject to impairment under the new IFRS 9 is as follows:

- Stage 1– without significant increase in credit risk

  Financial assets which are not considered to have significantly increased in credit risk have loss allowances measured at an amount equal to 12 months expected credit losses.

- Stage 2– significant increases in credit risk

  When the credit risk of a financial asset has increased significantly since the initial recognition, the impairment losses of that financial instrument is calculated as the expected credit loss during the entire life of the asset.

- Stage 3 - Impaired

  When there is objective evidence that the instrument is credit impaired, the financial asset is transferred to this category in which the provision for losses of that financial instrument is calculated as the expected credit loss during the entire life of the asset.

Method for calculating expected loss

In accordance with IFRS 9, the measurement of expected losses must reflect:

- A considered and unbiased amount, determined by evaluating a range of possible results.
- The time value of money.
- Reasonable and supportable information that is available without undue cost or effort and that reflects current conditions and forecasts of future economic conditions.

The Group measures the expected losses both individually and collectively. The purpose of the Group's individual measurement is to estimate expected losses for significant impaired instruments, or instruments classified in Stage 2. In these cases, the amount of credit losses is calculated as the difference between expected discounted cash flows at the effective interest rate of the transaction and the carrying amount of the instrument.

For the collective measurement of expected losses the instruments are grouped into groups of assets based on their risk characteristics. Exposure within each group is segmented according to the common credit risk characteristics, similar characteristics of the credit risk, indicative of the payment capacity of the borrower in accordance with their contractual conditions. These risk characteristics have to be relevant in estimating the future flows of each group. The characteristics of credit risk may consider, among others, the following factors:

- Type of instrument.
- Rating or scoring tools.
- Credit risk scoring or rating.
- Type of collateral.
- Amount of time at default for stage 3.
- Segment.
- Qualitative criteria which can have a significant increase in risk.

Collateral value if it has an impact on the probability of a default event.

- The estimated losses are derived from the following parameters:
- PD: estimate of the probability of default in each period.
- EAD: estimate of the exposure in case of default at each future period, taking into account the changes in exposure after the presentation date of the financial statements.
- LGD: estimate of the loss in case of default, calculated as the difference between the contractual cash flows and receivables, including guarantees.

In the case of debt securities, the Group supervises the changes in credit risk through monitoring the external published credit ratings.

To determine whether there is a significant increase in credit risk that is not reflected in the published ratings, the Group has also revised the changes in bond yields, and when they are available, the prices of CDS, together with the news and regulatory information available on the issuers.

Use of present, past and future information

IFRS 9 requires incorporation of present, past and future information to detect any significant increase in risk and measure expected loss.

The standard does not require identification of all possible scenarios for measuring expected loss. However, the probability of a loss event occurring and the probability it will not occur will also have to be considered, even though the possibility of a loss may be very small. Also, when there is no linear relation between the different future economic scenarios and their associated expected losses, more than one future economic scenario must be used for the measurement.

The approach used by the Group consists of using first the most probable scenario (baseline scenario) consistent with that used in the Group's internal management processes, and then applying an additional adjustment, calculated by considering the weighted average of expected losses in other economic scenarios (one more positive and the other more negative). The main macroeconomic variables that are valued in each of the scenarios for each of the geographies in which the Group operates are GDP, tax rates, unemployment rate and LTV.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

2.4.2 Condensed consolidated opening balance sheet as of January 1, 2018

Condensed Consolidated balance sheets (Millions of Euros)

ASSETS	December 2017 IAS 39	Classification and measurement of financial instruments	Impairment	Opening balance sheet 2018
Cash, cash balances at central banks and other demand deposits	42,680	-	-	42,680
Financial assets held for trading	64,695	27,159	-	91,854
Derivatives	35,265	-	-	35,265
Equity instruments	6,801	48	-	6,849
Debt securities	22,573	-	-	22,573
Loans and advances to central banks	-	245	-	245
Loans and advances to credit institutions	-	14,895	-	14,895
Loans and advances to customers	56	11,970	-	12,026
Non-trading financial assets mandatorily at fair value through profit or loss		4,451	-	4,451
Financial assets designated at fair value through profit or loss	2,709	(1,690)	-	1,019
Financial assets at fair value through other comprehensive income		62,107	8	62,115
Equity instruments		2,761	-	2,761
Debt securities		59,293	8	59,301
Loans and advances		140	-	140
Available for sale financial assets	69,476	(69,476)	-	
Financial assets at amortized cost	431,521	(8,680)	(1,158)	421,685
Debt securities	10,339	19,623	(3)	29,959
Loans and advances to central banks	7,300	(245)	-	7,055
Loans and advances to credit institutions	26,261	(15,622)	22	10,661
Loans and advances to customers	387,621	(12,435)	(1,177)	374,009
Held to maturity investments	13,754	(13,754)	-	
Hedging derivatives	2,485	-	-	2,485
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(25)	-	-	(25)
Joint ventures, associates and unconsolidated subsidiaries	1,588	1	-	1,589
Insurance and reinsurance assets	421	-	-	421
Tangible assets	7,191	-	-	7,191
Intangible assets	8,464	-	-	8,464
Tax assets	16,888	8	400	17,296
Other assets	4,359	-	-	4,359
Non-current assets and disposal groups held for sale	23,853	(1)	(21)	23,832
TOTAL ASSETS	**690,059**	**125**	**(770)**	**689,414**

The change registered in the heading “Financial assets held for trading” is mainly due to financial assets affected by the activity of Global Markets, which are reclassified from "Financial assets at amortized cost".

The change registered in the heading "Available for sale financial assets" are mainly due to the reclassification to the new heading "Financial assets at fair value through other comprehensive income".

The change registered in the heading “Financial assets at amortized cost” is mainly due to the reclassification to the item "Financial assets held for trading".

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

LIABILITIES AND EQUITY	December 2017 IAS 39	Classification and measurement of financial instruments	Impairment	Opening balance sheet 2018
Financial liabilities held for trading	46,182	34,601	-	80,783
Financial liabilities designated at fair value through profit or loss	2,222	3,273	-	5,495
Financial liabilities at amortized cost	543,713	(37,595)	-	506,118
Deposits from central banks	37,054	(3,261)	-	33,793
Deposits from credit institutions	54,516	(19,381)	-	35,135
Customer Deposits	376,379	(12,690)	-	363,689
Debt certificates	63,915	(2,266)	-	61,649
Other financial liabilities	11,850	1	-	11,851
Hedging derivatives	2,880	(112)	-	2,768
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(7)	-	-	(7)
Liabilities under insurance and reinsurance contracts	9,223	-	-	9,223
Provisions	7,477	-	125	7,602
Tax liabilities	3,298	(24)	17	3,291
Share capital repayable on demand	-	-	-	-
Other liabilities	4,550	-	-	4,550
Liabilities included in disposal groups classified as held for sale	17,197	1	(10)	17,188
TOTAL LIABILITIES	**636,736**	**142**	**132**	**637,010**
SHAREHOLDERS' FUNDS	53,283	71	(923)	52,432
Capital	3,267	-	-	3,267
Share premium	23,992	-	-	23,992
Equity instruments issued other than capital	-	-	-	-
Other equity	54	-	-	54
Retained earnings	23,612	71	(923)	22,760
Revaluation reserves	12	-	-	12
Other reserves	(35)	-	-	(35)
Less: Treasury shares	(96)	-	-	(96)
Profit or loss attributable to owners of the parent	3,519	-	-	3,519
Less: Interim dividends	(1,043)	-	-	(1,043)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	(6,939)	(109)	13	(7,036)
MINORITY INTERESTS (NON-CONTROLLING INTEREST)	6,979	21	8	7,008
TOTAL EQUITY	**53,323**	**(17)**	**(902)**	**52,404**
TOTAL EQUITY AND TOTAL LIABILITIES	**690,059**	**125**	**(770)**	**689,414**

The change registered in the heading "Financial liabilities held for trading" is mainly due to financial liabilities affected by the activity of Global Markets, which are reclassified from "Financial liabilities at amortized cost".

The change registered in the heading "Financial liabilities at amortized cost" is mainly due to the reclassification to "Liabilities held for trading".

3. BBVA Group

The BBVA Group is an international diversified financial group with a significant presence in retail banking, wholesale banking, asset management and private banking. The Group also operates in other sectors such as insurance, real estate, operational leasing, etc.

The following information is detailed in the Appendices of the Consolidated Financial Statements of the Group:

- Appendix I shows relevant information related to the consolidated subsidiaries and structured entities.
- Appendix II shows relevant information related to investments in subsidiaries, joint ventures and associates accounted for using the equity method.
- Appendix III shows the main changes and notification of investments and divestments in the BBVA Group.
- Appendix IV shows fully consolidated subsidiaries with more than 10% owned by non-Group shareholders.

The following table sets forth information related to the Group's total assets as of December 31, 2018, 2017 and 2016, broken down by the Group's entities according to their activity:

Contribution to Consolidated Group Total Assets. Entities by Main Activities (Millions of euros)

	2018	2017	2016
Banks and other financial services	647,164	659,414	699,592
Insurance and pension fund managing companies	26,732	26,134	26,831
Other non-financial services	2,793	4,511	5,433
Total	**676,689**	**690,059**	**731,856**

The total assets and results of operations broken down by the geographical areas, in which the BBVA Group operates, are included in Note 6.

The BBVA Group's activities are mainly located in Spain, Mexico, South America, the United States and Turkey, with active presence in other countries, as shown below:

- Spain

  The Group's activity in Spain is mainly through Banco Bilbao Vizcaya Argentaria, S.A., which is the parent company of the BBVA Group. The Group also has other entities that operate in Spain's banking sector, insurance sector, real estate sector, services and as operational leasing entities.

- México

  The BBVA Group operates in Mexico, not only in the banking sector, but also in the insurance sector through Grupo Financiero Bancomer.

- South America

  The BBVA Group's activities in South America are mainly focused on the banking, financial and insurance sectors, in the following countries: Argentina, Chile, Colombia, Peru, Paraguay, Uruguay and Venezuela. It has a representative office in Sao Paulo (Brazil).

  The Group owns more than 50% of most of the entities based in these countries. Appendix I shows a list of the entities which, although less than 50% owned by the BBVA Group as of December 31, 2018, are consolidated (see Note 2.1).

- The United States

  The Group's activity in the United States is mainly carried out through a group of entities with BBVA Compass Bancshares, Inc. at their head, as well as, the New York BBVA branch and a representative office in Silicon Valley (California).

- Turkey

  The Group's activity in Turkey is mainly carried out through the Garanti Group.

- Rest of Europe

  The Group's activity in Europe is carried out through banks and financial institutions in Ireland, Switzerland, Italy, Netherlands, Finland and Romania, branches in Germany, Belgium, France, Italy Portugal and the United Kingdom, and a representative office in Moscow.

- Asia-Pacific

  The Group's activity in this region is carried out through branches (in Taipei, Tokyo, Hong Kong Singapore and Shanghai) and representative offices (in Beijing, Seoul, Mumbai, Abu Dhabi and Jakarta).

Main transactions in the Group in 2018

Divestitures

Sale of BBVA's stake in BBVA Chile

On November 28, 2017, BBVA received a binding offer (the "Offer") from The Bank of Nova Scotia group ("Scotiabank") for the acquisition of BBVA's stake in Banco Bilbao Vizcaya Argentaria Chile, S.A. ("BBVA Chile") as well as in other companies of the Group in Chile with operations that are complementary to the banking business (amongst them, BBVA Seguros Vida, S.A.). BBVA owned approximately, directly and indirectly, 68.19% of BBVA Chile share capital. On December 5, 2017, BBVA accepted the Offer and entered into a sale and purchase agreement and the sale was completed on July, 6, 2018.

The consideration received in cash by BBVA as consequence of the referred sale amounts to, approximately, USD 2,200 million. The transaction results in a capital gain, net of taxes, of €633 million, which was recognized in 2018.

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 is transferred (the "Business").

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 position of the REOs as of 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.

On October 10, 2018, after obtaining all required authorizations, BBVA completed the transfer of the real estate business in Spain. Closing of the transaction has resulted in the sale of 80% of the share capital of the company Divarian Propiedad, S.A. to an entity managed by Cerberus.

Divarian is the company to which the BBVA Group has previously contributed the Business provided that the effective transfer of several real estate assets (REO´s) remains subject to the fulfilment of certain conditions precedent, as stated in the referred relevant event. The final price payable by Cerberus will be adjusted depending on the volume of REO´s effectively contributed.

As of December 31, 2018, the transaction did not have a significant impact on BBVA Group's attributable profit or the Common Equity Tier 1 (fully loaded).

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).

Main transactions in the Group in 2016

Mergers

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

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

4. Shareholder remuneration system

BBVA's shareholder remuneration policy communicated in October 2013 established the distribution of an annual pay-out of between 35% and 40% of the profits earned in each year and the progressive reduction of the remuneration via "Dividend Options", so that the shareholders' remuneration would ultimately be fully in cash. As announced on February 1, 2017, BBVA's Board of Directors executed a capital increase to be charged to voluntary reserves for the instrumentation of the last "Dividend Option", being the subsequent shareholders' remunerations fully in cash, dated March 29, 2017.

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

Shareholder remuneration scheme "Dividend Option"

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

Under such remuneration scheme, BBVA offered its shareholders the possibility to receive all or part of their remuneration in the form of newly-issued BBVA ordinary shares, whilst maintaining the possibility for BBVA shareholders to receive their entire remuneration in cash by selling the rights of free allocation assigned either to BBVA (in execution of the commitment assumed by BBVA to acquire the rights of free allocation at a guaranteed fixed price) or by selling the rights of free allocation on the market at the prevailing market price at that time. However, the execution of the commitment assumed by BBVA was only available to whoever had been originally assigned such rights of free allocation and only in connection with the rights of free allocation initially allocated at such time.

On March 29, 2017, BBVA's Board of Directors resolved to execute the capital increase to be charged to voluntary reserves approved by the Annual General Meeting ("AGM") held on March 17, 2017, under agenda item three, to implement a "Dividend Option" this year. As a result of this increase, the Bank's share capital increased by €49,622,955.62 through the issuance of 101,271,338 newly-issued BBVA ordinary shares at 0.49 euros par value, given that 83.28% of owners of the rights of free allocation opted to receive newly issued BBVA ordinary shares. The remaining 16.72% of the owners of the rights of free allocation exercised the commitment assumed by BBVA, and as a result, BBVA acquired 1,097,962,903 rights (at a gross price of €0.131 each) for a total amount of €143,833,140.29. This amount is recorded in "Total Equity-Dividends and Remuneration" of the consolidated balance sheet as of December 31, 2017 (see Note 26).

On September, 28 2016, BBVA's Board of Directors resolved to execute the second of the share capital increases to be charged to voluntary reserves, as agreed by the AGM held on March 11, 2016. As a result of

this increase, the Bank's share capital increased by €42,266,085.33 through the issuance of 86,257,317 newly-issued BBVA ordinary shares at 0.49 euros par value, given that 87.85% of owners of the rights of free allocation opted to receive newly-issued BBVA ordinary shares. The remaining 12.15% of the owners of the rights of free allocation exercised the commitment assumed by BBVA, and as a result, BBVA acquired 787,374,942 rights (at a gross price of €0.08 each) for a total amount of €62,989,995.36. This amount is recorded in "Total Equity-Dividends and Remuneration" of the consolidated balance sheet as of December 31, 2016 (see Note 26).

On March 31, 2016, BBVA's Board of Directors resolved to execute the first of the share capital increases to be charged to voluntary reserves, as agreed by the AGM held on March 11, 2016 for the implementation of the shareholder remuneration system called the "Dividend Option". As a result of this increase, the Bank's share capital increased by €55,702,125.43 through the issuance of 113,677,807 newly-issued BBVA ordinary shares at a €0.49 par value, given that 82.13% of owners of the rights of free allocation opted to receive newly-issued BBVA ordinary shares. The remaining 17.87% of the owners of the rights of free allocation exercised the commitment assumed by BBVA, and as a result, BBVA acquired 1,137,500,965 rights (at a gross price of €0.129 each) for a total amount of €146,737,624.49. This amount is recorded in "Total Equity-Dividends and Remuneration" of the consolidated balance sheet as of December 31, 2016 (see Note 26).

Cash Dividends

Throughout 2016, 2017 and 2018, BBVA's Board of Directors approved the payment of the following dividends (interim or final dividends) fully in cash, recorded in "Total Equity- Interim Dividends" of the consolidated balance sheet of the relevant year:

- The Board of Directors, at its meeting held on June 22, 2016, approved the payment in cash of €0.08 (€0.0648 net of withholding tax) per BBVA share as the first gross interim dividend against 2016 results. The total amount paid to shareholders on July 11, 2016, after deducting treasury shares held by the Group's companies, amounted to €517 million and is recognized under the headings "Total Equity- Interim Dividends" of the consolidated balance sheet as of December 31, 2016.
- The Board of Directors, at its meeting held on December 21, 2016, approved the payment in cash of €0.08 (€0.0648 withholding tax) per BBVA share, as the second gross interim dividend against 2016 results. The total amount paid to shareholders on January 12, 2017, after deducting treasury shares held by the Group's Companies, amounted to €525 million and is recognized under the heading "Total Equity- Interim Dividends" of the consolidated balance sheet as of December 31, 2016.
- The Board of Directors, at its meeting held on September 27, 2017, approved the payment in cash of €0.09 (€0.0729 net of withholding tax) per BBVA share, as the first gross interim dividend against 2017 results. The total amount paid to shareholders on October 10, 2017, after deducting treasury shares held by the Group's companies, amounted to €599 million and is recognized under the heading "Total Equity- Interim Dividends" of the consolidated balance sheet as of December 31, 2017.
- The Annual General Meeting of BBVA held on March 16, 2018 approved, under item 1 of the Agenda, the payment of a final dividend for 2017, in addition to other dividends previously paid, in cash for an amount equal to €0.15 (€0.1215 net of withholding tax) per BBVA share. The total amount paid to shareholders on April 10, 2018, after deducting treasury shares held by the Group's companies, amounted €996 million and is recognized under heading "Total Equity- Final Dividends" of the consolidated balance sheet as of December 31, 2018.
- The Board of Directors, at its meeting held on September 26, 2018, approved the payment in cash of €0.10 (€0.081 net of withholding tax rate of 19%) per BBVA share, as gross interim dividend based on 2018 results. The total amount paid to shareholders on October 10, 2018, after deducting treasury shares held by the Group´s companies, amounted €663 million and is recognized under

heading "Total Equity- Interim Dividends" of the consolidated balance sheet as of December 31, 2018.

The interim accounting statements prepared in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of the amounts agreed on September 26, 2018, mentioned above are as follows:

Available Amount for Interim Dividend Payments (Millions of euros)

	August 31, 2018
Profit of BBVA, S.A. after the provision for income tax	2,462
Additional Tier I capital instruments remuneration	236
Maximum amount distributable	**2,226**
Amount of proposed interim dividend	**667**
BBVA cash balance available to the date	**4,577**

Proposal on allocation of earnings for 2018

The allocation of earnings for 2018 subject to the approval of the Board of Directors at the Annual Shareholders Meeting is presented below:

Allocation of Earnings (Millions of euros)

	December 2018
Profit for year (*)	**2,316**
Distribution:	
Interim dividends	667
Final dividend	1,067
Additional Tier 1 securities	313
Voluntary reserves	269

(*) Net Income of BBVA, S.A. (see Appendix IX).

5. Earnings per share

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

The calculation of earnings per share is as follows:

Basic and Diluted Earnings per Share

	2018	2017	2016
Numerator for basic and diluted earnings per share (millions of euros)			
Profit attributable to parent company	5,324	3,519	3,475
Adjustment: Additional Tier 1 securities (1)	(313)	(301)	(260)
Profit adjusted (millions of euros) (A)	**5.011**	**3.218**	**3.215**
Profit from discontinued operations (net of non-controlling interest) (B)	**-**	**-**	**-**
Denominator for basic earnings per share (number of shares outstanding)	**-**	**-**	**-**
Weighted average number of shares outstanding (2)	6,668	6,642	6,468
Weighted average number of shares outstanding x corrective factor (3)	6,668	6,642	6,592
Adjusted number of shares - Basic earning per share (C)	**6,636**	**6,642**	**6,592**
Adjusted number of shares - diluted earning per share (D)	**6,636**	**6,642**	**6,592**
Earnings per share (*)	**0.76**	**0.48**	**0.49**
Basic earnings per share from continued operations (Euros per share)A-B/C	0.76	0.48	0.49
Diluted earnings per share from continued operations (Euros per share)A-B/D	0.76	0.48	0.49
Basic earnings per share from discontinued operations (Euros per share)B/C	-	-	-
Diluted earnings per share from discontinued operations (Euros per share)B/D	-	-	-

(1) Remuneration in the year related to contingent convertible securities, recognized in equity (see Note 22.4).

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

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

(*) As of December 31, 2018 the weighted average number of shares outstanding was 6,668 million (6,642 and 6,468 million as of December 31, 2017 and 2016, respectively) and the adjustment of additional Tier 1 securities amounted to €313 million (€301 and €260 million as of December 31, 2017 and 2016, respectively).

As of December 31, 2018, 2017 and 2016, there were no other financial instruments or share option commitments to employees that could potentially affect the calculation of the diluted earnings per share for the years presented. For this reason, basic and diluted earnings per share are the same.

6. Operating segment reporting

Operating segment reporting represents a basic tool in the oversight and management of the BBVA Group's various activities. The BBVA Group compiles reporting information on disaggregated business activities. These business activities are then aggregated in accordance with the organizational structure determined by the BBVA Group and, ultimately, into the reportable operating segments themselves.

During 2018, there have not been significant changes in the reporting structure of the operating segments of the BBVA Group, although its composition is different from the close of 2017, as a result of the agreement of the sale of BBVA Chile (see Note 3). This transaction, which has affected South America´s area composition, is presented as follows, as well as the other operating segments within the BBVA Group:

- Banking activity in Spain

  Includes, as in previous years, the Retail Network in Spain, Corporate and Business Banking (CBB), Corporate & Investment Banking (CIB), BBVA Seguros and Asset Management units in Spain. It also includes the loans to developers that are granted new or that are no longer in difficult conditions, as well as the portfolios, finance and structural interest-rate positions of the euro balance sheet.

- Non Core Real - Estate

  It manages loans in Spain to developers who were in difficulty and real estate assets, mainly from foreclosed properties, both residential mortgages and developers. On November 29, 2017, the BBVA Group signed a sale agreement with Cerberus for the subsequent sale of 80% of the company created to

a subsidiary of Cerberus (see Note 3). The effective transfer of some real estate owned assets are subject to the fulfillment of certain conditions and in the meanwhile, BBVA will continue to manage those assets.

- The United States

Includes the Group's business activity in the country through the BBVA Compass Group and the BBVA New York branch.

- Mexico

Basically includes all the banking and insurance businesses carried out by the Group in the country. Since 2018 it has also included the BBVA Bancomer branch in Houston (in previous years located in the United States). Consequently, the figures from previous years have been reworked to incorporate this change and show comparable series.

- Turkey

Includes the activity of the BBVA Group business in Turkey through Garanti Group.

- South America

Includes BBVA's banking and insurance businesses in the region. On July 6, 2018, the sale of BBVA Chile to The Bank of Nova Scotia (Scotiabank) (see Note 3) was completed which affects the comparability of the results, the balance sheet, the activity and the most significant ratios of this business area with prior periods.

- Rest of Eurasia

Includes business activity in the rest of Europe and Asia, i.e. the Group´s retail and wholesale businesses in the area.

Lastly, the Corporate Center is comprised of the rest of the assets and liabilities that have not been allocated to the operating segments, as it corresponds to the Group's holding function. It includes: the costs of the head offices that have a corporate function; management of structural exchange-rate positions; specific issues of capital instruments to ensure adequate management of the Group's global solvency; portfolios and their corresponding results, whose management is not linked to customer relations, such as industrial holdings; certain tax assets and liabilities; funds due to commitments with employees; goodwill and other intangibles. As of December 31, 2018, it contains the 20% stake of BBVA in Divarian´s share capital (see Note 3).

The breakdown of the BBVA Group's total assets by operating segments as of December 31, 2018, 2017 and 2016, is as follows:

Total Assets by Operating Segments (Millions of euros)

	2018	2017 [1]	2016 [1]
Banking Activity in Spain	335,294	319,417	335,847
Non Core Real Estate	4,163	9,714	13,713
United States	82,057	75,775	88,902
Mexico	96,455	94,061	93,318
Turkey	66,250	78,694	84,866
South America	52,385	74,636	77,918
Rest of Eurasia	18,000	17,265	19,106
Subtotal Assets by Operating Segments	**654,605**	**669,562**	**713,670**
Corporate Center	22,084	20,497	18,186
Total Assets BBVA Group	**676,689**	**690,059**	**731,856**

[1] The figures corresponding to 2017 and 2016 have been restated (see Note 1.3).

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

The attributable profit and main earning figures in the consolidated income statements for the years ended December 31, 2018, 2017 and 2016 by operating segments are as follows:

Main Margins and Profits by Operating Segments (Millions of euros)

			Operating Segments							
		BBVA Group	Spain	Non Core Real Estate	United States	Mexico	Turkey	South America	Rest of Eurasia	Corporate Center
2018	**Notes**									
Net interest income		17,591	3,672	32	2,276	5,568	3,135	3,009	175	(276)
Gross income		23,747	5,943	38	2,989	7,193	3,901	3,701	415	(432)
Operating profit /(loss) before tax		7,580	2,017	(129)	919	3,294	1,448	1,307	144	(1,420)
Profit	**55.2**	**5,324**	**1,522**	**(78)**	**735**	**2,384**	**569**	**591**	**93**	**(494)**
2017 (1)										
Net interest income		17,758	3,738	71	2,119	5,476	3,331	3,200	180	(357)
Gross income		25,270	6,180	(17)	2,876	7,122	4,115	4,451	468	73
Operating profit /(loss) before tax		6,931	1,854	(656)	748	2,984	2,147	1,691	177	(2,013)
Profit	**55.2**	**3,519**	**1,374**	**(490)**	**486**	**2,187**	**826**	**861**	**125**	**(1,848)**
2016 (1)										
Net interest income		17,059	3,877	60	1,953	5,126	3,404	2,930	166	(455)
Gross income		24,653	6,416	(6)	2,706	6,766	4,257	4,054	491	(31)
Operating profit /(loss) before tax		6,392	1,268	(743)	612	2,678	1,906	1,552	203	(1,084)
Profit	**55.2**	**3,475**	**905**	**(595)**	**459**	**1,980**	**599**	**771**	**151**	**(794)**

(1) The figures corresponding to 2017 and 2016 have been restated (see Note 1.3).

The accompanying Consolidated Management Report presents the consolidated income statements and the balance sheets by operating segments.

7. Risk management

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7.1 General risk management and control model

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

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

- Governance and organization.
- Risk Appetite Framework.
- Decisions and processes.
- Assessment, monitoring and reporting.
- Infrastructure.

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

7.1.1 Governance and organization

BBVA Group´s risk governance model is characterized by a special involvement of its corporate bodies, both in setting the risk strategy and in the ongoing monitoring and supervision of its implementation.

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

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

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

Corporate bodies

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

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

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

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

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

Risk Function: CRO. Organizational structure and committees

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

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

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

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

- The corporate area's risk units develop and submit to the Group CRO the proposal for the Group's Risk Appetite Framework, the corporate policies, rules and global procedures and infrastructures within the framework approved by the corporate bodies; they ensure their application and report either directly or through the CRO to the Bank's corporate bodies. Their functions include:
    - Management of the different types of risks at Group level in accordance with the strategy defined by the corporate bodies.
    - Risk planning aligned with the risk appetite framework principles defined by the Group.

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

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

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

The risk function has a decision-making process to perform its functions, underpinned by a structure of committees, where the Global Risk Management Committee (GRMC) acts as the top-level committee within the risk function. It proposes, examines and, where applicable, approves, among others, the internal risk regulatory framework and the procedures and infrastructures needed to identify, assess, measure and manage the material risks faced by the Group in carrying out its business, and the determination of risk limits by portfolio. The members of this Committee are the Group's CRO, the Heads of the main Areas of the GRM Front, the Heads of GRM Corporate Discipline Units and the Head of Risk Management Group of GRM.

The GRMC carries out its functions assisted by various support committees which include:

- Global Credit Risk Management Committee: It is responsible for analyzing and decision-making related to wholesale credit risk admission.
- Wholesale Credit Risk Management Committee: its purpose is the analysis and decision-making regarding the admission of wholesale credit risk of certain customer segments of the BBVA Group.
- Work Out Committee: its purpose is to be informed about decisions taken under the delegation framework regarding risk proposals concerning clients on Watch List and clients classified as NPL of certain customer segments of the BBVA Group, as well the sanction of proposals regarding entries, exits and changes of Watch List, entries and exits in non-performing unlikely to pay and turns to written off.
- Asset Allocation Committee: The executive authority responsible for analyzing and deciding on credit risk issues related to processes aimed at achieving a portfolios combination and composition that, under the restrictions imposed by the Risk Appetite framework, allows to maximize the risk adjusted return on equity.

- Risk Models Management Committee: It ensures an appropriate decision-making process regarding the planning, development, implementation, use, validation and monitoring of the models required to achieve an appropriate management of the Model Risk in the BBVA Group.
- Global Markets Risk Unit Global Committee: It is responsible for formalizing, supervising and communicating the monitoring of trading desk risk in all the Global Markets business units, as well as coordinating and approving GMRU key decisions activity, and developing and proposing to GRMC the corporate regulation of the unit.
- Operational Risk and Product Governance Corporate Admission Committee: It identifies, analyzes and assesses the operational risks associated initiatives related with new business, products or services, outsourcing, process transformation and new systems, prior to its launch. As well, it will verify that Product Governance normative requirements are met and will decide about the insurance scheme (global policies).
- Retail Credit Risk Committee: It ensures for the analysis, discussion and decision support on all issues regarding the retail credit risk management that impact or potentially do in the practices, processes and corporate metrics established in the Policies, Rules and Operating Frameworks.
- Asset Management Global Risk Steering Committee: its purpose is to develop and coordinate the strategies, policies, procedures, and infrastructure necessary to identify, assess, measure and manage the material risks facing the bank in the operation of businesses linked to BBVA Asset Management.
- Global Insurance Risk Committee: its purpose is to guarantee and promote the alignment and the communication between all the Insurance Risk Units in the BBVA Group. It will do this by promoting the application of standardized principles, policies, tools and risk metrics in the different regions with the aim of maintaining proper integration of insurance risk management in the Group.
- COPOR: its purpose is to analyze and make decision in relation to the operations of the various geographies in which Global Markets is present.

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

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

Internal Risk Control and Internal Validation

The Group has a specific Internal Risk Control unit. Its main function is to ensure that there is an adequate internal regulatory framework, a process and measures defined for each type of risk identified in the Group (and for those other types of risk that may potentially affect the Group). It controls their application and operation, as well as ensuring integration of the risk strategy into the Group's management. In this regard, the Internal Risk Control unit verifies the performance of their duties by the units that develop the risk models, manage the processes and execute the controls. Its scope of action is global, from the geographical point of view and the type of risks.

The Group's Head of Internal Risk Control is responsible for the function and reports on its activities and informs of its work plans to the CRO and to the Board's Risks Committee, assisting it in any matters where requested. For these purposes the Internal Risk Control department has a Technical Secretary's Office, which offers the Committee the technical support it needs to better perform its duties.

In addition, the Group has an Internal Validation unit, which reviews the performance of its duties by the units that develop the risk models and of those that use them in management. Its functions include review and independent validation at internal level of the models used for management and control of risks in the Group.

7.1.2 Risk Appetite Framework

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

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

Risk appetite framework is expressed through the following elements:

Risk Appetite Statement

It sets out the general principles of the Group's risk strategy and the target risk profile. The 2018 Group's Risk appetite statement is as follows:

BBVA Group's Risk Policy is aimed to promote a multichannel and responsible universal banking model, based on principles, targeting sustainable growth, risk adjusted profitability and recurrent value creation. To achieve these objectives, the Risk Management Model is oriented to maintain a moderate risk profile that allows the Group to keep strong financial fundamentals in adverse environments preserving our strategic goals, maintaining a prudent management, an integral view of risks, and a portfolio diversification by geography, asset class and client segment, focusing on keeping a long term relationship with our customers.

Core metrics

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

- Solvency: a sound capital position, maintaining resilient capital buffer from regulatory and internal requirements that supports the regular development of banking activity even under stress situations. As a result, BBVA proactively manages its capital position, which is tested under different stress scenarios from a regular basis.
- Liquidity and funding: A sound balance-sheet structure to sustain the business model. Maintenance of an adequate volume of stable resources, a diversified wholesale funding structure, which limits the weight of short term funding and ensures the access to the different funding markets, optimizing the

costs and preserving a cushion of liquid assets to overcome a liquidity survival period under stress scenarios.

- Profitability and income recurrence: A sound margin-generation capacity supported by a recurrent business model based on the diversification of assets, a stable funding and a customer focus; combined with a moderate risk profile that limits the credit losses even under stress situations; all focused on allowing income stability and maximizing the risk-adjusted profitability.

The core metrics define, in quantitative terms, the principles and the target risk profile set out in the risk appetite statement and are in line with the strategy of the Group. Each metric has three thresholds (traffic-light approach) ranging from a standard business management to higher deterioration levels: Management reference, Maximum appetite and Maximum capacity. The 2018 Group's Core metrics are:

	Métrica
Solvency	Economic Solvency
	Regulatory Solvency: CET1 Fully Loaded
Liquidity and Funding	Loan to Stable Customer Deposits (LtSCD)
	Liquidity Coverage Ratio (LCR)
Profitability and Income Recurrence	Operating Income / Average Total Assets
	Cost of Risk
	Return on Equity (ROE)

By type of risk metrics

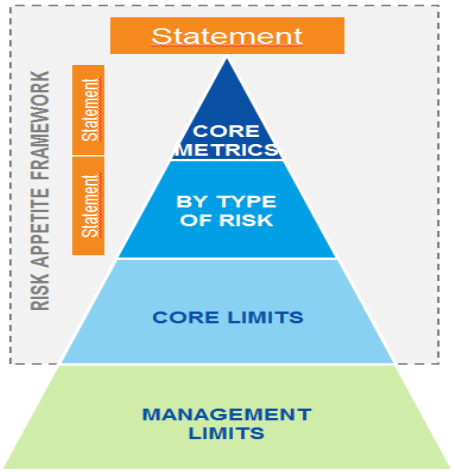
Based on the core metrics, statements are established for each type of risk reflecting the main principles governing the management of that risk and several metrics are calibrated, compliance with which enables compliance with the core metrics and the risk appetite statement of the Group. The metrics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

Basic limits structure (core limits)

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

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

The following graphic summarizes the structure of BBVA's Risk Appetite Framework:



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

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

As explained above, the core metrics of BBVA Risk Appetite Framework measure Groups performance in terms of solvency, liquidity and funding, profitability and income recurrence; most of the core metrics are accounting related or regulatory metrics which are published regularly to the market in the BBVA Group annual report and in the quarterly financial reports. During 2018, the Group risk profile evolved in line with the Risk Appetite metrics.

7.1.3 Decisions and processes

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

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

Standardized regulatory framework

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

This process aims for the following objectives:

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

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

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

Risk planning

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

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

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

Comprehensive management

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

The risk management cycle is composed of five elements:

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

7.1.4 Assessment, monitoring and reporting

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

- Assess compliance with the risk appetite framework at the present time, through monitoring of the core metrics, metrics by type of risk and the basic structure of limits.
- Assess compliance with the risk appetite framework in the future, through the projection of the risk appetite framework variables, in both a baseline scenario determined by the budget and a risk scenario determined by the stress tests.
- Identify and assess the risk factors and scenarios that could compromise compliance with the risk appetite framework, through the development of a risk repository and an analysis of the impact of those risks.

- Act to mitigate the impact in the Group of the identified risk factors and scenarios, ensuring this impact remains within the target risk profile.
- Supervise the key variables that are not a direct part of the risk appetite framework, but that condition its compliance. These can be either external or internal.

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

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

7.1.5 Infrastructure

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

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

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

The principles that govern the Group risk technology are:

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

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

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

7.1.6 Risk culture

The BBVA Group promotes the development of a risk culture based on the observance and understanding of values, attitudes, and behaviors that allow the compliance with the regulations and frameworks that contribute to an appropriate risk management.

At BBVA the Risk Governance Model is characterized by a special involvement of social bodies, as they define the risk culture that permeates the rest of the organization and has the following main elements:

- Our Purpose which defines our reason to be and with our values and behaviors guide the performance of our organization and the people who are part of it.
- The Risk Appetite Framework which determines the risks and levels of risks that the Group is willing to assume in order to fulfill its goals.
- The Code of Conduct establishes the behavior guidelines that we must follow to adjust our behavior to the BBVA values.

The Risk Culture at BBVA is based on these levers:

- Communication: The BBVA Group promotes the dissemination of the principles and values that should govern the conduct and risk management in a comprehensive and consistent manner. To do this, the most appropriate channels of communication are used, to allow for the Risk culture to be integrated into the business activities at all levels of the organization.
- Training: The BBVA Group favors the understanding of the values, risk management model, and the code of conduct in all scenarios, ensuring standards in skills and knowledge.
- Motivation: The BBVA Group aims to define incentives for BBVA employees that support the risk culture at all levels. Among these incentives, the role of the Compensation policy and incentive programs stand out, as well as implementation of risk culture control mechanisms, including the complaint channels and the disciplinary committees.
- Monitoring: The BBVA Group pursues at the highest levels of the organization a continuous evaluation and monitoring of the risk culture to guarantee its implementation and identification of areas for improvement.

7.2 Risk factors

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

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

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

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

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

- Macroeconomic and geopolitical risks

  Global economic growth maintained robust in 2018 even if it slowed down more than expected during the second half of the year as a result of the worse development of the trade and the industrial sector as well as the strong increase in financial tensions, especially in developed economies due to the rise of uncertainties. To the worse economic development in Europe and in China, it has to be added the downturn in Asian countries and the deterioration in the expansive cycle of the United States. In this context, both the Federal Reserve (Fed) and the ECB have demonstrated to be more prudent and patient at the time of advancing with the normalization of their monetary policies and their future decisions will depend on the economic evolution. The main risk at sort-term continues to be protectionism not only for the direct effect on global trade, but also for the indirect impact of lower confidence and financial volatility. To this, it has to be added the concerns about the degree of the impact on the economic activities in the United States and China in the following quarters have to be added as well as the increased political uncertainty in Europe.

  In summary, the uncertainty related to the economic perspectives continues to be elevated due to the fear of a protectionist escalation and a higher perception of the risk related to the global economic growth.

- Regulatory and reputational risks

  - Financial institutions are exposed to a complex and ever-changing regulatory environment defined by governments and regulators. This can affect their ability to grow and the capacity of certain businesses to develop, and result in stricter liquidity and capital requirements with lower profitability ratios. The Group constantly monitors changes in the regulatory framework that allow for anticipation and adaptation to them in a timely manner, adopt industry practices and more efficient and rigorous criteria in its implementation.
  - The financial sector is under ever closer scrutiny by regulators, governments and society itself. In the course of activities, situations which might cause relevant reputational damage to the entity could raise and might affect the regular course of business. The attitudes and behaviors of the Group and its members are governed by the principles of integrity, honesty, long-term vision and industry practices through, inter alia, internal control Model, the Code of Conduct, tax strategy and Responsible Business Strategy of the Group.

- Business, operational and legal risks

  - New technologies and forms of customer relationships: Developments in the digital world and in information technologies pose significant challenges for financial institutions, entailing threats (new competitors, disintermediation...) but also opportunities (new framework of relations with customers, greater ability to adapt to their needs, new products and distribution channels...). Digital transformation is a priority for the Group as it aims to lead digital banking of the future as one of its objectives.
  - Technological risks and security breaches: The Group is exposed to new threats such as cyber-attacks, theft of internal and customer databases, fraud in payment systems, etc. that require major investments in security from both the technological and human point of view. The Group gives great importance to the active operational and technological risk management and control. One example was the early adoption of advanced models for management of these risks (AMA - Advanced Measurement Approach).
  - The financial sector is exposed to increasing litigation, so the financial institutions face a large number of proceedings of every kind, civil, criminal, administrative, litigation, as well as

investigations from the supervisor, along several jurisdictions, which consequences are difficult to determine (including those procedures in which an undetermined number of applicants is involved, in which damages claimed are not easy to estimate, in which an exorbitant amount is claimed, in which new jurisdictional issues are introduced under creative non – contrasted legal arguments and those which are at a very initial stage).

In Spain, in many of the existing procedures, applicants claim, both at Spanish courts and through prejudicial issues towards the European Union Court of Justice that various clauses usually included under a mortgage loan with credit institutions are stated abusive (mortgage fees clauses, early redemption right clause, referenced interest rate type, opening fee, etc.). Resolutions for these types of procedures against the Group or other banking entities might directly or indirectly affect the Group.

The BBVA Group is involved in several competition investigations in various countries which may give raise to penalties and claims by third parties.

As explained in section Other Non-Financial Risks of the Non-Financial Information Report within the Management Report, the Group might be equally subject to investigations by the judicial authorities, without the Bank having received any formal notice for the moment, in relation with the engagement of allegedly irregular activities, which might have a negative impact, both reputational and economic for the Bank. The Bank is carrying out a forensic investigation led by PwC which has been engaged through the Bank's external legal counsel Garrigues, together with Uría. The Bank cannot predict at this moment the scope or the duration of those investigations or any other investigations carried out by the judicial authorities, or its possible outcome or implications for the Group.

The BBVA Group manages and constantly monitors judicial and regulatory investigations, procedures and actions for the defense of its interests, charging (taking into account the number of outstanding litigation and the status of the relevant procedures or actions) the corresponding provisions for its coverage if necessary. However, the result of the referred judicial or regulatory actions and procedures, both in which the Bank is already part of, as well as those that may raise in the future or those involving other banking entities, is difficult to predict, so in case of modification of the jurisprudential criteria or unexpected results of any of such litigation, charged provisions may be not sufficient.

7.3 Credit risk

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

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

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

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

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

- At Group level: frameworks for action and standard rules of conduct are defined for handling risk, specifically, the circuits, procedures, structure and supervision.
- At the business area level: they are responsible for adapting the Group's criteria to the local realities of each geographical area and for direct management of risk according to the decision-making circuit:
  - Retail risks: in general, the decisions are formalized according to the scoring tools, within the general framework for action of each business area with regard to risks. The changes in weighting and variables of these tools must be validated by the GRM area.
  - Wholesale risks: in general, the decisions are formalized by each business area within its general framework for action with regard to risks, which incorporates the delegation rule and the Group's corporate policies

7.3.1 Measurement Expected Credit Loss (ECL)

IFRS 9 requires determining the expected credit loss of a financial instrument in a way that reflects an unbiased estimation removing any conservatism or optimism, the time value of money and a forward looking perspective (including the economic forecast).

Therefore the recognition and measurement of expected credit losses (ECL) is highly complex and involves the use of significant analysis and estimation including formulation and incorporation of forward-looking economic conditions into ECL.

Risk Parameters Adjusted by Macroeconomic Scenarios

Expected Credit Loss must include forward looking information, in accordance with IFRS 9, which states that the comprehensive credit risk information must incorporate not only historical information but also all relevant credit information, including forward-looking macroeconomic information. BBVA uses the classical credit risk parameters PD, LGD and EAD in order to calculate the ECL for the credit portfolios.

BBVA´s methodological approach in order to incorporate the forward looking information aims to determine the relation between macroeconomic variables and risk parameters following three main steps:

- Step 1: Analysis and transformation of time series data.
- Step 2: For each dependent variable find conditional forecasting models that are economically consistent.
- Step 3: Select the best conditional forecasting model from the set of candidates defined in Step 2, based on their out of sample forecasting performance.

How economic scenarios are reflected in calculation of ECL

The forward looking component is added through the introduction of macroeconomic scenarios as an input. Inputs would highly depend on the particular combination of region and portfolio, so inputs are adapted to available data.

Based on economic theory and analysis, the macroeconomic variables most directly relevant for explaining and forecasting the selected risk parameters (PD, LGD) are:

- a) The net income of families, corporates or public administrations.
- b) The payment amounts on the principal and interest on the outstanding loans.
- c) The value of the collateral assets pledge to the loan.

BBVA Group approximates these variables by using a proxy indicator from the set included in the macroeconomic scenarios provided by the economic research department.

Only a single specific indicator for each of the three categories can be used and only core macroeconomic indicators should be chosen as first choice: for a) using Real GDP Growth for the purpose of conditional forecasting can be seen as the single sufficient "factor" required for capturing the influence of all potentially relevant macro-financial scenario on internal PDs and LGD ; for b) using the most representative short term interest rate (typically the policy rate or the most liquid sovereign yield or interbank rate or EMBI) or exchange rates expressed in real terms and for c) using a comprehensive index of the price of real estate properties also expressed in real terms in the case of mortgage loans and a representative index of the price of the relevant commodity (in real terms) for corporate loan portfolios concentrated in exporters or producer of such commodity.

Real GDP growth is given priority over any other indicator not only because it is the most comprehensive indicator of income and economic activity but also because it is the central variable in the generation of macroeconomic scenarios.

Multiple scenario approach under IFRS9

IFRS 9 requires calculating an unbiased probability weighted measurement of expected credit losses ("ECL") by evaluating a range of possible outcomes, including forecasts of future economic conditions.

The BBVA Research teams within the BBVA Group produce forecasts of the macroeconomic variables under the baseline scenario, which are used in the rest of the related processes of the bank, such as budgeting, ICAAP and risk appetite framework, stress testing, etc.

Additionally, the BBVA Research teams produced alternative scenarios to the baseline scenario so as to meet the requirements under the IFRS 9 standard.

Alternative macroeconomic scenarios

- For each of the macro-financial variables, BBVA Research produces three scenarios.
- Each of these scenarios corresponds to the expected value of a different area of the probabilistic distribution of the possible projections of the economic variables.

The approach in BBVA consists on using the scenario that is the most likely scenario, which is the baseline scenario, consistent with the rest of internal processes (ICAAP, Budgeting...) and then applying an overlay adjustment that is calculated by taking into account the weighted average of the ECL determined by each of the scenarios.

It is important to note that in general, it is expected that the effect of the overlay is to increase the ECL. It is possible to obtain an overlay that does not have that effect, whenever the relationship between macro scenarios and losses is linear. However, the overlay is not expected to reduce the ECL.

7.3.2 Credit risk exposure

In accordance with IFRS 7 "Financial Instruments: Disclosures", the BBVA Group's maximum credit risk exposure (see definition below) by headings in the balance sheets as of December 31, 2018 is provided below. It does not consider the availability of collateral or other credit enhancements to guarantee compliance with payment obligations. The details are broken down by financial instruments and counterparties.

Maximum Credit Risk Exposure (Millions of euros)

	Notes	2018			
Financial assets held for trading		**59,581**			
Debt securities	10	25,577			
Equity instruments	10	5,254			
Loans and advances	10	28,750			
Non-trading financial assets mandatorily at fair value through profit or loss		**5,135**			
Loans and advances	11	1,803			
Debt securities	11	237			
Equity instruments	11	3,095			
Financial assets designated at fair value through profit or loss	**12**	**1,313**			
Derivatives (trading and hedging)		**38,249**	**Stage 1**	**Stage 2**	**Stage 3**
Financial assets at fair value through other comprehensive income		**56,332**	**56,329**	**3**	**-**
Debt securities	13.1	53,737	53,734	3	-
Equity instruments	13.1	2,595	2,595	-	-
Financial assets at amortized cost		**431,927**	**384,632**	**30,902**	**16,394**
Loans and advances to central banks		3,947	3,947	-	-
Loans and advances to credit institutions		9,175	9,131	34	10
Loans and advances to customers		386,225	339,204	30,673	16,348
Debt securities		32,580	32,350	195	35
Total financial assets risk		**592,538**	**440,960**	**30,905**	**16,394**
Total loan commitments and financial guarantees	**33**	**170,511**	161,404	**8,120**	**987**
Total maximum credit exposure		**763,049**			

There was no similar breakdown before the implementation of IFRS 9 on January 1, 2018 (see Note 2.1).

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

- In the case of financial assets recognized in the consolidated balance sheets, exposure to credit risk is considered equal to its carrying amount (not including impairment losses), with the sole exception of derivatives and hedging derivatives.
- The maximum credit risk exposure on financial guarantees granted is the maximum that the Group would be liable for if these guarantees were called in, and that is their amount.
- The calculation of risk exposure for derivatives is based on the sum of two factors: the derivatives fair value and their potential risk (or "add-on").
    - The first factor, fair value, reflects the difference between original commitments and fair values on the reporting date (mark-to-market).
    - The second factor, potential risk ('add-on'), is an estimate of the maximum increase to be expected on risk exposure over a derivative fair value (at a given statistical confidence level) as a result of future changes in the fair value over the remaining term of the derivatives.
    - The consideration of the potential risk ("add-on") relates the risk exposure to the exposure level at the time of a customer's default. The exposure level will depend on the customer's credit quality and the type of transaction with such customer. Given the fact that default is an uncertain event which might occur any time during the life of a contract, the BBVA Group has to consider not only the credit exposure of the derivatives on the reporting date, but also the

potential changes in exposure during the life of the contract. This is especially important for derivatives, whose valuation changes substantially throughout their terms, depending on the fluctuation of market prices.

The breakdown by counterparty and product of loans and advances, net of impairment losses, as well as the gross carrying amount by type of product, classified in the different headings of the assets, as of December 31, 2018, 2017 and 2016 is shown below:

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

December 2018 (Millions of Euros)

	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Provisions	Gross carrying amount
By product									
On demand and short notice	-	10	-	151	2,833	648	3,641	(193)	3,834
Credit card debt	-	8	1	2	2,328	13,108	15,446	(1,048)	16,495
Trade receivables		948	-	195	16,190	103	17,436	(280)	17,716
Finance leases	-	226	-	3	8,014	406	8,650	(427)	9,077
Reverse repurchase loans	-	293	477	-	-	-	770	(1)	772
Other term loans	3,911	26,839	2,947	7,030	133,573	157,760	332,060	(10,204)	342,264
Advances that are not loans	29	1,592	5,771	2,088	984	498	10,962	(63)	11,025
Loans and advances	**3,941**	**29,917**	**9,196**	**9,468**	**163,922**	**172,522**	**388,966**	**(12,217)**	**401,183**
By secured loans									
of which: mortgage loans collateralized by immovable property		*1,056*	*15*	*219*	*26,784*	*111,809*	*139,883*	*(4,122)*	*144,005*
of which: other collateralized loans	-	*7,179*	*285*	*1,389*	*31,393*	*6,835*	*47,081*	*(774)*	*47,855*
By purpose of the loan									
of which: credit for consumption						*40,124*	*40,124*	*(2,613)*	*42,736*
of which: lending for house purchase						*111,007*	*111,007*	*(1,945)*	*112,952*
By subordination									
of which: project finance loans					*13,973*		*13,973*	*(312)*	*14,286*

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December 2017 (Millions of euros)

	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
On demand and short notice	-	222	-	270	7,663	2,405	10,560
Credit card debt	-	6	-	3	1,862	13,964	15,835
Trade receivables		1,624	-	497	20,385	198	22,705
Finance leases	-	205	-	36	8,040	361	8,642
Reverse repurchase loans	305	1,290	13,793	10,912	-	-	26,300
Other term loans	6,993	26,983	4,463	5,763	125,228	155,418	324,848
Advances that are not loans	2	1,964	8,005	1,044	1,459	522	12,995
Loans and advances	**7,301**	**32,294**	**26,261**	**18,525**	**164,637**	**172,868**	**421,886**
of which: mortgage loans (Loans collateralized by immovable property)		*998*	-	*308*	*37,353*	*116,938*	*155,597*
of which: other collateralized loans		*7,167*	*13,501*	*12,907*	*24,100*	*9,092*	*66,767*
of which: credit for consumption						*40,705*	*40,705*
of which: lending for house purchase						*114,709*	*114,709*
of which: project finance loans					*16,412*		*16,412*

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

December 2016 (Millions of euros)

	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
On demand and short notice	-	373	-	246	8,125	2,507	11,251
Credit card debt	-	1	-	1	1,875	14,719	16,596
Trade receivables		2,091	-	998	20,246	418	23,753
Finance leases	-	261	-	57	8,647	477	9,442
Reverse repurchase loans	81	544	15,597	6,746	-	-	22,968
Other term loans	8,814	29,140	7,694	6,878	136,105	167,892	356,524
Advances that are not loans	-	2,410	8,083	2,082	1,194	620	14,389
Loans and advances	**8,894**	**34,820**	**31,373**	**17,009**	**176,192**	**186,633**	**454,921**
of which: mortgage loans [Loans collateralized by immovable property]		*4,722*	*112*	*690*	*44,406*	*132,398*	*182,328*
of which: other collateralized loans		*3,700*	*15,191*	*8,164*	*21,863*	*6,061*	*54,979*
of which: credit for consumption						*44,504*	*44,504*
of which: lending for house purchase						*127,606*	*127,606*
of which: project finance loans					*19,269*		*19,269*

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

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

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

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

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

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

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

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

  The summary of the compensation effect (via netting and collateral) for derivatives and securities operations is presented in Note 7.4.3.
- Other financial assets designated at fair value through profit or loss and financial assets at fair value through other comprehensive income: The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent to the structure of the instrument.

  At December 31, 2018, BBVA Group had no credit risk exposure of impaired financial assets at fair value through other comprehensive income at December 31, 2018 (see Note 7.3.2).
- Financial assets at amortized cost:
  - Loans and advances to credit institutions: These usually only have the counterparty's personal guarantee.
  - Loans and advances to customers: Most of these loans and advances are backed by personal guarantees extended by the customer. There may also be collateral to secure loans and advances to customers (such as mortgages, cash collaterals, pledged securities and other collateral), or to obtain other credit enhancements (bonds, hedging, etc.).

- Debt securities: The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent to the structure of the instrument.

The disclosure of impaired financial assets at amortized cost covered by collateral (see Note 7.3.2), by type of collateral, at December 31, 2018, is the following:

December 2018 (Millions of Euros)						
	Maximum exposure to credit risk	Of which secured by collateral				
		Residential properties	Commercial properties	Cash	Others	Financial
Impaired financial assets at amortized cost	16,394	3,484	1,255	13	317	502
Total	**16,394**	**3,484**	**1,255**	**13**	**317**	**502**

- Financial guarantees, other contingent risks and drawable by third parties: These have the counterparty's personal guarantee.

  The maximum credit risk exposure of impaired financial guarantees and other commitments at December 31, 2018 amounts to €987 million (see Note 7.3.2).

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

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

Scoring

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

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

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

Rating

Rating tools, as opposed to scoring tools, do not assess transactions but focus on the rating of customers instead: companies, corporations, SMEs, general governments, etc. A rating tool is an instrument that, based

on a detailed financial study, helps determine a customer's ability to meet his/her financial obligations. The final rating is usually a combination of various factors: on one hand, quantitative factors, and on the other hand, qualitative factors. It is a middle road between an individual analysis and a statistical analysis.

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

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

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

The table below shows the abridged scale used to classify the BBVA Group's outstanding risk as of December 31, 2018:

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

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

The table below outlines the distribution by probability of default within 12 months and stages of the gross carrying amount of loans and advances to customers in percentage of BBVA Group as of December 31, 2018 is shown below:

	December 2018	
	Subject to 12 month ECL (Stage 1)	Subject to lifetime ECL (Stage 2)
Probability of default (basic points)	%	%
0 to 2	9.6	-
2 to 5	10.8	0.1
5 to 11	6.3	-
11 to 39	20.9	0.4
39 to 194	30.1	1.8
194 to 1,061	12.2	3.6
1,061 to 2,121	1.6	1.2
> 2,021	0.2	1.2
Total	**91,7**	**8,3**

There was no similar breakdown before the implementation of IFRS 9 on January 1, 2018 (see Note 2.1).

7.3.5 Past due but not impaired and impaired secured loans risks

The tables below provides details by counterpart and by product of past due risks but not considered to be impaired, as of December 31, 2018, 2017 and 2016, listed by their first past-due date; as well as the breakdown of the debt securities and loans and advances individually and collectively estimated (see Note 2.2.1):

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

December 2018 (Millions of euros)

	Assets without significant increase in credit risk since initial recognition (Stage 1)			Assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)			Credit-impaired assets (Stage 3)		
	<= 30 days	> 30 days <= 90 days	> 90 days	<= 30 days	> 30 days <= 90 days	> 90 days	<= 30 days	> 30 days <= 90 days	> 90 days
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5**
Loans and advances	**4,191**	**454**	**-**	**4,261**	**3,228**	**-**	**407**	**900**	**2,769**
Central banks	-	-	-	-	-	-	-	-	-
General governments	95	7	-	5	1	-	5	5	26
Credit institutions	3	-	-	-	-	-	-	-	-
Other financial corporations	117	224	-	2	-	-	-	-	5
Non-financial corporations	1,140	158	-	1,282	1,180	-	149	276	1,333
Households	2,835	64	-	2,971	2,047	-	254	618	1,404
TOTAL	**4,191**	**454**	**-**	**4,261**	**3,228**	**-**	**407**	**900**	**2,774**
Loans and advances by product, by collateral and by subordination									
On demand (call) and short notice (current account)	127	-	-	25	47	-	3	4	52
Credit card debt	182	10	-	598	102	-	24	25	120
Trade receivables	46	12	-	20	106	-	2	11	50
Finance leases	307	16	-	43	102	-	10	20	110
Reverse repurchase loans	-	-	-	-	-	-	-	-	-
Other term loans	3,421	325	-	3,575	2,869	-	369	840	2,433
Advances that are not loans	108	89	-	-	1	-	-	-	4
of which: mortgage loans collateralized by immovable property	*1,681*	*38*	-	*1,598*	*1,745*	-	*251*	*712*	*1,365*
of which: other collateralized loans	*255*	*14*	-	*742*	*99*	-	*22*	*21*	*103*
of which: credit for consumption	*910*	*27*	-	*1,278*	*424*	-	*49*	*49*	*281*
of which: lending for house purchase	*1,365*	*24*	-	*1,394*	*1,404*	-	*170*	*507*	*839*
of which: project finance loans	*1*	-	-	-	*382*	-	-	-	*71*

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December 2017 (Millions of euros) (*)

	Past due but not impaired							
	≤30 days	> 30 days ≤60 days	> 60 days ≤90 days	Impaired assets	Carrying amount of the impaired assets	Specific allowances for financial assets, individually and collectively estimated	Collective allowances for incurred but not reported losses	Accumulated write-offs
Debt securities	-	-	-	**66**	**38**	**(28)**	**(21)**	**-**
Loans and advances	**3,432**	**759**	**503**	**19,401**	**10,726**	**(8,675)**	**(4,109)**	**(29,938)**
Central banks	-	-	-	-	-	-	-	-
General governments	75	3	13	171	129	(42)	(69)	(27)
Credit institutions	-	-	-	11	5	(6)	(30)	(5)
Other financial corporations	2	-	-	12	6	(7)	(19)	(5)
Non-financial corporations	843	153	170	10,791	5,192	(5,599)	(1,939)	(18,988)
Households	2,512	603	319	8,417	5,395	(3,022)	(2,052)	(10,913)
TOTAL	**3,432**	**759**	**503**	**19,467**	**10,764**	**(8,703)**	**(4,130)**	**(29,938)**
Loans and advances by product, by collateral and by subordination								
On demand (call) and short notice (current account)	77	12	11	389	151	(238)		
Credit card debt	397	66	118	629	190	(439)		
Trade receivables	115	8	9	515	179	(336)		
Finance leases	138	66	47	431	155	(276)		
Reverse repurchase loans	-	-	-	-	-	-		
Other term loans	2,705	606	317	17,417	10,047	(7,370)		
Advances that are not loans	1	-	1	20	3	(16)		
of which: mortgage loans (Loans collateralized by immovable property)	*1,345*	*360*	*164*	*11,388*	*7,630*	*(3,757)*		
of which: other collateralized loans	*592*	*137*	*43*	*803*	*493*	*(310)*		
of which: credit for consumption	*1,260*	*248*	*207*	*1,551*	*457*	*(1,093)*		
of which: lending for house purchase	*1,034*	*307*	*107*	*5,730*	*4,444*	*(1,286)*		
of which: project finance loans	*13*	-	*25*	*1,165*	*895*	*(271)*		

(*) Figures originally reported in the year 2017 in accordance to the applicable regulation, without restatements.

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December 2016 (Millions of euros) (*)

	Past due but not impaired							
	<= 30 days	> 30 days <= 60 days	> 60 days <= 90 days	Impaired assets	Carrying amount of the impaired assets	Specific allowances for financial assets, individually and collectively estimated	Collective allowances for incurred but not reported losses	Accumulated write-offs
Debt securities	-	-	-	**272**	**128**	**(144)**	**(46)**	**(1)**
Loans and advances	**3,384**	**696**	**735**	**22,925**	**12,133**	**(10,793)**	**(5,224)**	**(29,346)**
Central banks	-	-	-	-	-	-	-	-
General governments	66	-	2	295	256	(39)	(13)	(13)
Credit institutions	3	-	82	10	3	(7)	(36)	(5)
Other financial corporations	4	7	21	34	8	(25)	(57)	(6)
Non-financial corporations	968	209	204	13,786	6,383	(7,402)	(2,789)	(18,020)
Households	2,343	479	426	8,801	5,483	(3,319)	(2,329)	(11,303)
TOTAL	**3,384**	**696**	**735**	**23,197**	**12,261**	**(10,937)**	**(5,270)**	**(29,347)**
Loans and advances by product, by collateral and by subordination								
On demand (call) and short notice (current account)	79	15	29	562	249	(313)		
Credit card debt	377	88	124	643	114	(529)		
Trade receivables	51	15	13	424	87	(337)		
Finance leases	188	107	59	516	252	(264)		
Reverse repurchase loans	-	-	82	1	-	(1)		
Other term loans	2,685	469	407	20,765	11,429	(9,336)		
Advances that are not loans	5	-	21	14	2	(12)		
of which: mortgage loans (Loans collateralized by immovable property)	1,202	265	254	16,526	9,008	(5,850)		
of which: other collateralized loans	593	124	47	1,129	656	(275)		
of which: credit for consumption	1,186	227	269	1,622	455	(1,168)		
of which: lending for house purchase	883	194	105	6,094	4,546	(1,548)		
of which: project finance loans	138	-	-	253	105	(147)		

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

The breakdown of loans and advances, within financial assets at amortized cost, impaired and accumulated impairment by sectors as of December 31, 2018, 2017 and 2016 is as follows:

December 2018 (Millions of euros)

	Non-performing loans and advances	Accumulated impairment	Non-performing loans and advances as a % of the total
General governments	**128**	**(84)**	**0.4%**
Credit institutions	**10**	**(12)**	**0.1%**
Other financial corporations	**11**	**(22)**	**0.1%**
Non-financial corporations	**8,372**	**(6,260)**	**4.9%**
Agriculture, forestry and fishing	122	(107)	3.3%
Mining and quarrying	96	(70)	1.9%
Manufacturing	1,695	(1,134)	4.6%
Electricity, gas, steam and air conditioning supply	585	(446)	4.2%
Water supply	19	(15)	1.8%
Construction	1,488	(1,007)	12.5%
Wholesale and retail trade	1,624	(1,259)	6.3%
Transport and storage	459	(374)	4.7%
Accommodation and food service activities	315	(204)	4.0%
Information and communication	113	(72)	2.1%
Financial and insurance activities	147	(128)	2.1%
Real estate activities	834	(624)	4.8%
Professional, scientific and technical activities	204	(171)	4.0%
Administrative and support service activities	128	(125)	4.0%
Public administration and defense, compulsory social security	5	(7)	1.6%
Education	31	(31)	3.4%
Human health services and social work activities	63	(63)	1.4%
Arts, entertainment and recreation	59	(41)	4.5%
Other services	386	(382)	3.9%
Households	**7,838**	**(5,833)**	**4.4%**
LOANS AND ADVANCES	**16,359**	**(12,211)**	**4.1%**

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December 2017 (Millions of euros)

	Non-performing loans and advances	Accumulated impairment or Accumulated changes in fair value due to credit risk	Non-performing loans and advances as a % of the total
General governments	**171**	**(111)**	**0.5%**
Credit institutions	**11**	**(36)**	**0.3%**
Other financial corporations	**12**	**(26)**	**0.1%**
Non-financial corporations	**10,791**	**(7,538)**	**6.3%**
Agriculture, forestry and fishing	166	(123)	4.3%
Mining and quarrying	177	(123)	3.7%
Manufacturing	1,239	(955)	3.6%
Electricity, gas, steam and air conditioning supply	213	(289)	1.8%
Water supply	29	(11)	4.5%
Construction	2,993	(1,708)	20.1%
Wholesale and retail trade	1,706	(1,230)	5.9%
Transport and storage	441	(353)	4.2%
Accommodation and food service activities	362	(222)	4.3%
Information and communication	984	(256)	17.0%
Real estate activities	1,171	(1,100)	7.9%
Professional, scientific and technical activities	252	(183)	3.8%
Administrative and support service activities	188	(130)	6.3%
Public administration and defense, compulsory social security	4	(6)	1.9%
Education	31	(25)	3.4%
Human health services and social work activities	75	(68)	1.7%
Arts, entertainment and recreation	69	(38)	4.6%
Other services	690	(716)	4.3%
Households	**8,417**	**(5,073)**	**4.7%**
LOANS AND ADVANCES	**19,401**	**(12,784)**	**4.5%**

December 2016 (Millions of euros)

	Non-performing	Accumulated impairment or Accumulated changes in fair value due to credit risk	Non-performing loans and advances as a % of the total
General governments	**295**	**(52)**	**0.8%**
Credit institutions	**10**	**(42)**	**-**
Other financial corporations	**34**	**(82)**	**0.2%**
Non-financial corporations	**13,786**	**(10,192)**	**7.4%**
Agriculture, forestry and fishing	221	(188)	5.1%
Mining and quarrying	126	(83)	3.3%
Manufacturing	1,569	(1,201)	4.5%
Electricity, gas, steam and air conditioning supply	569	(402)	3.2%
Water supply	29	(10)	3.5%
Construction	5,358	(3,162)	26.3%
Wholesale and retail trade	1,857	(1,418)	6.2%
Transport and storage	442	(501)	4.5%
Accommodation and food service activities	499	(273)	5.9%
Information and communication	112	(110)	2.2%
Real estate activities	1,441	(1,074)	8.7%
Professional, scientific and technical activities	442	(380)	6.0%
Administrative and support service activities	182	(107)	7.3%
Public administration and defense, compulsory social security	18	(25)	3.0%
Education	58	(31)	5.4%
Human health services and social work activities	89	(88)	1.8%
Arts, entertainment and recreation	84	(51)	5.1%
Other services	691	(1,088)	4.2%
Households	**8,801**	**(5,648)**	**4.6%**
LOANS AND ADVANCES	**22,925**	**(16,016)**	**5.0%**

The changes during the years 2018, 2017 and 2016 of impaired financial assets and contingent risks are as follow:

Changes in Impaired Financial Assets and Contingent Risks (Millions of euros)

	2018	2017	2016
Balance at the beginning	**20,590**	**23,877**	**26,103**
Additions	9,792	10,856	11,133
Decreases (*)	(6,909)	(7,771)	(7,633)
Net additions	**2,883**	**3,085**	**3,500**
Amounts written-off	(5,076)	(5,758)	(5,592)
Exchange differences and other	(1,264)	(615)	(134)
Balance at the end	**17,134**	**20,590**	**23,877**

(*) Reflects the total amount of impaired loans derecognized from the consolidated balance sheet throughout the year as a result of mortgage foreclosures and real estate assets received in lieu of payment as well as monetary recoveries (see Notes 19 and 20 to the Consolidated Financial Statement for additional information).

The changes during the years 2018, 2017 and 2016 in financial assets derecognized from the accompanying consolidated balance sheet as their recovery is considered unlikely (hereinafter "write-offs"), is shown below:

Changes in Impaired Financial Assets Written-Off from the Balance Sheet (Millions of Euros)

	Notes	2018	2017	2016
Balance at the beginning		**30,139**	**29,347**	**26,143**
Acquisition of subsidiaries in the year		-	-	-
Increase:		6,164	5,986	5,699
Decrease:		(4,210)	(4,442)	(2,384)
Re-financing or restructuring		(10)	(9)	(32)
Cash recovery	47	(589)	(558)	(541)
Foreclosed assets		(625)	(149)	(210)
Sales of written-off		(1,805)	(2,284)	(45)
Debt forgiveness		(889)	(1,121)	(864)
Time-barred debt and other causes		(292)	(321)	(692)
Net exchange differences		250	(752)	(111)
Balance at the end		**32,343**	**30,139**	**29,347**

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

7.3.6 Impairment losses

Below are the changes in the years ended December 31, 2018, 2017 and 2016, in the provisions recognized on the accompanying consolidated balance sheets to cover estimated impairment losses in loans and advances and debt securities measured at amortized cost and financial assets at fair value through other comprehensive income as well as the loan commitment and financial guarantees:

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Financial assets at amortized cost. December 2018 (Millions of Euros)

	Not credit-impaired			Credit-impaired		Total
	Stage 1	Stage 2		Credit-impaired (Stage 3)	Purchased/originated credit-impaired (Stage 3)	
	Loss allowances	Loss allowances (collectively assessed)	Loss allowances (individually assessed)	Loss allowances	Loss allowances	Loss allowances
Opening balance (under IFRS 9)	**(2,237)**	**(1,827)**	**(525)**	**(9,371)**	**-**	**(13,960)**
Transfers of financial assets:	-	-	-	-	-	-
Transfers from Stage 1 to Stage 2 (not credit-impaired)	208	(930)	(218)	-	-	(940)
Transfers from Stage 2 (not credit - impaired) to Stage 1	(125)	619	50	-	-	544
Transfers to Stage 3	55	282	564	(2,127)	-	(1,226)
Transfers from Stage 3 to Stage 1 or 2	(7)	(126)	(68)	333	-	132
Changes without transfers between Stages	358	(53)	(260)	(3,775)	-	(3,730)
New financial assets originated	(1,072)	(375)	(244)	-	-	(1,692)
Purchased	-	-	-	-	-	-
Disposals	2	3	-	110	-	115
Repayments	641	432	118	1,432	-	2,623
Write-offs	13	14	2	4,433	-	4,461
Changes in model/ methodology	-	-	-	-	-	-
Foreign exchange	(84)	72	(93)	343	-	239
Modifications that result in derecognition	5	10	25	98	-	138
Modifications that do not result in derecognition	3	(8)	1	(362)	-	(366)
Other	135	133	20	1,111	-	1,399
Closing balance	**(2,106)**	**(1,753)**	**(628)**	**(7,777)**	**-**	**(12,264)**

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

Financial assets at fair value through other comprehensive income. December 2018 (Millions of Euros)

	Not credit-impaired			Credit-impaired		Total
	Stage 1	Stage 2		Credit-impaired (Stage 3)	Purchased/originated credit-impaired (Stage 3)	
	Loss allowances	Loss allowances (collectively assessed)	Loss allowances (individually assessed)	Loss allowances	Loss allowances	Loss allowances
Opening balance (under IFRS 9)	**(20)**	**(1)**	**-**	**(14)**	**-**	**(35)**
Transfers of financial assets:	-	-	-	-	-	-
Transfers from Stage 1 to Stage 2 (not credit-impaired)	-	-	-	-	-	-
Transfers from Stage 2 (not credit - impaired) to Stage 1	-	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-
Transfers from Stage 3 to Stage 1 or 2	-	-	-	-	-	-
Changes without transfers between Stages	(7)	-	-	16	-	9
New financial assets originated	(3)	-	-	-	-	(3)
Purchased	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Repayments	5	-	-	-	-	5
Write-offs	-	-	-	-	-	-
Changes in model/ methodology	-	-	-	-	-	-
Foreign exchange	2	-	-	-	-	2
Modifications that result in derecognition	-	-	-	-	-	-
Modifications that do not result in derecognition	-	-	-	(11)	-	(11)
Other	(5)	1	-	8	-	4
Closing balance	**(28)**	**-**	**-**	**-**	**-**	**(28)**

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

Loan commitments and financial guarantees. December 2018 (Millions of Euros)

	Not credit-impaired			Credit-impaired		Total
	Stage 1	Stage 2		Credit-impaired (Stage 3)	Purchased/originated credit-impaired (Stage 3)	
	Loss allowances	Loss allowances (collectively assessed)	Loss allowances (individually assessed)	Loss allowances	Loss allowances	Loss allowances
Opening balance (under IFRS 9)	**(200)**	**(135)**	**(84)**	**(285)**	**-**	**(704)**
Transfers of financial assets:	-	-	-	-	-	-
Transfers from Stage 1 to Stage 2 (not credit-impaired)	14	(84)	(11)	-	-	(81)
Transfers from Stage 2 (not credit - impaired) to Stage 1	(8)	65	1	-	-	58
Transfers to Stage 3	1	4	16	(48)	-	(27)
Transfers from Stage 3 to Stage 1 or 2	(3)	(3)	-	20	-	14
Changes without transfers between Stages	14	12	6	35	-	67
New financial assets originated	(102)	(32)	(20)	-	-	(154)
Purchased	-	-	-	-	-	-
Disposals	-	-	-	1	-	1
Repayments	47	58	24	73	-	202
Write-offs	-	-	-	-	-	-
Changes in model/ methodology	-	-	-	-	-	-
Foreign exchange	11	1	(2)	6	-	16
Modifications that result in derecognition	-	-	-	-	-	-
Modifications that do not result in derecognition	-	-	-	(32)	-	(32)
Other	(6)	(13)	10	13	-	4
Closing balance	**(232)**	**(127)**	**(60)**	**(217)**	**-**	**(636)**

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

December 2017 (Millions of euros) (*)

	Opening balance	Increases due to amounts set aside for estimated loan losses during the period	Decreases due to amounts reversed for estimated loan losses during the period	Decreases due to amounts taken against allowances	Transfers between allowances	Other adjustments	Closing balance	Recoveries recorded directly to the statement of profit or loss
Equity instruments								
Specific allowances for financial assets, individually and collectively estimated	**(10,937)**	**(7,484)**	**2,878**	**4,503**	**1,810**	**526**	**(8,703)**	**558**
Debt securities	**(144)**	**(26)**	**6**	**-**	123	13	**(28)**	**-**
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	(15)	(5)	4	-	16	-	-	-
Other financial corporations	(26)	(4)	2	-	-	13	(16)	-
Non-financial corporations	(103)	(17)	-	-	107	-	(12)	-
Loans and advances	**(10,793)**	**(7,458)**	**2,872**	**4,503**	**1,687**	**513**	**(8,675)**	**558**
Central banks	-	-	-	-	-	-	-	-
General governments	(39)	(70)	37	14	1	15	(42)	1
Credit institutions	(7)	(2)	2	-	-	1	(6)	-
Other financial corporations	(25)	(287)	3	38	227	38	(7)	-
Non-financial corporations	(7,402)	(3,627)	1,993	3,029	(228)	636	(5,599)	345
Households	(3,319)	(3,472)	837	1,422	1,687	(177)	(3,022)	212
Collective allowances for incurred but not reported losses on financial assets	**(5,270)**	**(1,783)**	**2,159**	**1,537**	**(1,328)**	**557**	**(4,130)**	**-**
Debt securities	(46)	(8)	30	1	-	3	(21)	-
Loans and advances	(5,224)	(1,776)	2,128	1,536	(1,328)	554	(4,109)	-
Total	**(16,206)**	**(9,267)**	**5,037**	**6,038**	**482**	**1,083**	**(12,833)**	**558**

(*) Figures originally reported in the year 2017 in accordance to the applicable regulation, without restatements.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

December 2016 (Millions of euros)

	Opening balance	Increases due to amounts set aside for estimated loan losses during the period	Decreases due to amounts reversed for estimated loan losses during the period	Decreases due to amounts taken against allowances	Transfers between allowances	Other adjustments	Closing balance	Recoveries recorded directly to the statement of profit or loss
Equity instruments								
Specific allowances for financial assets, individually and collectively estimated	**(12,866)**	**(6,912)**	**2,708**	**5,673**	**(123)**	**583**	**(10,937)**	**540**
Debt securities	**(35)**	**(167)**	**6**	**64**	(10)	(2)	**(144)**	**-**
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	(20)	-	-	5	-	-	(15)	-
Other financial corporations	(15)	(29)	3	26	(10)	(1)	(26)	-
Non-financial corporations	-	(138)	3	33	-	(1)	(103)	-
Loans and advances	**(12,831)**	**(6,745)**	**2,702**	**5,610**	**(113)**	**585**	**(10,793)**	**540**
Central banks	-	-	-	-	-	-	-	-
General governments	(37)	(2)	20	6	(27)	2	(39)	1
Credit institutions	(17)	(2)	3	-	10	(3)	(7)	-
Other financial corporations	(38)	(34)	9	22	10	6	(25)	-
Non-financial corporations	(9,225)	(3,705)	2,158	3,257	(278)	391	(7,402)	335
Households	(3,514)	(3,002)	511	2,325	172	189	(3,319)	205
Collective allowances for incurred but not reported losses on financial assets	**(6,024)**	**(1,558)**	**1,463**	**88**	**775**	**(15)**	**(5,270)**	**1**
Debt securities	(113)	(11)	15	1	64	-	(46)	-
Loans and advances	(5,911)	(1,546)	1,449	87	711	(15)	(5,224)	-
Total	**(18,890)**	**(8,470)**	**4,172**	**5,762**	**652**	**568**	**(16,206)**	**541**

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

7.3.7 Refinancing and restructuring operations

Group policies and principles with respect to refinancing and restructuring operations

Refinancing and restructuring transactions (see definition in the Glossary) are carried out with customers who have requested such an operation in order to meet their current loan payments if they are expected, or may be expected, to experience financial difficulty in making the payments in the future.

The basic aim of a refinancing and restructuring operation is to provide the customer with a situation of financial viability over time by adapting repayment of the loan incurred with the Group to the customer's new situation of fund generation. The use of refinancing and restructuring for other purposes, such as to delay loss recognition, is contrary to BBVA Group policies.

The BBVA Group's refinancing and restructuring policies are based on the following general principles:

- Refinancing and restructuring is authorized according to the capacity of customers to pay the new installments. This is done by first identifying the origin of the payment difficulties and then carrying out an analysis of the customers' viability, including an updated analysis of their economic and financial situation and capacity to pay and generate funds. If the customer is a company, the analysis also covers the situation of the industry in which it operates.
- With the aim of increasing the solvency of the operation, new guarantees and/or guarantors of demonstrable solvency are obtained where possible. An essential part of this process is an analysis of the effectiveness of both the new and original guarantees.
- This analysis is carried out from the overall customer or group perspective.
- Refinancing and restructuring operations do not in general increase the amount of the customer's loan, except for the expenses inherent to the operation itself.
- The capacity to refinance and restructure loan is not delegated to the branches, but decided on by the risk units.
- The decisions made are reviewed from time to time with the aim of evaluating full compliance with refinancing and restructuring policies.

These general principles are adapted in each case according to the conditions and circumstances of each geographical area in which the Group operates, and to the different types of customers involved.

In the case of retail customers (private individuals), the main aim of the BBVA Group's policy on refinancing and restructuring loan is to avoid default arising from a customer's temporary liquidity problems by implementing structural solutions that do not increase the balance of customer's loan. The solution required is adapted to each case and the loan repayment is made easier, in accordance with the following principles:

- Analysis of the viability of operations based on the customer's willingness and ability to pay, which may be reduced, but should nevertheless be present. The customer must therefore repay at least the interest on the operation in all cases. No arrangements may be concluded that involve a grace period for both principal and interest.
- Refinancing and restructuring of operations is only allowed on those loans in which the BBVA Group originally entered into.
- Customers subject to refinancing and restructuring operations are excluded from marketing campaigns of any kind.

In the case of non-retail customers (mainly companies, enterprises and corporates), refinancing/restructuring is authorized according to an economic and financial viability plan based on:

- Forecasted future income, margins and cash flows to allow entities to implement cost adjustment measures (industrial restructuring) and a business development plan that can help reduce the level of leverage to sustainable levels (capacity to access the financial markets).
- Where appropriate, the existence of a divestment plan for assets and/or operating segments that can generate cash to assist the deleveraging process.
- The capacity of shareholders to contribute capital and/or guarantees that can support the viability of the plan.

In accordance with the Group's policy, the conclusion of a loan refinancing and restructuring operation does not meet the loan is reclassified from "impaired" or "significant increase in credit risk" to outstanding risk. The reclassification to "significant increase in credit risk" or normal risk categories must be based on the analysis mentioned earlier of the viability, upon completion of the probationary periods described below.

The Group maintains the policy of including risks related to refinanced and restructured loans as either:

- "Impaired assets", as although the customer is up to date with payments, they are classified as unlikely to pay when there are significant doubts that the terms of their refinancing may not be met; or
- "Significant increase in credit risk" until the conditions established for their consideration as normal risk are met).

The conditions established for assets classified as "Significant increase in credit risk" to be reclassified out of this category are as follows:

- The customer must have paid past-due amounts (principal and interest) since the date of the renegotiation or restructuring of the loan or other objective criteria, demonstrating the borrower´s ability to pay, have been verified; none of its exposures is more than 30 days past-due; and
- At least two years must have elapsed since completion of the renegotiation or restructuring of the loan and regular payments must have been made during at least half of this probation period;
- It is unlikely that the customer will have financial difficulties and, therefore, it is expected that the customer will be able to meet its loan payment obligations (principal and interest) in a timely manner.

The BBVA Group's refinancing and restructuring policy provides for the possibility of two modifications in a 24 month period for loans that are not in compliance with the payment schedule.

The internal models used to determine allowances for loan losses consider the restructuring and renegotiation of a loan, as well as re-defaults on such a loan, by assigning a lower internal rating to restructured and renegotiated loans than the average internal rating assigned to non-restructured/renegotiated loans. This downgrade results in an increase in the probability of default (PD) assigned to restructured/renegotiated loans (with the resulting PD being higher than the average PD of the non- renegotiated loans in the same portfolios).

For quantitative information on refinancing and restructuring operations see Appendix XII.

7.4 Market risk

7.4.1 Market risk trading portfolios

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

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

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

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

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

Most of the headings on the Group's balance sheet subject to market risk are positions whose main metric for measuring their market risk is VaR. This table shows the accounting lines of the consolidated balance sheet as of December 31, 2018, 2017 and 2016 in which there is a market risk in trading activity subject to this measurement:

Headings of the balance sheet under market risk (Millions of euros)

	December 2018		December 2017		December 2016	
	Main market risk metrics - VaR	Main market risk metrics - Others (*)	Main market risk metrics - VaR	Main market risk metrics - Others (*)	Main market risk metrics - VaR	Main market risk metrics - Others (*)
Assets subject to market risk						
Financial assets held for trading	57,486	28,459	59,008	441	64,623	1,480
Financial assets at fair value through other comprehensive income	5,652	19,125	5,661	24,083	7,119	28,771
Of which: Equity instruments	-	2,046	-	*2,404*	-	*3,559*
Derivatives - Hedging accounting	688	1,061	829	1,397	1,041	1,415
Liabilities subject to market risk						
Financial liabilities held for trading	38,844	40,026	42,468	2,526	47,491	2,223
Derivatives - Hedging accounting	550	910	1,157	638	1,305	689

(*) Includes mainly assets and liabilities managed by ALCO.

Although the prior table shows details of the financial positions subject to market risk, it should be noted that the data are for information purposes only and do not reflect how the risk is managed in trading activity, where it is not classified into assets and liabilities.

With respect to the risk measurement models used in BBVA Group, the Bank of Spain has authorized the use of the internal model to determine bank capital requirements deriving from risk positions on the BBVA S.A. and BBVA Bancomer trading book, which jointly account for around 76%, 70% and 66% of the Group's trading-book market risk as of December 31, 2018, 2017 and 2016. For the rest of the geographical areas (mainly South America, Garanti and BBVA Compass), bank capital for the risk positions in the trading book is calculated using the standard model.

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

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

VaR figures are estimated following two methodologies:

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

In the case of Global Markets Argentina and Global Markets Peru a parametric methodology is used to measure risk in terms of VaR.

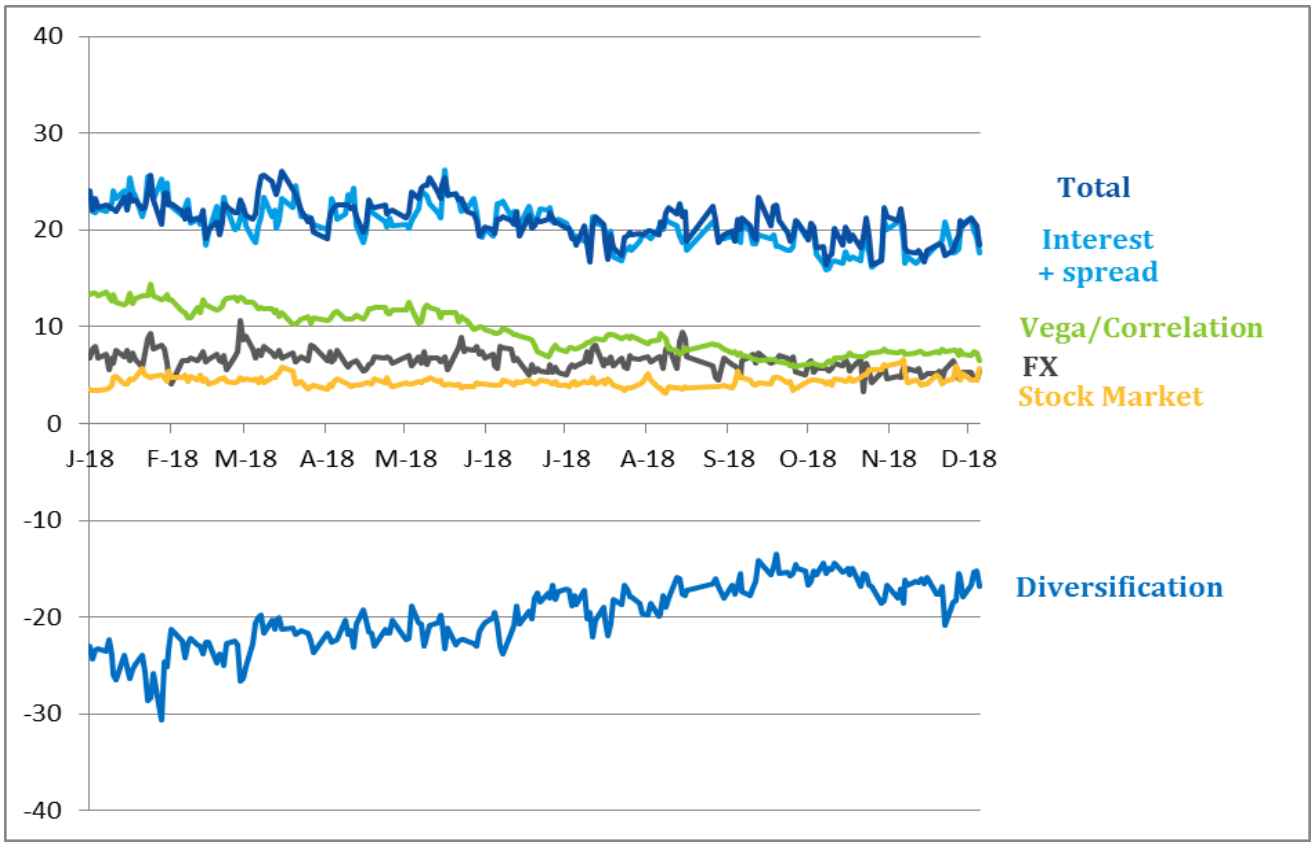
At the same time, and following the guidelines established by the Spanish and European authorities, BBVA incorporates metrics in addition to VaR with the aim of meeting the Bank of Spain's regulatory requirements with respect to the calculation of bank capital for the trading book. Specifically, the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

- VaR: In regulatory terms, the VaR charge incorporates the stressed VaR charge, and the sum of the two (VaR and stressed VaR) is calculated. This quantifies the losses associated with the movements of the two risk factors inherent to market operations (interest rates, FX, RV, credit, etc.). Both VaR and stressed VaR are rescaled by a regulatory multiplier set at three and by the square root of ten to calculate the capital charge.
- Specific Risk: Incremental Risk Capital ("IRC") Quantification of the risks of default and downgrading of the credit ratings of the bond and credit derivative positions in the portfolio. The specific capital risk by IRC is a charge exclusively used in the geographical areas with the internal model approved (BBVA S.A. and Bancomer). The capital charge is determined according to the associated losses (at 99.9% in a 1-year horizon under the hypothesis of constant risk) due to the rating migration and/or default state the issuer of an asset. In addition, the price risk is included in sovereign positions for the items specified.
- Specific Risk: Securitization and correlation portfolios. Capital charge for securitizations and the correlation portfolio to include the potential losses associated at the level of rating a specific credit structure (rating). Both are calculated by the standard method. The scope of the correlation portfolios refers to the FTD-type market operation and/or tranches of market CDOs and only for positions with an active market and hedging capacity.

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

Market risk in 2018

The Group's market risk remains at low levels compared to other risks managed by BBVA, particularly in terms of credit risk. This is due to the nature of the business. During the financial year 2018 the average VaR was €21 million, below the figure of 2017, with a high on March 16, 2018 of €26 million. The evolution in the BBVA Group's market risk during 2018, measured as VaR without smoothing (see Glossary) with a 99% confidence level and a 1-day horizon (shown in millions of Euros) is as follows:



By type of market risk assumed by the Group's trading portfolio, the main risk factor for the Group continues to be that linked to interest rates, with a weight of 55% of the total at December 31, 2018 (this figure includes the spread risk). The relative weight of this risk increased compared with its relative weight at December 31, 2017 (48%). Exchange-rate risk had a relative weight of 14%, the same as in 2017, while the relative weight of equity, volatility and correlation risk decreased from 38% at December 31, 2017 to 31% at December 31, 2018.

As of December 31, 2018, 2017 and 2016 the balance of VaR was €21 million, €27 million and €29 million, respectively. These figures can be broken down as follows:

VaR by Risk Factor (Millions of euros)

	Interest/Spread Risk	Currency Risk	Stock-market Risk	Vega/Correlation Risk	Diversification Effect(*)	Total
December 2018						
VaR average in the year	20	6	4	9	(20)	21
VaR max in the year	23	7	6	11	(21)	26
VaR min in the year	17	6	4	7	(18)	16
End of period VaR	19	5	3	7	(17)	17
December 2017						
VaR average in the year	25	10	3	13	(23)	27
VaR max in the year	27	11	2	12	(19)	34
VaR min in the year	23	7	4	14	(26)	22
End of period VaR	23	7	4	14	(26)	22
December 2016						
VaR average in the year	28	10	4	11	(23)	29
VaR max in the year	30	16	4	11	(23)	38
VaR min in the year	21	10	1	11	(20)	23
End of period VaR	29	7	2	12	(24)	26

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

Validation of the model

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

Two types of backtesting have been carried out during 2018, 2017 and 2016:

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

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

For the period between the year ended December 31, 2017 and the year ended December 31, 2018, the backtesting of the internal VaR calculation model was carried out, comparing the daily results obtained to the estimated risk level by the internal VaR calculation model. At the end of the year the comparison showed the internal VaR calculation model was working correctly, within the "green" zone (0-4 exceptions), thus validating the internal VaR calculation model, as has occurred each year since the internal market risk model was approved for the Group.

Stress test analysis

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

Historical scenarios

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

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

Simulated scenarios

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

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

The impact of the stress test under multivariable simulation of the risk factors of the portfolio (*Expected shortfall* 95% to 20 days) as of December 31, 2018 is as follows:

	Millions of Euros							
	Europe	**Mexico**	**Peru**	**Venezuela**	**Argentina**	**Colombia**	**Turkey**	**Compass**
Expected Shortfall	(99)	(33)	(11)	-	(5)	(6)	(6)	(1)

7.4.2 Structural risk

The Assets and Liabilities Committee (ALCO) is the main responsible body for the management of structural risks relating to liquidity/funding, interest rates, currency rates, equity and solvency. Every month, with the assistance of the CEO and representatives from the areas of Finance, Risks and Business Areas, this committee monitors the above risks and is presented with proposals for managing them for its approval. These management proposals are made proactively by the Finance area, taking into account the risk appetite framework and with the aim of guaranteeing recurrent earnings and financial stability and

preserving the entity's solvency. All the balance-sheet management units have a local ALCO, assisted constantly by the members of the Corporate Center. There is also a corporate ALCO where the management strategies in the Group's subsidiaries are monitored and presented.

Structural interest-rate risk

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

ALCO monitors the interest-rate risk metrics and the Assets and Liabilities Management unit carries out the management proposals for the structural balance sheet. The management objective is to ensure the stability of net interest income and book value in the face of changes in market interest rates, while respecting the internal solvency and limits in the different balance-sheets and for BBVA Group as a whole; and complying with current and future regulatory requirements.

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

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

The model is necessarily underpinned by an elaborate set of hypotheses that aim to reproduce the behavior of the balance sheet as closely as possible to reality. Especially relevant among these assumptions are those related to the behavior of Non Maturity Deposits, for which stability and remuneration assumptions are established, consistent with an adequate segmentation by type of product and customer, and prepayment estimates (implicit optionality). The assumptions are reviewed and adapted, at least on an annual basis, to signs of changes in behavior, kept properly documented and reviewed on a regular basis in the internal validation processes.

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

The table below shows the profile of average sensitivities to net interest income and value of the main banks in BBVA Group in 2018:

Sensitivity to Interest-Rate Analysis - December 2018

	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 (***)	+ (5% - 10%)	- (5% - 10%)	+ (0% - 5%)	- (0% - 5%)
Mexico	+ (0% - 5%)	- (0% - 5%)	+ (0% - 5%)	- (0% - 5%)
USA	+ (5% - 10%)	- (5% - 10%)	- (5% - 10%)	+ (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 Core Capital for each unit.

(***) In Europe downward movement including rates below the current ones.

In 2018 in Europe monetary policy has remained expansionary, maintaining rates at 0% and the deposit rate at -0.4%. In USA the rising rate cycle initiated by the Federal Reserve in 2015 has continued. In Mexico and Turkey, the upward cycle has continued because of volatility of their currencies and inflation prospects. In South America, monetary policy has continued to be expansive in most of the economies where the Group operates, with the exception of Argentina, where rates increased and actions were taken not to increase the monetary basis and slow the inflation.

The BBVA Group maintains, overall a positive and moderate sensitivity in its net interest income to an increase in interest rates. The higher relative net interest income sensitivities are observed in, particularly Euro and USD. In Europe however, the decrease in interest rates is limited by the downward path scope in interest rates. The Group maintains a moderate risk profile, according to its target risk, through effective management of its balance sheet structural risk.

Structural exchange-rate risk

In BBVA Group, structural exchange-rate risk arises from the consolidation of holdings in subsidiaries with functional currencies other than the euro. Its management is centralized in order to optimize the joint handling of permanent foreign currency exposures, taking into account the diversification.

The corporate Global ALM unit, through ALCO, designs and executes hedging strategies with the main purpose of controlling the potential negative effect of exchange-rate fluctuations on capital ratios and on the equivalent value in euros of the foreign-currency earnings of the Group's subsidiaries, considering transactions according to market expectations and their cost.

The risk monitoring metrics included in the framework of limits are integrated into management and supplemented with additional assessment indicators. At corporate level they are based on probabilistic metrics that measure the maximum deviation in the Group's Capital, CET1 ("Common Equity Tier 1") ratio, and net attributable profit. The probabilistic metrics make it possible to estimate the joint impact of exposure to different currencies taking into account the different variability in exchange rates and their correlations.

The suitability of these risk assessment metrics is reviewed on a regular basis through backtesting exercises. The final element of structural exchange-rate risk control is the analysis of scenarios and stress with the aim of identifying in advance possible threats to future compliance with the risk appetite levels set, so that any necessary preventive management actions can be taken. The scenarios are based both on historical situations simulated by the risk model and on the risk scenarios provided by BBVA Research.

2018 has been characterized by higher volatility levels of FX rates in emerging markets. As for the main currencies of the geographies where the Group operates, it is worth mentioning the appreciation of Mexican peso and US Dollar against the euro (around 5% in both cases), while Turkish lira and Argentinian peso have strongly depreciated (25% and 48%, respectively) affected by idiosyncratic factors.

The Group's structural exchange-rate risk exposure level has remained fairly stable since the end of 2017. 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 2018, CET1 ratio sensitivity to the appreciation of 1% in the euro exchange rate for each currency is: US Dollar +1.1 bps; Mexican peso -0.2 bps; Turkish Lira -0.2 bps; other currencies -0.2 bps. On the other hand, hedging of emerging-currency denominated earnings of 2018 has reached a 82%, concentrated in Mexican peso, Turkish lira and the main Latin American currencies.

Structural equity risk

BBVA Group's exposure to structural equity risk stems basically from minority shareholdings in industrial and financial companies held with long or medium-term investment horizons. This exposure is modulated in some portfolios with positions held in derivative instruments on the same underlying assets, in order to adjust the portfolio sensitivity to potential changes in equity prices.

The management of structural equity portfolios is a responsibility of the Group's units specialized in this area. Their activity is subject to the risk management corporate policy on structural equity risk management, complying with the defined management principles and Risk Appetite Framework.

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

Stress tests and analyses of sensitivity to different simulated scenarios are carried out periodically to analyze the risk profile in more depth. They are based on both past crisis situations and forecasts made by BBVA Research. This checks that the risks are limited and that the tolerance levels set by the Group are not at risk.

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

With regard to the equity markets, the world indexes have closed the year 2018 with generalized falls and volatility surges in a macro environment of global growth slowdown, increase of the political uncertainty and normalization of the monetary policies.

Structural equity risk, measured in terms of economic capital, has decreased in the period mainly due to lower exposure. The aggregate sensitivity of the BBVA Group's consolidated equity to a 1% fall in the price of shares of the companies making up the equity portfolio remained at around €-28 million as of December 31, 2018 and €-32 million as of December 31, 2017. This estimation takes into account the exposure in shares valued at market prices, or if not applicable, at fair value (excluding the positions in the Treasury Area and the net delta-equivalent positions in derivatives on the same underlyings.

7.4.3 Financial Instruments offset

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

In addition, the Group has presented as gross amounts assets and liabilities on the consolidated balance sheet for which there are master netting arrangements in place, but for which there is no intention of settling net. The most common types of events that trigger the netting of reciprocal obligations are bankruptcy of the entity, surpassing certain level of indebtedness threshold, failure to pay, restructuring and dissolution of the entity.

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

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

A summary of the effect of the compensation (via netting and collateral) for derivatives and securities operations is presented below as of December 31, 2018, 2017 and 2016:

December 2018 (Millions of euros)

	Notes	Gross Amounts Recognized (A)	Gross Amounts Offset in the Consolidated Balance Sheets (B)	Net Amount Presented in the Consolidated Balance Sheets (C=A-B)	Gross Amounts Not Offset in the Consolidated Balance Sheets (D)		Net Amount (E=C-D)
					Financial Instruments	Cash Collateral Received/ Pledged	
Trading and hedging derivatives	10, 15	49,908	16,480	33,428	25,024	7,790	613
Reverse repurchase, securities borrowing and similar agreements		28,074	42	28,032	28,022	169	(159)
Total Assets		**77,982**	**16,522**	**61,460**	**53,046**	**7,959**	**454**
Trading and hedging derivatives	10, 15	51,596	17,101	34,494	25,024	6,788	2,682
Repurchase, securities lending and similar agreements		43,035	42	42,993	42,877	34	82
Total liabilities		**94,631**	**17,143**	**77,487**	**67,901**	**6,822**	**2,765**

December 2017 (Millions of euros)

	Notes	Gross Amounts Recognized (A)	Gross Amounts Offset in the Consolidated Balance Sheets (B)	Net Amount Presented in the Consolidated Balance Sheets (C=A-B)	Gross Amounts Not Offset in the Consolidated Balance Sheets (D)		Net Amount (E=C-D)
					Financial Instruments	Cash Collateral Received/ Pledged	
Trading and hedging derivatives	10, 15	49,333	11,584	37,749	27,106	7,442	3,202
Reverse repurchase, securities borrowing and similar agreements		26,426	56	26,369	26,612	141	(384)
Total Assets		**75,759**	**11,641**	**64,118**	**53,717**	**7,583**	**2,818**
Trading and hedging derivatives	10, 15	50,693	11,644	39,049	27,106	8,328	3,615
Repurchase, securities lending and similar agreements		40,134	56	40,078	40,158	21	(101)
Total liabilities		**90,827**	**11,701**	**79,126**	**67,264**	**8,349**	**3,514**

December 2016 (Millions of euros)

	Notes	Gross Amounts Recognized (A)	Gross Amounts Offset in the Consolidated Balance Sheets (B)	Net Amount Presented in the Consolidated Balance Sheets (C=A-B)	Gross Amounts Not Offset in the Consolidated Balance Sheets (D)		Net Amount (E=C-D)
					Financial Instruments	Cash Collateral Received/ Pledged	
Trading and hedging derivatives	10, 15	59,374	13,587	45,788	32,146	6,571	7,070
Reverse repurchase, securities borrowing and similar agreements		25,833	2,912	22,921	23,080	174	(333)
Total Assets		**85,208**	**16,499**	**68,709**	**55,226**	**6,745**	**6,738**
Trading and hedging derivatives	10, 15	59,545	14,080	45,465	32,146	7,272	6,047
Repurchase, securities lending and similar agreements		49,474	2,912	46,562	47,915	176	(1,529)
Total liabilities		**109,019**	**16,991**	**92,027**	**80,061**	**7,448**	**4,518**

7.5 Liquidity risk

7.5.1 Liquidity risk management

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

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

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

LCR ratio in Europe was applicable as from October 1, 2015. With an initial 60% minimum requirement, progressively increased (phased-in) up to 100% in 2018. Throughout the year 2018, LCR level at BBVA Group has been above 100%. As of December 31, 2018, the LCR ratio at Group level is 127%.

Although this regulatory requirement is mandatory at a Group level and Eurozone banks, all subsidiaries are above this minimum. In any case, it should be noted that liquidity excesses in subsidiaries are not deemed transferable when calculating the consolidated ratio. Taking into account the impact of these High Quality Liquid Assets excluded, LCR ratio would be 154%, which is +27% above the Group's LCR.

LCR main LMU

	December 2018	December 2017
Group	**127%**	**128%**
Eurozone	145%	151%
Bancomer	154%	148%
Compass(*)	143%	144%
Garanti	209%	134%

(*) Compass LCR calculated according to local regulation (Fed Modified LCR).

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

Stable customer deposits are defined as the customer funds captured and managed by business units among their target customers. These funds usually show little sensitivity to market changes and are largely non-volatile in terms of aggregate amounts per transaction, thanks to customer linkage to the unit. Stable funds in each LMU are calculated by analyzing the behavior of the balance sheets of the different customer segments identified as likely to provide stability to the funding structure, and by prioritizing an established

relationship and applying bigger haircuts to the funding lines of less stable customers. The main base of stable funds is composed of deposits by retail individual customers and small businesses.

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

The behavior of the indicators reflects that the funding structure remained robust in 2018, 2017 and 2016, in the sense that all the LMUs maintain levels of self-funding with stable customer funds higher than the required levels.

LtSCD by LMU

	December 2018	December 2017	December 2016
Group (average)	**106%**	**110%**	**113%**
Eurozone	101%	108%	113%
Bancomer	114%	109%	113%
Compass	119%	109%	108%
Garanti	110%	122%	124%
Other LMUs	99%	108%	107%

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

The third element promotes the short-term resilience of the liquidity risk profile, making sure that each LMU has sufficient collateral to address the risk of wholesale markets closing. Basic Capacity is the short-term liquidity risk management and control metric that is defined as the relationship between the available explicit assets and the maturities of wholesale liabilities and volatile funds, at different terms to one year, with special relevance being given to 30 and 90-day maturities.

Each entity maintains an individual liquidity buffer, both Banco Bilbao Vizcaya Argentaria, S.A. and its subsidiaries, including BBVA Compass, BBVA Bancomer, Garanti Bank and the Latin American subsidiaries. The table below shows the liquidity available by instrument as of December 31, 2018 and 2017 for the most significant entities based on prudential supervisor's information (Commission Implementing Regulations (EU) 2017/2114 of November 9, 2017):

December 2018 (Millions of euros)	BBVA Eurozone	BBVA Bancomer	BBVA Compass	Garanti Bank	Other
Cash and withdrawable central bank reserves	26,506	7,666	1,667	7,633	6,677
Level 1 tradable assets	29,938	4,995	10,490	6,502	3,652
Level 2A tradable assets	449	409	510	-	-
Level 2B tradable assets	*4,040*	*33*	-	-	-
Other tradable assets	*5,661*	*1,372*	*1,043*	*499*	*617*
Non tradable assets eligible for central banks	-	-	*2,314*	-	-
Cumulated Counterbalancing Capacity	**66,594**	**14,475**	**16,024**	**14,634**	**10,946**

December 2017 (Millions of euros)	BBVA Eurozone (1)	BBVA Bancomer	BBVA Compass	Garanti Bank	Other
Cash and withdrawable central bank reserves	15,634	8,649	2,150	6,692	6,083
Level 1 tradable assets	38,954	3,805	9,028	5,705	6,141
Level 2A tradable assets	386	418	753	-	10
Level 2B tradable assets	*4,995*	*69*	-	-	*21*
Other tradable assets	*6,734*	*1,703*	*1,252*	*962*	*1,573*
Non tradable assets eligible for central banks	-	-	*2,800*	-	-
Cumulated Counterbalancing Capacity	**66,703**	**14,644**	**15,983**	**13,359**	**13,828**

(1) It includes Spain, Portugal and Rest of Eurasia.

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

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

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

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

Below is a matrix of residual maturities by contractual periods based on supervisory prudential reporting as of December 31, 2018, 2017 and 2016:

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

December 2018. Contractual Maturities (Millions of euros)

	Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 9 Months	9 to 12 Months	1 to 2 Years	2 to 3 Years	3 to 5 Years	Over 5 Years	Total
ASSETS											
Cash, cash balances at central banks and other demand deposits	9,550	40,599	-	-	-	-	-	-	-	-	**50,149**
Deposits in credit entities	801	3,211	216	141	83	152	133	178	27	1,269	**6,211**
Deposits in other financial institutions	1	1,408	750	664	647	375	1,724	896	1,286	2,764	**10,515**
Reverse repo, securities borrowing and margin lending	-	21,266	1,655	1,158	805	498	205	1,352	390	210	**27,539**
Loans and Advances	132	19,825	25,939	23,265	15,347	16,433	42,100	32,336	53,386	120,571	**349,334**
Securities' portfolio settlement	-	1,875	4,379	5,990	2,148	6,823	8,592	12,423	11,533	42,738	**96,501**

December 2018. Contractual Maturities (Millions of euros)

	Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 9 Months	9 to 12 Months	1 to 2 Years	2 to 3 Years	3 to 5 Years	Over 5 Years	Total
LIABILITIES	-	-	-	-	-	-	-	-	-	-	-
Wholesale funding	1	2,678	1,652	2,160	2,425	2,736	7,225	8,578	16,040	26,363	**69,858**
Deposits in financial institutions	7,107	5,599	751	1,992	377	1,240	1,149	229	196	904	**19,544**
Deposits in other financial institutions and international agencies	10,680	4,327	1,580	458	302	309	781	304	825	1,692	**21,258**
Customer deposits	252,630	44,866	18,514	10,625	6,217	7,345	5,667	2,137	1,207	1,310	**350,518**
Security pledge funding	40	46,489	2,219	2,274	114	97	22,911	526	218	1,627	**76,515**
Derivatives, net	-	(75)	(523)	(68)	(5)	(117)	498	(91)	(67)	(392)	**(840)**

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December 2017. Contractual Maturities (Millions of euros)

	Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 9 Months	9 to 12 Months	1 to 2 Years	2 to 3 Years	3 to 5 Years	Over 5 Years	Total
ASSETS											
Cash, cash balances at central banks and other demand deposits	8,179	31,029	-	-	-	-	-	-	-	-	**39,208**
Deposits in credit entities	252	4,391	181	169	120	122	116	112	157	1,868	**7,488**
Deposits in other financial institutions	1	939	758	796	628	447	1,029	681	806	1,975	**8,060**
Reverse repo, securities borrowing and margin lending	18,979	2,689	1,921	541	426	815	30	727	226	-	**26,354**
Loans and Advances	267	21,203	26,323	23,606	15,380	17,516	43,973	35,383	50,809	123,568	**358,028**
Securities' portfolio settlement	1	1,579	4,159	4,423	2,380	13,391	5,789	11,289	12,070	44,666	**99,747**

December 2017. Contractual Maturities (Millions of euros)

	Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 9 Months	9 to 12 Months	1 to 2 Years	2 to 3 Years	3 to 5 Years	Over 5 Years	Total
LIABILITIES											
Wholesale funding	-	3,648	4,209	4,238	1,227	2,456	5,772	6,432	18,391	30,162	**76,535**
Deposits in financial institutions	6,831	5,863	1,082	2,335	392	1,714	930	765	171	1,429	**21,512**
Deposits in other financial institutions and international agencies	10,700	4,827	3,290	1,959	554	1,328	963	286	355	1,045	**25,307**
Customer deposits	233,068	45,171	18,616	11,428	8,711	10,368	7,607	2,612	1,833	2,034	**341,448**
Security pledge funding	-	35,502	2,284	1,405	396	973	64	23,009	338	1,697	**65,668**
Derivatives, net	-	(18)	(110)	(116)	(135)	(117)	(336)	(91)	(106)	(419)	**(1,448)**

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December 2016. Contractual Maturities (Millions of euros)

	Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 9 Months	9 to 12 Months	1 to 2 Years	2 to 3 Years	3 to 5 Years	Over 5 Years	Total
ASSETS											
Cash, cash balances at central banks and other demand deposits	23,191	13,825	-	-	-	-	-	-	-	-	**37,016**
Deposits in credit entities	991	4,068	254	155	48	72	117	87	122	4,087	**10,002**
Deposits in other financial institutions	1	1,192	967	675	714	532	1,330	918	942	336	**7,608**
Reverse repo, securities borrowing and margin lending	-	20,232	544	523	-	428	500	286	124	189	**22,826**
Loans and Advances	591	20,272	25,990	22,318	16,212	15,613	44,956	35,093	55,561	133,589	**370,195**
Securities' portfolio settlement	-	708	3,566	3,688	2,301	4,312	19,320	10,010	16,662	51,472	**112,039**

December 2016. Contractual Maturities (Millions of euros)

	Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 9 Months	9 to 12 Months	1 to 2 Years	2 to 3 Years	3 to 5 Years	Over 5 Years	Total
LIABILITIES											
Wholesale funding	419	7,380	2,943	5,547	3,463	5,967	7,825	5,963	14,016	31,875	**85,397**
Deposits in financial institutions	6,762	5,365	1,181	2,104	800	2,176	746	1,156	859	3,714	**24,862**
Deposits in other financial institutions and international agencies	15,375	6,542	8,624	3,382	2,566	1,897	1,340	686	875	2,825	**44,114**
Customer deposits	206,140	49,053	25,522	15,736	11,863	11,343	8,619	5,060	781	936	**335,052**
Security pledge funding	-	38,153	3,561	1,403	1,004	912	1,281	640	23,959	1,712	**72,626**
Derivatives, net	-	(2,123)	(95)	(190)	(111)	(326)	(132)	(82)	(105)	(47)	**(3,210)**

The matrix shows the retail nature of the funding structure, with a loan portfolio being mostly funded by customer deposits (66%). On the outflows side of the matrix, the "demand" maturity bucket mainly contains the retail customer sight accounts whose behavior historically showed a high level of stability and little concentration. According to an behavior analysis which is done every year in every entity, this type of account is considered to be stable and for liquidity risk purposes, it is estimated that 78% have a maturity of more than 5 years.

In the Euro Liquidity Management Unit (LMU), solid liquidity and funding situation, where activity has continued to generate liquidity through the decrease of Credit Gap. In addition, during 2018 the Euro LMU made 3 issues in the public market for €3,500 million; Senior Non Preferred ("SNP") at 5 years for €1,500 million, Green bond SNP at 7 years for €1,000 million and AT1 for €1,000 million, which have allowed it to obtain long-term funding at favorable price conditions. These public operations have been complemented by a private issue T2 for USD 300 million.

In Mexico, sound liquidity position despite the market volatility, the Credit Gap has increased in 2018 due to a minor increase in deposits mainly because of the outflows of non-profitable USD deposits. During the financial year 2018, BBVA Bancomer made a local Tier II issuance on international markets for USD 1,000 million as well as an issuance on the local market for 7,000 million of Mexican pesos in 2 tranches: at 3 and 5 years, being the 3 years tranche the first Green Bond issued by a private bank.

In the United States, the containment of the cost of liabilities has led to a slightly increase in the credit gap. During the financial year 2018, BBVA Compass successfully issued 3 year senior debt for USD 1,150 million.

In Turkey an adequate liquidity situation is maintained, after having been affected by the currency volatility at the beginning of the second semester. Despite this, Garanti showed a good performance with the roll-over of the 2018 maturities of corporate funding. The main operations during the year were two syndicated loans for USD 2,300 million, the first Green Bond at 6 years for USD 75 million and future flows securitization (Diversified Payment Rights) for USD 375 million at 7 years.

Argentina was affected by the market volatility but no relevant impact on the liquidity situation of the entity has been noted. BBVA Francés maintains a solid liquidity situation distinguished by a major volume of cash reserves.

The liquidity position of the rest of subsidiaries has continued to be sound, maintaining a solid liquidity position in all the jurisdictions in which the Group operates. Access to capital markets of these subsidiaries has also been maintained with recurring issuances in the local market.

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

7.5.2 Asset encumbrance

As of December 31, 2018, 2017 and 2016, the encumbered (those provided as collateral for certain liabilities) and unencumbered assets are broken down as follows:

December 2018 (Millions of euros)

	Encumbered assets		Non-Encumbered assets	
	Book value of Encumbered assets	Market value of Encumbered assets	Book value of non-encumbered assets	Market value of non-encumbered assets
Assets				
Equity instruments	1,864	1,864	6,485	6,485
Debt Securities	31,157	32,216	82,209	82,209
Loans and Advances and other assets	74,928		478,880	

December 2017 (Millions of euros)

	Encumbered assets		Non-Encumbered assets	
	Book value of Encumbered assets	Market value of Encumbered assets	Book value of non-encumbered assets	Market value of non-encumbered assets
Assets				
Equity instruments	2,297	2,297	9,616	9,616
Debt Securities	28,700	29,798	84,391	84,391
Loans and Advances and other assets	79,604		485,451	

December 2016 (Millions of euros)

	Encumbered assets		Non-Encumbered assets	
	Book value of Encumbered assets	Market value of Encumbered assets	Book value of non-encumbered assets	Market value of non-encumbered assets
Assets				
Equity instruments	2,214	2,214	9,022	9,022
Debt Securities	40,114	39,972	90,679	90,679
Loans and Advances and other assets	94,718		495,109	

The committed value of "Loans and Advances and other assets" corresponds mainly to loans linked to the issue of covered bonds, territorial bonds or long-term securitized bonds (see Note 22.3) as well as those used as a guarantee to access certain funding transactions with central banks. Debt securities and equity instruments correspond to underlying that are delivered in repos with different types of counterparties, mainly clearing houses or credit institutions, and to a lesser extent central banks. Collateral provided to guarantee derivative transactions is also included as committed assets.

As of December 31, 2018, 2017 and 2016, collateral pledge mainly due to repurchase agreements and securities lending, and those which could be committed in order to obtain funding are provided below:

December 2018. Collateral received (Millions of euros)

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Nominal amount of collateral received or own debt securities issued not available for encumbrance
Collateral received	**27,474**	**5,633**	**319**
Equity instruments	89	82	-
Debt securities	27,385	5,542	300
Loans and Advances and other assets	-	8	19
Own debt securities issued other than own covered bonds or ABSs	**78**	**87**	**-**

December 2017. Collateral received (Millions of euros)

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Nominal amount of collateral received or own debt securities issued not available for encumbrance
Collateral received	**23,881**	**9,630**	**201**
Equity instruments	103	5	-
Debt securities	23,715	9,619	121
Loans and Advances and other assets	63	6	80
Own debt securities issued other than own covered bonds or ABSs	**3**	**161**	**-**

December 2016. Collateral received (Millions of euros)

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Nominal amount of collateral received or own debt securities issued not available for encumbrance
Collateral received	**19,921**	**10,039**	**173**
Equity instruments	58	59	-
Debt securities	19,863	8,230	28
Loans and Advances and other assets	-	1,750	144
Own debt securities issued other than own covered bonds or ABSs	**5**	**-**	**-**

The guarantees received in the form of reverse repurchase agreements or security lending transactions are committed by their use in repurchase agreements, as is the case with debt securities.

As of December 31, 2018, 2017 and 2016, financial liabilities issued related to encumbered assets in financial transactions as well as their book value were as follows:

December 2018. Sources of encumbrance (Millions of euros)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Book value of financial liabilities	**113,498**	**131,172**
Derivatives	8,972	11,036
Loans and Advances	85,989	97,361
Outstanding subordinated debt	18,538	22,775
Other sources	**3,972**	**4,330**

December 2017. Sources of encumbrance (Millions of euros)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Book value of financial liabilities	**118,704**	**133,312**
Derivatives	11,843	11,103
Loans and Advances	87,484	98,478
Outstanding subordinated debt	19,377	23,732
Other sources	**305**	**1,028**

December 2016. Sources of encumbrance (Millions of euros)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Book value of financial liabilities	**134,387**	**153,632**
Derivatives	9,304	9,794
Loans and Advances	96,137	108,268
Outstanding subordinated debt	28,946	35,569
Other sources	**-**	**2,594**

7.6 Operational Risk

BBVA defines operational risk ("OR") as any risk that could result in losses caused by human errors, inadequate or faulty internal processes, misconduct with clients or in the markets, failures, disruptions or deficiencies of systems or communications, inadequate data management, legal risks and, lastly, from external events, including cyberattacks, frauds committed by third parties, disasters and an unsatisfactory service provided by suppliers.

Operational risk management is oriented towards the identification of the root causes to avoid their occurrence and mitigate possible consequences. This is carried out through the establishment of mitigation plans and control frameworks aimed at minimizing resulting losses and their impact on the recurrent generation of income and the profit of the Group. Operational risk management is integrated into the global risk management structure of the BBVA Group.

This section addresses general aspects of operational risk management as the main component of non-financial risks. However, sections devoted to conduct and compliance risk and to cybersecurity risk management are also included in this report.

Operational Risk Management Principles

The BBVA Group is committed to preferably applying advanced operational risk management models, regardless of the capital calculation regulatory model applicable at the time. Operational risk management at the BBVA Group shall:

- Be in line with the Risk Appetite Framework approved by BBVA's Board of Directors.
- Meet BBVA's management needs arising from compliance with rules, regulation, industry standards and from decisions or positions taken by the governing bodies of the Group.
- Predict potential operational risks to which the Group shall be exposed as a result of the emergence or changes on new products, activities, processes or systems and services procurement or outsourcing decisions; and establish mechanisms to achieve a reasonable assessment and mitigation before implementation, in addition to a regular review on all existing processes.
- Establish methodologies, procedures and indicators to regularly reassess the relevant operational risks to which the Group is exposed to implement the most appropriate mitigation measures in each case, once the identified risk and the mitigation cost have been considered (cost-benefit analysis) and preserving the solvency of the Group at all times.
- Seek the causes behind the operational events suffered by the Group and establish the appropriate redressing measures (always considering the cost-benefit analysis). To that end, procedures for analyzing operational events must be in place, in addition to mechanisms to capture the potential operational losses resulting from those events.
- Analyze the public events with significant operational risk in other entities and to promote, if applicable, the implementation of the appropriate measures to avoid its occurrence in the Group.
- Identify, analyze and try to quantify events with a low probability of occurrence and a high impact that, due to their exceptional nature, may not be included in the loss database or, if included, with not highly representative impacts, in order to assess possible mitigation measures.
- Have an effective governance on which the functions and responsibilities of the Areas and Bodies intervening in OR management are clearly defined.

Irrespective of the implementation of all the possible measures and controls designed to avoid or mitigate the frequency and severity of OR events, BBVA ensures at all times the capital required to face potential expected or unexpected losses.

Operational risk control and management model

The operational risk management cycle at BBVA is similar to the one implemented for the rest of risks. Its elements are:

Planning

Operational risk forms part of the risk appetite framework of the Group and includes three types of metrics:

- Economic capital calculated with the operational losses database of the Group and the industry, considering the corresponding diversification effects and the additional estimation of potential and emerging risks through stress scenarios designed for the main types of risks. The economic capital is regularly calculated for the main banks of the group and simulation capabilities are available to anticipate the impact of changes on the risk profile or new potential events.
- IRO metrics (operational risk losses vs. gross income) broken down by geography, business area and type of risk.

- In addition, work is in progress on the implementation in the entire group of a common and more granular scheme of metrics that covers the main types of operational risks.

Operational risk admission

The main purposes of the operational risk admission phase are the following:

- Anticipate potential operational risks to which the Group would be exposed with the emergence of new initiatives (new business, product, outsourcing, process transformation, new systems, etc.) or changes in those initiatives in place.
- Ensure that the implementation is carried out once the appropriate mitigation measures have been adopted, among others risk insurance, where appropriate.

The Corporate Policy on Operational Risk Management and Control sets out the specific operational risk admission framework through different committees, at a corporate and Business Area level, that follow a delegation structure based on the risk level of proposed initiatives.

Operational risk monitoring

The purpose of this phase is to check that the target operational risk profile of the group is within the authorized limits. Operational risk monitoring considers 2 scopes:

- Monitoring the operational risk admission process, oriented towards checking that accepted risks levels are within the limits and that defined controls are effective.
- Monitoring the operational risk "stock" linked to the processes, in order to carry out a regular reassessment to confirm that residual risks and target risk are reasonably aligned and, if not, to implement action plans to redress gaps to the desired level.

This process is supported by a corporate Governance, Risk & Compliance tool that monitors OR at a local level and its aggregation at a corporate level.

In addition, and in line with the best practices and recommendations provided by the BIS, BBVA has procedures to collect the operational losses occurred in the different entities of the Group and in other financial groups, with the appropriate level of detail to carry out an effective analysis that provides useful information for management purposes. To that end, a corporate tool implemented in all the countries of the Group is used.

Operational risk mitigation

Several cross-sectional operational risk plans have been promoted over the last two years for the entire BBVA Group to encourage a forward-looking management of these risks. To that end, focuses have been identified from events, self-assessments and recommendations from auditors and supervisors in different geographies, both in the Group and the industry, thereby analyzing the best practices and fostering comprehensive action plans to strengthen and standardize the control environment.

One of the core plans is outsourcing management, which is an increasingly important subject in the Group, the industry and the regulatory environment. Some of the different initiatives launched under this scheme are summarized below:

- Strengthening the admission process of these initiatives and their control and monitoring frameworks.
- New internal regulation comprising the best practices of the industry.
- Integration in the 3 lines of defense control model: roles and responsibilities in each phase of its life cycle.

- Risk management of the service and the supplier.
- Review of its governance process, which is included in operational risk governance, and escalation criteria.
- Adaptation of the management tool to the new requirements.
- Internal communication process and training between outsourcing units and senior management, including these issues on the agenda of the main control committees of the Group.

This plan will still be promoted in the year 2019 with a focus on a review of the most significant outsourcing stock.

Governance of Non-financial risks

The non-financial risks governance model at the BBVA Group is based on two components:

- The three lines of defense control model, in accordance with the best practices of the industry and through which compliance with the most advanced standards in terms of operational risk internal control is ensured.
- Scheme of Corporate Assurance Committees and Operational Risk and Internal Control Committees at the level of the different business areas.

Corporate Assurance establishes a structure of corporate and local committees that provides Senior Management with a comprehensive and consistent view of the most relevant non-financial risks. The purpose is to ensure a forward-looking and prompt decision-making process for the mitigation or taking of the major risks both at a local level and at the level of the consolidated Group.

In addition, the Non-Financial Risks unit periodically reports the Risk Committee of the Board on the situation of non-financial risks management in the Group.

7.7 Risk concentration

Policies for preventing excessive risk concentration

In order to prevent the build-up of excessive risk concentrations at the individual, sector and portfolio levels, BBVA Group maintains updated maximum permitted risk concentration indices which are tied to the various observable variables related to concentration risk.

Together with the limits for individual concentration, the Group uses the Herfindahl index to measure the concentration of the Group's portfolio and the banking group's subsidiaries. At the BBVA Group level, the index reached implies a "very low" degree of concentration.

The limit on the Group's exposure or financial commitment to a specific customer therefore depends on the customer's credit rating, the nature of the risks involved, and the Group's presence in a given market, based on the following guidelines:

- The aim is, as much as possible, to reconcile the customer's credit needs (commercial/financial, short-term/long-term, etc.) with the interests of the Group.
- Any legal limits that may exist concerning risk concentration are taken into account (relationship between risks with a customer and the capital of the shareholder´s entity that assumes them), the markets, the macroeconomic situation, etc.

Risk concentrations by geography

The breakdown of the main figures in the most significant foreign currencies in the accompanying consolidated balance sheets is set forth in Appendix XII.

Sovereign risk concentration

Sovereign risk management

The risk associated with the transactions involving sovereign risk is identified, measured, controlled and tracked by a centralized unit integrated in the BBVA Group's Risk Area. Its basic functions involve the preparation of reports in the countries where sovereign risk exists (called "financial programs"), tracking such risks, assigning ratings to these countries and, in general, supporting the Group in terms of reporting requirements for any transactions involving sovereign risk. The risk policies established in the financial programs are approved by the relevant risk committees.

The country risk unit tracks the evolution of the risks associated with the various countries to which the Group are exposed (including sovereign risk) on an ongoing basis in order to adapt its risk and mitigation policies to any macroeconomic and political changes that may occur. Moreover, it regularly updates its internal ratings and forecasts for these countries. The methodology is based on the assessment of quantitative and qualitative parameters which are in line with those used by certain multilateral organizations such as the International Monetary Fund (IMF) and the World Bank, rating agencies and export credit organizations.

For additional information on sovereign risk in Europe see Appendix XII.

Valuation and impairment methods

The valuation methods used to assess the instruments that are subject to sovereign risks are the same ones used for other instruments included in the relevant portfolios and are detailed in Note 8.

Specifically, the fair value of sovereign debt securities of European countries has been considered equivalent to their listed price in active markets (Level 1 as defined in Note 8).

Risk related to the developer and Real-Estate sector in Spain

The relative weight of the investment in Real Estate developments has dramatically decreased during the last years, especially since 2014. A corporate sales policy has been rolled out to eliminate those real estate assets from the balance sheet which have been most difficult to be commercialized. The sales of 80% of the Group's share in Divarian and of other performing and NPL wholesale portfolios to Funds and specialized investors have been some of the most relevant transactions (see Note 3).

Policies and strategies established by the Group to deal with risks related to the developer and real-estate sector

BBVA has teams specializing in the management of the Real-Estate Sector risk, given its economic importance and specific technical component. This specialization is not only in the Risk-Acceptance teams, but throughout the handling, commercial, problem risks and legal, etc. It also includes the research department of the BBVA Group (BBVA Research), which helps determine the medium/long-term vision needed to manage this portfolio.

The policies established to address the risks related to the developer and real-estate sector, aim to accomplish, among others, the following objectives: to avoid concentration in terms of customers, products and regions; to estimate the risk profile for the portfolio; and to anticipate possible worsening of the portfolio within a sector is highly cyclic.

Specific policies for analysis and admission of new developer risk transactions

In the analysis of new operations, the assessment of the commercial operation in terms of the economic and financial viability of the project has been one of the constant.

The monitoring of the work, the sales and the legal situation of the project are essential aspects for the admission and follow-up of new real estate operations. With regard the participation of the Risk Acceptance teams, they have a direct link and participate in the committees of areas such as Valuation, Legal, Research and Recoveries. This guarantees coordination and exchange of information in all the processes.

The following strategies have been implemented with customers in the developer sector: avoidance of large corporate transactions, which had already reduced their share in the years of greatest market growth. Additionally, very restrictive limits have been established for the second-home market and for the of land operations. Feasibility studies, at project level, are performed by doing a contrast analysis in the pre-commercialization phase, with an appropriate funding cycle and in locations with low commercialization risk.

Risk monitoring policies

The base information for analyzing the real estate portfolios is updated monthly. The tools used include the so-called "watch-list", which is updated monthly with the progress of each client under watch, and the different strategic plans for management of special groups. There are plans that involve an intensification of the review of the portfolio for financing land, while, in the case of ongoing promotions, they are classified based on the rate of progress of the projects. This implies a comparison of the progress of the work and the sales, including a scoreboard which enables the persons in charge to detect timely any deviation from the project's initial plan.

These actions have enabled BBVA to identify possible impairment situations, by always keeping an eye on BBVA's position with each customer (whether or not as first creditor). In this regard, key aspects include management of the risk policy to be followed with each customer, contract review, improved collateral and rate review (repricing. Since 2013, there are no threats of new defaults in the portfolio

Proper management of the relationship with each customer requires knowledge of various aspects such as an analysis of the company's future viability, the updating of the information on the debtor and the guarantors (their current situation and business course, economic-financial information, debt analysis and generation of funds), and the updating of the appraisal of the assets offered as collateral.

The volume of restructurings during the last period has been very low, being close to 0.

Policies applied in the management of real estate assets in Spain

Regarding the financing of real estate, a new regulation has been updated in 2018 in which recommendations for the promotion of residential real estate are established.

The recommendations represent guidelines about how to manage the credit admission activity of BBVA Group entities based on best practices of markets in which this activity is performed. It is expected that a high percentage of the current transactions will be in compliance with the latter.

The guidelines apply to new transactions with clients which are not classified as impaired or Watchlist (WL1 or WL2).

The policies deriving from the guidelines foresee a prudential intervention in a market which has changed its cycle in almost all of the geographies and which is showing a more sustainable behavior in terms of demography, employment and economic and investment capacities.

For quantitative information about the risk related to the developer and Real-Estate sector in Spain see Appendix XII.

8. Fair Value of financial instruments

Framework and processes control

As part of the process established in the Group for determining the fair value in order to ensure that financial assets and liabilities are properly valued, BBVA has established, at a geographic level, a structure of Risk Operational Admission and Product Governance Committees responsible for validating and approving new products or types of financial assets and liabilities before being contracted. Local management responsible for valuation, which are independent from the business (see Note 7) are members of these committees.

These areas are required to ensure, prior to the approval stage, the existence of not only technical and human resources, but also adequate informational sources to measure the fair value of these financial assets and liabilities, in accordance with the rules established by the Group and using models that have been validated and approved by the responsible areas.

Fair value hierarchy

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

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

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

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

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

- Level 1: Valuation using directly the quotation of the instrument, observable and readily and regularly available from independent price sources and referenced to active markets that the entity can access at the measurement date. The instruments classified within this level are fixed-income securities, equity instruments and certain derivatives.
- Level 2: Valuation of financial instruments with commonly accepted techniques that use inputs obtained from observable data in markets.

- Level 3: Valuation of financial instruments with valuation techniques that use significant unobservable inputs in the market. As of December 31, 2018, the affected instruments at fair value accounted for approximately 0.56% of financial assets and 0.46% of the Group's financial liabilities registered at fair value. Model selection and validation is undertaken by control areas outside the business areas.

8.1 Fair value of financial instrument

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

Fair Value and Carrying Amount (Millions of euros)

		2018	
	Notes	Carrying Amount	Fair Value
ASSETS			
Cash, cash balances at central banks and other demand deposits	9	58,196	58,196
Financial assets held for trading	10	90,117	90,117
Non-trading financial assets mandatorily at fair value through profit or loss	11	5,135	5,135
Financial assets designated at fair value through profit or loss	12	1,313	1,313
Financial assets at fair value through other comprehensive income	13	56,337	56,337
Financial assets at amortized cost	14	419,660	419,857
Hedging derivatives	15	2,892	2,892
LIABILITIES			
Financial liabilities held for trading	10	80,774	80,774
Financial liabilities designated at fair value through profit or loss	12	6,993	6,993
Financial liabilities at amortized cost	22	509,185	510,300
Hedging derivatives	15	2,680	2,680

Fair Value and Carrying Amount (Millions of euros)

		2017		2016	
	Notes	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS					
Cash, cash balances at central banks and other demand deposits	9	42,680	42,680	40,039	40,039
Financial assets held for trading	10	64,695	64,695	74,950	74,950
Financial assets designated at fair value through profit or loss	12	2,709	2,709	2,062	2,062
Available-for-sale financial assets		69,476	69,476	79,221	79,221
Loans and receivables		431,521	438,991	465,977	468,844
Held-to-maturity investments		13,754	13,865	17,696	17,619
Derivatives - Hedge accounting	15	2,485	2,485	2,833	2,833
LIABILITIES					
Financial liabilities held for trading	10	46,182	46,182	54,675	54,675
Financial liabilities designated at fair value through profit or loss	12	2,222	2,222	2,338	2,338
Financial liabilities at amortized cost	22	543,713	544,604	589,210	594,190
Derivatives - Hedge accounting	15	2,880	2,880	2,347	2,347

The years 2017 and 2016 are presented for comparison purpose separately due to the implementation of IFRS 9.

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

8.1.1 Fair value of financial instrument recognized at fair value, according to valuation criteria

Below are the different elements used in the valuation technique of financial instruments.

Active Market

BBVA considers active market as "a market that allows the observation of bid and offer prices representative of the levels to which the market participants are willing to negotiate an asset, with sufficient frequency and volume".

By default, BBVA would consider all internally approved "Organized Markets" as active markets, without considering this an unchangeable list.

Furthermore, BBVA would consider as traded in an "Organized Market" quotations for assets or liabilities from OTC markets when they are obtained from independent sources, observable on a daily basis and fulfil certain conditions.

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

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

		2018		
	Notes	Level 1	Level 2	Level 3
ASSETS-				
Financial assets held for trading	10	26,730	62,983	404
Loans and advances to customers		47	28,642	60
Debt securities		17,884	7,494	199
Equity instruments		5,194	-	60
Derivatives		3,605	26,846	85
Non-trading financial assets mandatorily at fair value through profit or loss	11	3,127	78	1,929
Loans and advances		25	-	1,778
Debt securities		90	71	76
Equity instruments		3,012	8	75
Financial assets designated at fair value through profit or loss	12	1,313	-	-
Loans and advances		-	-	-
Debt securities		1,313	-	-
Equity instruments		-	-	-
Financial assets at fair value through other comprehensive income	13	45,824	9,323	1,190
Debt securities		33	-	-
Debt securities		43,788	9,211	711
Equity instruments		2,003	113	479
Hedging derivatives	15	7	2,882	3
LIABILITIES-				
Financial liabilities held for trading	10	22,932	57,573	269
Deposits		7,989	29,945	0
Trading derivatives		3,919	27,628	267
Other financial liabilities		11,024	-	1
Financial liabilities designated at fair value through profit or loss	12	-	4,478	2,515
Customer deposits		-	976	-
Debt certificates		-	2,858	-
Other financial liabilities		-	643	2,515
Derivatives - Hedge accounting	15	223	2,454	3

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

		2017			2016		
	Notes	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS-							
Financial assets held for trading	10	29,057	35,349	289	32,544	42,221	184
Loans and advances to customers		-	56	-	-	154	-
Debt securities		21,107	1,444	22	26,720	418	28
Equity instruments		6,688	33	80	4,570	9	96
Derivatives		1,262	33,815	187	1,254	41,640	60
Financial assets designated at fair value through profit or loss	11	2,061	648	-	2,062	-	-
Loans and advances to customers		-	648	-	-	-	-
Loans and advances to credit institutions		-	-	-	-	-	-
Debt securities		174	-	-	142	-	-
Equity instruments		1,888	-	-	1,920	-	-
Available-for-sale financial assets		57,381	11,082	544	62,125	15,894	637
Debt securities		54,850	10,948	454	58,372	15,779	429
Equity instruments		2,531	134	90	3,753	115	208
Hedging derivatives	15	-	2,483	2	41	2,792	-
LIABILITIES-							
Financial liabilities held for trading	10	11,191	34,866	125	12,502	42,120	53
Derivatives		1,183	34,866	119	952	42,120	47
Short positions		10,008	-	6	11,550	-	6
Financial liabilities designated at fair value through profit or loss	12	-	2,222	-	-	2,338	-
Derivatives - Hedge accounting	15	274	2,606	-	94	2,189	64

The years 2017 and 2016 are presented separately due to the implementation of IFRS 9.

Financial instruments carried at fair value corresponding to the companies that belong to Banco Provincial Group in Venezuela whose balance is denominated in *"bolivares fuertes"* are classified under Level 3 in the above tables (see Note 2.2.20).

The following table sets forth the main valuation techniques, hypothesis and inputs used in the estimation of fair value of the financial instruments classified under Levels 2 and 3, based on the type of financial asset and liability and the corresponding balances as of December 31, 2018:

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

Fair Value of financial Instruments by Levels. December 2018 (Millions of euros)

	Level 2	Level 3	Valuation technique(s)	Observable inputs	Unobservable inputs
ASSETS					
Financial assets held for trading	**62,983**	**404**			
Loans and advances	28,642	60	Present-value method (Discounted future cash flows)	- Issuer´s credit risk - Current market interest rates	- Prepayment rates - Issuer´s credit risk - Recovery rates
Debt securities	7,494	199	Present-value method (Discounted future cash flows) Observed prices in non active markets	- Issuer´s credit risk - Current market interest rates - Non active markets prices	- Prepayment rates - Issuer´s credit risk - Recovery rates
Equity instruments	-	60	Comparable pricing (Observable price in a similar market) Present-value method	- Brokers quotes - Market operations - NAVs published	- NAV provided by the administrator of the fund
Derivatives	26,846	85			
Interest rate			Interest rate products (Interest rate swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White y LGM Other Interest rate options: Black, Hull-White y LGM Constant Maturity Swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Beta - Implicit correlations between tenors - interest rates volatility
Equity			Future and Equity Forward: Discounted future cash flows Equity Options: Local Volatility, Momentum adjustment		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations - Implicit dividends and long term repos
Foreign exchange and gold			Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local Volatility, moments adjustment		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations
Credit			Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Commodities			Commodities: Momentum adjustment and Discounted cash flows		
Non-trading financial assets mandatorily at fair value through profit or loss	**78**	**1,929**			
Loans and advances	-	1,778	Present-value method (Discounted future cash flows) Specific criteria for the liquidation of losses established by the EPA protocol		- Prepayment rates - Issuer credit risk - Recovery rates - PD and LGD
Debt securities	71	76	Present-value method (Discounted future cash flows)	- Issuer credit risk - Current market interest rates	- Prepayment rates - Issuer credit risk - Recovery rates
Equity instruments	8	75	Present-value method (Discounted future cash flows)	- Issuer credit risk - Current market interest rates	- Prepayment rates - Issuer credit risk - Recovery rates
Financial assets at fair value through other comprehensive income	**9,323**	**1,190**			
Debt securities	9,211	711	Present-value method (Discounted future cash flows) Observed prices in non active markets	- Issuer´s credit risk - Current market interest rates - Non active market prices	- Prepayment rates - Issuer credit risk - Recovery rates
Equity instruments	113	479	Comparable pricing (Observable price in a similar market) Present-value method	- Brokers quotes - Market operations - NAVs published	- NAV provided by the administrator of the fund
Hedging derivatives	**2,882**	**3**			
Interest rate			Interest rate products (Interest rate swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White y LGM Other Interest rate options: Black, Hull-White y LGM Constant Maturity Swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	
Equity			Future and Equity Forward: Discounted future cash flows Equity Options: Local Volatility, Momentum adjustment		
Foreign exchange and gold			Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local Volatility, moments adjustment		
Credit			Credit Derivatives: Default model and Gaussian copula		
Commodities			Commodities: Momentum adjustment and Discounted cash flows		

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

Fair Value of financial Instruments by Levels. December 2018 (Millions of euros)

			Valuation technique(s)	Observable inputs	Unobservable inputs
LIABILITIES					
Financial liabilities held for trading	**57,573**	**269**			
Deposits	29,945	-			
Derivatives	27,628	267			
Interest rate			Interest rate products (Interest rate swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White y LGM Other Interest rate options: Black, Hull-White y LGM Constant Maturity Swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Beta - Correlation between tenors - interest rates volatility
Equity			Future and Equity Forward: Discounted future cash flows Equity Options: Local Volatility, Momentum adjustment		- Volatility of volatility - Assets correlation
Foreign exchange and gold			Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local Volatility, moments adjustment		- Volatility of volatility - Assets correlation
Credit			Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Commodities			Commodities: Momentum adjustment and Discounted cash flows		-
Short positions	-	1	Present-value method (Discounted future cash flows)		- Correlation default - Credit spread - Recovery rates - Interest rate yield
Financial liabilities designated at fair value through profit or loss	**4,478**	**2,515**	Present-value method (Discounted future cash flows)	- Prepayment rates - Issuer´s credit risk - Current market interest rates	- Prepayment rates - Issuer´s credit risk - Current market interest rates
Derivatives - Hedge accounting	**2,454**	**3**			
Interest rate			Interest rate products (Interest rate swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White y LGM Other Interest rate options: Black, Hull-White y LGM Constant Maturity Swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Beta - Implicit correlations between tenors - interest rates volatility
Equity			Future and Equity Forward: Discounted future cash flows Equity Options: Local Volatility, Momentum adjustment		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations - Implicit dividends and long term repos
Foreign exchange and gold			Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local Volatility, moments adjustment		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations
Credit			Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Commodities			Commodities: Momentum adjustment and Discounted cash flows		-

Main valuation techniques

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

- The net present value (net present value method): This technique uses the future cash flows of each debt security, which are established in the different contracts, and discounted to their present value. This technique often includes many observable inputs, but may also include unobservable inputs, as described below:
  - Credit Spread: This input represents the difference in yield of a debt security and the reference rate, reflecting the additional return that a market participant would require to take the credit risk of that debt security. Therefore, the credit spread of the debt security is part of the discount rate used to calculate the present value of the future cash flows.
  - Recovery rate: This input represents the percentage of principal and interest recovered from a debt instrument that has defaulted.
- Comparable prices (similar asset prices): This input represents the prices of comparable financial instruments and benchmarks used to calculate a reference yield based on relative movements from the entry price or current market levels. Further adjustments to account for differences that may exist between financial instrument being valued and the comparable financial instrument may be added. It can also be assumed that the price of the financial instrument is equivalent to the comparable instrument.
- Net asset value: This input represents the total value of the financial assets and liabilities of a fund and is published by the fund manager thereof.
- Gaussian copula: This model is used to integrate default probabilities of credit instruments referenced to more than one underlying CDS. The joint density function used to value the instrument is constructed by using a Gaussian copula that relates the marginal densities by a normal distribution, usually extracted from the correlation matrix of events approaching default by CDS issuers.
- Black 76: variant of Black Scholes model, whose main application is the valuation of bond options, cap floors and swaptions where the behavior of the Forward and not the Spot itself, is directly modeled.
- Black Scholes: The Black Scholes model postulates log-normal distribution for the prices of securities, so that the expected return under the risk neutral measure is the risk free interest rate. Under this assumption, the price of vanilla options can be obtained analytically, so that inverting the Black- Scholes formula, the implied volatility for process of the price can be calculated.
- Heston: This model, typically applied to equity OTC options, assumes stochastic behavior of volatility. According to which, the volatility follows a process that reverts to a long-term level and is correlated with the underlying equity instrument. As opposed to local volatility models, in which the volatility evolves deterministically, the Heston model is more flexible, allowing it to be similar to that observed in the short term today.
- Libor market model: This model assumes that the dynamics of the interest rate curve can be modeled based on the set of forward contracts that compose the underlying interest rate. The correlation matrix is parameterized on the assumption that the correlation between any two forward contracts decreases at a constant rate, beta, to the extent of the difference in their respective due dates. The input "Credit default volatility" is a volatility input of the credit factor dynamic. The multifactorial frame of this model makes it ideal for the valuation of instruments sensitive to the slope or curve, including interest rate option.

- Local Volatility: In the local volatility models of the volatility, instead of being static, evolves over time according to the level of moneyness of the underlying, capturing the existence of smiles. These models are appropriate for pricing path dependent options when use Monte Carlo simulation technique is used.

Adjustments to the valuation for risk of default

Under IFRS 13 the credit risk valuation adjustments must be considered in the classification of assets and liabilities within fair value hierarchy, because of the absence of observables data of probabilities of default used in the calculation.

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

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

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

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

The amounts recognized in the consolidated balance sheet as of December 31, 2018 and 2017 related to the valuation adjustments to the credit assessment of the derivative asset as "Credit Valuation Adjustments" ("CVA") was €-163 million and €-153 million respectively, and the valuation adjustments to the derivative liabilities as "Debit Valuation Adjustment" (DVA) was €214 million and €138 million respectively . The impact recorded under "Gains or (-) losses on financial assets and liabilities held for trading, net" in the consolidated income statement as for the years ended 2018 and 2017 corresponding to the mentioned adjustments was a net impact of €-24 million and €-23 million respectively. Additionally, as of December 31, 2018, €-12 million related to the "Funding Valuation Adjustments" ("FVA") were recognized in the consolidated balance sheet.

Unobservable inputs

Quantitative information of unobservable inputs used to calculate Level 3 valuations is presented below as of December 31, 2018:

Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Average	Max	Units
Debt Securities	Net Present Value	Credit Spread	37	152.22	385.00	b.p.
		Recovery Rate	0.00%	32.06%	40.00%	%
	Comparable pricing		1.00%	88.00%	275.00%	%
Equity instruments	Net Asset Value					
	Comparable pricing					
Credit Option	Gaussian Copula	Correlation Default	0.00%	37.98%	60.26%	%
Corporate Bond Option	Black 76	Price Volatility	-	-	-	vegas
Equity OTC Option	Heston	Forward Volatility Skew	47.05	47.05	47.05	Vegas
	Local Volatility	Dividends				
		Volatility	13.79	27.24	65.02	vegas
FX OTC Options	Black Scholes/Local Vol	Volatility	5.05	7.73	9.71	vegas
Interest Rate Option	Libor Market Model	Beta	0.25	9.00	18.00	%
		Correlation Rate/Credit	(100)	-	100	%
		Credit Default Volatility	-	-	-	Vegas

Financial assets and liabilities classified as Level 3

The changes in the balance of Level 3 financial assets and liabilities included in the accompanying consolidated balance sheets during 2018, 2017 and 2016, are as follows:

Financial Assets Level 3: Changes in the Period (Millions of euros)

	2018		2017		2016	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Balance at the beginning	**835**	**125**	**822**	**116**	**463**	**182**
Group incorporations	-	-	-	-	-	-
Changes in fair value recognized in profit and loss (*)	(167)	(95)	(24)	(21)	33	(86)
Changes in fair value not recognized in profit and loss	(4)	-	(45)	-	(81)	(3)
Acquisitions, disposals and liquidations (**)	2,102	2,710	32	320	438	(25)
Net transfers to Level 3	761	47	106	(39)	16	-
Exchange differences and others	-	-	(55)	(250)	(47)	49
Balance at the end	**3,527**	**2,787**	**835**	**125**	**822**	**116**

(*) Profit or loss that is attributable to gains or losses relating to those financial assets and liabilities held as of December 31, 2018, 2017 and 2016. Valuation adjustments are recorded under the heading "Gains (losses) on financial assets and liabilities, net".

(**) Of which, in 2018, the assets roll forward is comprised of €2,400 million of acquisitions, €254 millions of disposals and €44 millions of liquidations. The liabilities roll forward is comprised of €2,716 million of acquisitions and €5 millions of liquidations.

As of December 31, 2018, the profit/loss on sales of financial instruments classified as Level 3 recognized in the accompanying consolidated income statement was not material.

Transfers between levels

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

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

The financial instruments transferred between the different levels of measurement for the year ended December 31, 2018 are recorded at the following amounts in the accompanying consolidated balance sheets as of December 31, 2018:

Transfer Between Levels. December 2018 (Millions of euros)

From:	Level 1		Level 2		Level 3	
To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level2
ASSETS						
Financial assets held for trading	1,171	2	2	6	-	2
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	9	67	-	24
Financial assets at fair value through other comprehensive income	134	72	-	515	-	-
Derivatives	-	-	-	52	118	49
Total	**1,305**	**74**	**11**	**641**	**118**	**75**
LIABILITIES-						
Financial liabilities held for trading	-	-	-	138	-	37
Total	**-**	**-**	**-**	**138**	**-**	**37**

The amount of financial instruments that were transferred between levels of valuation for the year ended December 31, 2018 is not material relative to the total portfolios, and corresponds to the above changes in the classification between levels these financial instruments modified some of their features, specifically:

- Transfers between Levels 1 and 2 represent mainly debt and equity instruments, which are either no longer listed on an active market (transfer from Level 1 to 2) or have just started to be listed (transfer from Level 2 to 1).
- Transfers from Level 2 Level 3 are mainly due to derivative transactions.
- Transfers from Level 3 to Level 2 generally affect derivative and debt instruments transactions, for which inputs observable in the market have been obtained.

Sensitivity Analysis

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

As of December 31, 2018, the effect on profit for the period and total equity of changing the main unobservable inputs used for the measurement of Level 3 financial instruments for other reasonably possible unobservable inputs, taking the highest (most favorable input) or lowest (least favorable input) value of the range deemed probable, would be as follows:

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

	Potential Impact on Consolidated Income Statement		Potential Impact on Total Equity	
	Most Favorable Hypothesis	Least Favorable Hypothesis	Most Favorable Hypothesis	Least Favorable Hypothesis
ASSETS				
Financial assets held for trading	6	(13)	-	-
Loans and Advances	-	-	-	-
Debt securities	2	(3)	-	-
Equity instruments	3	(9)	-	-
Derivatives	1	(1)	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	291	(181)	-	-
Loans and Advances	285	(161)	-	-
Debt securities	3	(12)	-	-
Equity instruments	3	(8)	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	1	(1)
LIABILITIES				
Financial liabilities held for trading	1	(1)	1	(1)
Total	**297**	**(194)**	**1**	**(1)**

8.2 Fair value of financial instruments carried at cost

The valuation technique used to calculate the fair value of financial assets and liabilities carried at cost as of December 31, 2018, are presented below:

Financial assets

- Cash, balances at central banks and other demand deposits / loans to central banks / short-term loans to credit institutions / Repurchase agreements: in general, their fair value is assimilated to their book value, due to the nature of the counterparty and because they are mainly short-term balances in which the book value is the most reasonable estimation of the value of the asset.
- Loans to credit institutions which are not short-term and loans to customers: In general, the fair value of these financial assets is determined by the discount of expected future cash flows, using market interest rates at the time of valuation adjusted by the credit spread and taking all kind of behavior hypothesis if it is considered to be relevant (prepayment fees, optionality, etc.).
- Debt securities: Fair value estimated based on the available market price or by using internal valuation methodologies.

Financial liabilities

- Deposits from central banks: for recurrent liquidity auctions and other monetary policy instruments of central banks, / short-term deposits from credit institutions / repurchase agreements / short-term customer deposits: their book value is considered to be the best estimation of their fair value.

- Deposits of credit institutions which are not short-term and term customer deposits: these deposits will be valued by discounting future cash flows using the interest rate curve in effect at the time of the adjustment adjusted by the credit spread and incorporating any behavioral assumptions if this proves relevant (early repayments , optionalities, etc.).
- Debt certificate (Issuances): The fair value estimation of these liabilities depend on the availability of market prices or by using the present value method: discount of future cash flows, using market interest rates at valuation time and taking into account the credit spread.

The following table presents the fair value of key financial instruments carried at amortized cost in the accompanying consolidated balance sheets as of December 31, 2018, 2017 and 2016, broken down according to the method of valuation used for the estimation:

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

		2018		
	Notes	**Level 1**	**Level 2**	**Level 3**
ASSETS				
Cash, cash balances at central banks and other demand deposits	9	58,024	-	172
Financial assets at amortized cost	14	21,419	204,619	193,819
LIABILITIES				
Financial liabilities at amortized cost	22	58,225	269,128	182,948

The main valuation techniques and inputs used to estimate the fair value of financial instruments accounted for at cost and classified in levels 2 and 3 is shown below. These are broken down by type of financial instrument and the balances correspond to those as of December 31, 2018:

Fair Value of financial Instruments at amortized cost by valuation technique. December 2018 (Millions of euros)

	Level 2	Level 3	Valuation technique(s)	Main inputs used
ASSETS				
Financial assets at amortized cost	**204,619**	**193,819**		
Central Banks	-	1	Present-value method (Discounted future cash flows)	- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to credit institutions	4,934	4,291		- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to customers	190,666	183,645		- Credit spread - Prepayment rates - Interest rate yield
Debt securities	9,019	5,881		- Credit spread - Interest rate yield
LIABILITIES				
Financial liabilities at amortized cost	**269,128**	**182,948**		
Central Banks	196	-	Present-value method (Discounted future cash flows)	- Issuer´s credit risk - Prepayment rates - Interest rate yield
Loans and advances to credit institutions	22,281	9,852		
Loans and advances to customers	240,547	135,270		
Debt securities	6,104	25,096		
Other financial liabilities	-	12,730		

Equity instruments at cost

Until 2017, there were equity instruments and discretionary profit-sharing arrangements in some entities which were recognized at cost in the Group's consolidated balance sheets because their fair value could not be estimated in a sufficiently reliable manner for the amount of €469 and €565 million, as of December 31, 2017 and 2016, respectively.

9. Cash, cash balances at central banks and other demands deposits

The breakdown of the balance under the heading "Cash, cash balances at central banks and other demands deposits" in the accompanying consolidated balance sheets is as follows:

Cash, cash balances at central banks and other demand deposits (Millions of euros)

	2018	2017	2016
Cash on hand	6,346	6,220	7,413
Cash balances at central banks	43,880	31,718	28,671
Other demand deposits	7,970	4,742	3,955
Total	**58,196**	**42,680**	**40,039**

10. Financial assets and liabilities held for trading

10.1 Breakdown of the balance

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

Financial Assets and Liabilities Held-for-Trading (Millions of euros)

	Notes	2018	2017	2016
ASSETS				
Derivatives		30,536	35,265	42,955
Debt securities	7.3.2	25,577	22,573	27,166
Loans and advances	7.3.2	28,750	56	154
Equity instruments	7.3.2	5,254	6,801	4,675
Total Assets		**90,117**	**64,695**	**74,950**
LIABILITIES				
Derivatives		31,815	36,169	43,118
Short positions		11,025	10,013	11,556
Deposits		37,934		
Total Liabilities		**80,774**	**46,182**	**54,675**

As of December 31, 2018 "Short positions" include €10,255 million held with General governments.

10.2 Debt securities

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

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

	2018	2017	2016
Issued by Central Banks	1,001	1,371	544
Issued by public administrations	22,950	19,344	23,621
Issued by financial institutions	790	816	1,652
Other debt securities	836	1,041	1,349
Total	**25,577**	**22,573**	**27,166**

10.3 Loans and advances

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

Financial Assets Held-for-Trading. Loans and advances (Millions of euros)

	Notes	2018	2017	2016
Loans and advances to central banks		2,163	-	-
Reverse repurchase agreements	35	*2,163*	-	-
Loans and advances to credit institutions		14,566	-	-
Reverse repurchase agreements	35	*13,305*	-	-
Loans and advances to customers		12,021	56	154
Reverse repurchase agreements	35	*11,794*		
Total		**28,750**	**56**	**154**

10.4 Equity instruments

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

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

	2018	2017	2016
Shares of Spanish companies			
Credit institutions	576	617	781
Other sectors	536	603	956
Subtotal	**1,112**	**1,220**	**1,737**
Shares of foreign companies			
Credit institutions	304	345	220
Other sectors	3,838	5,236	2,718
Subtotal	**4,142**	**5,581**	**2,939**
Total	**5,254**	**6,801**	**4,675**

10.5 Deposits

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

Financial Liabilities Held-for-Trading. Deposits (Millions of euros)

	Notes	2018	2017	2016
Deposits from central banks (*)		10,511		
Repurchase agreement	35	*10,511*		
Deposits from credit institutions (*)		15,687		
Repurchase agreement	35	*14,839*		
Deposits from customers (*)		11,736		
Repurchase agreement	35	*11,466*		
Total		**37,934**		

10.6 Derivatives

The derivatives portfolio arises from the Group's need to manage the risks it is exposed to in the normal course of business and also to market products amongst the Group's customers. As of December 31, 2018, 2017 and 2016, trading derivatives were mainly contracted in over-the-counter (OTC) markets, with counterparties, consisting primarily of foreign credit institutions, and are related to foreign-exchange, interest-rate and equity risk.

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

Derivatives by type of risk / by product or by type of market - December 2018 (Millions of Euros)

	Assets	Liabilities	Notional amount - Total
Interest rate	**19,147**	**18,769**	**2,929,371**
OTC options	1,940	2,413	207,107
OTC other	17,206	16,356	2,702,909
Organized market options	-	-	6,092
Organized market other	-	-	13,263
Equity	**2,799**	**2,956**	**114,184**
OTC options	400	341	32,906
OTC other	230	123	6,693
Organized market options	2,168	2,492	72,062
Organized market other	-	-	2,524
Foreign exchange and gold	**8,355**	**9,693**	**432,283**
OTC options	226	309	21,293
OTC other	8,118	9,329	405,659
Organized market options	-	1	45
Organized market other	11	54	5,286
Credit	**232**	**393**	**25,452**
Credit default swap	228	248	22,791
Credit spread option	2	-	500
Total return swap	2	145	2,161
Other	-	-	-
Commodities	**3**	**3**	**67**
Other	**-**	**-**	**-**
DERIVATIVES	**30,536**	**31,815**	**3,501,358**
of which: OTC - credit institutions	*16,979*	*18,729*	*897,384*
of which: OTC - other financial corporations	*7,372*	*7,758*	*2,355,784*
of which: OTC - other	*4,005*	*2,780*	*148,917*

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

Derivatives by type of risk / by product or by type of market - December 2017 (Millions of Euros)

	Assets	Liabilities	Notional amount - Total
Interest rate	**22,606**	**22,546**	**2,152,490**
OTC options	2,429	2,581	212,554
OTC other	20,177	19,965	1,916,920
Organized market options	-	-	600
Organized market other	-	-	22,416
Equity	**1,778**	**2,336**	**95,573**
OTC options	495	1,118	34,140
OTC other	83	90	8,158
Organized market options	1,200	1,129	48,644
Organized market other	-	-	4,631
Foreign exchange and gold	**10,371**	**10,729**	**380,404**
OTC options	245	258	24,447
OTC other	10,092	10,430	348,857
Organized market options	-	3	104
Organized market other	34	37	6,997
Credit	**489**	**517**	**30,181**
Credit default swap	480	507	27,942
Credit spread option	-	-	200
Total return swap	9	9	2,039
Other	-	-	-
Commodities	**3**	**3**	**36**
Other	**18**	**38**	**561**
DERIVATIVES	**35,265**	**36,169**	**2,659,246**
of which: OTC - credit institutions	*21,016*	*22,804*	*898,209*
of which: OTC - other financial corporations	*8,695*	*9,207*	*1,548,919*
of which: OTC - other	*4,316*	*2,986*	*128,722*

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Derivatives by type of risk / by product or by type of market - December 2016 (Millions of Euros)

	Assets	Liabilities	Notional amount - Total
Interest rate	**25,770**	**25,322**	**1,556,150**
OTC options	3,331	3,428	217,958
OTC other	22,339	21,792	1,296,183
Organized market options	1	-	1,311
Organized market other	100	102	40,698
Equity	**2,032**	**2,252**	**90,655**
OTC options	718	1,224	44,837
OTC other	109	91	5,312
Organized market options	1,205	937	36,795
Organized market other	-	-	3,712
Foreign exchange and gold	**14,872**	**15,179**	**425,506**
OTC options	417	539	27,583
OTC other	14,436	14,624	392,240
Organized market options	3	-	175
Organized market other	16	16	5,508
Credit	**261**	**338**	**19,399**
Credit default swap	246	230	15,788
Credit spread option	-	-	150
Total return swap	2	108	1,895
Other	14	-	1,565
Commodities	**6**	**6**	**169**
Other	**13**	**22**	**1,065**
DERIVATIVES	**42,955**	**43,118**	**2,092,945**
of which: OTC - credit institutions	*26,438*	*28,005*	*806,096*
of which: OTC - other financial corporations	*8,786*	*9,362*	*1,023,174*
of which: OTC - other	*6,404*	*4,694*	*175,473*

11. Non-trading financial assets mandatorily at fair value through profit or loss

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

Non-trading financial assets mandatorily at fair value through profit or loss (Millions of Euros)

	Notes	2018
Equity instruments	7.3.2	3,095
Debt securities	7.3.2	237
Loans and advances	7.3.2	1,803
Total		**5,135**

This heading is included with the implementation of IFRS 9 on January 1, 2018. Previously, this category did not exist in IAS 39 (see Note 2.2.1 and 2.3).

12. Financial assets and liabilities designated at fair value through profit or loss

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

Financial assets and liabilities designated at fair value through profit or loss (Millions of euros)				
	Notes	**2018**	**2017**	**2016**
ASSETS				
Equity instruments			1,888	1,920
Unit-linked products			1,621	1,749
Other securities			266	171
Debt securities		1,313	174	142
Loans and advances		-	648	-
Total Assets	**7.3.2**	**1,313**	**2,709**	**2,062**
LIABILITIES				
Deposits		976	-	-
Debt certificates		2,858	-	-
Other financial liabilities		3,159	2,222	2,338
Unit-linked products		3,159	2,222	2,338
Total Liabilities		**6,993**	**2,222**	**2,338**

With the implementation of IFRS 9 on January 1, 2018, equity instruments under this heading have been reclassified to the heading: “Non-trading financial assets mandatorily at fair value through profit or loss” (see Note 11).

As of December 31, 2018, 2017 and 2016, the most significant balances within financial liabilities designated at fair value through profit or loss related to assets and liabilities linked to insurance products where the policyholder bears the risk ("Unit-Link"). This type of product is sold only in Spain, through BBVA Seguros S.A., insurance and reinsurance and in Mexico through Seguros Bancomer S.A. de CV.

Since the liabilities linked to insurance products in which the policyholder assumes the risk are valued the same way as the assets associated to these insurance products, there is no credit risk component borne by the Group in relation to these liabilities.

13. Financial assets at fair value through other comprehensive income

13.1 Balance details

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

Financial assets designated at fair value through other comprehensive income (Millions of euros)

	Notes	2018	2017	2016
Debt securities	7.3.2	53,737	66,273	74,739
Impairment losses		(28)	(21)	(159)
Subtotal		**53,709**	**66,251**	**74,580**
Equity instruments	7.3.2	2,595	4,488	4,814
Impairment losses		-	(1,264)	(174)
Subtotal		**2,595**	**3,224**	**4,641**
Loans and advances to credit entities		33	-	-
Total		**56,337**	**69,476**	**79,221**

13.2 Debt securities

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

Financial assets designated at fair value through other comprehensive income: Debt Securities. December 2018 (Millions of euros)

	Amortized Cost (*)	Unrealized Gains	Unrealized Losses	Book Value
Domestic Debt Securities				
Spanish Government and other general governments agencies debt securities	17,205	661	(9)	17,857
Other debt securities	1,597	100	(1)	1,696
Issued by Central Banks	-	-	-	-
Issued by credit institutions	793	63	-	855
Issued by other issuers	804	37	(1)	841
Subtotal	**18,802**	**761**	**(10)**	**19,553**
Foreign Debt Securities				
Mexico	**6,299**	**6**	**(142)**	**6,163**
Mexican Government and other general governments agencies debt securities	5,286	4	(121)	5,169
Other debt securities	1,013	2	(21)	994
Issued by Central Banks	-	-	-	-
Issued by credit institutions	35	-	(1)	34
Issued by other issuers	978	2	(20)	961
The United States	**14,507**	**47**	**(217)**	**14,338**
Government securities	11,227	37	(135)	11,130
US Treasury and other US Government agencies	7,285	29	(56)	7,258
States and political subdivisions	3,942	8	(79)	3,872
Other debt securities	3,280	10	(82)	3,208
Issued by Central Banks	-	-	-	-
Issued by credit institutions	49	1	-	50
Issued by other issuers	3,231	9	(82)	3,158
Turkey	**4,164**	**20**	**(269)**	**3,916**
Turkey Government and other general governments agencies debt securities	4,007	20	(256)	3,771
Other debt securities	157	-	(13)	145
Issued by Central Banks	-	-	-	-
Issued by credit institutions	157	-	(13)	145
Issued by other issuers	-	-	-	-
Other countries	**9,551**	**319**	**(130)**	**9,740**
Other foreign governments and other general governments agencies debt securities	4,510	173	(82)	4,601
Other debt securities	5,041	146	(48)	5,139
Issued by Central Banks	987	2	(4)	986
Issued by credit institutions	1,856	111	(20)	1,947
Issued by other issuers	2,197	33	(25)	2,206
Subtotal	**34,521**	**392**	**(758)**	**34,157**
Total	**53,323**	**1,153**	**(768)**	**53,709**

(*) The amortized cost includes portfolio gains/losses linked to insurance contracts in which the policyholder assumes the risk in case of redemption.

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

	Amortized Cost (*)	Unrealized Gains	Unrealized Losses	Book Value
Domestic Debt Securities				
Spanish Government and other general governments agencies debt securities	22,765	791	(17)	23,539
Other debt securities	1,951	114	-	2,066
Issued by Central Banks	-	-	-	-
Issued by credit institutions	891	72	-	962
Issued by other issuers	1,061	43	-	1,103
Subtotal	**24,716**	**906**	**(17)**	**25,605**
Foreign Debt Securities				
Mexico	**9,755**	**45**	**(142)**	**9,658**
Mexican Government and other general governments agencies debt securities	8,101	34	(120)	8,015
Other debt securities	1,654	11	(22)	1,643
Issued by Central Banks	-	-	-	-
Issued by credit institutions	212	1	(3)	209
Issued by other issuers	1,442	10	(19)	1,434
The United States	**12,479**	**36**	**(198)**	**12,317**
Government securities	8,625	8	(133)	8,500
US Treasury and other US Government agencies	3,052	-	(34)	3,018
States and political subdivisions	5,573	8	(99)	5,482
Other debt securities	3,854	28	(65)	3,817
Issued by Central Banks	-	-	-	-
Issued by credit institutions	56	1	-	57
Issued by other issuers	3,798	26	(65)	3,759
Turkey	**5,052**	**48**	**(115)**	**4,985**
Turkey Government and other general governments agencies debt securities	5,033	48	(114)	4,967
Other debt securities	19	1	(1)	19
Issued by Central Banks	-	-	-	-
Issued by credit institutions	19	-	(1)	19
Issued by other issuers	-	-	-	-
Other countries	**13,271**	**533**	**(117)**	**13,687**
Other foreign governments and other general governments agencies debt securities	6,774	325	(77)	7,022
Other debt securities	6,497	208	(40)	6,664
Issued by Central Banks	1,330	2	(1)	1,331
Issued by credit institutions	2,535	139	(19)	2,654
Issued by other issuers	2,632	66	(19)	2,679
Subtotal	**40,557**	**661**	**(572)**	**40,647**
Total	**65,273**	**1,567**	**(589)**	**66,251**

(*) The amortized cost includes portfolio gains/losses linked to insurance contracts in which the policyholder assumes the risk in case of redemption.

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Available-for-sale financial assets: Debt Securities. December 2016 (Millions of euros)

	Amortized Cost (*)	Unrealized Gains	Unrealized Losses	Book Value
Domestic Debt Securities				
Spanish Government and other general governments agencies debt securities	22,427	711	(18)	23,119
Other debt securities	2,305	117	(1)	2,421
Issued by Central Banks	-	-	-	-
Issued by credit institutions	986	82	-	1,067
Issued by other issuers	1,319	36	(1)	1,354
Subtotal	**24,731**	**828**	**(19)**	**25,540**
Foreign Debt Securities				
Mexico	**11,525**	**19**	**(343)**	**11,200**
Mexican Government and other general governments agencies debt securities	9,728	11	(301)	9,438
Other debt securities	1,797	8	(42)	1,763
Issued by Central Banks	-	-	-	-
Issued by credit institutions	86	2	(1)	87
Issued by other issuers	1,710	6	(41)	1,675
The United States	**14,256**	**48**	**(261)**	**14,043**
Government securities	8,460	9	(131)	8,337
US Treasury and other US Government agencies	1,702	1	(19)	1,683
States and political subdivisions	6,758	8	(112)	6,654
Other debt securities	5,797	39	(130)	5,706
Issued by Central Banks	-	-	-	-
Issued by credit institutions	95	2	-	97
Issued by other issuers	5,702	37	(130)	5,609
Turkey	**5,550**	**73**	**(180)**	**5,443**
Turkey Government and other general governments agencies debt securities	5,055	70	(164)	4,961
Other debt securities	495	2	(16)	482
Issued by Central Banks	-	-	-	-
Issued by credit institutions	448	2	(15)	436
Issued by other issuers	47	-	(1)	46
Other countries	**17,923**	**634**	**(203)**	**18,354**
Other foreign governments and other general government agencies debt securities	7,882	373	(98)	8,156
Other debt securities	10,041	261	(105)	10,197
Issued by Central Banks	1,657	4	(2)	1,659
Issued by credit institutions	3,269	96	(54)	3,311
Issued by other issuers	5,115	161	(49)	5,227
Subtotal	**49,253**	**773**	**(987)**	**49,040**
Total	**73,985**	**1,601**	**(1,006)**	**74,580**

(*) The amortized cost includes portfolio gains/losses linked to insurance contracts in which the policyholder assumes the risk in case of redemption.

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The credit ratings of the issuers of debt securities as of December 31, 2018, 2017 and 2016, are as follows:

Debt Securities by Rating

	December 2018		December 2017		December 2016	
	Fair Value (Millions of Euros)	%	Fair Value (Millions of Euros)	%	Fair Value (Millions of Euros)	%
AAA	531	1.0%	687	1.0%	4,922	6.6%
AA+	13,100	24.4%	10,738	16.2%	11,172	15.0%
AA	222	0.4%	507	0.8%	594	0.8%
AA-	409	0.8%	291	0.4%	575	0.8%
A+	632	1.2%	664	1.0%	1,230	1.6%
A	687	1.3%	683	1.0%	7,442	10.0%
A-	18,426	34.3%	1,330	2.0%	1,719	2.3%
BBB+	9,195	17.1%	35,175	53.1%	29,569	39.6%
BBB	4,607	8.6%	7,958	12.0%	3,233	4.3%
BBB-	1,003	1.9%	5,583	8.4%	6,809	9.1%
BB+ or below	4,453	8.3%	1,564	2.4%	2,055	2.8%
Without rating	445	0.8%	1,071	1.6%	5,261	7.1%
Total	**53,709**	**100%**	**66,251**	**100.0%**	**74,580**	**100.0%**

13.3 Equity instruments

The breakdown of the balance under the heading "Equity instruments" of the accompanying consolidated financial statements as of December 31, 2018, 2017 and 2016, are as follows:

Financial assets designated at fair value through other comprehensive income: Equity Instruments. December 2018 (Millions of euros)

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity instruments listed				
Listed Spanish company shares	2,172	-	(210)	1,962
Credit institutions	-	-	-	-
Other entities	2,172	-	(210)	1,962
Listed foreign company shares	90	43	(12)	121
United States	20	17	-	37
Mexico	1	25	-	26
Turkey	3	-	(1)	2
Other countries	66	1	(11)	56
Subtotal	**2,262**	**43**	**(222)**	**2,083**
Unlisted equity instruments				
Unlisted Spanish company shares	6	1	-	7
Credit institutions	-	-	-	-
Other entities	6	1	-	7
Unlisted foreign companies shares	453	54	(1)	506
United States	388	23	-	411
Mexico	-	-	-	-
Turkey	6	4	-	10
Other countries	59	27	(1)	85
Subtotal	**459**	**55**	**(1)**	**513**
Total	**2,721**	**98**	**(223)**	**2,595**

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

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity instruments listed				
Listed Spanish company shares	2,189	-	(1)	2,188
Credit institutions	-	-	-	-
Other entities	2,189	-	(1)	2,188
Listed foreign company shares	215	33	(7)	241
United States	11	-	-	11
Mexico	8	25	-	33
Turkey	4	1	-	5
Other countries	192	7	(7)	192
Subtotal	**2,404**	**33**	**(8)**	**2,429**
Unlisted equity instruments				
Unlisted Spanish company shares	33	29	-	62
Credit institutions	4	-	-	4
Other entities	29	29	-	58
Unlisted foreign companies shares	665	77	(8)	734
United States	498	40	(6)	532
Mexico	1	-	-	1
Turkey	15	6	(2)	19
Other countries	151	31	-	182
Subtotal	**698**	**106**	**(8)**	**796**
Total	**3,102**	**139**	**(16)**	**3,224**

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

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity instruments listed				
Listed Spanish company shares	3,690	17	(944)	2,763
Credit institutions	-	-	-	-
Other entities	3,690	17	(944)	2,763
Listed foreign company shares	793	289	(15)	1,066
United States	16	22	-	38
Mexico	8	33	-	41
Turkey	5	1	-	6
Other countries	763	234	(15)	981
Subtotal	**4,483**	**306**	**(960)**	**3,829**
Unlisted equity instruments				
Unlisted Spanish company shares	57	2	(1)	59
Credit institutions	4	-	-	4
Other entities	53	2	(1)	55
Unlisted foreign companies shares	708	46	(2)	752
United States	537	13	-	550
Mexico	1	-	-	1
Turkey	18	7	(2)	24
Other countries	152	26	-	178
Subtotal	**766**	**48**	**(3)**	**811**
Total	**5,248**	**355**	**(962)**	**4,641**

13.4 Gains/losses

Debt securities

The changes in the gains/losses, net of taxes, recognized in 2018 under the equity heading "Accumulated other comprehensive income – Items that may be reclassified to profit or loss - Financial assets at fair value through other comprehensive income" in the accompanying consolidated balance sheets are as follows:

Accumulated other comprehensive income-Items that may be reclassified to profit or loss - Financial assets at fair value through other comprehensive income (Millions of euros)

	Notes	2018
Balance at the beginning		**1,557**
Effect of changes in accounting policies (IFRS 9)		(58)
Valuation gains and losses		(640)
Amounts transferred to income		(137)
Other reclassifications		-
Income tax		221
Balance at the end	**30**	**943**

In 2018, the debt securities impaired recognized in the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss - Financial assets at fair value through other comprehensive income" in the accompanying consolidated income statement amounted to €1 million. In 2017 the recovery registered amounted €4 million; meanwhile, in 2016 the impairment registered amounted €157 million (see Note 47).

Equity instruments

The changes in the gains/losses, net of taxes, recognized under the equity heading "Accumulated other comprehensive income – Items that will not be reclassified to profit or loss - Fair value changes of equity instruments measured at fair value through other comprehensive income" in the accompanying consolidated balance sheets are as follows:

Accumulated other comprehensive income-Items that may be reclassified to profit or loss - Financial assets at fair value through other comprehensive income (Millions of euros)

	Notes	2018
Balance at the beginning		**84**
Effect of changes in accounting policies (IFRS 9)		(40)
Valuation gains and losses		(174)
Amounts transferred to income		-
Other reclassifications		-
Income tax		(25)
Balance at the end	**30**	**(155)**

In 2018, there has been no impairment registered under the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss - Financial assets at fair value through other comprehensive income" in the accompanying consolidated income statement. In 2017 and 2016 the impairment registered were €1,131 and €46 million, respectively (see Note 47).

Years 2017 and 2016

2017 and 2016 are presented separately due to the implementation of IFRS 9:

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

	Notes	2017	2016
Balance at the beginning		**947**	**1,674**
Valuation gains and losses		321	400
Amounts transferred to income		356	(1,181)
Other reclassifications		(10)	116
Income tax		27	(62)
Balance at the end	**30**	**1,641**	**947**
Of which:		-	-
Debt securities		*1,557*	*1,629*
Equity instruments		*84*	*(682)*

14. Financial assets at amortized cost

14.1 Balance details

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

Financial assets at amortized cost (Millions of Euros)

	December 2018	December 2017	December 2016
Debt securities	**32,530**	**24,093**	**28,905**
Loans and advances to central banks	**3,941**	**7,300**	**8,894**
Loans and advances to credit institutions	**9,163**	**26,261**	**31,373**
Loans and advances to customers	**374,027**	**387,621**	**414,500**
Government	28,114	31,645	
Other financial corporations	9,468	18,173	
Non-financial corporations	163,922	164,510	
Other	172,522	173,293	
Total	**419,660**	**445,275**	**483,672**

During financial year 2018, there have been no significant reclassifications neither from "Financial assets at amortized cost" to other headings or from other headings to "Financial assets at amortized cost".

14.2 Loans and advances to central banks and credit institutions

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

Loans and Advances to Central Banks and Credit Institutions (Millions of euros)

	Notes	2018	2017	2016
Loans and advances to central banks	7.3.2	3,941	7,300	8,894
Loans and advances to credit institutions	7.3.2	9,163	26,261	31,373
Reverse repurchase agreements	35	478	13,861	15,561
Other loans		8,685	12,400	15,812
Total		**13,104**	**33,561**	**40,267**
Of which:				
Impairment losses	*7.3.5 / 7.3.2*	*(18)*	*(36)*	*(43)*

14.3 Loans and advances to customers

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

Loans and Advances to Customers (Millions of euros)

	Notes	2018	2017	2016
On demand and short notice		3,641	10,560	11,251
Credit card debt		15,445	15,835	16,596
Trade receivables		17,436	22,705	23,753
Finance leases		8,650	8,642	9,442
Reverse repurchase loans	35	294	11,554	7,291
Other term loans		324,767	313,336	339,862
Advances that are not loans		3,794	4,989	6,306
Total	**7.3.2**	**374,027**	**387,621**	**414,500**
Of which:		-	-	-
Impaired assets	*7.3.5*	*16,349*	*19,390*	*22,915*
Impairment losses	*7.3.5 / 7.3.2*	*(12,199)*	*(12,748)*	*(15,974)*

As of December 31, 2018, 2017 and 2016, 38%, 38% and 34%, respectively, of "Loans and advances to customers" with maturity greater than one year have fixed-interest rates and 62%, 62% and 66%, respectively, have variable interest rates.

The heading "Financial assets at amortized cost – Loans and advances to customers" in the accompanying consolidated balance sheets also includes certain secured loans that, as mentioned in Appendix X and pursuant to the Mortgage Market Act, are linked to long-term mortgage-covered bonds.

This heading also includes some loans that have been securitized. The balances recognized in the accompanying consolidated balance sheets corresponding to these securitized loans are as follows:

Securitized Loans (Millions of euros)

	2018	2017	2016
Securitized mortgage assets	26,556	28,950	29,512
Other securitized assets	3,221	4,143	3,731
Total	**29,777**	**33,093**	**33,243**

14.4 Debt securities

The breakdown of the balance under this heading in the accompanying consolidated balance sheets, according to the issuer of the debt securities, is as follows:

Debt securities (Millions of euros)

	Notes	2018	2017	2016
Government		25,014	17,030	20,736
Credit institutions		644	1,152	1,688
Other sectors		6,872	5,911	6,481
Total gross	**7.3.2**	**32,530**	**24,093**	**28,905**
Of which:				
Impairment losses		(51)	(15)	(17)

As of December 31, 2018, 2017 and 2016, the credit ratings of the issuers of debt securities classified as follows:

Financial assets at amortized cost. Debt Securities by Rating

	December 2018		December 2017		December 2016	
	Carrying amount (Millions of Euros)	%	Carrying amount (Millions of Euros)	%	Carrying amount (Millions of Euros)	%
AAA	49	0.2%	-	-	-	-
AA+	1,969	6.1%	-	-	-	-
AA	62	0.2%	41	0.3%	43	0.2%
AA-	-	0.0%	-	-	134	0.8%
A+	607	1.9%	55	0.4%	-	-
A	21	0.1%	-	-	-	-
A-	6,117	18.8%	-	-	-	-
BBB+	13,894	42.7%	5,667	41.2%	10,472	59.2%
BBB	1,623	5.0%	2,412	17.5%	591	3.3%
BBB-	2,694	8.3%	2,818	20.5%	5,187	29.3%
BB+ or below	4,371	13.4%	1,696	12.3%	-	-
Without rating	1,123	3.5%	1,064	7.7%	1,270	7.2%
Total	**32,530**	**100%**	**13,754**	**100.0%**	**17,696**	**100.0%**

In 2016, according to the applicable accounting policy, some debt securities were reclassified between existing accounts from such policy (from "Available for sale financial assets" to "Loans and receivables" and "Held-to-maturity investments" of the consolidated balance sheet. As mentioned in Note 1.3, on January 1, 2018, IFRS 9 became effective, therefore, the debt securities previously reclassified are recorded under "Financial assets at amortized cost" in the consolidated balance sheet as of December 31, 2018. The following table shows the fair value and carrying amounts of these reclassified financial assets:

Debt Securities reclassified (Millions of euros)

	As of Reclassification date		As of December 31, 2018		As of December 31, 2017		As of December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
BBVA, S.A.	12,024	12,024	1,467	1,486	7,236	7,286	10,433	10,498
TURKIYE GARANTI BANKASI, A.S	6,488	6,488	2,859	2,668	5,381	5,392	6,230	6,083
Total	**18,512**	**18,512**	**4,326**	**4,154**	**12,617**	**12,678**	**16,663**	**16,581**

As of December 31, 2018, 2017 and 2016, the amount recognized in the income statement from the valuation at amortized cost of the reclassified financial assets, as well as the impact recognized on the income statement and under the heading "Total Equity - Accumulated other comprehensive income", if the reclassification was not performed is included in the following table.

Effect on Income Statement and Other Comprehensive Income (Millions of euros)

	2018			2017			2016		
	Recognized in	Effect of not Reclassifying in		Recognized in	Effect of not Reclassifying in		Recognized in	Effect of not Reclassifying in	
	Income Statement	Income Statement	Equity "Accumulated other comprehensive income"	Income Statement	Income Statement	Equity "Accumulated other comprehensive income"	Income Statement	Income Statement	Equity "Accumulated other comprehensive income"
BBVA, S.A.	41	41	(2)	198	198	(14)	252	252	(91)
TURKIYE GARANTI BANKASI, A.S	414	414	(172)	545	545	(16)	326	326	(225)
Total	**456**	**456**	**(173)**	**743**	**743**	**(30)**	**578**	**578**	**(316)**

15. Hedging derivatives and fair value changes of the hedged items in portfolio hedges of interest rate risk

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

Derivatives – Hedge accounting and fair value changes of the hedged items in portfolio hedge of interest rate risk (Millions of euros)

	2018	2017	2016
ASSETS			
Hedging Derivatives	2,892	2,485	2,833
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(21)	(25)	17
LIABILITIES			
Hedging Derivatives	2,680	2,880	2,347
Fair value changes of the hedged items in portfolio hedges of interest rate risk	-	(7)	-

As of December 31, 2018, 2017 and 2016, the main positions hedged by the Group and the derivatives designated to hedge those positions were:

- Fair value hedging:
  - Fixed-interest debt securities at fair value through other comprehensive income and at amortized cost: The interest rate risk of these securities is hedged using interest rate derivatives (fixed-variable swaps) and forward sales.
  - Long-term fixed-interest debt securities issued by the Bank: the interest rate risk of these securities is hedged using interest rate derivatives (fixed-variable swaps).
  - Fixed-interest loans: The equity price risk of these instruments is hedged using interest rate derivatives (fixed-variable swaps).
  - Fixed-interest and/or embedded derivative deposit portfolio hedges: it covers the interest rate risk through fixed-variable swaps. The valuation of the borrowed deposits corresponding to the interest rate risk is in the heading "Fair value changes of the hedged items in portfolio hedges of interest rate risk".
- Cash-flow hedges: Most of the hedged items are floating interest-rate loans and asset hedges linked to the inflation of the financial assets at fair value through other comprehensive income portfolio. This risk is hedged using foreign-exchange, interest-rate swaps, inflation and FRA's ("Forward Rate Agreement").
- Net foreign-currency investment hedges: These hedged risks are foreign-currency investments in the Group's foreign subsidiaries. This risk is hedged mainly with foreign-exchange options and forward currency sales and purchases.

Note 7 analyzes the Group's main risks that are hedged using these derivatives.

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

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

Hedging Derivatives Breakdown by type of risk and type of hedge (Millions of euros)

	2018		2017		2016	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate	**982**	**513**	**1,141**	**850**	**1,154**	**974**
OTC options	5	158	100	111	125	118
OTC other	978	355	1,041	739	1,029	856
Organized market options	-	-	-	-	-	-
Organized market other	-	-	-	-	-	-
Equity	**6**	**-**	**-**	**-**	**-**	**50**
OTC options	6	-	-	-	-	50
OTC other	-	-	-	-	-	-
Organized market options	-	-	-	-	-	-
Organized market other	-	-	-	-	-	-
Foreign exchange and gold	**587**	**398**	**625**	**511**	**817**	**553**
OTC options	-	-	-	-	-	-
OTC other	587	398	625	511	817	553
Organized market options	-	-	-	-	-	-
Organized market other	-	-	-	-	-	-
Credit	**-**	**-**	**-**	**-**	**-**	**-**
Commodities	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**
FAIR VALUE HEDGES	**1,575**	**912**	**1,766**	**1,362**	**1,970**	**1,577**
Interest rate	**221**	**562**	**244**	**533**	**194**	**358**
OTC options	-	-	-	-	-	-
OTC other	219	562	242	533	186	358
Organized market options	-	-	-	-	-	-
Organized market other	2	-	2	-	8	-
Equity	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange and gold	**955**	**873**	**119**	**714**	**248**	**118**
OTC options	-	-	-	-	89	70
OTC other	955	873	119	714	160	48
Organized market options	-	-	-	-	-	-
Organized market other	-	-	-	-	-	-
Credit	**-**	**-**	**-**	**-**	**-**	**-**
Commodities	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**
CASH FLOW HEDGES	**1,176**	**1,435**	**363**	**1,247**	**442**	**476**
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	**92**	**231**	**301**	**15**	**362**	**79**
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	**33**	**90**	**46**	**256**	**55**	**214**
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	**15**	**12**	**9**	**-**	**4**	**-**
DERIVATIVES-HEDGE ACCOUNTING	**2,892**	**2,680**	**2,485**	**2,880**	**2,833**	**2,347**
of which: OTC - credit institutions	*2,534*	*2,462*	*1,829*	*2,527*	*2,381*	*2,103*
of which: OTC - other financial corporations	*355*	*216*	*651*	*234*	*435*	*165*
of which: OTC - other	*2*	*2*	*2*	*120*	*9*	*79*

The cash flows forecasts for the coming years for cash flow hedging recognized on the accompanying consolidated balance sheet as of December 31, 2018 are:

Cash Flows of Hedging Instruments (Millions of euros)

	3 Months or Less	From 3 Months to 1 Year	From 1 to 5 Years	More than 5 Years	Total
Receivable cash inflows	116	277	1,828	2,181	4,401
Payable cash outflows	139	517	2,215	2,221	5,092

The above cash flows will have an impact on the Group's consolidated income statements until 2058.

In 2018, 2017 and 2016, there was no reclassification in the accompanying consolidated income statements of any amount corresponding to cash flow hedges that was previously recognized in equity (see Note 41).

The amount for derivatives designated as accounting hedges that did not pass the effectiveness test in December 31, 2018, 2017 and 2016 were not material.

16. Investments in joint ventures, associates

16.1 Joint ventures and associates

The breakdown of the balance of "Investments in joint ventures and associates" (see Note 2.1) in the accompanying consolidated balance sheets is as follows:

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

	2018	2017	2016
Joint ventures			
Fideic F 403853 5 BBVA Bancom Ser.Zibata	-	27	33
Fideicomiso 1729 Invex Enajenacion de Cartera	55	53	57
PSA Finance Argentina Compañia Financier	10	14	21
Altura Markets, S.V., S.A.	69	64	19
RCI Colombia	32	19	17
Other joint ventures	7	79	82
Subtotal	**173**	**256**	**229**
Associates Entities			
Metrovacesa Suelo y Promoción, S.A.	508	697	208
Testa Residencial SOCIMI, S.A.U.	-	444	91
Metrovacesa Promoción y Arrendamientos, S.A.	-	-	67
Atom Bank, PLC	138	66	43
Divarian Propiedad S.A.U.	591	-	-
Servired	9	9	11
Other associates	159	116	116
Subtotal	**1,405**	**1,332**	**536**
Total	**1,578**	**1,588**	**765**

Details of the joint ventures and associates as of December 31, 2018 are shown in Appendix II.

The following is a summary of the changes in the in December 31, 2018, 2017 and 2016 under this heading in the accompanying consolidated balance sheets:

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

	Notes	2018	2017	2016
Balance at the beginning		**1,588**	**765**	**879**
Acquisitions and capital increases		309	868	456
Disposals and capital reductions		(516)	(8)	(91)
Transfers and changes of consolidation method		211	-	(351)
Share of profit and loss	39	(7)	3	25
Exchange differences		2	(29)	(34)
Dividends, valuation adjustments and others		(8)	(12)	(118)
Balance at the end		**1,578**	**1,588**	**765**

The variation during the year 2018 is mainly explained by the decrease of BBVA Group stakes in Testa Residencial, S.A., Metrovacesa Suelo y Promoción, S.A. and Divarian Propiedad, S.A.U. (see Note 3 and Appendix III).

The variation during the year 2017 is mainly explained by the increase of BBVA Group stakes in Testa Residencial, S.A. and Metrovacesa Suelo y Promoción, S.A. through its contribution to the capital increases carried out by both entities by contributing assets from the Bank's real estate assets (see Note 21).

During the year 2016, two capital increases in Metrovacesa, S.A. were made through a debt swap and a contribution of real estate assets, which provided the Group 357 million euros, after this there was a partial Split of Metrovacesa, S.A. in favor of a beneficiary company from a new constitution denominated Metrovacesa Suelo y Promocion, S.A. In the fourth quarter of the year 2016, there was a total split of Metrovacesa, S.A. through its extinction and division of its patrimony in three parts, two of which merged with Merlin Properties, SOCIMI, S.A. and Testa Residencial, SOCIMI, S.A. As result of the previous mentioned splits, the Group received equity interests in the corresponding beneficiary companies, 6.41% of its capital was received, having been transferred to the heading "Available-for-sale" of the consolidated financial assets as of December 31, 2016.

Appendix III provides notifications on acquisitions and disposals of holdings in subsidiaries, joint ventures and associates, in compliance with Article 155 of the Corporations Act and Article 53 of the Securities Market Act 24/1988.

16.2 Other information about associates and joint ventures

If these entities had been consolidated rather than accounted for using the equity method, the change in each of the lines of balance sheet and the consolidated income statement would not be significant.

As of December 31, 2018, 2017 and 2016 there was no financial support agreement or other contractual commitment to associates and joint ventures entities from the holding or the subsidiaries that are not recognized in the financial statements (see Note 53.2).

As of December 31, 2018, 2017 and 2016 there was no contingent liability in connection with the investments in joint ventures and associates (see Note 53.2).

16.3 Impairment

As described in IAS 36, when there is indicator of impairment, the book value of the associates and joint venture entities should be compared with their recoverable amount, being the latter calculated as the higher between the value in use and the fair value minus the cost of sale. As of December 31, 2018, 2017 and 2016, there were no significant impairments recognized.

17. Tangible assets

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

Tangible Assets: Breakdown by Type of Assets and Changes in the year 2018. (Millions of euros)

	Notes	For Own Use			Total tangible asset of Own Use	Investment Properties	Assets Leased out under an Operating Lease	Total
		Land and Buildings	Work in Progress	Furniture, Fixtures and Vehicles				
Cost								
Balance at the beginning		**5,490**	**234**	**6,628**	**12,352**	**228**	**492**	**13,072**
Additions		445	78	404	927	11	-	938
Retirements		(98)	(17)	(492)	(607)	(149)	(1)	(757)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	-	-
Transfers		64	(177)	(12)	(125)	(5)	-	(130)
Exchange difference and other		38	(48)	(214)	(224)	116	(105)	(213)
Balance at the end		**5,939**	**70**	**6,314**	**12,323**	**201**	**386**	**12,910**
Accrued depreciation								
Balance at the beginning		**1,076**	**-**	**4,380**	**5,456**	**13**	**77**	**5,546**
Additions	45	120	-	469	589	5	-	594
Retirements		(36)	-	(403)	(439)	(8)	-	(447)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		(3)	-	-	(3)	-	-	(3)
Transfers		(31)	-	(22)	(53)	(2)	-	(55)
Exchange difference and other		12	-	(212)	(200)	3	(1)	(198)
Balance at the end		**1,138**	**-**	**4,212**	**5,350**	**11**	**76**	**5,437**
Impairment								
Balance at the beginning		**315**	**-**	**-**	**315**	**20**	**-**	**335**
Additions	48	30	-	-	30	(25)	-	5
Retirements		-	-	-	-	(27)	-	(27)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	-	-
Transfers		(77)	-	-	(77)	(3)	-	(80)
Exchange difference and other		(51)	-	-	(51)	62	-	11
Balance at the end		**217**	**-**	**-**	**217**	**27**	**-**	**244**
Net tangible assets								
Balance at the beginning		**4,099**	**234**	**2,248**	**6,581**	**195**	**415**	**7,191**
Balance at the end		**4,584**	**70**	**2,102**	**6,756**	**163**	**310**	**7,229**

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

	Notes	For Own Use			Total tangible asset of Own Use	Investment Properties	Assets Leased out under an Operating Lease	Total
		Land and Buildings	Work in Progress	Furniture, Fixtures and Vehicles				
Cost								
Balance at the beginning		**6,176**	**240**	**7,059**	**13,473**	**1,163**	**958**	**15,594**
Additions		49	128	397	574	1	201	776
Retirements		(42)	(29)	(264)	(335)	(90)	(93)	(518)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	(552)	(552)
Transfers		(273)	(57)	(186)	(516)	(698)	-	(1,214)
Exchange difference and other		(420)	(48)	(378)	(844)	(148)	(22)	(1,014)
Balance at the end		**5,490**	**234**	**6,628**	**12,352**	**228**	**492**	**13,072**
Accrued depreciation								
Balance at the beginning		**1,116**	**-**	**4,461**	**5,577**	**63**	**216**	**5,856**
Additions	45	127	-	553	680	13	-	693
Retirements		(26)	-	(235)	(261)	(7)	(21)	(289)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	(134)	(134)
Transfers		(53)	-	(146)	(199)	(31)	-	(230)
Exchange difference and other		(88)	-	(253)	(341)	(25)	16	(350)
Balance at the end		**1,076**	**-**	**4,380**	**5,456**	**13**	**77**	**5,546**
Impairment								
Balance at the beginning		**379**	**-**	**-**	**379**	**409**	**10**	**798**
Additions	48	5	-	-	5	37	-	42
Retirements		(2)	-	-	(2)	(10)	-	(12)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	(10)	(10)
Transfers		(58)	-	-	(58)	(276)	-	(334)
Exchange difference and other		(9)	-	-	(9)	(140)	-	(149)
Balance at the end		**315**	**-**	**-**	**315**	**20**	**-**	**335**
Net tangible assets								
Balance at the beginning		**4,681**	**240**	**2,598**	**7,519**	**691**	**732**	**8,941**
Balance at the end		**4,099**	**234**	**2,248**	**6,581**	**195**	**415**	**7,191**

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

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

	Notes	For Own Use			Total tangible asset of Own Use	Investment Properties	Assets Leased out under an Operating Lease	Total
		Land and Buildings	Work in Progress	Furniture, Fixtures and Vehicles				
Cost								
Balance at the beginning		**5,858**	**545**	**7,628**	**14,029**	**2,391**	**668**	**17,088**
Additions		30	320	563	913	62	337	1,312
Retirements		(85)	(29)	(468)	(582)	(117)	(97)	(796)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		(7)	-	(1)	(8)	(3)	-	(11)
Transfers		676	(544)	(386)	(254)	(986)	84	(1,156)
Exchange difference and other		(296)	(52)	(277)	(625)	(184)	(34)	(843)
Balance at the end		**6,176**	**240**	**7,059**	**13,473**	**1,163**	**958**	**15,594**
Accrued depreciation								
Balance at the beginning		**1,103**	**-**	**4,551**	**5,654**	**116**	**202**	**5,972**
Additions	45	106	-	561	667	23	-	690
Retirements		(72)	-	(461)	(533)	(10)	(17)	(560)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	-	-
Transfers		(1)	-	(37)	(38)	(55)	55	(38)
Exchange difference and other		(20)	-	(153)	(173)	(11)	(24)	(208)
Balance at the end		**1,116**	**-**	**4,461**	**5,577**	**63**	**216**	**5,856**
Impairment								
Balance at the beginning		**354**	**-**	**-**	**354**	**808**	**10**	**1,172**
Additions	48	48	-	5	53	90	-	143
Retirements		(2)	-	-	(2)	(9)	-	(11)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	-	-
Transfers		(1)	-	-	(1)	(380)	-	(381)
Exchange difference and other		(20)	-	(5)	(25)	(100)	-	(125)
Balance at the end		**379**	**-**	**-**	**379**	**409**	**10**	**798**
Net tangible assets								
Balance at the beginning		**4,401**	**545**	**3,077**	**8,021**	**1,467**	**456**	**9,944**
Balance at the end		**4,681**	**240**	**2,598**	**7,519**	**691**	**732**	**8,941**

As of December 31, 2018, 2017 and 2016, the cost of fully amortized tangible assets that remained in use were €2,624, €2,660 and €2,313 million respectively while its recoverable residual value was not significant.

As of December 31, 2018, 2017 and 2016 the amount of tangible assets under financial lease schemes on which the purchase option is expected to be exercised was not material. The main activity of the Group is carried out through a network of bank branches located geographically as shown in the following table:

Branches by Geographical Location (Number of branches)

	2018	2017	2016
Spain	2,840	3,019	3,303
Mexico	1,836	1,840	1,836
South America	1,543	1,631	1,667
The United States	646	651	676
Turkey	1,066	1,095	1,131
Rest of Eurasia	32	35	47
Total	**7,963**	**8,271**	**8,660**

The following table shows the detail of the net carrying amount of the tangible assets corresponding to Spanish and foreign subsidiaries as of December 31, 2018, 2017 and 2016:

Tangible Assets by Spanish and Foreign Subsidiaries. Net Assets Values (Millions of euros)

	2018	2017	2016
BBVA and Spanish subsidiaries	2,705	2,574	3,692
Foreign subsidiaries	4,524	4,617	5,249
Total	**7,229**	**7,191**	**8,941**

18. Intangible assets

18.1 Goodwill

The breakdown of the balance under this heading in the accompanying consolidated balance sheets, according to the cash-generating units (CGUs), is as follows:

Goodwill. Breakdown by CGU and Changes of the year (Millions of euros)

	The United States	Turkey	Mexico	Colombia	Chile	Other	Total
Balance as of December 31, 2015	**5,328**	**727**	**602**	**176**	**62**	**20**	**6,915**
Additions	-	-	-	-	-	8	8
Exchange difference	175	(101)	(79)	14	6	-	15
Impairment	-	-	-	-	-	-	-
Other	-	(1)	-	-	-	-	(1)
Balance as of December 31, 2016	**5,503**	**624**	**523**	**191**	**68**	**28**	**6,937**
Additions	-	-	24	-	-	-	24
Exchange difference	(666)	(115)	(44)	(22)	(3)	(1)	(851)
Impairment	-	-	-	-	-	(4)	(4)
Other	-	-	(10)	-	(33)	-	(43)
Balance as of December 31, 2017	**4,837**	**509**	**493**	**168**	**32**	**23**	**6,062**
Additions	-	-	-	-	-	-	-
Exchange difference	229	(127)	26	(7)	(3)	-	118
Impairment	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance as of December 31, 2018	**5,066**	**382**	**519**	**161**	**29**	**23**	**6,180**

In 2018, 2017 and 2016, there were no significant business combinations.

Impairment Test

As mentioned in Note 2.2.8 of the consolidated financial statements for the year 2018, the cash-generating units (CGUs) to which goodwill has been allocated are periodically tested for impairment by including the allocated goodwill in their carrying amount. This analysis is performed at least annually and whenever there is any indication of impairment.

Both the CGU's fair values and the fair values assigned to its assets and liabilities had been based on the estimates and assumptions that the Group's Management has deemed most likely given the circumstances. However, some changes to the valuation assumptions used could result in differences in the impairment test result.

Three key assumptions are used when calculating the impairment test. These hypothesis are the ones to which the amount of the recoverable value is most sensitive:

- The forecast cash flows estimated by the Group's management, and based on the latest available budgets for the next 5 years.
- The constant sustainable growth rate for extrapolating cash flows, starting in the fifth year (2023), beyond the period covered by the budgets or forecasts.
- The discount rate on future cash flows, which coincides with the cost of capital assigned to each CGU, and which consists of a risk-free rate plus a premium that reflects the inherent risk of each of the businesses evaluated.

The focus used by the Group's management to determine the values of the hypotheses is based both on its projections and past experience. These values are uniform and use external sources of information. At the same time, the valuations of the most significant goodwill have in general been reviewed by independent experts (not the Group's external auditors) who apply different valuation methods according to each type of asset and liability. The valuation methods used are: The method for calculating the discounted value of future cash flows, the market transaction method and the cost method.

As of December 31, 2018, 2017 and 2016, no indicators of impairment have been identified in any of the main CGUs.

Goodwill - United States CGU

The Group's most significant goodwill corresponds to the CGU in the United States, the main significant hypotheses used in the impairment test of this mentioned CGU are:

Impairment test hypotheses CGU Goodwill in the United States

	2018	2017	2016
Discount rate	10,5%	10.0%	10.0%
Sustainable growth rate	4,0%	4.0%	4.0%

Given the potential growth of the sector, in accordance with paragraph 33 of IAS 36, as of December 31, 2018, 2017 and 2016 the Group used a steady growth rate of 4.0% based on the real GDP growth rate of the United States and expected inflation. This 4.0% rate is less than the historical average of the past 30 years of the nominal GDP rate of the United States and lower than the real GDP growth forecasted by the IMF.

The assumptions with a greater relative weight and whose volatility could affect more in determining the present value of the cash flows starting on the fifth year are the discount rate and the sustainable growth rate. Below is shown the increased (or decreased) amount of the recoverable amount as a result of a reasonable variation (in basis points) of each of the key assumptions:

Sensitivity analysis for main hypotheses - USA (Millions of euros)

	Impact of an increase of 50 basis points (*)	Impact of a decrease of 50 basis points (*)
Discount rate	(1,009)	1,176
Sustainable growth rate	526	(451)

(*) Based on historical changes, the use of 50 basis points to calculate the sensitivity analysis would be a reasonable variation with respect to the observed variations over the last five years.

Another assumption used, and with a high impact on the impairment test, is the budgets of the CGU and specifically the effect that changes in interest rates have on cash flows.

Goodwill - Turkey CGU

The Group's most significant goodwill corresponds to the CGU in the Turkey, the main significant hypotheses used in the impairment test of this mentioned CGU are:

Impairment test assumptions CGU Goodwill in Turkey

	2018	2017	2016
Discount rate	24.3%	18.0%	17.7%
Sustainable growth rate	7.0%	7.0%	7.0%

Given the potential growth of the sector, in accordance with paragraph 33 of IAS 36, as of December 31, 2018, 2017 and 2016 the Group used a steady growth rate of 7.0% based on the real GDP growth rate of Turkey and expected inflation.

The assumptions with a greater relative weight and whose volatility could affect more in determining the present value of the cash flows starting on the fifth year are the discount rate and the sustainable growth rate. Below is shown the increased (or decreased) amount of the recoverable amount as a result of a reasonable variation (in basis points) of each of the key assumptions:

Sensitivity analysis for main assumptions - Turkey (Millions of euros)

	Impact of an increase of 50 basis points (*)	Impact of a decrease of 50 basis points (*)
Discount rate	(149)	158
Sustainable growth rate	40	(37)

(*) Based on historical changes, the use of 50 basis points to calculate the sensitivity analysis would be a reasonable variation with respect to the observed variations over the last five years.

Goodwill in business combinations

There were no significant business combinations during 2018, 2017 and 2016.

18.2 Other intangible assets

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

Other intangible assets (Millions of euros)

	2018	2017	2016
Computer software acquisition expenses	1,605	1,682	1,877
Other intangible assets with an infinite useful life	11	12	12
Other intangible assets with a definite useful life	518	708	960
Total	**2,134**	**2,402**	**2,849**

The changes of this heading in December 31, 2018, 2017 and 2016, are as follows:

Other Intangible Assets (Millions of euros)

	Notes	2018	2017	2016
Balance at the beginning		**2,402**	**2,849**	**3,137**
Acquisition of subsidiaries in the year		-	-	-
Additions		552	564	645
Amortization in the year	45	(614)	(694)	(735)
Exchange differences and other		(123)	(305)	(196)
Impairment		(83)	(12)	(3)
Balance at the end		**2,134**	**2,402**	**2,849**

As of December 31, 2018, 2017and 2016, the cost of fully amortized intangible assets that remained in use were €1,604 million, €1,380 million and €1,501 million respectively, while their recoverable value was not significant.

19. Tax assets and liabilities

19.1 Consolidated tax group

Pursuant to current legislation, the BBVA Consolidated Tax Group includes the Bank (as the parent company) and its Spanish subsidiaries that meet the requirements provided for under Spanish legislation regulating the taxation regime for the consolidated profit of corporate groups.

The Group's non-Spanish other banks and subsidiaries file tax returns in accordance with the tax legislation in force in each country.

19.2 Years open for review by the tax authorities

The years open to review in the BBVA Consolidated Tax Group as of December 31, 2018 are 2014 and subsequent years for the main taxes applicable.

The remainder of the Spanish consolidated entities in general have the last four years open for inspection by the tax authorities for the main taxes applicable, except for those in which there has been an interruption of the limitation period due to the start of an inspection.

In the year 2017 as a consequence of the tax authorities examination reviews, inspections were initiated through the year 2013 inclusive, and all such years closed with acceptance during the year 2017. Therefore, these inspections did not constitute any material amount to record in the Consolidated Annual accounts as their impact was provisioned.

In view of the varying interpretations that can be made of some applicable tax legislation, the outcome of the tax inspections of the open years that may be conducted by the tax authorities in the future may give rise to contingent tax liabilities which cannot be reasonably estimated at the present time. However, the Group considers that the possibility of these contingent liabilities becoming actual liabilities is remote and, in any case, the tax charge which might arise therefore would not materially affect the Group's accompanying consolidated financial statements.

19.3 Reconciliation

The reconciliation of the Group's corporate income tax expense resulting from the application of the Spanish corporation income tax rate and the income tax expense recognized in the accompanying consolidated income statements is as follows:

Reconciliation of Taxation at the Spanish Corporation Tax Rate to the Tax Expense Recorded for the Period (Millions of euros)

	2018		2017		2016	
	Amount	Effective Tax %	Amount	Effective Tax %	Amount	Effective Tax %
Profit or (-) loss before tax	**8,446**		**6,931**		**6,392**	
From continuing operations	8,446		6,931		6,392	
From discontinued operations	-		-		-	
Taxation at Spanish corporation tax rate 30%	2,534		2,079		1,918	
Lower effective tax rate from foreign entities (*)	(234)		(307)		(298)	
Mexico	(78)	28%	(100)	27%	(105)	26%
Chile	(18)	21%	(29)	21%	(27)	17%
Colombia	10	33%	(3)	29%	22	36%
Peru	(12)	28%	(16)	27%	(18)	26%
Turkey	(132)	20%	(182)	21%	(176)	21%
Others	(4)		23		6	
Revenues with lower tax rate (dividends/capital gains)	(57)		(53)		(69)	
Equity accounted earnings	3		(2)		(11)	
Other effects	49		452		159	
Current income tax	**2,295**		**2,169**		**1,699**	
Of which:						
Continuing operations	2,295		2,169		1,699	
Discontinued operations	-		-		-	

(*) Calculated by applying the difference between the tax rate in force in Spain and the one applied to the Group's earnings in each jurisdiction.

The effective income tax rate for the Group in the years ended December 31, 2018, 2017 and 2016 is as follows:

Effective Tax Rate (Millions of euros)

	2018	2017	2016
Income from:			
Consolidated Tax Group	1,482	(678)	(483)
Other Spanish Entities	33	29	52
Foreign Entities	6,931	7,580	6,823
Total	**8,446**	**6,931**	**6,392**
Income tax and other taxes	2,295	2,169	1,699
Effective Tax Rate	**27.17%**	**31.3%**	**26.6%**

In the year 2018, the changes in the nominal tax rate on corporate income tax, in comparison with those existing in the previous year, in the main countries in which the Group has a presence, have been in United States (federal tax from 35% to 21%), Turkey (from 20% to 22%), Argentina (from 35% to 30%), Chile (from 25,5% to 27%) and Colombia (from 40% to 37%). In the year 2017, the changes in the nominal tax rate on corporate income tax, in comparison with those existing in the previous period, in the main countries in which the Group has a presence, have been in Chile (from 24,00% to 25,5%) and Peru (from 28,0% to 29,5%).

19.4 Income tax recognized in equity

In addition to the income tax expense recognized in the accompanying consolidated income statements, the Group has recognized the following income tax charges for these items in the consolidated total equity:

Tax recognized in total equity (Millions of euros)

	2018	2017	2016
Charges to total equity			
Debt securities and others	(87)	(355)	(533)
Equity instruments	(56)	(74)	(2)
Subtotal	**(143)**	**(429)**	**(535)**
Total	**(143)**	**(429)**	**(535)**

19.5 Current and deferred taxes

The balance under the heading "Tax assets" in the accompanying consolidated balance sheets includes current and deferred tax assets. The balance under the "Tax liabilities" heading includes the Group's various current and deferred tax liabilities. The details of the mentioned tax assets and liabilities are as follows:

Tax assets and liabilities (Millions of euros)

	2018	2017	2016
Tax assets			
Current tax assets	2,784	2,163	1,853
Deferred tax assets	15,316	14,725	16,391
Pensions	405	395	1,190
Financial Instruments	1,401	1,453	1,371
Other assets (investments in subsidiaries)	302	357	662
Impairment losses	1,375	1,005	1,390
Other	990	870	1,236
Secured tax assets (*)	9,363	9,433	9,431
Tax losses	1,480	1,212	1,111
Total	**18,100**	**16,888**	**18,245**
Tax Liabilities			
Current tax liabilities	1,230	1,114	1,276
Deferred tax liabilities	2,046	2,184	3,392
Financial Instruments	1,136	1,427	1,794
Charge for income tax and other taxes	910	757	1,598
Total	**3,276**	**3,298**	**4,668**

(*) Law guaranteeing the deferred tax assets has been approved in Spain in 2013. In years 2016 and 2017 guaranteed deferred tax assets also existed in Portugal but in year 2018 they lost the guarantee due to the merge between BBVA Portugal S.A. and BBVA, S.A.

At the end of year 2018, a tax reform has taken place in Colombia, which is expected to hold a 37% tax rate for financial institutions in 2019 (prior to the reform, a 33% tax rate was planned).

The most significant variations of the deferred assets and liabilities in the years 2018, 2017 and 2016 derived from the followings causes:

Deferred tax assets and liabilities (Millions of euros)

	2018		2017		2016	
	Deferred Assets	Deferred Liabilities	Deferred Assets	Deferred Liabilities	Deferred Assets	Deferred Liabilities
Balance at the beginning	**14,725**	**2,184**	**16,391**	**3,392**	**15,878**	**3,418**
Pensions	10	-	(795)	-	168	-
Financials Instruments	(52)	(291)	82	(367)	(103)	(113)
Other assets	(55)	-	(305)	-	108	-
Impairment losses	370	-	(385)	-	44	-
Others	120	153	(366)	(841)	255	-
Guaranteed Tax assets	(70)	-	2	-	(105)	-
Tax Losses	268	-	101	-	146	-
Charge for income tax and other taxes	-	-	-	-	-	87
Balance at the end	**15,316**	**2,046**	**14,725**	**2,184**	**16,391**	**3,392**

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

- The decrease in guaranteed tax assets is motivated because those corresponding to Portugal are no longer considered as guaranteed.
- The increase in tax losses is mainly due to the Corporate Income Tax (CIT) return 2017 that has generated differences with respect to the estimate of Corporate Tax reflected in the financial

statements, on the other hand, the increase in tax losses is also due to the generation of negative tax bases and deductions during year 2018.

- The evolution of the deferred tax assets and liabilities (without taking into consideration the guaranteed deferred tax asset and the tax losses) in net terms is a decrease of €531 million mainly due to the first implementation of IFRS9, the variations in the valuation of portfolio securities and to the operation of the corporate income tax in which differences between accounting and taxation produce movements in the deferred taxes.

On the deferred tax assets and liabilities contained in the table above, those included in section 19.4 above have been recognized against the entity's equity, and the rest against earnings for the year or reserves.

As of December 31, 2018, 2017 and 2016, the estimated amount of temporary differences associated with investments in subsidiaries, joint ventures and associates, which were not recognized deferred tax liabilities in the accompanying consolidated balance sheets, amounted to 443 million euros, 376 million euros and 874 million euros, respectively.

Of the deferred tax assets contained in the above table, the detail of the items and amounts guaranteed by the Spanish government, broken down by the items that originated those assets is as follows:

Secured tax assets (Millions of euros)	2018	2017 (*)	2016 (*)
Pensions	1,874	1,897	1,901
Impairment losses	7,489	7,536	7,530
Total	**9,363**	**9,433**	**9,431**

(*) In 2017 and 2016 guaranteed deferred tax assets also existed in Portugal but in 2018 they lost the guarantee.

As of December 31, 2018, non-guaranteed net deferred tax assets of the above table amounted to €3,907 million (€3,108 and €3,568 million as of December 31, 2017 and 2016 respectively), which broken down by major geographies is as follows:

- Spain: Net deferred tax assets recognized in Spain totaled €2,653 million as of December 31, 2018 (€2,052 and €2,007 million as of December 31, 2017 and 2016, respectively). €1,462 million of the figure recorded in the year ended December 31, 2018 for net deferred tax assets related to tax credits and tax loss carry forwards and €1,191 million relate to temporary differences.

- Mexico: Net deferred tax assets recognized in Mexico amounted to €826 million as of December 31, 2018 (€615 and €698 million as of December 31, 2017 and 2016, respectively). 99,97% of deferred tax assets as of December 31, 2018 relate to temporary differences. The remainders are tax credits carry forwards.

- South America: Net deferred tax assets recognized in South America amounted to €383 thousand as of December 31, 2018 (€26 and €362 million as of December 31, 2017 and 2016, respectively). Practically all the deferred tax assets are related to temporary differences, only 1,03% are related to tax credits.

- The United States: Net deferred tax assets recognized in The United States amounted to €164 million as of December 31, 2018 (€180 and €345 million as of December 31, 2017 and 2016, respectively). All the deferred tax assets relate to temporary differences.

- Turkey: Net deferred tax assets recognized in Turkey amounted to €250 million as of December 31, 2018 (€224 and €135 million as of December 31, 2017 and 2016 respectively). As of December 31, 2018, all the deferred tax assets correspond to €15 million of tax credits related to tax losses carry forwards and deductions and €235 million relate to temporary differences.

Based on the information available as of December 31, 2018, including historical levels of benefits and projected results available to the Group for the coming years, it is considered that sufficient taxable income will be generated for the recovery of above mentioned unsecured deferred tax assets when they become deductible according to the tax laws.

On the other hand, the Group has not recognized certain deductible temporary differences, negative tax bases and deductions for which, in general, there is no legal period for offsetting, amounting to approximately € 2,236 million, which are mainly originated by Catalunya Banc.

20. Other assets and liabilities

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

Other assets and liabilities: (Millions of euros)	2018	2017	2016
ASSETS			
Inventories	635	229	3,298
Real estate	633	226	3,268
Others	2	3	29
Transactions in progress	249	156	241
Accruals	702	768	723
Prepaid expenses	465	509	518
Other prepayments and accrued income	237	259	204
Other items	3,886	3,207	3,012
Total Other Assets	**5,472**	**4,359**	**7,274**
LIABILITIES			
Transactions in progress	39	165	127
Accruals	2,558	2,490	2,721
Accrued expenses	2,119	1,997	2,125
Other accrued expenses and deferred income	439	493	596
Other items	1,704	1,894	2,131
Total Other Liabilities	**4,301**	**4,550**	**4,979**

"Inventories" includes the net book value of land and building purchases that the Group's Real estate entities have available for sale or as part of their business. Balances under this heading include mainly real estate assets acquired by these entities from distressed customers (mostly in Spain), net of their corresponding losses. The roll-forward of our inventories from distressed customers is provided below:

Inventories from Distressed Customers (Millions of euros)	2018	2017	2016
Gross value			
Balance at the beginning	**91**	**8,499**	**9,318**
Business combinations and disposals	-	-	-
Acquisitions	-	533	336
Disposals	(20)	(2,288)	(1,214)
Others	-	(6,653)	59
Balance at the end	**71**	**91**	**8,499**
Accumulated impairment losses	(21)	(26)	(5,385)
Carrying amount	**49**	**65**	**3,114**

As of December 31, 2017, the majority of the balance of real estate assets acquired from distressed customers was reclassified to the heading "Non-current assets and disposable groups of items that have been classified as held for sale" (see Note 21) due to the agreement with Cerberus to transfer the Real Estate business in Spain (see Note 3).

The impairment included under the heading "Impairment or reversal of impairment of non- financial assets" of the accompanying consolidated financial statements were €51, €306 and €375 million in 2018, 2017 and 2016, respectively (see Note 48).

As indicated in Note 2.2.6, "Inventories" are valued at the lower amount between its fair value less costs to sell and its book value. As of December 31, 2018, practically all of the carrying amount of the assets recorded at fair value on a non-recurring basis coincides with their fair value.

21. Non-current assets and disposal groups held for sale

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

Non-current assets and disposal groups classified as held for sale Breakdown by items (Millions of euros)

	2018	2017	2016
Foreclosures and recoveries	2,211	6,207	4,225
Foreclosures (*)	2,135	6,047	4,057
Recoveries from financial leases	76	160	168
Other assets from tangible assets	433	447	1,181
Property, plant and equipment	276	447	378
Operating leases	-	-	803
Investment properties (*)	158	-	-
Business sale - Assets (**)	29	18,623	40
Accrued amortization (***)	(44)	(77)	(116)
Impairment losses	(628)	(1,348)	(1,727)
Total Non-current assets and disposal groups classified as held for sale	**2,001**	**23,853**	**3,603**

(*) Corresponds mainly to the agreement with Cerberus to transfer the "Real Estate" business in Spain (see Note 3).

(**) Corresponds mainly to the BBVA´s stake in BBVA Chile (see Note 3).

(***) Amortization accumulated until related asset reclassified as "non-current assets and disposal groups held for sale"

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

The changes in the balances of "Non-current assets and disposal groups classified as held for sale" in 2018, 2017 and 2016 are as follows:

Non-current assets and disposal groups classified as held for sale Changes in the year 2018 (Millions of euros)

	Notes	Foreclosed Assets		From Own Use Assets (*)	Other assets (**)	Total
		Foreclosed Assets through Auction Proceeding	Recovered Assets from Finance Leases			
Cost (1)						
Balance at the beginning		**6,047**	**160**	**371**	**18,623**	**25,201**
Additions		637	55	4	-	696
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(4,354)	(135)	(227)	(18,594)	(23,310)
Transfers, other movements and exchange differences		(195)	(4)	241	-	42
Balance at the end		**2,135**	**76**	**389**	**29**	**2,629**
		-	-	-	-	-
Impairment (2)						
Balance at the beginning		**1,102**	**52**	**194**	**-**	**1,348**
Additions	50	195	11	2	-	208
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(793)	(37)	(101)	-	(931)
Other movements and exchange differences		(22)	(4)	29	-	3
Balance at the end		**482**	**22**	**124**	**-**	**628**
Balance at the end of Net carrying value (1)-(2)		**1,653**	**54**	**265**	**29**	**2,001**

(*) Net of amortization accumulated until assets were reclassified as non-current assets held for sale

(**) The variation corresponds mainly to the BBVA's stake in BBVA Chile and the agreement with Cerberus to transfer the "Real Estate" business in Spain (see Note 3)

Non-current assets and disposal groups classified as held for sale Changes in the year 2017 (Millions of euros)

	Notes	Foreclosed Assets		From Own Use Assets (*)	Other assets	Total
		Foreclosed Assets through Auction Proceeding	Recovered Assets from Finance Leases			
Cost (1)						
Balance at the beginning		**4,057**	**168**	**1,065**	**40**	**5,330**
Additions		791	45	1	-	837
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(1,037)	(49)	(131)	-	(1,217)
Transfers, other movements and exchange differences		2,236	(4)	(564)	18,583	20,251
Balance at the end		**6,047**	**160**	**371**	**18,623**	**25,201**
Impairment (2)						
Balance at the beginning		**1,237**	**47**	**443**	**-**	**1,727**
Additions	50	143	14	1	-	158
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(272)	(7)	(42)	-	(321)
Other movements and exchange differences		(6)	(2)	(208)	-	(216)
Balance at the end		**1,102**	**52**	**194**	**-**	**1,348**
Balance at the end of Net carrying value (1)-(2)		**4,945**	**108**	**177**	**18,623**	**23,853**

(*) Net of amortization accumulated until assets were reclassified as non-current assets held for sale

(**) The variation corresponds mainly to the BBVA's stake in BBVA Chile and the agreement with Cerberus to transfer the "Real Estate" business in Spain (see Note 3)

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

Non-current assets and disposal groups classified as held for sale Changes in the year 2016 (Millions of euros)

	Notes	Foreclosed Assets		From Own Use Assets (*)	Other assets (**)	Total
		Foreclosed Assets through Auction Proceeding	Recovered Assets from Finance Leases			
Cost (1)						
Balance at the beginning		**3,775**	**216**	**626**	**37**	**4,654**
Additions		582	57	23	-	662
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(779)	(77)	(170)	3	(1,023)
Transfers, other movements and exchange differences		480	(28)	586	-	1,037
Balance at the end		**4,057**	**168**	**1,065**	**40**	**5,330**
Impairment (2)						
Balance at the beginning		**994**	**52**	**240**	**-**	**1,285**
Additions	50	129	3	5	-	136
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(153)	(6)	(33)	-	(192)
Other movements and exchange differences		268	(2)	232	-	499
Balance at the end		**1,237**	**47**	**443**	**-**	**1,727**
Balance at the end of Net carrying value (1)-(2)		**2,820**	**121**	**621**	**40**	**3,603**

(*) Net of amortization accumulated until assets were reclassified as non-current assets held for sale

As indicated in Note 2.2.4, "Non-current assets and disposal groups held for sale" and "liabilities included in disposal groups classified as held for sale" are valued at the lower amount between its fair value less costs to sell and its book value. As of December 31, 2018, practically all of the carrying amount of the assets recorded at fair value on a non-recurring basis coincides with their fair value.

Assets from foreclosures or recoveries

As of December 31, 2018, 2017 and 2016, assets from foreclosures and recoveries, net of impairment losses, by nature of the asset, amounted to €1,072, €1,924 and €2,326 million in assets for residential use; €182, €491 and €574 million in assets for tertiary use (industrial, commercial or office) and €19, €29 and €41 million in assets for agricultural use, respectively.

In December 31, 2018, 2017 and 2016, the average sale time of assets from foreclosures or recoveries was between 2 and 3 years.

During the years 2018, 2017 and 2016, some of the sale transactions for these assets were financed by Group companies. The amount of loans to buyers of these assets in those years amounted to €82, €207 and €219 million, respectively; with an average financing of 50% of the sales price.

As of December 31, 2018, 2017 and 2016, the amount of the profits arising from the sale of Group companies financed assets - and therefore not recognized in the consolidated income statement - amounted to €1 in each financial year.

22. Financial liabilities at amortized cost

22.1 Breakdown of the balance

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

Financial liabilities measured at amortized cost (Millions of euros)

	2018	2017	2016
Deposits	435,229	467,949	499,706
Deposits from Central Banks (*)	27,281	37,054	34,740
Deposits from Credit Institutions	31,978	54,516	63,501
Customer deposits	375,970	376,379	401,465
Debt certificates	61,112	63,915	76,375
Other financial liabilities	12,844	11,850	13,129
Total	**509,185**	**543,713**	**589,210**

(*) As of December 31, 2018, balance relating to repurchase agreements in Central Banks is €375 million (see Note 35).

22.2 Deposits from credit institutions

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

Deposits from credit institutions (Millions of euros)

	Notes	2018	2017	2016
Term deposits		19,015	25,941	30,429
Demand deposits		8,370	3,731	4,651
Repurchase agreements	35	4,593	24,843	28,420
Total		**31,978**	**54,516**	**63,501**

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

Deposits from Credit Institutions. December 2018 (Millions of euros)

	Demand Deposits & Reciprocal Accounts	Term Deposits	Repurchase Agreements	Total
Spain	1,981	2,527	55	4,563
The United States	1,701	2,677	-	4,379
Mexico	280	286	-	566
Turkey	651	669	4	1,323
South America	442	1,892	-	2,335
Rest of Europe	3,108	6,903	4,534	14,545
Rest of the world	207	4,061	-	4,268
Total	**8,370**	**19,015**	**4,593**	**31,978**

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

Deposits from Credit Institutions. December 2017 (Millions of euros)

	Demand Deposits & Reciprocal Accounts	Term Deposits	Repurchase Agreements	Total
Spain	762	3,879	878	5,518
The United States	1,563	2,398	-	3,961
Mexico	282	330	1,817	2,429
Turkey	73	836	44	953
South America	448	2,538	13	2,999
Rest of Europe	526	12,592	21,732	34,849
Rest of the world	77	3,369	360	3,806
Total	**3,731**	**25,941**	**24,843**	**54,516**

Deposits from Credit Institutions. December 2016 (Millions of euros)

	Demand Deposits & Reciprocal Accounts	Term Deposits	Repurchase Agreements	Total
Spain	956	4,995	817	6,768
The United States	1,812	3,225	3	5,040
Mexico	306	426	2,931	3,663
Turkey	317	1,140	5	1,463
South America	275	3,294	465	4,035
Rest of Europe	896	13,751	23,691	38,338
Rest of the world	88	3,597	509	4,194
Total	**4,651**	**30,429**	**28,420**	**63,501**

22.3 Customer deposits

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

Customer deposits (Millions of euros)

	2018	2017	2016
General Governments	26,459	23,210	21,396
Current accounts	238,907	223,497	212,604
Time deposits	105,257	116,538	153,388
Repurchase agreements	1,207	9,076	13,514
Subordinated deposits	220	194	233
Other accounts	3,920	3,864	330
Total	**375,970**	**376,379**	**401,465**
Of which:			
In Euros	*184,934*	*184,150*	*189,438*
In foreign currency	*191,036*	*192,229*	*212,027*

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

Customer Deposits. December 2018 (Millions of euros)

	Demand Deposits	Term Deposits	Repurchase Agreements	Total
Spain	138,236	28,165	3	166,403
The United States	41,222	21,317	-	62,539
Mexico	38,383	11,837	770	50,991
Turkey	10,856	22,564	7	33,427
South America	23,811	14,159	-	37,970
Rest of Europe	7,233	14,415	429	22,077
Rest of the world	831	1,731	-	2,563
Total	**260,573**	**114,188**	**1,209**	**375,970**

Customer Deposits. December 2017 (Millions of euros)

	Demand Deposits	Term Deposits	Repurchase Agreements	Total
Spain	123,382	39,513	2,664	165,559
The United States	36,728	21,436	-	58,164
Mexico	36,492	11,622	4,272	52,387
Turkey	12,427	24,237	152	36,815
South America	23,710	15,053	2	38,764
Rest of Europe	6,816	13,372	1,989	22,177
Rest of the world	1,028	1,484	-	2,511
Total	**240,583**	**126,716**	**9,079**	**376,379**

Customer Deposits. December 2016 (Millions of euros)

	Demand Deposits	Term Deposits	Repurchase Agreements	Total
Spain	102,730	56,391	1,901	161,022
The United States	26,997	23,023	263	50,282
Mexico	36,468	10,647	7,002	54,117
Turkey	47,340	14,971	-	62,311
South America	9,862	28,328	21	38,211
Rest of Europe	6,959	19,683	4,306	30,949
Rest of the world	1,190	3,382	-	4,572
Total	**231,547**	**156,425**	**13,493**	**401,465**

22.4 Debt certificates

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

Debt certificates (Millions of euros)

	2018	2017	2016
In Euros	**37,436**	**38,735**	**45,619**
Promissory bills and notes	267	1,309	875
Non-convertible bonds and debentures	9,638	9,418	8,766
Covered bonds (*)	15,809	16,425	24,845
Hybrid financial instruments	814	807	468
Securitization bonds	1,630	2,295	3,693
Wholesale funding	142	-	-
Subordinated liabilities	9,136	8,481	6,972
Convertible	5,490	4,500	4,070
Convertible perpetual securities	5,490	4,500	4,070
Convertible subordinated debt	-	-	-
Non-convertible	3,647	3,981	2,902
Preferred Stock	107	107	359
Other subordinated liabilities	3,540	3,875	2,543
In Foreign Currencies	**23,676**	**25,180**	**30,759**
Promissory bills and notes	3,237	3,157	382
Non-convertible bonds and debentures	9,335	11,109	15,134
Covered bonds (*)	569	650	149
Hybrid financial instruments	1,455	1,809	2,059
Securitization bonds	38	47	3,019
Wholesale funding	544	-	-
Subordinated liabilities	8,499	8,407	10,016
Convertible	873	2,085	1,548
Convertible perpetual securities	873	2,085	1,548
Convertible subordinated debt	-	-	-
Non-convertible	7,626	6,323	8,467
Preferred Stock	74	55	620
Other subordinated liabilities	7,552	6,268	7,846
Total	**61,112**	**63,915**	**76,375**

(*) Including mortgage-covered bonds (see Appendix III).

As of December 31, 2018, 67% of "Debt certificates" have fixed-interest rates and 33% have variable interest rates.

Most of the foreign currency issues are denominated in U.S. dollars.

22.4.1 Subordinated liabilities

The issuances of BBVA International Preferred, S.A.U., BBVA Global Finance, Ltd., Caixa Terrassa Societat de Participacions Preferents, S.A.U. and CaixaSabadell Preferents, S.A.U., are jointly, severally and irrevocably guaranteed by the Bank. The balance variances are mainly due to the following transactions:

Convertible perpetual liabilities

On September 24, 2018, BBVA carried out the seventh issuance of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of €1,000 million. This issuance is listed in the AIAF Fixed Income Securities Market and in any case the issuance shall be offered or sold to any retail clients. The issuance qualifies as additional tier 1 capital of the Bank and the Group in accordance with Regulation EU 575/2013.

The additional five issuances of perpetual contingent convertible securities (additional tier 1 instruments) with exclusion of pre-emptive subscription rights of shareholders were carried out in February 2014 and February 2015 for an amount of €1.5 billion each one; in April 2016 for an amount of €1 billion; in May 2017 for an amount of €500 million and in November 2017 for an amount of USD1 billion. These issuances were targeted only at qualified investors and foreign private banking clients not being offered to, and not being subscribed for, in Spain or by Spanish residents. The first issuance is listed in the Singapore Exchange Securities Trading Limited and the other issuances are listed in the Global Exchange Market of the Irish Stock Exchange. Furthermore, these issuances qualify as additional tier 1 capital of the Bank and the Group in accordance with Regulation UE 575/2013.

These perpetual securities will be converted into newly issued ordinary shares of BBVA if the CET 1 ratio of the Bank or the Group is less than 5.125%, in accordance with their respective terms and conditions.

These issues may be fully redeemed at BBVA´s option only in the cases contemplated in their respective terms and conditions, and in any case, in accordance with the provisions of the applicable legislation.

In particular, on May 9, 2018, the Bank early redeemed the issuance of preferred securities contingently convertible (additional tier 1 instrument) carried out by the Bank on May 9, 2013, for an amount of USD1.5 billion on the First Reset Date of the issuance and once the prior consent from the Regulator was obtained.

Additionally, on January 15, 2019, the Bank has notified its irrevocable decision to early redeem next February 19, 2019 the issuance of preferred securities contingently convertible (additional tier 1 instrument), carried out by the Bank on February 19, 2014, for a total amount of €1,5 billion and once the prior consent from the Regulator has been obtained.

Preferred securities

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

Preferred Securities by Issuer (Millions of euros)			
	2018	**2017**	**2016**
BBVA International Preferred, S.A.U. (1)	35	36	855
Unnim Group (2)	98	98	100
Compass Group	19	19	22
BBVA Colombia, S.A.	19	1	1
Others	9	9	1
Total	**181**	**163**	**979**

(1) Listed on the London and New York stock exchanges.
(2) Unnim Group: Issuances prior to the acquisition by BBVA.

These issues were fully subscribed at the moment of the issue by qualified/institutional investors outside the Group and are redeemable at the issuer company's option after five years from the issue date, depending on the terms of each issue and with prior consent from the Bank of Spain.

Redemption of preferred securities

On March 20, 2017 BBVA International Preferred, S.A.U. carried out the early redemption in full of its Series B preferred securities for an outstanding amount of €164,350,000.

Likewise, on March 22, 2017 BBVA International Preferred, S.A.U. carried out the early redemption in full of its Series A preferred securities for an outstanding amount of €85,550,000.

Finally, on April 18, 2017 BBVA International Preferred, S.A.U. carried out the early redemption in full of its Series C preferred securities for an outstanding amount of USD 600,000,000.

22.5 Other financial liabilities

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

Other financial liabilities (Millions of euros)

	Notes	2018	2017	2016
Creditors for other financial liabilities		2,891	2,835	3,465
Collection accounts		4,305	3,452	2,768
Creditors for other payables		5,648	5,563	6,370
Dividend payable but pending payment	4	-	-	525
Total		**12,844**	**11,850**	**13,129**

23. Assets and Liabilities under insurance and reinsurance contracts

The Group has insurance subsidiaries mainly in Spain and Latin America (mostly in Mexico). The main product offered by the insurance subsidiaries is life insurance to cover the risk of death (risk insurance) and life-savings insurance. Within life and accident insurance, a distinction is made between freely sold products and those offered to customers who have taken mortgage or consumer loans, which cover the principal of those loans in the event of the customer's death.

There are two types of savings products: individual insurance, which seeks to provide the customer with savings for retirement or other events, and group insurance, which is taken out by employers to cover their commitments to their employees.

The insurance business is affected by different risks, including those that are related to the BBVA Group such as credit risk, market risk, liquidity risk and operational risk and the methodology for risk measurement applied in the insurance activity is similar (see Note 7), although it has a differentiated management due to the particular characteristics of the insurance business, such as the coverage of contracted obligations and the long term of the commitments. Additionally, the insurance business generates certain specific risks, of a probabilistic nature:

- Technical risk: arises from deviations in the estimation of the casualty rate of insurances, either in terms of numbers, the amount of such claims and the timing of its occurrence.
- Biometric risk: depending on the deviations in the expected mortality behavior or the survival of the insured persons.

The insurance industry is highly regulated in each country. In this regard, it should be noted that the insurance industry is undergoing a gradual regulatory transformation through new risk-based capital regulations, which have already been published in several countries.

The most significant provisions recognized by consolidated insurance subsidiaries with respect to insurance policies issued by them are under the heading "Liabilities under insurance and reinsurance contracts" in the accompanying consolidated balance sheets.

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

Technical Reserves by type of insurance product (Millions of euros)

	2018	2017	2016
Mathematical reserves	8,504	7,961	7,813
Individual life insurance [1]	6,201	5,359	4,791
Savings	5,180	4,391	3,943
Risk	1,021	967	848
Others	-	1	-
Group insurance [2]	2,303	2,601	3,022
Savings	2,210	2,455	2,801
Risk	93	147	221
Others	-	-	-
Provision for unpaid claims reported	662	631	691
Provisions for unexpired risks and other provisions	668	631	635
Total	**9,834**	**9,223**	**9,139**

(1) Provides coverage in the event of death or disability.

(2) The insurance policies purchased by employers (other than BBVA Group) on behalf of its employees

The cash flows of those Liabilities under insurance and reinsurance contracts are shown below:

Maturity (Millions of euros)
Liabilities under Insurance and Reinsurance Contracts

	Up to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
2018	1,686	1,041	1,822	5,285	9,834
2017	1,560	1,119	1,502	5,042	9,223
2016	1,705	1,214	1,482	4,738	9,139

The modeling methods and techniques used to calculate the mathematical reserves for the insurance products are actuarial and financial methods and modeling techniques approved by the respective country's insurance regulator or supervisor. The most important insurance entities are located in Spain and Mexico (which together account for approximately 85% of the insurance revenues), where the modeling methods and techniques are reviewed by the insurance regulator in Spain (General Directorate of Insurance) and Mexico (National Insurance and Bonding Commission), respectively. The modeling methods and techniques used to calculate the mathematical reserves for the insurance products are compliant with IFRS and primarily involve the valuation of the estimated future cash flows, discounted at the technical interest rate for each policy. To ensure this technical interest rate, asset-liability management is carried out, acquiring a portfolio of securities that generate the cash flows needed to cover the payment commitments assumed with the customers.

The table below shows the key assumptions as of December 31, 2018, used in the calculation of the mathematical reserves for insurance products in Spain and Mexico, respectively:

Mathematical Reserves

	Mortality table		Average technical interest type	
	Spain	**Mexico**	**Spain**	**Mexico**
Individual life insurance [1]	GRMF 80-2 GKM 80 / GKMF 95 PERMF 2000 PASEM	Tables of the Comisión Nacional de Seguros y Fianzas 2000-individual	0.26%-3.27%	2.50%
Group insurance[2]	PERMF 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-grupo	Depending on the related portfolio	5.50%

(1) Provides coverage in the case of one or more of the following events: death and disability.

(2) Insurance policies purchased by companies (other than Group BBVA entities) on behalf of their employees.

The heading "Assets under reinsurance and insurance contracts" in the accompanying consolidated balance sheets includes the amounts that the consolidated insurance entities are entitled to receive under the reinsurance contracts entered into by them with third parties and, more specifically, the share of the reinsurer in the technical provisions recognized by the consolidated insurance subsidiaries. As of December 31, 2018, 2017 and 2016, the balance under this heading amounted to €366 million, €421 million and €447 million, respectively.

24. Provisions

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

Provisions. Breakdown by concepts (Millions of euros)

	Notes	2018	2017	2016
Provisions for pensions and similar obligations	25	4,787	5,407	6,025
Other long term employee benefits	25	62	67	69
Provisions for taxes and other legal contingencies		686	756	418
Provisions for contingent risks and commitments		636	578	950
Other provisions		601	669	1,609
Total		**6,772**	**7,477**	**9,071**

The change in provisions for pensions and similar obligations for the years ended December 31, 2018, 2017 and 2016 is as follows:

Provisions for pensions and similar obligations. Changes Over the Year (Millions of euros)

	Notes	2018	2017	2016
Balance at the beginning		**5,407**	**6,025**	**6,299**
Add				
Charges to income for the year		126	391	402
Interest expenses and similar charges		78	71	96
Personnel expenses	44.1	58	62	67
Provision expenses		(10)	258	239
Charges to equity (1)	25	41	140	339
Transfers and other changes		95	(264)	66
Less				
Benefit payments	25	(779)	(861)	(926)
Employer contributions	25	(103)	(25)	(154)
Balance at the end		**4,787**	**5,407**	**6,025**

(1) Correspond to actuarial losses (gains) arising from certain defined-benefit post-employment pension commitments and other similar benefits recognized in "Equity" (see Note 2.2.12).

Provisions for Taxes, Legal Contingents and Other Provisions. Changes Over the Year (Millions of euros)

	2018	2017	2016
Balance at beginning	**1,425**	**2,028**	**1,771**
Additions	455	868	1,109
Acquisition of subsidiaries	-	-	-
Unused amounts reversed during the period	(184)	(164)	(311)
Amount used and other variations	(410)	(1,306)	(540)
Balance at the end	**1,286**	**1,425**	**2,028**

Ongoing legal proceedings and litigation

The financial sector faces an environment of increasing regulatory and litigious pressure. In this environment, different Group's entities are often a party to individual or collective judicial proceedings arising from the ordinary activity of their businesses. In accordance with the procedural status of these proceedings and according to the criteria of the attorneys who manage them, BBVA considers that none of them is material, individually or in aggregate, and that no significant impact will derive from them neither in the results of operations nor on liquidity, nor in the financial position at a consolidated level of the Group, nor at the level of the individual bank. The Group Management considers that the provisions made in connection with these judicial proceedings are adequate.

As mentioned in Note 7.2 Risk factors, the Group is subject or may be subject in the future to a series of judicial and regulatory investigations, procedures and actions which, in case of a negative result, could have an adverse impact on the Group.

25. Post-employment and other employee benefit commitments

As stated in Note 2.2.12, the Group has assumed commitments with employees including short-term employee benefits (see Note 44.1), defined contribution and defined benefit plans (see Glossary), healthcare and other long-term employee benefits.

The Group sponsors defined-contribution plans for the majority of its active employees with the plans in Spain and Mexico being the most significant. Most defined benefit plans are closed to new employees with liabilities relating largely to retired employees, the most significant being those in Spain, Mexico, the United States and Turkey. In Mexico, the Group provides medical benefits to a closed group of employees and their family members, both active service and in retirees.

The breakdown of the balance sheet net defined benefit liability as of December 31, 2018, 2017 and 2016 is provided below:

Net Defined Benefit Liability (asset) on the Consolidated Balance Sheet (Millions of euros)

	2018	2017	2016
Pension commitments	4,678	4,969	5,277
Early retirement commitments	1,793	2,210	2,559
Medical benefits commitments	1,114	1,204	1,015
Other long term employee benefits	62	67	69
Total commitments	**7,647**	**8,451**	**8,920**
Pension plan assets	1,694	1,892	1,909
Medical benefit plan assets	1,146	1,114	1,113
Total plan assets (1)	**2,840**	**3,006**	**3,022**
Total net liability / asset	**4,807**	**5,445**	**5,898**
Of which:			
Net asset on the consolidated balance sheet (2)	*(41)*	*(27)*	*(194)*
Net liability on the consolidated balance sheet for provisions for pensions and similar obligations (3)	*4,787*	*5,407*	*6,025*
Net liability on the consolidated balance sheet for other long term employee benefits (4)	*62*	*67*	*69*

(1) In Turkey, the foundation responsible for managing the benefit commitments holds an additional asset of 181€ million which, in accordance with IFRS regarding the asset ceiling, has not been recognized in the Consolidated Financial Statements, because although it could be used to reduce future pension contributions it could not be immediately refunded to the employer.

(2) Recorded under the heading "Other Assets - Other" of the consolidated balance sheet (see Note 20).

(3) Recorded under the heading "Provisions - Provisions for pensions and similar obligations" of the consolidated balance sheet (see Note 24).

(4) Recorded under the heading "Provisions – Other long-term employee benefits" of the consolidated balance sheet.

The amounts relating to benefit commitments charged to consolidated income statement for the years 2018, 2017 and 2016 are as follows:

Consolidated Income Statement Impact (Millions of euros)

	Notes	2018	2017	2016
Interest and similar expenses		**78**	**71**	**96**
Interest expense		295	294	303
Interest income		(217)	(223)	(207)
Personnel expenses		**147**	**149**	**154**
Defined contribution plan expense	44.1	89	87	87
Defined benefit plan expense	44.1	58	62	67
Provisions (net)	46	**125**	**343**	**332**
Early retirement expense		141	227	236
Past service cost expense		(33)	3	(2)
Remeasurements (*)		(10)	31	3
Other provision expenses		28	82	95
Total impact on Consolidated Income Statement: Debit (Credit)		**350**	**563**	**582**

(*) Actuarial losses (gains) on remeasurement of the net defined benefit liability relating to early retirements in Spain and other long-term employee benefits that are charged to the income statements (see Note 2.2.12).

The amounts relating to post-employment benefits charged to the consolidated balance sheet correspond to the actuarial gains (losses) on remeasurement of the net defined benefit liability relating to pension and medical commitments before income taxes. As of December 31, 2018, 2017 and 2016 are as follows:

Equity Impact (Millions of euros)

	2018	2017	2016
Defined benefit plans	81	(40)	237
Post-employment medical benefits	(47)	179	119
Total impact on equity: Debit (Credit)	**34**	**140**	**356**

25.1 Defined benefit plans

Defined benefit commitments relate mainly to employees who have already retired or taken early retirement, certain closed groups of active employees still accruing defined benefit pensions, and in-service death and disability benefits provided to most active employees. For the latter, the Group pays the required premiums to fully insure the related liability. The change in these pension commitments during the years ended December 31, 2018, 2017 and 2016 is presented below:

Defined Benefits (Millions of euros)

	2018			2017			2016		
	Defined Benefit Obligation	Plan Assets	Net Liability (asset)	Defined Benefit Obligation	Plan Assets	Net Liability (asset)	Defined Benefit Obligation	Plan Assets	Net Liability (asset)
Balance at the beginning	**8,384**	**3,006**	**5,378**	**8,851**	**3,022**	**5,829**	**9,184**	**3,124**	**6,060**
Current service cost	61	-	61	64	-	64	67	-	67
Interest income or expense	292	217	76	290	223	68	299	207	92
Contributions by plan participants	4	3	1	4	4	-	5	5	-
Employer contributions	-	103	(103)	-	25	(25)	-	154	(154)
Past service costs [1]	109	-	109	231	-	231	235	-	235
Remeasurements:	(263)	(286)	21	331	161	171	354	(5)	359
Return on plan assets [2]	-	(286)	286	-	161	(161)	-	(20)	20
From changes in demographic assumptions	14	-	14	100	-	100	107	-	107
From changes in financial assumptions	(274)	-	(274)	220	-	220	106	-	106
Other actuarial gain and losses	(3)	-	(5)	12	-	12	141	15	125
Benefit payments	(979)	(200)	(779)	(1,029)	(169)	(861)	(1,052)	(169)	(883)
Settlement payments	-	-	-	-	-	-	(43)	-	(43)
Business combinations and disposals	-	-	-	-	-	-	-	-	-
Effect on changes in foreign exchange rates	(31)	(9)	(22)	(278)	(258)	(19)	(282)	(293)	11
Conversions to defined contributions	-	-	-	(82)	-	(82)	-	-	-
Other effects	10	6	4	(1)	(1)	-	84	-	84
Balance at the end	**7,585**	**2,840**	**4,745**	**8,384**	**3,006**	**5,378**	**8,851**	**3,022**	**5,829**
Of which									
Spain	4,807	260	4,547	5,442	320	5,122	6,157	358	5,799
Mexico	1,615	1,587	28	1,661	1,602	60	1,456	1,627	(171)
The United States	326	287	39	360	309	51	385	339	46
Turkey	422	339	83	520	424	96	447	348	99

(1) Including gains and losses arising from settlements.
(2) Excluding interest, which is recorded under "Interest income or expense".

The balance under the heading "Provisions - Pensions and other post-employment defined benefit obligations" of the accompanying consolidated balance sheet as of December 31, 2018 includes €332 million relating to post-employment benefit commitments to former members of the Board of Directors and the Bank's Management (see Note 54).

The most significant commitments are those in Spain and Mexico and, to a lesser extent, in the United States and Turkey. The remaining commitments are located mostly in Portugal and South America. Unless otherwise required by local regulation, all defined benefit plans have been closed to new entrants, who instead are able to participate in the Group´s defined contribution plans.

Both the costs and the present value of the commitments are determined by independent qualified actuaries using the "projected unit credit" method.

In order to guarantee the good governance of these plans, the Group has established specific benefits committees. These benefit committees include members from the different areas of the business to ensure that all decisions are made taking into consideration all of the associated impacts.

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The following table sets out the key actuarial assumptions used in the valuation of these commitments as of December 31, 2018, 2017 and 2016:

Actuarial Assumptions (Millions of euros)

	2018				2017				2016			
	Spain	Mexico	USA	Turkey	Spain	Mexico	USA	Turkey	Spain	Mexico	USA	Turkey
Discount rate	1.28%	10.45%	4.23%	16.30%	1.24%	9.48%	3.57%	11.60%	1.50%	9.95%	4.04%	11.50%
Rate of salary increase	-	4.75%	-	14.00%	-	4.75%	-	9.90%	1.50%	4.75%	3.00%	9.30%
Rate of pension increase	-	2.51%	-	12.50%	-	2.13%	-	8.40%	0.00%	2.13%	0.00%	7.80%
Medical cost trend rate	-	7.00%	-	16.70%	-	7.00%	-	12.60%	0.00%	6.75%	0.00%	10.92%
Mortality tables	PERM/F 2000P	EMSSA09	RP 2014	CSO2001	PERM/F 2000P	EMSSA09	RP 2014	CSO2001	PERM/F 2000P	EMSSA97 (adjustment EMSSA09)	RP 2014	CSO2001

In Spain, the discount rate shown as of December, 31, 2018, corresponds to the weighted average rate, the actual discount rates used are 0.50% and 1.75% depending on the type of commitment.

Discount rates used to value future benefit cash flows have been determined by reference to high quality corporate bonds (Note 2.2.12) denominated in Euro in the case of Spain, Mexican peso for Mexico and USD for the United States, and government bonds denominated in new Turkish Lira for Turkey.

The expected return on plan assets has been set in line with the adopted discount rate.

Assumed retirement ages have been set by reference to the earliest age at which employees are entitled to retire, the contractually agreed age in the case of early retirements in Spain or by using retirement rates.

Changes in the main actuarial assumptions may affect the valuation of the commitments. The table below shows the sensitivity of the benefit obligations to changes in the key assumptions:

Sensitivity Analysis (Millions of euros)

	Basis points change	2018		2017	
		Increase	Decrease	Increase	Decrease
Discount rate		(298)	332	(352)	386
Rate of salary increase		3	(3)	5	(5)
Rate of pension increase		19	(18)	23	(22)
Medical cost trend rate		229	(181)	290	(225)
Change in obligation from each additional year of longevity		108	-	155	-

The sensitivities provided above have been determined at the date of these consolidated financial statements, and reflect solely the impact of changing one individual assumption at a time, keeping the rest of the assumptions unchanged, thereby excluding the effects which may result from combined assumption changes.

In addition to the commitments to employees shown above, the Group has other less material long-term employee benefits. These include long-service awards, which consist of either an established monetary award or some vacation days granted to certain groups of employees when they complete a given number of years of service. As of December 31, 2018, 2017 and 2016, the actuarial liabilities for the outstanding awards amounted to €62 million, €67 million, and €69 million, respectively. These commitments are recorded under the heading "Provisions - Other long-term employee benefits" of the accompanying consolidated balance sheet (see Note 24).

As described above, the Group maintains both pension and medical post-employment benefit commitments with their employees.

25.1.1 Post-employment commitments and similar obligations

These commitments relate mostly to pensions in payment, and which have been determined based on salary and years of service. For most plans, pension payments are due on retirement, death and long term disability.

In addition, during the year 2018, Group entities in Spain offered certain employees the option to take retirement or early retirement (that is, earlier than the age stipulated in the collective labor agreement in force). This offer was accepted by 489 employees (731 and 613 employees during years 2017 and 2016, respectively). These commitments include the compensation and indemnities due as well as the contributions payable to external pension funds during the early retirement period. As of December 31, 2018, 2017 and 2016, the value of these commitments amounted to €1,793 million, €2,210 million and €2,559 million, respectively. The change in the benefit plan obligations and plan assets as of December 31, 2018 was as follows:

Post-employment commitments 2018 (Millions of euros)

	Defined Benefit Obligation				
	Spain	Mexico	USA	Turkey	Rest of the world
Balance at the beginning	**5,442**	**470**	**360**	**520**	**387**
Current service cost	4	5	-	21	4
Interest income or expense	64	44	13	47	9
Contributions by plan participants	-	-	-	3	1
Employer contributions	-	-	-	-	-
Past service costs [1]	148	(1)	-	2	2
Remeasurements:	(32)	18	(28)	(18)	3
Return on plan assets [2]	-	-	-	-	-
From changes in demographic assumptions	-	-	(1)	-	15
From changes in financial assumptions	-	(9)	(28)	(45)	(12)
Other actuarial gain and losses	(32)	27	1	29	-
Benefit payments	(824)	(48)	(35)	(21)	(18)
Settlement payments	-	-	-	-	-
Business combinations and disposals	-	-	-	-	-
Effect on changes in foreign exchange rates	-	25	17	(134)	(2)
Conversions to defined contributions	-	-	-	-	-
Other effects	5	(2)	(1)	-	17
Balance at the end	**4,807**	**512**	**326**	**422**	**402**
Of which:					
Vested benefit obligation relating to current employees					
Vested benefit obligation relating to retired employees					

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Post-employment commitments 2018 (Millions of euros)

	Plan Assets				
	Spain	Mexico	USA	Turkey	Rest of the world
Balance at the beginning	**320**	**488**	**309**	**424**	**351**
Current service cost	-	-	-	-	-
Interest income or expense	5	46	11	39	7
Contributions by plan participants	-	-	-	3	1
Employer contributions	-	-	2	13	18
Past service costs [1]	-	-	-	-	-
Remeasurements:	(4)	(70)	(17)	(21)	(11)
Return on plan assets [2]	(4)	(70)	(17)	(21)	(11)
From changes in demographic assumptions	-	-	-	-	-
From changes in financial assumptions	-	-	-	-	-
Other actuarial gain and losses	-	-	-	-	-
Benefit payments	(61)	(47)	(33)	(10)	(15)
Settlement payments	-	-	-	-	-
Business combinations and disposals	-	-	-	-	-
Effect on changes in foreign exchange rates	-	26	15	(108)	(1)
Conversions to defined contributions	-	-	-	-	-
Other effects	-	(1)	-	-	17
Balance at the end	**260**	**441**	**287**	**339**	**366**

Post-employment commitments 2018 (Millions of euros)

	Net Liability (Asset)				
	Spain	Mexico	USA	Turkey	Rest of the world
Balance at the beginning	**5,122**	**(18)**	**51**	**96**	**36**
Current service cost	4	5	-	21	4
Interest income or expense	59	(2)	2	8	2
Contributions by plan participants	-	-	-	-	1
Employer contributions	-	-	(2)	(13)	(18)
Past service costs [1]	148	(1)	-	2	2
Remeasurements:	(28)	88	(11)	3	14
Return on plan assets [2]	4	70	17	21	11
From changes in demographic assumptions	-	20	(1)	-	15
From changes in financial assumptions	-	(29)	(28)	(45)	(12)
Other actuarial gain and losses	(32)	27	1	29	-
Benefit payments	(763)	-	(2)	(11)	(3)
Settlement payments	-	-	-	-	-
Business combinations and disposals	-	-	-	-	-
Effect on changes in foreign exchange rates	-	(1)	2	(26)	(1)
Conversions to defined contributions	-	-	-	-	-
Other effects	5	-	(1)	-	-
Balance at the end	**4,547**	**71**	**39**	**83**	**35**

(1) Including gains and losses arising from settlements.

(2) Excluding interest, which is recorded under "Interest income or expense".

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The change in net liabilities (assets) during the years ended 2017 and 2016 was as follows:

Post-employment commitments (Millions of euros)

	2017: Net liability (asset)					2016: Net liability (asset)				
	Spain	Mexico	USA	Turkey	Rest of the world	Spain	Mexico	USA	Turkey	Rest of the world
Balance at the beginning	**5,799**	**(59)**	**46**	**99**	**43**	**6,109**	**(79)**	**35**	**97**	**24**
Current service cost	4	5	3	21	5	10	6	4	22	5
Interest income or expense	73	(6)	1	9	2	98	(7)	1	8	2
Contributions by plan participants	-	-	-	-	-	-	-	-	-	-
Employer contributions	-	(1)	-	(16)	(8)	-	(14)	(1)	(17)	(9)
Past service costs [1]	235	1	-	4	3	240	1	-	4	(4)
Remeasurements:	(67)	38	9	12	(1)	188	23	10	8	11
Return on plan assets [2]	(21)	(10)	(11)	(101)	2	(35)	23	3	(23)	(8)
From changes in demographic assumptions	-	22	(2)	-	(3)	-	2	(5)	-	(1)
From changes in financial assumptions	(33)	18	22	81	4	192	(22)	13	(23)	37
Other actuarial gain and losses	(13)	7	-	32	(4)	31	19	(1)	54	(17)
Benefit payments	(842)	(1)	(2)	(11)	(3)	(867)	-	(3)	(9)	(2)
Settlement payments	-	-	-	-	-	(43)	-	-	-	-
Business combinations and disposals	-	-	-	-	-	-	-	-	-	-
Effect on changes in foreign exchange rates	-	5	(5)	(21)	(5)	-	10	2	(15)	(4)
Conversions to defined contributions	(82)	-	-	-	-	-	-	-	-	-
Other effects	2	-	(1)	-	(1)	63	-	(3)	-	20
Balance at the end	**5,122**	**(18)**	**51**	**96**	**36**	**5,799**	**(59)**	**46**	**99**	**42**

(1) Includes gains and losses from settlements.
(2) Excludes interest which is reflected in the line item "Interest income and expenses".

In Spain, local regulation requires that pension and death benefit commitments must be funded, either through a qualified pension plan or an insurance contract.

In the Spanish entities these commitments are covered by insurance contracts which meet the requirements of the accounting standard regarding the non-recoverability of contributions. However, a significant number of the insurance contracts are with BBVA Seguros, S.A. – a consolidated subsidiary and related party – and consequently these policies cannot be considered plan assets under IAS 19. For this reason, the liabilities insured under these policies are fully recognized under the heading "Provisions – Pensions and other postemployment defined benefit obligations" of the accompanying consolidated balance sheet (see Note 24), while the related assets held by the insurance company are included within the Group´s consolidated assets (recorded according to the classification of the corresponding financial instruments). As of December 31, 2018 the value of these separate assets was €2,543 million, representing direct rights of the insured employees held in the consolidated balance sheet, hence these benefits are effectively fully funded.

On the other hand, some pension commitments have been funded through insurance contracts with insurance companies not related to the Group, and can therefore be considered qualifying insurance policies and plan assets under IAS 19. In this case the accompanying consolidated balance sheet reflects the value of the obligations net of the fair value of the qualifying insurance policies. As of December 31, 2018, 2017 and 2016, the fair value of the aforementioned insurance policies (€260, €320 million and €358 million, respectively) exactly match the value of the corresponding obligations and therefore no amount for this item has been recorded in the accompanying consolidated balance sheet.

Pensions benefits are paid by the insurance companies with whom BBVA has insurance contracts and to whom all insurance premiums have been paid. The premiums are determined by the insurance companies using "cash flow matching" techniques to ensure that benefits can be met when due, guaranteeing both the actuarial and interest rate risk.

In Mexico, there is a defined benefit plan for employees hired prior to 2001. Other employees participate in a defined contribution plan. External funds/trusts have been constituted locally to meet benefit payments as required by local regulation.

In the United States there are mainly two defined benefit plans, both closed to new employees, who instead are able to join a defined contribution plan. External funds/trusts have been constituted locally to fund the plans, as required by local regulation.

In 2008, the Turkish government passed a law to unify the different existing pension systems under a single umbrella Social Security system. Such system provides for the transfer of the various previously established funds.

The financial sector is in this stage at present, maintaining these pension commitments managed by external pension funds (foundations) established for that purpose.

The Foundation that maintains the assets and liabilities relating to employees of Garanti in Turkey, as per the local regulatory requirements, has registered an obligation amounting to €241 million as of December 31, 2018 pending future transfer to the Social Security system.

Furthermore, Garanti has set up a defined benefit pension plan for employees, additional to the social security benefits, reflected in the consolidated balance sheet.

Until the year 2016, the Bank also had commitments to pay indemnities to certain employees and members of the Group's Senior Management in the event that they cease to hold their positions for reasons other than their own will, retirement, disability or serious dereliction of duties. The amount will be calculated according to the salary and professional conditions of each employee, taking into consideration fixed elements of the remuneration and the length of office at the Bank. Under no circumstances indemnities will be paid in cases of disciplinary dismissal for misconduct upon decision of the employer on grounds of the employee's serious dereliction of duties.

25.1.2 Medical benefit commitments

The change in defined benefit obligations and plan assets during the years 2018, 2017 and 2016 was as follows:

Medical Benefits Commitments

	2018			2017			2016		
	Defined Benefit Obligation	Plan assets	Net liability (asset)	Defined Benefit Obligation	Plan assets	Net liability (asset)	Defined Benefit Obligation	Plan assets	Net liability (asset)
Balance at the beginning	**1,204**	**1,114**	**91**	**1,015**	**1,113**	**(98)**	**1,022**	**1,149**	**(127)**
Current service cost	27	-	27	26	-	26	24	-	24
Interest income or expense	116	109	8	101	112	(11)	86	97	(11)
Contributions by plan participants	-	-	-	-	-	-	-	-	-
Employer contributions	-	71	(71)	-	-	-	-	114	(114)
Past service costs [1]	(42)	-	(42)	(11)	-	(11)	(5)	-	(5)
Remeasurements:	(210)	(164)	(47)	200	21	179	59	(60)	119
Return on plan assets [2]	-	(164)	164	-	21	(21)	-	(60)	60
From changes in demographic assumptions	-	-	-	83	-	83	110	-	110
From changes in financial assumptions	(182)	-	(182)	128	-	128	(91)	-	(91)
Other actuarial gain and losses	(28)	-	(28)	(10)	-	(10)	39	-	39
Benefit payments	(34)	(33)	(1)	(35)	(33)	(2)	(33)	(30)	(2)
Settlement payments	-	-	-	-	-	-	-	-	-
Business combinations and disposals	-	-	-	-	-	-	-	-	-
Effect on changes in foreign exchange rates	62	59	3	(92)	(100)	8	(138)	(156)	18
Other effects	(9)	(9)	(0)	-	-	-	-	-	-
Balance at the end	**1,114**	**1,146**	**(32)**	**1,204**	**1,114**	**91**	**1,015**	**1,113**	**(98)**

(1) Including gains and losses arising from settlements.
(2) Excluding interest, which is recorded under "Interest income or expense".

In Mexico, there is a medical benefit plan for employees hired prior to 2007. New employees from 2007 are covered by a medical insurance policy. An external trust has been constituted locally to fund the plan, in accordance with local legislation and Group policy.

In Turkey, employees are currently provided with medical benefits through a foundation in collaboration with the Social Security system, although local legislation prescribes the future unification of this and similar systems into the general Social Security system itself.

The valuation of these benefits and their accounting treatment follow the same methodology as that employed in the valuation of pension commitments.

25.1.3 Estimated benefit payments

As of December 31, 2018, the estimated benefit payments over the next ten years for all the entities in Spain, Mexico, The United States and Turkey are as follows:

Estimated Benefit Payments (Millions of euros)

	2019	2020	2021	2022	2023	2024-2028
Commitments in Spain	684	611	518	419	333	965
Commitments in Mexico	91	92	99	106	112	680
Commitments in United States	16	17	17	18	19	103
Commitments in Turkey	24	14	18	20	25	231
Total	**815**	**734**	**652**	**563**	**489**	**1,979**

25.1.4 Plan assets

The majority of the Group´s defined benefit plans are funded by plan assets held in external funds/trusts legally separate from the Group sponsoring entity. However, in accordance with local regulation, some commitments are not externally funded and covered through internally held provisions, principally those relating to early retirements in Spain.

Plan assets are those assets which will be used to directly settle the assumed commitments and which meet the following conditions: they are not part of the Group sponsoring entities assets, they are available only to pay post-employment benefits and they cannot be returned to the Group sponsoring entity.

To manage the assets associated with defined benefit plans, BBVA Group has established investment policies designed according to criteria of prudence and minimizing the financial risks associated with plan assets.

The investment policy consists of investing in a low risk and diversified portfolio of assets with maturities consistent with the term of the benefit obligation and which, together with contributions made to the plan, will be sufficient to meet benefit payments when due, thus mitigating the plans' risks.

In those countries where plan assets are held in pension funds or trusts, the investment policy is developed consistently with local regulation. When selecting specific assets, current market conditions, the risk profile of the assets and their future market outlook are all taken into consideration. In all the cases, the selection of assets takes into consideration the term of the benefit obligations as well as short-term liquidity requirements.

The risks associated with these commitments are those which give rise to a deficit in the plan assets. A deficit could arise from factors such as a fall in the market value of plan assets, an increase in long-term interest rates leading to a decrease in the fair value of fixed income securities, or a deterioration of the economy resulting in more write-downs and credit rating downgrades.

The table below shows the allocation of plan assets of the main companies of the BBVA Group as of December 31, 2018:

Plan Assets Breakdown (Millions of euros)	
	2018
Cash or cash equivalents	26
Debt securities (Government bonds)	2,080
Property	-
Mutual funds	2
Insurance contracts	132
Other investments	-
Total	**2,241**
Of which:	
Bank account in BBVA	*3*
Debt securities issued by BBVA	*-*
Property occupied by BBVA	*-*

In addition to the above there are plan assets relating to the previously mentioned insurance contracts in Spain and the foundation in Turkey.

The following table provides details of investments in listed securities (Level 1) as of December 31, 2018:

Investments in listed markets	
	2018
Cash or cash equivalents	26
Debt securities (Government bonds)	2,080
Mutual funds	2
Total	**2,109**
Of which:	
Bank account in BBVA	*3*
Debt securities issued by BBVA	*-*
Property occupied by BBVA	*-*

The remainders of the assets are mainly invested in Level 2 assets in in accordance with the classification established under IFRS 13 (mainly insurance contracts). As of December 31, 2018, almost all of the assets related to employee's commitments corresponded to fixed income securities.

25.2 Defined contribution plans

Certain Group entities sponsor defined contribution plans. Some of these plans allow employees to make contributions which are then matched by the employer.

Contributions are recognized as and when they are accrued, with a charge to the consolidated income statement in the corresponding year. No liability is therefore recognized in the accompanying consolidated balance sheet (see Note 44.1).

26. Common stock

As of December 31, 2018 BBVA's common stock amounted to €3,267,264,424.20 divided into 6,667,886,580 fully subscribed and paid-up registered shares, all of the same class and series, at €0.49 par value each, represented through book-entries. All of the Bank shares carry the same voting and dividend rights, and no single stockholder enjoys special voting rights. Each and every share is part of the Bank's common stock.

The Bank's shares are traded on the stock markets of Madrid, Barcelona, Bilbao and Valencia through the *Sistema de Interconexión Bursátil Español (Mercado Continuo),* as well as on the London and Mexico stock markets. BBVA American Depositary Shares (ADSs) traded on the New York Stock Exchange.

Additionally, as of December 31, 2018, the shares of BBVA Banco Continental, S.A.; Banco Provincial, S.A.; BBVA Colombia, S.A.; BBVA Banco Francés, S.A. and Turkiye Garanti Bankasi A.S., were listed on their respective local stock markets. BBVA Banco Francés, S.A. was also quoted in the Latin American market (Latibex) of the Madrid Stock Exchange and the New York Stock Exchange.

As of December 31, 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 10.69%, 6.33%, and 2.31% of BBVA common stock, respectively. Of said positions held by the custodian banks, BBVA is not aware of any individual shareholders with direct or indirect holdings greater than or equal to 3% of BBVA common stock outstanding.

On October 18, 2017, Blackrock, Inc. reported to the Spanish Securities and Exchange Commission (CNMV) that, it now has an indirect holding of BBVA common stock totaling 5.939%, of which 5.708% are voting rights attributed to shares and 0,231% are voting rights through financial instruments.

BBVA is not aware of any direct or indirect interests through which control of the Bank may be exercised. BBVA has not received any information on stockholder agreements including the regulation of the exercise of voting rights at its annual general meetings or restricting or placing conditions on the free transferability of BBVA shares. No agreement is known that could give rise to changes in the control of the Bank.

The changes in the heading "Paid up Capital" of the accompanying consolidated balance sheets are due to the following common stock increases:

Capital Increase

	Number of Shares	Common Stock (Millions of Euros)
As of December 31, 2015	**6,366,680,118**	**3,120**
Dividend option - April 2016	113,677,807	56
Dividend option - October 2016	86,257,317	42
As of December 31, 2016	**6,566,615,242**	**3,218**
Dividend option . April 2017	101,271,338	50
As of December 31, 2017	**6,667,886,580**	**3,267**
As of December 31, 2018	**6,667,886,580**	**3,267**

"Dividend Option" Program in 2017:

The AGM of BBVA held on March 17, 2017 adopted, under agenda item three, a capital increase to be charged to voluntary reserves to implement the shareholder remuneration system called the "Dividend Option" this year in similar conditions to those agreed in 2014, 2015 and 2016, conferring on the Board of Directors, in accordance with article 297.1.a) of the Spanish Companies Act, the authority to set the date on which the capital increase should be carried out, within one year of the date of approval of the AGM resolution.

By virtue of such resolution, the Board of Directors of BBVA resolved, on March 29, 2017, to execute the capital increase to be charged to voluntary reserves, in accordance with the terms and conditions approved by the AGM mentioned above. As a result, BBVA's share capital was increased by an amount of 49,622,955.62 euros through the issuance of 101,271,338 newly-issued BBVA ordinary shares at 0.49 euros par value each (see Note 4).

"Dividend Option" Program in 2016:

The AGM held on March 11, 2016, under agenda item three, adopted four capital increase resolutions to be charged to voluntary reserves to once again implement the shareholder remuneration program called the "Dividend Option" (see Note 4), conferring on the Board of Directors, in accordance with article 297.1 a) of the Spanish Companies Act, the authority to set the date on which said capital increases should be carried out, within one year of the date of approval of the AGM resolution, including the power not to implement any of the resolutions, when deemed advisable.

On March 31, 2016, the Board of Directors of BBVA approved the execution of the first of the capital increases charged to voluntary reserves, in accordance with the terms and conditions agreed by the aforementioned AGM. As a result of this increase, the Bank's capital increased by €55,702,125.43 through the issuance of 113,677,807 ordinary shares at €0.49 par values each.

On September 28, 2016, BBVA's Board of Directors approved the execution of the second of the capital increases charged to voluntary reserves in accordance with the terms and conditions agreed by the aforementioned AGM. As a result of this increase, the Bank's capital increased by €42,266,085.33 through the issuance of 86,257,317 ordinary shares at €0.49 par value each.

Convertible and/or exchangeable securities:

The AGM held on March 17, 2017, resolved, under agenda item five, to confer authority to the Board of Directors to issue securities convertible into newly issued BBVA shares, on one or several occasions, within the maximum term of five years to be counted from the approval date of the authorization, up to a maximum overall amount of €8 billion or its equivalent in any other currency. Likewise, the AGM resolved to confer to the Board of Directors the authority to totally or partially exclude shareholders' pre-emptive subscription rights within the framework of a specific issue of convertible securities, although this power was limited to ensure the nominal amount of the capital increases resolved or effectively carried out to cover the conversion of mandatory convertible issuances of this authority (without prejudice to anti-dilution adjustments), with exclusion of pre-emptive subscription rights and of those likewise resolved or carried out with exclusion of pre-emptive subscription rights in use of the authority to increase the share capital conferred by the AGM held on March 17, 2017, under agenda item four, do not exceed the maximum nominal amount, overall, of 20% of the share capital of BBVA at the time of the authorization, this limit not being applicable to contingent convertible issues.

In use of the authority mentioned above, BBVA carried out, on May 24, 2017 the fifth issuance of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of €500 million. This issuance is listed in the Global Exchange Market of the Irish Stock Exchange and was targeted only at qualified investors, not being offered to, and not being subscribed for, in Spain or by Spanish residents. The issuance qualifies as additional tier 1 capital of the Bank and the Group in accordance with Regulation EU 575/2013 (see Note 22.4).

Likewise, in use of such authority, BBVA carried out, on November 14, 2017 the sixth issuance of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of $1,000 million. This issuance is listed in the Global Exchange Market of the Irish Stock Exchange and was targeted only at qualified investors, not being offered to, and not being subscribed for, in Spain or by Spanish residents. The qualification of this issuance as additional tier 1 capital has been requested (see Note 22.4).

In past years, BBVA has carried out, in use of the authority to issue convertible securities conferred by the AGM held on March 16, 2012 (in effect until March 16, 2017), four additional issuances of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders (in April 2013 for an amount of $1.5 billion, in February 2014 and February 2015 for an amount of €1.5 billion each one, and in April 2016 for an amount of €1 billion). These issuances were targeted only at qualified investors and foreign private banking clients not being offered to, and not being subscribed for, in Spain or by Spanish residents. The first two issuances are listed in the Singapore Exchange Securities Trading Limited and the last two issuances are listed in the Global Exchange Market of the Irish Stock Exchange. Furthermore, these four issuances qualify as additional tier 1 capital of the Bank and the Group in accordance with Regulation UE 575/2013 (see Note 22.4).

Convertible and/or exchangeable securities:

BBVA's AGM held on March 17, 2017 resolved, under agenda item four, to confer authority on the Board of Directors to increase Bank's share capital, on one or several occasions, subject to provisions in the law and in the Company Bylaws that may be applicable at any time, within the legal term of five years of the approval date of the authorization, up to the maximum amount corresponding to 50% of Bank's share capital at the time on which the resolution was adopted, likewise conferring authority to the Board of Directors to totally or partially exclude shareholders' pre-emptive subscription rights over any specific issue that may be made under such authority; although the power to exclude pre-emptive subscription rights was limited, such that the nominal amount of the capital increases resolved or effectively carried out with the exclusion of pre-emptive subscription rights in use of the referred authority and those that may be resolved or carried out to cover the conversion of mandatory convertible issues that may equally be made with the exclusion of pre-

emptive subscription rights in use of the authority to issue convertible securities conferred by the AGM held on March 17, 2017, under agenda item five (without prejudice to the anti-dilution adjustments) shall not exceed the nominal maximum overall amount of 20% of the share capital of BBVA at the time of the authorization.

As of the date of this document, the Bank's Board of Directors has not exercised the authority conferred by the AGM.

27. Share premium

As of December 31, 2018, 2017 and 2016, the balance under this heading in the accompanying consolidated balance sheets was €23,992 million.

The amended Spanish Corporation Act expressly permits the use of the share premium balance to increase capital and establishes no specific restrictions as to its use (see Note 26).

28. Retained earnings, revaluation reserves and other reserves

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

Retained earnings, revaluation reserves and other reserves. Breakdown by concepts (Millions of euros)

	2018	2017	2016
Legal reserve	653	644	624
Restricted reserve	133	159	201
Reserves for regularizations and balance revaluations	3	12	20
Voluntary reserves	8,010	8,643	8,521
Total reserves holding company (*)	**8,799**	**9,458**	**9,366**
Consolidation reserves attributed to the Bank and dependent consolidated companies.	14,164	14,132	12,439
Total	**22,963**	**23,590**	**21,805**

(*) Total reserves of BBVA, S.A. (See Appendix IX).

The impact of the first application of IFRS 9 and the change in accounting policies due to hyperinflation is registered in the heading "Consolidation reserves attributed to the Bank and dependent consolidated companies" of the previous table (see Notes 1.3, 2.4 and 2.2.20).

28.1 Legal reserve

Under the amended Corporations Act, 10% of any profit made each year must be transferred to the legal reserve. The transfer must be made until the legal reserve reaches 20% of the common stock.

The legal reserve can be used to increase the common stock provided that the remaining reserve balance does not fall below 10% of the increased capital. While it does not exceed 20% of the common stock, it can only be allocated to offset losses exclusively in the case that there are not sufficient reserves available.

28.2 Restricted reserves

As of December 31, 2018, 2017 and 2016, the Bank's restricted reserves are as follows:

Restricted Reserves (Millions of euros)

	2018	2017	2016
Restricted reserve for retired capital	88	88	88
Restricted reserve for Parent Company shares and loans for those shares	44	69	111
Restricted reserve for redenomination of capital in euros	2	2	2
Total	**133**	**159**	**201**

The restricted reserve for retired capital resulted from the reduction of the nominal par value of the BBVA shares made in April 2000.

The second heading corresponds to restricted reserves related to the amount of shares issued by the Bank in its possession at each date, as well as the amount of customer loans outstanding at those dates that were granted for the purchase of, or are secured by, the Parent Company shares.

Finally, pursuant to Law 46/1998 on the Introduction of the Euro, a restricted reserve is recognized as a result of the rounding effect of the redenomination of the Parent Company common stock in euros.

28.3 Retained earnings, revaluation reserves and other reserves by entity

The breakdown, by company or corporate group, under the headings "Retained earnings, revaluation reserves and other reserves" in the accompanying consolidated balance sheets is as follows:

Retained earnings, Revaluation reserves and Other reserves (Millions of euros)

	2018	2017	2016
Retained earnings and Revaluation reserves			
Holding Company	14,643	15,625	14,101
BBVA Bancomer Group	10,014	9,442	9,108
BBVA Seguros, S.A.	(127)	(215)	(62)
Corporacion General Financiera, S.A.	1,084	1,202	1,187
BBVA Banco Provincial Group	(124)	(113)	(92)
BBVA Chile Group	552	951	1,264
BBVA Paraguay	119	108	98
Compañía de Cartera e Inversiones, S.A.	108	(20)	(27)
Anida Grupo Inmobiliario, S.L.	363	515	528
BBVA Suiza, S.A.	(53)	(57)	(1)
BBVA Continental Group	756	681	611
BBVA Luxinvest, S.A.	(48)	25	16
BBVA Colombia Group	998	926	803
BBVA Banco Francés Group	103	999	827
Banco Industrial De Bilbao, S.A.	-	25	61
Uno-E Bank, S.A	-	-	-
Gran Jorge Juan, S.A.	(33)	(47)	(30)
BBVA Portugal Group	(66)	(436)	(477)
Participaciones Arenal, S.L.	(4)	(183)	(180)
BBVA Propiedad S.A.	-	(503)	(431)
Anida Operaciones Singulares, S.L.	(5,317)	(4,881)	(4,127)
Grupo BBVA USA Bancshares	(586)	(794)	(1,053)
Garanti Turkiye Bankasi Group	1,415	751	127
Unnim Real Estate	(587)	(576)	(477)
Bilbao Vizcaya Holding, S.A.	49	145	139
Pecri Inversión S.L.	(74)	(73)	(75)
Other	(164)	127	25
Subtotal	**23,021**	**23,624**	**21,864**
Other reserves or accumulated losses of investments in joint ventures and associates		-	-
Metrovacesa, S.A.	-	-	-
Metrovacesa Suelo, S.A.	(61)	(53)	(52)
Other	2	18	(7)
Subtotal	**(59)**	**(35)**	**(59)**
Total	**22,963**	**23,590**	**21,805**

For the purpose of allocating the reserves and accumulated losses to the consolidated entities and to the parent company, the transfers of reserves arising from the dividends paid and transactions between these entities are taken into account in the period in which they took place.

29. Treasury shares

In the years ended December 31, 2018, 2017 and 2016 the Group entities performed the following transactions with shares issued by the Bank:

Treasury Shares (Millions of euros)

	2018		2017		2016	
	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros
Balance at beginning	**13,339,582**	**96**	**7,230,787**	**48**	**38,917,665**	**309**
+ Purchases	279,903,844	1,683	238,065,297	1,674	379,850,939	2,004
- Sales and other changes	(245,985,735)	(1,505)	(231,956,502)	(1,622)	(411,537,817)	(2,263)
+/- Derivatives on BBVA shares	-	-	-	(4)	-	(1)
+/- Other changes	-	23	-	-	-	-
Balance at the end	**47,257,691**	**296**	**13,339,582**	**96**	**7,230,787**	**48**
Of which:	-	-	-	-	-	-
Held by BBVA, S.A.	-	-	-	-	2,789,894	22
Held by Corporación General Financiera, S.A.	47,257,691	296	13,339,582	96	4,440,893	26
Held by other subsidiaries	-	-	-	-	-	-
Average purchase price in Euros	6.11	-	7.03	-	5.27	-
Average selling price in Euros	6.25	-	6.99	-	5.50	-
Net gain or losses on transactions (Shareholders' funds-Reserves)		(24)		1		(30)

The percentages of treasury shares held by the Group in the years ended December 31, 2018, 2017 and 2016 are as follows:

Treasury Stock

	2018			2017			2016		
	Min	Max	Closing	Min	Max	Closing	Min	Max	Closing
% treasury stock	0.200%	0.850%	0.709%	0.004%	0.278%	0.200%	0.081%	0.756%	0.110%

The number of BBVA shares accepted by the Group in pledge of loans as of December 31, 2018, 2017 and 2016 is as follows:

Shares of BBVA Accepted in Pledge

	2018	2017	2016
Number of shares in pledge	61,632,832	64,633,003	90,731,198
Nominal value	0.49	0.49	0.49
% of share capital	0.92%	0.97%	1.38%

The number of BBVA shares owned by third parties but under management of a company within the Group as of December 31, 2018, 2017 and 2016 is as follows:

Shares of BBVA Owned by Third Parties but Managed by the Group

	2018	2017	2016
Number of shares owned by third parties	25,306,229	34,597,310	85,766,602
Nominal value	0.49	0.49	0.49
% of share capital	0.38%	0.52%	1.31%

30. Accumulated other comprehensive income (loss)

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

Accumulated other comprehensive income (Millions of euros)

	Notes	2018	2017(*)	2016(*)
Items that will not be reclassified to profit or loss		**(1,284)**	**(1,183)**	**(1,095)**
Actuarial gains or losses on defined benefit pension plans		(1,245)	(1,183)	(1,095)
Non-current assets and disposal groups classified as held for sale		-	-	-
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates		-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	13.4	(155)		
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		-		
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)		-		
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-		
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		116		
Items that may be reclassified to profit or loss		**(5,932)**	**(5,755)**	**(2,527)**
Hedge of net investments in foreign operations (effective portion)		(218)	1	(118)
Foreign currency translation		(6,643)	(7,297)	(3,349)
Hedging derivatives. Cash flow hedges (effective portion)		(6)	(34)	16
Financial assets available for sale	13.4		1,641	947
Fair value changes of debt instruments measured at fair value through other comprehensive income	13.4	943		
Hedging instruments (non-designated items)		-	-	-
Non-current assets and disposal groups classified as held for sale		1	(26)	-
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates		(9)	(40)	(31)
Total		**(7,215)**	**(6,939)**	**(3,622)**

(*) See Note 1.3.

The balances recognized under these headings are presented net of tax.

31. Minority interest

The breakdown by groups of consolidated entities of the balance under the heading "Minority interests (non-controlling interest)" of total equity in the accompanying consolidated balance sheets is as follows:

Non-Controlling Interests (Millions of euros)

	2018	2017	2016
BBVA Colombia Group	67	65	67
BBVA Chile Group (*)	-	399	377
BBVA Banco Continental Group	1,167	1,059	1,059
BBVA Banco Provincial Group	67	78	97
BBVA Banco Francés Group	352	420	243
Garanti Group	4,058	4,903	6,157
Other entities	53	55	64
Total	**5,764**	**6,979**	**8,064**

(*) See Note 3.

These amounts are broken down by groups of consolidated entities under the heading "Attributable to minority interests (non-controlling interest)" in the accompanying consolidated income statements:

Profit attributable to Non-Controlling Interests (Millions of euros)

	2018	2017	2016
BBVA Colombia Group	9	7	9
BBVA Chile Group (*)	26	51	40
BBVA Banco Continental Group	227	208	193
BBVA Banco Provincial Group	(5)	(2)	(2)
BBVA Banco Francés Group	(18)	93	55
Garanti Group	585	883	917
Other entities	4	4	8
Total	**827**	**1,244**	**1,218**

(*) See Note 3.

Dividends distributed to non-controlling interest of the Group during the year 2018 are: Garanti Group €233 million, BBVA Banco Continental Group €108 million, BBVA Chile Group €14 million, BBVA Banco Francés Group €13 million and other Spanish entities accounted for €10 million.

32. Capital base and capital management

32.1 Capital base

As of December 31, 2018, 2017 and 2016, equity is calculated in accordance to the applicable regulation of each period on minimum capital base requirements for Spanish credit institutions –both as individual entities and as consolidated group– and how to calculate them, as well as the various internal capital adequacy assessment processes they should have in place and the information they should disclose to the market.

The minimum capital base requirements established by the current regulation are calculated according to the Group's exposure to credit and dilution risk, counterparty and liquidity risk relating to the trading portfolio, exchange-rate risk and operational risk. In addition, the Group must fulfill the risk concentration limits established in said regulation and the internal corporate governance obligations.

At the date of preparation of these consolidated financial statements, BBVA has not received an official communication of the ECB about the results of the *SREP* process which had been carried out during the financial year 2018 and which will include requirements regarding the capital ratio (both at individual and consolidated level) applicable to BBVA and its Group as from the date indicated in that communication. As soon as this communication will be available, BBVA will disclose it to the markets by means of public relevant events.

Taking into account fully application of capital buffers since January 1, 2019 and considering last capital requirement communicated from ECB, BBVA has to maintain since January 1, 2019 i) a CET1 ratio of 9.26% at consolidated level and ii) a total capital ratio of 12.76% at consolidated level. This total consolidated capital ratio includes i) the minimum common equity tier 1 capital (CET1) requirement under Pillar 1 (4.5%); ii) the additional tier 1 capital (AT1) requirement under Pillar 1 (1.5%); iii) the tier 2 capital requirement under Pillar 1 (2%); iv) the CET1 capital requirement under Pillar 2 (1.5%); v) the capital conservation buffer (2.5% of CET1); vi) the Other Systemic Important Institution buffer (OSII) (0.75% of CET1); and vii) the countercyclical capital buffer (0.01% of CET1).

The Group's bank capital in accordance with the aforementioned applicable regulation, considering entities scope required by the above regulation, as of December 31, 2018, 2017 and 2016 is shown below:

Eligible capital resources (Millions of euros)

	Notes	December 2018 (*)	December 2017	December 2016
Capital	26	3,267	3,267	3,218
Share premium	27	23,992	23,992	23,992
Retained earnings, revaluation reserves and other reserves	28	22,963	23,590	21,805
Other equity instruments, net	28	50	54	54
Treasury shares	29	(296)	(96)	(48)
Attributable to the parent company	6	5,324	3,519	3,475
Attributable dividend	4	(975)	(1,043)	(1,510)
Total equity		**54,325**	**53,283**	**50,985**
Accumulated other comprehensive income	30	(7,215)	(6,939)	(3,622)
Non-controlling interest	31	5,764	6,979	8,064
Shareholders' equity		**52,874**	**53,323**	**55,428**
Intangible assets		(8,199)	(6,627)	(5,675)
Fin. treasury shares		(27)	(48)	(82)
Indirect treasury shares		(108)	(134)	(51)
Deductions		**(8,334)**	**(6,809)**	**(5,808)**
Temporary CET 1 adjustments		-	(273)	(129)
Capital gains from the Available-for-sale debt instruments portfolio		-	(256)	*(402)*
Capital gains from the Available-for-sale equity portfolio		-	(17)	*273*
Differences from solvency and accounting level		(176)	(189)	(120)
Equity not eligible at solvency level		**(176)**	**(462)**	**(249)**
Other adjustments and deductions		**(4,053)**	**3,711**	**(2,001)**
Common Equity Tier 1 (CET 1)		**40,311**	**42,341**	**47,370**
Additional Tier 1 before Regulatory Adjustments		**5,634**	**6,296**	**6,114**
Total Regulatory Adjustments of Additional Tier 1		**-**	**(1,657)**	**(3,401)**
Tier 1		**45,945**	**46,980**	**50,083**
Tier 2		**8,754**	**8,798**	**8,810**
Total Capital (Total Capital=Tier 1 + Tier 2)		**54,699**	**55,778**	**58,893**
		-	-	-
Total Minimum equity required		**41,607**	**40,370**	**37,923**

(*) Provisional data.

Capital Base

	2018 (*)	2017	2016
Tier 1 (millions of euros) (a)	45,945	46,980	50,083
Exposure (millions of euros) (b)	705,406	700,443	747,216
Leverage ratio (a)/(b) (percentage)	6.51%	6.71%	6.70%

(*) Provisional data

As of December 31, 2018 Common Equity Tier 1 (CET1) phased-in ratio stood at 11.6% (in terms of fully loaded, CET1 stood at 11.3%). Excluding the effect of the phased-in calendar in minority interest and deductions that goes from 80% in 2017 to 100% in 2018, and including the positive impact of the sale of the stake in BBVA Chile (+50 bps), the CETI phased-in ratio has increased by +48 bps. This increase is mainly explained by the generation of profit, net of dividend payments and remunerations of AT1 instruments and dividends received by the Bank, and the stability in the level of risk weighted assets (RWA).

This CET1 phased-in ratio includes the impact of the initial implementation of IFRS9. In this context, the European Commission and Parliament have established temporary arrangements that are voluntary for the institutions, adapting the impact of IFRS9 on capital ratios. BBVA has informed the supervisory board its adherence to these arrangements.

In addition, transfer of the real estate business of BBVA in Spain to Cerberus has no material impact on the ratios (see Note 3).

TIER1 phased-in ratio stood at 13.2% as of December 31, 2018. During the year the Group has computed two new issuances of contingent convertible bonds (CoCos) as TIER1 instruments for US$1,000 million and €1,000 million, respectively. In addition, the Group has no longer includes a US$1,500 million issuance which was early redeemed in May 2018 and announced in January 2019 its intention to exercise the early redemption of an issuance of €1,500 million. The net effect on TIER1 phased-in ratio was -15 bps.

Regarding TIER2 ratio, in the third quarter the Group has received authorization from the supervisor to include a subordinated issuance of US$300 million and no longer includes BBVA Chile subordinated instruments. As result of the above mentioned effects, the total capital phased-in ratio stood at 15.7%.

In addition, the Group has continued its program to meet the MREL requirements by carrying two public senior non-preferred instruments by a total amount of €2.5 billion. In terms of MREL (which stands for Minimum Requirement for own funds and Eligible Liabilities), BBVA has to reach, by January 1, 2020, an amount of own funds and eligible liabilities equal to 15.08% of the total liabilities and own funds of its resolution group (BBVA, S.A. and its subsidiaries from the same European resolution group) as of December 31, 2016. This MREL requirement would be equal to 28.04% in terms of risk-weighted assets of the resolution group as of December 31, 2016. The Group believes that it is currently in line with this requirement.

Risk-weighted assets (RWA) have decreased during the year, largely due to the sale of BBVA Chile and the depreciation of currencies against euro. The Group has performed three securitizations during the year: a traditional one in June of an automobile loan portfolio of consumer finance amounting to €800 million, and two synthetic ones in March and December, on which the European Investment Fund (EIF, a subsidiary of the European Investment Bank) provided a financial guarantee. These three securitizations have produced a positive impact on capital of €971 million via RWA release. Additionally, during the first half of the year, BBVA has received an authorization from the ECB to update the calculation of RWA on structural FX risk under the standard model.

A reconciliation of the consolidated accounting and regulatory perimeters as of December 31st 2018 is presented below (provisional data):

Public balance sheet headings (Millions of euros)

	Public balance sheet	Insurance companies and real estate companies (1)	Jointly-controlled entities and other adjustments (2)	Regulatory balance sheet
Cash, cash balances at central banks and other demand deposits	58,196	(3)	103	58,296
Financial assets held for trading	90,117	1,277	-	91,394
Non- trading financial assets mandatorily at fair value through profit or loss	5,135	(2,768)	-	2,367
Financial assets designated at fair value through profit or loss	1,313	(1,313)	-	-
Financial assets designated at fair value through other comprehensive income	56,337	(14,318)	-	42,019
Financial assets at amortized cost	419,660	(6,279)	593	413,974
Hedging derivatives	2,892	(87)	-	2,805
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(21)	-	-	(21)
Investments in entities accounted for using the equity method	1,578	2,587	(80)	4,085
Non- current assets and disposal groups held for sale	2,001	(2)	2	2,001
Other	39,481	715	3	40,199
Total assets	**676,689**	**(20,191)**	**621**	**657,119**

(1) Correspond to balances of entities fully consolidated in the public balance sheet but consolidated by the equity method in the regulatory balance sheet.

(2) Correspond to intragroup adjustments and other consolidation adjustments.

32.2 Capital management

Capital management in the BBVA Group has a twofold aim:

- Maintain a level of capitalization according to the business objectives in all countries in which it operates and, simultaneously,
- Maximize the return on shareholders' funds through the efficient allocation of capital to the different units, a good management of the balance sheet and appropriate use of the various instruments forming the basis of the Group's equity: shares, preferred securities and subordinate debt.

This capital management is carried out determining the capital base and the solvency ratios established by the prudential and minimum capital requirements also have to be met for the entities subject to prudential supervision in each country.

The current regulation allows each entity to apply its own internal ratings-based (IRB) approach to risk assessment and capital management, subject to Bank of Spain approval. The BBVA Group carries out an integrated management of these risks in accordance with its internal policies and its internal capital estimation model has received the Bank of Spain's approval for certain portfolios (see Note 7).

33. Commitments and guarantees given

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

Loan commitments, financial guarantees and other commitments (Millions of euros)

	Notes	2018	2017	2016
Loan commitments given	7.3.2	**118,959**	**94,268**	**107,254**
of which: defaulted		*247*	*537*	*411*
Central banks		*-*	*1*	*1*
General governments		*2,318*	*2,198*	*4,354*
Credit institutions		*9,635*	*946*	*1,209*
Other financial corporations		*5,664*	*3,795*	*4,155*
Non-financial corporations		*58,405*	*58,133*	*71,710*
Households		*42,936*	*29,195*	*25,824*
Financial guarantees given (*)	7.3.2	**16,454**	**16,545**	**18,267**
of which: defaulted		*332*	*278*	*278*
Central banks		*2*	*-*	*-*
General governments		*159*	*248*	*103*
Credit institutions		*1,274*	*1,158*	*1,553*
Other financial corporations		*730*	*3,105*	*722*
Non-financial corporations		*13,970*	*11,518*	*15,354*
Households		*319*	*516*	*534*
Other commitments and guarantees given	7.3.2	**35,098**	**45,738**	**42,592**
of which: defaulted		*408*	*461*	*402*
Central banks		*1*	*7*	*12*
General governments		*248*	*227*	*372*
Credit institutions		*5,875*	*15,330*	*9,880*
Other financial corporations		*2,990*	*3,820*	*4,892*
Non-financial corporations		*25,723*	*25,992*	*27,297*
Households		*261*	*362*	*138*
Total Loan commitments and financial guarantees		**170,511**	**156,551**	**168,113**

(*) Non performing financial guarantees given amounted to €740, €739 and €680 million, respectively, as of December 31, 2018, December 31, 2017, and December 31, 2016, respectively.

As of December 31, 2018, the provisions for loan commitments given, financial guarantees given and other commitments and guarantees given, recorded in the consolidated balance sheet amounted €338 million, €252 million and €45 million, respectively.

Since a significant portion of the amounts above will expire without any payment being made by the consolidated entities, the aggregate balance of these commitments cannot be considered the actual future requirement for financing or liquidity to be provided by the BBVA Group to third parties.

In the years 2018, 2017 and 2016, no issuance of debt securities carried out by associates of the BBVA Group, joint venture entities or non-Group entities have been guaranteed.

34. Other contingent assets and liabilities

As of December 31, 2018, 2017 and 2016 there were no material contingent assets or liabilities other than those disclosed in the accompanying notes to the consolidated financial statements.

35. Purchase and sale commitments and future payment obligations

The breakdown of purchase and sale commitments of the BBVA Group as of December 31, 2018, 2017 and 2016 is as follows:

Purchase and Sale Commitments (Millions of euros)

	Notes	2018	2017	2016
Financial instruments sold with repurchase commitments		**42,993**	**40,077**	**46,562**
Financial liabilities held for trading	10	36,815	-	-
Central Banks		10,511	-	-
Credit Institutions		14,839	-	-
General governments		11,466	-	-
Financial liabilities at amortized cost	22	6,178	40,077	46,562
Central Banks		375	6,155	4,649
Credit Institutions		4,593	24,843	28,421
Customer deposits		1,209	9,079	13,491
Financial instruments purchased with resale commitments		**28,034**	**26,368**	**22,921**
Financial assets held for trading	10	27,262	-	-
Central Banks		2,163	-	-
Credit Institutions		13,305	-	-
General governments		11,794	-	-
Financial assets at amortized cost	14	772	26,368	22,921
Central Banks		-	305	81
Credit Institutions		478	13,861	15,561
General governments		294	12,202	7,279

A breakdown of the maturity of other payment obligations, not included in previous notes, due after December 31, 2018 is provided below:

Maturity of Future Payment Obligations (Millions of euros)

	Up to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
Finance leases	-	-	-	-	-
Operating leases	251	253	554	1,879	2,937
Purchase commitments	28	-	-	-	28
Technology and systems projects	7	-	-	-	7
Other projects	20	-	-	-	20
Total	**279**	**253**	**554**	**1,879**	**2,965**

36. Transactions on behalf of third parties

As of December 31, 2018, 2017 and 2016 the details of the most transactions on behalf of third parties are as follows:

Transactions on Behalf of Third Parties (Millions of euros)

	2018	2017	2016
Financial instruments entrusted to BBVA by third parties	628,417	624,822	637,761
Conditional bills and other securities received for collection	13,484	14,775	16,054
Securities lending	4,866	5,485	3,968
Total	**646,768**	**645,081**	**657,783**

As of December 31, 2018, 2017 and 2016 the customer funds managed by the BBVA Group are as follows:

Customer Funds by Type (Millions of euros)

	2018	2017	2016
Asset management by type of customer (*):			
Collective investment	61,393	60,939	55,037
Pension funds	33,807	33,985	33,418
Customer portfolios managed	29,953	36,901	40,805
Of which:			
Portfolios managed on a discretionary basis	*23,657*	*19,628*	*18,165*
Other resources	2,949	3,081	2,831
Customer resources distributed but not managed by type of product:			
Collective investment	3,468	3,407	3,695
Insurance products	32	35	39
Other	-	-	-
Total	**131,603**	**138,347**	**135,824**

(*) Excludes balances from securitization funds.

37. Net interest income

37.1 Interest income and other income

The breakdown of the interest income and other income recognized in the accompanying consolidated income statement is as follows:

Interest income and other income. Breakdown by Origin (Millions of euros)

	Notes	2018	2017	2016
Central Banks		482	406	229
Loans and advances to credit institutions		458	410	217
Loans and advances to customers		22,831	22,699	21,608
Debt securities		4,395	3,809	4,128
Held for trading		1,552	1,263	1,014
Other portfolios		2,843	2,546	3,114
Adjustments of income as a result of hedging transactions		(201)	427	(385)
Cash flow hedges (effective portion)		(3)	15	12
Fair value hedges		(198)	412	(397)
Insurance activity		1,142	1,058	1,219
Other income		722	487	692
Total	**55.2**	**29,831**	**29,296**	**27,708**
Of which:				
Financial assets at fair value through other comprehensive income		*2,306*	*1,962*	*-*
Financial assets at amortized cost		*24,668*	*23,803*	*24,578*
Other		*2,856*	*3,531*	*3,130*

The amounts recognized in consolidated equity in connection with hedging derivatives and the amounts derecognized from consolidated equity and taken to the consolidated income statement during the years are given in the accompanying "Consolidated statements of recognized income and expenses".

37.2 Interest expense

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Interest Expenses. Breakdown by Origin (Millions of euros)

	2018	2017	2016
Central banks	80	123	192
Deposits from credit institutions	2,023	1,880	1,367
Customers deposits	6,523	5,814	5,766
Debt certificates	1,936	1,930	2,323
Adjustments of expenses as a result of hedging transactions	(323)	665	(574)
Cash flow hedges (effective portion)	46	38	42
Fair value hedges	(368)	627	(616)
Cost attributable to pension funds	119	125	96
Insurance activity	607	682	846
Other expenses	1,274	316	634
Total	**12,239**	**11,537**	**10,648**

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

37.3 Average return on investments and average borrowing cost

The detail of the average return on investments in the years ended December 31, 2018, 2017 and 2016 is as follows:

Assets (Millions of euros)	2018			2017			2016		
	Average Balances	Interest income	Average Interest Rates (%)	Average Balances	Interest income	Average Interest Rates (%)	Average Balances	Interest income	Average Interest Rates (%)
Cash and balances with central banks and other demand deposits	42,730	135	0.32	33,917	83	0.25	26,209	10	0.04
Securities portfolio and derivatives	179,672	5,707	3.18	177,164	4,724	2.67	202,388	5,072	2.51
Loans and advances to central banks	5,518	258	4.67	10,945	258	2.36	15,326	229	1.50
Loans and advances to credit institutions	25,634	657	2.56	26,420	485	1.83	28,078	218	0.78
Loans and advances to customers	378,996	22,804	6.02	407,153	23,261	5.71	410,895	21,853	5.32
Euros	181,668	3,381	1.86	196,893	3,449	1.75	201,967	3,750	1.86
Foreign currency	197,328	19,423	9.84	210,261	19,812	9.42	208,928	18,104	8.67
Other assets	46,343	270	0.58	48,872	485	0.99	52,748	325	0.62
Total	**678,893**	**29,831**	**4.39**	**704,471**	**29,296**	**4.16**	**735,645**	**27,708**	**3.77**

The average borrowing cost in the years ended December 31, 2018, 2017 and 2016 is as follows:

Liabilities (Millions of euros)	2018			2017			2016		
	Average Balances	Interest expenses	Average Interest Rates (%)	Average Balances	Interest expenses	Average Interest Rates (%)	Average Balances	Interest expenses	Average Interest Rates (%)
Deposits from central banks and credit institutions	65,044	2,192	3.37	90,619	2,212	2.44	101,975	1,866	1.83
Customer deposits	370,078	6,559	1.77	392,057	7,007	1.79	398,851	5,944	1.49
Euros	178,370	337	0.19	186,261	461	0.25	195,310	766	0.39
Foreign currency	191,709	6,222	3.25	205,796	6,546	3.18	203,541	5,178	2.54
Debt certificates	75,927	1,753	2.31	84,221	1,631	1.94	89,876	1,738	1.93
Other liabilities	115,638	1,735	1.50	82,699	687	0.83	89,328	1,101	1.23
Equity	52,206	-	-	54,874	-	-	55,616	-	-
Total	**678,893**	**12,239**	**1.80**	**704,471**	**11,537**	**1.64**	**735,645**	**10,648**	**1.45**

The change in the balance under the headings “Interest income and other income” and “Interest expense” in the accompanying consolidated income statements is the result of exchange rate effect, changing prices (price effect) and changing volume of activity (volume effect), as can be seen below:

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

Interest Income and Expenses : Change in the Balance (Millions of euros)

	2018 / 2017			2017 / 2016		
	Volume Effect (1)	Price Effect (2)	Total Effect	Volume Effect (1)	Price Effect (2)	Total Effect
Cash and balances with central banks and other demand deposits	22	30	51	3	71	74
Securities portfolio and derivatives	67	916	983	(632)	285	(347)
Loans and advances to Central Banks	(128)	128	(0)	(66)	94	29
Loans and advances to credit institutions	(14)	187	172	(13)	279	266
Loans and advances to customers	(1,609)	1,152	(456)	(199)	1,606	1,408
Euros	(267)	199	(68)	(94)	(206)	(301)
Foreign currencies	(1,219)	830	(389)	115	1,593	1,708
Other assets	(25)	(190)	(215)	(24)	184	160
Interest income			**535**			**1,588**
Deposits from central banks and credit institutions	(624)	604	(20)	(208)	554	346
Customer deposits	(393)	(55)	(448)	(101)	1,164	1,063
Euros	(20)	(104)	(124)	(35)	(269)	(305)
Foreign currencies	(448)	124	(324)	57	1,311	1,368
Debt securities issued	(161)	282	122	(109)	3	(106)
Other liabilities	274	774	1,048	(82)	(332)	(414)
Interest expenses			**702**			**889**
Net Interest Income			**(167)**			**699**

(1) The volume effect is calculated as the result of the interest rate of the initial period multiplied by the difference between the average balances of both periods.

(2) The price effect is calculated as the result of the average balance of the last period multiplied by the difference between the interest rates of both periods.

38. Dividend income

The balances for this heading in the accompanying consolidated income statements correspond to dividends on shares and equity instruments other than those from shares in entities accounted for using the equity method (see Note 39), as can be seen in the breakdown below:

Dividend Income (Millions of euros)

	2018	2017	2016
Dividends from:			
Financial assets held for trading and financial assets at fair value through profit or loss	19	145	161
Financial assets at fair value through other comprehensive income	138	188	307
Total	**157**	**334**	**467**

39. Share of profit or loss of entities accounted for using the equity method

Net income from "Investments in Entities Accounted for Using the Equity Method" resulted in a negative impact of €7 million as of December 31, 2018, compared with the positive impact of €4 and €25 million recorded as of December 31, 2017 and 2016, respectively.

40. Fee and commission income and expense

The breakdown of the balance under these heading in the accompanying consolidated income statements is as follows:

Fee and Commission Income (Millions of euros)

	2018	2017	2016
Bills receivables	39	46	52
Demand accounts	451	507	469
Credit and debit cards	2,900	2,834	2,679
Checks	194	212	207
Transfers and other payment orders	605	601	578
Insurance product commissions	171	192	178
Commitment fees	223	231	237
Contingent risks	390	396	406
Asset Management	1,023	923	839
Securities fees	325	385	335
Custody securities	122	122	122
Other fees and commissions	689	700	701
Total	**7,132**	**7,150**	**6,804**

The breakdown of fee and commission expense under these heading in the accompanying consolidated income statements is as follows:

Fee and Commission Expense (Millions of euros)

	2018	2017	2016
Credit and debit cards	1,502	1,458	1,334
Transfers and other payment orders	96	102	102
Commissions for selling insurance	48	60	63
Other fees and commissions	607	610	587
Total	**2,253**	**2,229**	**2,086**

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

41. Gains (losses) on financial assets and liabilities, net and Exchange differences

The breakdown of the balance under this heading, by source of the related items, in the accompanying consolidated income statement is as follows:

Gains (losses) on financial assets and liabilities and exchange differences: Breakdown by Heading of the Consolidated Income Statements (Millions of euros)

	2018	2017	2016
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	216	985	1,375
Financial assets at amortized cost	51	133	95
Other financial assets and liabilities	164	852	1,281
Gains or losses on financial assets and liabilities held for trading, net	707	218	248
Reclassification of financial assets from fair value through other comprehensive income	-		
Reclassification of financial assets from amortized cost	-		
Other gains or (-) losses	707		
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	96		
Reclassification of financial assets from fair value through other comprehensive income	-		
Reclassification of financial assets from amortized cost	-		
Other gains or (-) losses	96		
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	143	(56)	114
Gains or losses from hedge accounting, net	72	(209)	(76)
Subtotal Gains or (losses) on financial assets and liabilities	**1,234**	**938**	**1,661**
Exchange Differences	(9)	1,030	472
Total	**1,223**	**1,968**	**2,133**

The breakdown of the balance (excluding exchange rate differences) under this heading in the accompanying income statements by the nature of financial instruments is as follows:

Gains (losses) on financial assets and liabilities: Breakdown by nature of the Financial Instrument (Millions of euros)

	2018	2017	2016
Debt instruments	354	545	906
Equity instruments	(253)	845	459
Loans and advances to customers	(172)	97	65
Trading derivatives and hedge accounting	927	(470)	109
Customer deposits	240	(96)	87
Other	137	18	35
Total	**1,233**	**938**	**1,661**

The breakdown of the balance of the impact of the derivatives (trading and hedging) under this heading in the accompanying consolidated income statements is as follows:

Derivatives - Hedge accounting (Millions of euros)

	2018	2017	2016
Derivatives			
Interest rate agreements	90	165	431
Securities agreements	294	(139)	86
Commodity agreements	(2)	99	(29)
Credit derivative agreements	(109)	(564)	(118)
Foreign-exchange agreements	606	315	186
Other agreements	(24)	(137)	(371)
Subtotal	**856**	**(261)**	**185**
Hedging Derivatives Ineffectiveness			
Fair value hedges	87	(177)	(76)
Hedging derivative	(150)	(236)	(330)
Hedged item	237	59	254
Cash flow hedges	(15)	(32)	-
Subtotal	**72**	**(209)**	**(76)**
Total	**927**	**(470)**	**109**

In addition, in the years ended December 31, 2018, 2017 and 2016, under the heading "Gains or losses on financial assets and liabilities held for trading, net" of the consolidated income statement, net amounts of negative €113 million, positive €235 million and positive €151 million, respectively, were recognized for transactions with foreign exchange trading derivatives.

42. Other operating income and expense

The breakdown of the balance under the heading "Other operating income" in the accompanying consolidated income statements is as follows:

Other operating income (Millions of euros)

	2018	2017	2016
Gains from sales of non-financial services	458	1,109	882
Of which: Real estate	*283*	*884*	*588*
Other	491	330	390
Of which: net profit from building leases	*21*	*61*	*76*
Total	**949**	**1,439**	**1,272**

The breakdown of the balance under the heading "Other operating expense" in the accompanying consolidated income statements is as follows:

Other operating expense (Millions of euros)	2018	2017	2016
Change in inventories	292	886	617
Of Which: Real estate	*248*	*816*	*511*
Other	1,808	1,337	1,511
Total	**2,101**	**2,223**	**2,128**

43. Income and expense from insurance and reinsurance contracts

The detail of the headings "Income and expense from insurance and reinsurance contracts" in the accompanying consolidated income statements is as follows:

Other operating income and expense on insurance and reinsurance contracts (Millions of euros)	2018	2017	2016
Income on insurance and reinsurance contracts	2,949	3,342	3,652
Expenses on insurance and reinsurance contracts	(1,894)	(2,272)	(2,545)
Total	**1,055**	**1,069**	**1,107**

The table below shows the contribution of each insurance product to the Group´s income for the years ended December 31, 2018, 2017 and 2016:

Income by type of insurance product (Millions of euros)	2018	2017	2016
Life insurance	682	604	634
Individual	486	346	268
Savings	56	38	30
Risk	430	308	238
Group insurance	196	258	366
Savings	39	(4)	8
Risk	157	263	357
Non-Life insurance	373	464	474
Home insurance	110	118	131
Other non-life insurance products	263	346	342
Total	**1,055**	**1,069**	**1,107**

44. Administration costs

44.1 Personnel expenses

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Personnel Expenses (Millions of euros)

	Notes	2018	2017	2016
Wages and salaries		4,786	5,163	5,267
Social security costs		722	761	784
Defined contribution plan expense	25	89	87	87
Defined benefit plan expense	25	58	62	67
Other personnel expenses		465	497	516
Total		**6,120**	**6,571**	**6,722**

The breakdown of the average number of employees in the BBVA Group in the year ended December 31, 2018, 2017 and 2016 by professional categories and geographical areas is as follows:

Average Number of Employees

	2018	2017	2016
Spanish banks			
Management Team	1,047	1,026	1,044
Other line personnel	21,840	22,180	23,211
Clerical staff	2,818	3,060	3,730
Branches abroad	589	603	718
Subtotal	**26,294**	**26,869**	**28,703**
Companies abroad			
Mexico	31,655	30,664	30,378
United States	9,786	9,532	9,710
Turkey	22,322	23,154	23,900
Venezuela	3,631	4,379	5,097
Argentina	6,074	6,173	6,041
Colombia	5,185	5,374	5,714
Peru	5,879	5,571	5,455
Other	3,767	5,501	5,037
Subtotal	**88,299**	**90,348**	**91,332**
Pension fund managers	**395**	**362**	**335**
Other non-banking companies	**14,349**	**14,925**	**16,307**
Total	**129,336**	**132,504**	**136,677**
Of which:			
Men	*59,547*	*60,730*	*62,738*
Women	*69,790*	*71,774*	*73,939*
Of which:			
BBVA, S.A.	*26,294*	*26,869*	*25,979*

The breakdown of the number of employees in the BBVA Group as of December 31, 2018, 2017 and 2016 by category and gender is as follows:

Number of Employees at the period end. Professional Category and Gender						
	2018		**2017**		**2016**	
	Male	**Female**	**Male**	**Female**	**Male**	**Female**
Management Team	1,197	339	1,244	342	1,331	350
Other line personnel	37,461	38,918	38,670	39,191	38,514	39,213
Clerical staff	19,315	28,397	20,639	31,770	22,066	33,318
Total	**57,973**	**67,654**	**60,553**	**71,303**	**61,911**	**72,881**

44.1.1 Share-based employee remuneration

The amounts recognized under the heading "Administration costs - Personnel expenses - Other personnel expenses" in the consolidated income statements for the year ended December 31, 2018, 2017 and 2016, corresponding to the remuneration plans based on equity instruments in each year, amounted to €29 million, €38 million and €57 million, respectively. These amounts have been recognized with a corresponding entry under the heading "Shareholders' funds - Other equity instruments" in the accompanying consolidated balance sheets, net of tax effect.

The characteristics of the Group's remuneration plans based on equity instruments are described below.

System of Variable Remuneration in Shares

In BBVA, the annual variable remuneration applying generally to all employees consists of one incentive, to be paid in cash, awarded once a year and linked to the achievement of predetermined objectives and to a sound risk management (hereinafter, the "Annual Variable Remuneration").

According to the remuneration policy for BBVA Group, in force since 2017, the specific settlement and payment system for the Annual Variable Remuneration applicable to those employees and senior managers whose professional activities have a significant impact on the Group's risk profile including the executive directors and members of BBVA Senior Management (hereinafter, the "Identified Staff"), which includes, among others, the payment in shares of part of their Annual Variable Remuneration.

This remuneration policy was approved, with respect to BBVA directors, by the Board of Directors held on February 9, 2017, and by the Annual General Shareholders' Meeting held on March 17, 2017.

This remuneration policy includes a specific settlement and payment system of the Annual Variable Remuneration applicable to the Identified Staff, including directors and senior management, under the following rules, among others:

- A significant percentage of variable remuneration – 60% in the case of executive directors, Senior Management and those Identified Staff members with particularly high variable remuneration, and 40% for the rest of the Identified Staff– shall be deferred over a five-year period, in the case of executive directors and Senior Management, and over a three-year period, for the remaining Identified Staff.
- 50% of the variable remuneration of each year (including both upfront and deferred portions), shall be established in BBVA shares, albeit a larger proportion (60%) in shares shall be deferred in the case of executive directors and Senior Management.
- The variable remuneration will be subject to ex ante adjustments, so that it will not be accrued, or will be accrued in a reduced amount, should a certain level of profit or capital ratio not be obtained. Likewise, the Annual Variable Remuneration will be reduced upon performance

assessment in the event of negative evolution of the Bank's results or other parameters such as the level of achievement of budgeted targets.

- The deferred component of the variable remuneration (in shares and in cash) may be reduced in its entirety, yet not increased, based on the result of multi-year performance indicators aligned with the Bank's fundamental risk management and control metrics, related to the solvency, capital, liquidity, funding or profitability, or to the share performance and recurring results of the Group.
- During the entire deferral period (5 or 3 years, as applicable) and retention period, variable remuneration shall be subject to malus and clawback arrangements, both linked to a downturn in financial performance of the Bank, specific unit or area, or individual, under certain circumstances.
- All shares shall be withheld for a period of one year after delivery, except for those shares required to honor the payment of taxes.
- No personal hedging strategies or insurance may be used in connection with remuneration and responsibility that may undermine the effects of alignment with sound risk management.
- The deferred amounts in cash subject to multi-year performance indicators that are finally paid shall be subject to updating, in the terms determined by the Bank's Board of Directors, upon proposal of the Remunerations Committee, whereas deferred amounts in shares shall not be updated.
- Finally, the variable component of the remuneration of the Identified Staff members shall be limited to a maximum amount of 100% of the fixed component of total remuneration, unless the General Meeting resolves to increase this percentage up to 200%.

In this regard, the General Meeting held on March 16, 2018 resolved to increase the maximum level of variable remuneration to 200% of the fixed component for a number of the Identified Staff, in the terms indicated in the Report of Recommendations issued for this purpose by the Board of Directors dated February 12, 2018.

In accordance with the new remuneration policy applicable to the Identified Staff, malus and clawback arrangements will be applicable to the Annual Variable Remuneration awarded as of the year 2016, inclusive, for each member of the Identified Staff.

According to the settlement and payment scheme indicated, during 2018, members of the Identified Staff received a total amount of 3,932,268 shares corresponding to the initial payment corresponding to 2017 Annual Variable Remuneration to be delivered in shares.

Additionally, the remuneration policy prevailing until 2014 provided for a specific settlement and payment scheme for the variable remuneration of the Identified Staff that established a three-year deferral period for the Annual Variable Remuneration, being the deferred amount paid in thirds over this period in equal parts, in cash and in BBVA shares.

According to this prior scheme, during 2018, the members of the Identified Staff received the shares corresponding to the deferred parts of the Annual Variable Remuneration from previous years, and their corresponding adjustments in cash, delivery of which corresponded in 2018, were delivered to the beneficiary members of the Identified Staff, resulting in a total amount of 941,366 shares corresponding to the last deferred third of the 2014 Annual Variable Remuneration and €903,711 as adjustments for updates of the shares granted.

The information on the delivery of shares to executive Directors and senior management corresponding to the deferred parts of the Annual Variable Remuneration from previous years and their corresponding adjustments in cash, are detailed in Note 54.

Additionally, in line with specific regulation applicable in Portugal and Brazil, BBVA identifies those employees that, according to local regulators, should be subject to a specific settlement and payment scheme of the Annual Variable Remuneration.

According to this regulation, during 2018 a number of 39,555 shares corresponding to the initial payment of 2017 Annual Variable Remuneration were delivered to these beneficiaries.

Additionally, during 2018 the shares corresponding to the deferred parts of the Annual Variable Remuneration and their corresponding adjustments in cash, were delivered to these beneficiaries, giving rise in 2018, of a total of 12,120 shares corresponding to the first deferred third of the 2016 Annual Variable Remuneration, and €2,679 as adjustments for updates of the shares granted; a total of 10,485 shares corresponding to the second third of the 2015 Annual Variable Remuneration, and €6,186 as adjustments for updates of the shares granted; and a total of 7,158 shares corresponding to the final third of the 2014 Annual Variable Remuneration, and €6,872 as adjustments for updates of the shares granted.

44.2 Other administrative expenses

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Other Administrative Expenses (Millions of euros)

	2018	2017	2016
Technology and systems	1,133	692	673
Communications	235	269	294
Advertising	336	352	398
Property, fixtures and materials	982	1,033	1,080
Of which: Rent expenses (*)	*552*	*581*	*616*
Taxes other than income tax	417	456	433
Other expenses	1,271	1,738	1,766
Total	**4,374**	**4,541**	**4,644**

(*) The consolidated companies do not expect to terminate the lease contracts early.

45. Depreciation and Amortization

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Depreciation and amortization (Millions of euros)

	Notes	2018	2017	2016
Tangible assets	17	594	694	690
For own use		589	680	667
Investment properties		5	13	23
Assets leased out under operating lease		-	-	-
Other Intangible assets		613	694	735
Total		**1,208**	**1,387**	**1,426**

46. Provisions or (reversal) of provisions

In the years ended December 31, 2018, 2017 and 2016 the net provisions registered in this income statement line item were as follows:

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

Provisions or (reversal) of provisions (Millions of euros)

	Notes	2018	2017	2016
Pensions and other post employment defined benefit obligations	25	125	343	332
Commitments and guarantees given		(48)	(313)	56
Pending legal issues and tax litigation		133	318	76
Other Provisions		163	397	722
Total		**373**	**745**	**1,186**

47. Impairment or (reversal) of impairment on financial assets not measured at fair value through profit or loss

The breakdown of Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss by the nature of those assets in the accompanying consolidated income statements is as follows:

Impairment or (reversal) of impairment on financial assets not measured at fair value through profit or loss (Millions of euros)

	Notes	2018	2017	2016
Financial assets at fair value through other comprehensive income	13.4	1	1,127	202
Debt securities		1	(4)	157
Equity instruments		-	1,131	46
Financial assets at amortized cost		3,980	3,677	3,597
Of which: Recovery of written-off assets	7.3.5	*589*	*558*	*541*
Held to maturity investments			(1)	1
Total		**3,981**	**4,803**	**3,801**

48. Impairment or (reversal) of impairment on non-financial assets

The impairment losses on non-financial assets broken down by the nature of those assets in the accompanying consolidated income statements are as follows:

Impairment or (reversal) of impairment on non-financial assets (Millions of euros)

	Notes	2018	2017	2016
Tangible assets	17	5	42	143
Intangible assets	18.2	83	16	3
Others	20	51	306	375
Total		**138**	**363**	**521**

49. Gains (losses) on derecognition of non - financial assets and subsidiaries, net

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Gains (losses) on derecognition of non-financial assets and subsidiaries, net (Millions of euros)

	2018	2017	2016
Gains			
Disposal of investments in non-consolidated subsidiaries	55	38	111
Disposal of tangible assets and other	81	69	64
Losses:			
Disposal of investments in non-consolidated subsidiaries	(13)	(27)	(58)
Disposal of tangible assets and other	(45)	(33)	(47)
Total	**78**	**47**	**70**

50. Profit (loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The main items included in the balance under this heading in the accompanying consolidated income statements are as follows:

Profit (loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (Millions of euros)

	Notes	2018	2017	2016
Gains on sale of real estate		129	102	66
Impairment of non-current assets held for sale	21	(208)	(158)	(136)
Gains on sale of investments classified as non-current assets held for sale (*)		894	82	39
Gains on sale of equity instruments classified as non-current assets held for sale		-	-	-
Total		**815**	**26**	**(31)**

(*) The change is mainly as a result of the sale of the BBVA stake in BBVA Chile (see Note 3).

51. Consolidated statements of cash flows

In the consolidated statements of cash flows, Balance of “Cash equivalent in central banks” includes short-term deposits at central banks under the heading "Financial assets at amortized cost" in the accompanying consolidated balance sheets and does not include demand deposits with credit institutions registered in the chapter "Cash, balances in cash at Central Bank and other demand deposits".

Cash flows from operating activities increased in the year ended December 31, 2018 by €6,609 million (compared with a decrease of €4,568 million in December 31, 2017), mainly due to the change in “Financial assets held for trading”.

Cash flows from investing activities increased in the year ended December 31, 2018 by €4,614 million (compared with an increase of €3,462 million in December 31, 2017), mainly due to the change in "Joint Ventures and Associates".

Cash flows from financing activities decreased in the year ended December 31, 2018 by €4,994 million (compared with an increase of €1,015 million in December 31, 2017), mainly due to the change in "Subordinated Liabilities".

The variation between 2018 and 2017 of the financial liabilities from financing activities is the following:

Liabilities from financing activities (Millions of Euros)

	December 31, 2017	Cash flows	Non-cash changes				December 31, 2018
			Acquisition	Disposal	Foreign exchange movement	Fair value changes	
Debt certificates	50,635	(1,621)	-	(1,900)	(779)	-	46,335
Subordinated debt certificates	17,443	857	-	(694)	29	-	17,635
Short-term debt	10,013	931	-	-	81	-	11,025
Other financial liabilities	8,891	1,574	-	(643)	(1,328)	-	8,495
Total	**86,982**	**1,741**	**-**	**(3,237)**	**(1,997)**	**-**	**83,490**

Liabilities from financing activities (Millions of Euros)

	December 31, 2016	Cash flows	Non-cash changes				December 31, 2017
			Acquisition	Disposal	Foreign exchange movement	Fair value changes	
Debt certificates	59,388	(5,958)	-	-	(2,796)	-	50,635
Subordinated debt certificates	16,987	1,679	-	-	(1,223)	-	17,443
Short-term debt	11,556	(1,319)	-	-	(224)	-	10,013
Other financial liabilities	10,179	(378)	-	-	(910)	-	8,891
Total	**98,111**	**(5,976)**	**-**	**-**	**(5,153)**	**-**	**86,982**

52. Accountant fees and services

The details of the fees for the services contracted by entities of the BBVA Group for the year ended December 31, 2018 with their respective auditors and other audit entities are as follows:

Fees for Audits Conducted and Other Related Services (Millions of euros) (**)

	2018	2017
Audits of the companies audited by firms belonging to the KPMG worldwide organization and other reports related with the audit (*)	26.1	27.2
Other reports required pursuant to applicable legislation and tax regulations issued by the national supervisory bodies of the countries in which the Group operates, reviewed by firms belonging to the KPMG worldwide organization	1.5	1.9
Fees for audits conducted by other firms	0.1	0.1

(*) Including fees pertaining to annual legal audits (€22.4 and 22.6 million as of December 31, 2018 and December 31, 2017, respectively).

(**) Regardless of the billed period.

In the year ended December 31, 2018, other entities in the BBVA Group contracted other services (other than audits) as follows:

Other Services rendered (Millions of euros)		
	2018	**2017**
Firms belonging to the KPMG worldwide organization	0.3	0.5

This total of contracted services includes the detail of the services provided by KPMG Auditores, S.L. to BBVA, S.A. or its controlled companies at the date of preparation of these consolidated financial statements as follows:

Fees for Audits Conducted (*) (Millions of euros)		
	2018	**2017**
Legal audit of BBVA,S.A. or its companies under control	6.7	6.8
Other audit services of BBVA, S.A. or its companies under control	5.9	5.0
Limited Review of BBVA, S.A. or its companies under control	1.1	0.9
Reports related to issuances	0.3	0.4
Assurance jobs and other required by the regulator	0.9	0.6
Other	-	-

(*) Services provided by KPMG Auditores, S.L. to companies located in Spain, to the branch of BBVA in New York and to the branch of BBVA in London.

The services provided by the auditors meet the independence requirements of the external auditor established under Audit of Accounts Law (Law 22/2015) and under the Sarbanes-Oxley Act of 2002 adopted by the Securities and Exchange Commission (SEC).

53. Related-party transactions

As financial institutions, BBVA and other entities in the Group engage in transactions with related parties in the normal course of their business. All of these transactions are not material and are carried out under normal market conditions. As of December 31, 2018, 2017 and 2016, the following are the transactions with related parties:

53.1 Transactions with significant shareholders

As of December 31, 2018, 2017 and 2016, there were no shareholders considered significant (see Note 26).

53.2 Transactions with BBVA Group entities

The balances of the main aggregates in the accompanying consolidated balance sheets arising from the transactions carried out by the BBVA Group with associates and joint venture entities accounted for using the equity method are as follows:

Balances arising from transactions with Entities of the Group (Millions of euros)

	2018	2017	2016
Assets:			
Loans and advances to credit institutions	132	91	69
Loans and advances to customers	1,866	510	442
Liabilities:			
Deposits from credit institutions	2	5	1
Customer deposits	521	428	533
Debt certificates	-	-	-
Memorandum accounts:			
Financial guarantees given	78	78	42
Contingent commitments	1,358	114	121
Other	152	1,175	1,466

The balances of the main aggregates in the accompanying consolidated income statements resulting from transactions with associates and joint venture entities that are accounted for under the equity method are as follows:

Balances of Income Statement arising from transactions with Entities of the Group (Millions of euros)

	2018	2017	2016
Income statement:			
Financial incomes	55	26	26
Financial costs	2	1	1
Fee and Commission Income	5	5	5
Fee and Commission Expenses	48	49	58

There were no other material effects in the consolidated financial statements arising from dealings with these entities, other than the effects from using the equity method (see Note 2.1) and from the insurance policies to cover pension or similar (see Note 25) commitments and the futures transactions arranged by BBVA Group with these entities, associates and joint ventures.

In addition, as part of its normal activity, the BBVA Group has entered into agreements and commitments of various types with shareholders of subsidiaries and associates, which have no material effects on the accompanying consolidated financial statements.

53.3 Transactions with members of the Board of Directors and Senior Management

The information on the remuneration of the members of the BBVA Board of Directors and Senior Management is included in Note 54.

As of December 31, 2018, the amount availed against the loans granted by the Group's entities to the members of the Board of Directors amounted to €611 thousand. 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 availed against the loans granted by the Group's entities to the members of Senior Management on those same dates (excluding the executive directors) amounted to €3,783, €4,049 and €5,573 thousand, respectively.

As of December 31, 2018, 2017 and 2016, there were no loans granted to parties related to the members of the Board of Directors. As of December 31, 2018, 2017 and 2016 the amount availed against the loans granted to parties related to members of the Senior Management amounted to €69, €85 and €98 thousand, respectively.

As of December 31, 2018, 2017 and 2016 no guarantees had been granted to any member of the Board of Directors.

As of December 31, 2018, 2017 and 2016, the amount availed against guarantees arranged with members of the Senior Management amounted to €38, €28 and €28 thousand, respectively.

As of December 31, 2018, no commercial loans and guarantees has been granted with parties related to the members of the Bank´s Board of Directors and the Senior Management. As of December 31, 2017 and 2016, the amount availed against commercial loans and guarantees arranged with parties related to the members of the Bank's Board of Directors and the Senior Management totaled €8 thousand.

53.4 Transactions with other related parties

As of December 31, 2018, 2017 and 2016, the Group did not conduct any transactions with other related parties that are not in the ordinary course of its business, which were not carried out at arm's-length market conditions and of marginal relevance; whose information is not necessary to give a true picture of the BBVA Group's consolidated net equity, net earnings and financial situation.

54. Remuneration and other benefits to the Board of Directors and to the members of the Bank's Senior Management

Remuneration received by non-executive directors during the 2018 financial year

The remunerations paid to non-executive members of the Board of Directors during the 2018 financial year are indicated below, individually and itemized:

Remuneration for non-executive directors (thousands of euro)

	Board of Directors	Executive Committee	Audit and Compliance Committee	Risk Committee	Remunerations Committee	Appointments Committee	Technology and Cybersecurity Committee	Total
Tomás Alfaro Drake	129	-	18	-	43	25	43	258
José Miguel Andrés Torrecillas	129	-	179	107	-	71	-	485
Jaime Félix Caruana Lacorte (1)	75	83	-	53	-	-	25	237
Belén Garijo López	129	-	71	-	107	20	-	328
Sunir Kumar Kapoor	129	-	-	-	-	-	43	172
Carlos Loring Martínez de Irujo	129	167	-	107	43	-	-	445
Lourdes Máiz Carro	129	-	71	-	43	41	-	284
José Maldonado Ramos	129	167	-	53	-	41	-	390
Ana Peralta Moreno (1)	86	-	36	-	21	-	-	143
Juan Pi Llorens	129	-	71	214	-	-	43	457
Susana Rodríguez Vidarte	129	167	-	107	-	41	-	443
Jan Verplancke (1)	107	-	-	-	-	-	25	132
Total (2)	**1.427**	**584**	**446**	**642**	**257**	**239**	**179**	**3.773**

(1) Directors appointed by the General Meeting held on 16 March 2018. This includes the remunerations paid for membership of the various Board Committees throughout the 2018 financial year. The composition of these Committees was modified on 27 June 2018. Remunerations paid in accordance with the date of acceptance of said appointment.

(2) In addition, José Antonio Fernández Rivero, who stepped down as director on 16 March 2018, received a total of €95 thousand in 2018, for his membership of the Board and of a number of Board Committees.

Also, during the 2018 financial year, €107 thousand has been paid out in casualty and healthcare insurance premiums for non-executive members of the Board of Directors.

Remuneration received by executive directors during the 2018 financial year

Over the course of financial year 2018, the executive directors have received the amount of the Annual Fixed Remuneration corresponding to said financial year, established in the Remuneration Policy for BBVA Directors applicable in 2018, which was approved by the General Meeting held on 17 March 2017.

In addition, the executive directors have received the Annual Variable Remuneration for 2017 financial year, which, in accordance with the settlement and payment system set out in said Policy, was due to be paid to them during the first quarter of financial year 2018.

In application of this settlement and payment system:

- 40% of the 2017 Annual Variable Remuneration corresponding to executive directors has been paid, having the conditions been met, in the first quarter of financial year 2018 (hereinafter, the "Upfront Portion"), in equal parts in cash and in shares.
- The remaining 60% of the Annual Variable Remuneration, both in cash and in shares, has been deferred in its entirety for a period of five years, and its accrual and payment will be subject to compliance with a series of multi-year indicators (hereinafter, the "Deferred Portion"). The application of these indicators, calculated over the first three years of deferral, may lead to a reduction of the Deferred Portion, even in its entirety, but in no event may be increased. Provided that the relevant conditions have been met, the resulting amount will then be paid (40% in cash and 60% in shares), according to the following schedule: 60% in 2021, 20% in 2022 and the remaining 20% in 2023.
- All the shares delivered to the executive directors as Annual Variable Remuneration, both of the Upfront Portion and the Deferred Portion will be withheld for a period of one year after their delivery; this will not apply to those shares transferred to honor the payment of taxes arising therefrom.
- The Deferred Portion of the Annual Variable Remuneration in cash will be subject to updating under the terms established by the Board of Directors.
- Executive directors may not use personal hedging strategies or insurance in connection with the remuneration and responsibility that may undermine the effects of alignment with prudent risk management.
- The variable component of the remuneration for executive directors corresponding financial year 2017 is limited to a maximum amount of 200% of the fixed component of the total remuneration, as agreed by the General Meeting.
- Over the entire deferral and withholding period, the entire Annual Variable Remuneration for the executive directors will be subject to reduction and recovery ("malus" and "clawback") arrangements.

Additionally, upon receipt of the shares, executive directors will not be allowed to transfer a number of shares equivalent to twice their Annual Fixed Remuneration (AFR) for at least three years after their delivery.

Similarly, in application of the settlement and payment system of the annual variable remuneration for 2014 financial year, in accordance with the remuneration policy applicable at that time, the executive directors have received in 2018 the last third of the deferred annual variable remuneration for 2014 financial year, delivery of which corresponded in 2018, thus concluding payment of the deferred variable remuneration for 2014.

In accordance with the above, the remunerations paid to executive directors during financial year 2018 are indicated below, individually and itemized:

Annual Fixed Remuneration (thousands of euro), received in 2018	
Carlos Torres Vila	1,965
José Manuel González-Páramo Martínez-Murillo	834
Total	**2,799**

Variable remuneration for financial year 2017, received in 2018	**In cash** (1) (thousands of euro)	**In shares** (1)
Carlos Torres Vila	562	77,493
José Manuel González-Páramo Martínez-Murillo	87	12,029
Total*	**649**	**89,522**

(1) Remunerations corresponding to the Upfront Portion (40%) of the Annual Variable Remuneration for financial year 2017, 50% in cash and 50% in shares.

Deferred variable remuneration for financial year 2014, received in 2018	**In cash** (1) (thousands of euro)	**In shares** (1)
Carlos Torres Vila	105	11,766
José Manuel González-Páramo Martínez-Murillo	33	3,678
Total	**137**	**15,444**

(1) Remunerations corresponding to the last third of the deferred annual variable remuneration for financial year 2014, 50% in cash and 50% in shares, along with its update in cash.

In addition, the executive directors received remuneration in kind throughout financial year 2018, including insurance premiums and others, amounting to a total of €236 thousand, of which €154 thousand correspond to Carlos Torres Vila and €82 thousand to José Manuel González-Páramo Martínez-Murillo.

Former Group Executive Chairman, Francisco González Rodríguez, who stepped down from this position with effect on 21 December 2018, received, during 2018, €2,475 thousand as Annual Fixed Remuneration; €660 thousand and 90,933 BBVA shares corresponding to 40% of the Annual Variable Remuneration for financial year 2017; and €332 thousand and 37,390 BBVA shares as settlement of the last third of the deferred variable remuneration for financial year 2014, payment of which corresponded in first quarter of financial year 2018, including the corresponding update; as well as €20 thousand as remuneration in kind.

On the other hand, it is indicated that in 2018, CEO Onur Genç—who was appointed by resolution of BBVA's Board of Directors on 20 December 2018— has not received any remuneration for said role in 2018, having received fixed and variable remuneration in accordance with his previous position as Chairman and CEO of BBVA Compass, this remuneration being subject to the settlement and payment system applicable to said position. Thus, over the course of the financial year 2018, he has received €2,240(*) thousand as Annual Fixed Remuneration; €191(*) thousand and 26,531 BBVA ADSs corresponding to 40% of the Annual Variable Remuneration for financial year 2017; and €376 thousand as remuneration in kind, which includes benefits for his expatriate status in the United States.

(*) Amounts paid in US Dollars. Euro details are for information purposes.

- **Annual Variable Remuneration for executive directors for financial year 2018**

Following year-end 2018, the Annual Variable Remuneration for executive directors corresponding to said period has been determined, applying the conditions established at the beginning of the year, as established in the Remuneration Policy for BBVA Directors approved by the General Meeting on 17 March 2017 with the following settlement and payment system:

- The Upfront Portion (40%) of the Annual Variable Remuneration of the executive directors for 2018 will be paid, if conditions are met, in equal parts in cash and shares, during the first quarter of 2019, which amounts to €479 thousand and 100,436 BBVA shares in the case of Carlos Torres Vila; and €79 thousand and 16,641 BBVA shares in the case of José Manuel González-Páramo Martínez-Murillo.

- The Deferred Portion (60%) remaining will be deferred for a five-year period, subject to compliance with the multi-year performance indicators determined by the Board of Directors at the start of financial year 2018, calculated over the first three-year deferral period. Provided that the conditions are met, the resulting amount will vest (40% in cash and 60% in shares), under the following schedule: 60% after the third year of deferral, 20% after the fourth year of deferral and the remaining 20% after the fifth year of deferral. All the above is subject to the settlement and payment system conditions set out in the Remuneration Policy for BBVA Directors, which includes malus and clawback arrangements and retention periods for shares.

As regards former Group Executive Chairman, Francisco González Rodríguez, his Annual Variable Remuneration for 2018 has been determined. This Annual Variable Remuneration for 2018 will be received, provided that conditions are met, in accordance with the same settlement and payment system applicable to executive directors which includes deferral rules, malus and clawback arrangements and retention periods for shares. Thus, the Upfront Portion (40%) has been determined in: €528 thousand and 110,814 BBVA shares. Accrual and payment of the Deferred Portion (remaining 60%), 40% in cash and 60% in shares, will be subject to compliance with multi-year performance indicators approved by the Board of Directors. All the above is subject to the conditions of the settlement and payment system established in the Remuneration Policy for BBVA Directors, which includes malus and clawback arrangements and withholding periods for shares.

As regards CEO Onur Genç and as aforementioned, his Annual Variable Remuneration for financial year 2018 is linked to his previous position as Chairman and CEO of BBVA Compass and has been determined in accordance with the settlement and payment system applicable for such position. Thus, providing that applicable conditions are met, 40% of Annual Variable Remuneration for 2018 will be paid in the first quarter of 2019, amounting to a total of €196 thousand(*) and 41,267 BBVA shares. Accrual and payment of the remaining 60% of the Annual Variable Remuneration for financial year 2018, 50% in cash and 50% in shares, will be deferred for a three-year period and will be subject to compliance with multi-year performance indicators set by the Board of Directors for the whole Identified Staff at the beginning of 2018 and measured over the course of the three-year period.

(*)Euro details are for information purposes. Year-end 2018 exchange rate applied: EUR/USD 1,145001.

At the time of drafting of these consolidated Annual Accounts none of these remunerations have been paid.

The amounts corresponding to deferred shares is detailed in the section "Remuneration based on Capital/Equity Instruments" and the cash part in "Other Liabilities/Other Accruals" in the consolidated balance sheet at 31 December 2018.

- **Deferred Annual Variable Remuneration of executive directors for financial year 2015**

Following year-end 2018, the deferred Annual Variable Remuneration of executive directors for financial year 2015 has been determined, with delivery, if conditions are met, corresponding during the first quarter of financial year 2019, subject to the conditions established for this purpose in the Remuneration Policy for BBVA Directors approved by the General Meeting on 13 March 2015.

Thus, based on the result of each of the multi-year performance indicators set by the Board in 2015 to calculate the deferred portion of this remuneration, and in application of the corresponding scales of achievement and their corresponding targets and weightings, likewise approved by the Board, the deferred portion of the Annual Variable Remuneration for financial year 2015 has been adjusted downwards as a consequence of result of the TSR indicator, which scale has determined a 10% reduction in the deferred amount associated to this indicator. The final amount of the deferred portion of the Annual Variable Remuneration for financial year 2015, after the corresponding adjustment in light of the result of the TSR indicator, has been determined in an amount of €612 thousand and 79,157 BBVA shares, in the case of

Carlos Torres Vila, and €113 thousand and 14,667 BBVA shares in the case of José Manuel González-Páramo Martínez-Murillo, which includes the corresponding updating.

As regards the former Group Executive Chairman, Francisco González Rodríguez, his deferred Annual Variable Remuneration for financial year 2015 has been determined, to be received, providing that conditions are met, in accordance with the same settlement and payment system applicable to executive directors, amounting to a total of €1,035 thousand and 133,947 BBVA shares, which includes the corresponding updating.

At the time of drafting of these consolidated Annual Accounts none of these remunerations have been paid.

Lastly, as at year-end 2018 and in accordance with the conditions established in the remuneration policies applicable in the corresponding years, 50% and 60% of the annual variable remuneration of the executive directors corresponding to 2016 and 2017 financial years, respectively, has been deferred, to be received in future years, if applicable conditions are met, in accordance with the terms established in the remuneration policy applicable for each of such financial years.

Remuneration received by the members of Senior Management in the 2018 financial year

The members of Senior Management, excluding executive directors, who held that position as at 20 December 2018(*) (15 members) have, over the course of the 2018 financial year, received the amount of the fixed remuneration corresponding to that financial year and the Annual Variable Remuneration for the 2017 financial year, which, in accordance with the settlement and payment system set out in the remuneration policy applicable to Senior Management in this financial year, was due to be paid to them during the first quarter of 2018.

In application of this settlement and payment system:

- 40% of the Annual Variable Remuneration due to members of the Senior Management for the 2017 financial year, 40% has been paid, as the conditions have been met, in the first quarter of the 2018 financial year (the "Upfront Portion"), in equal parts in cash and in shares.
- The remaining 60% of the Annual Variable Remuneration, in both cash and shares, has been deferred in its entirety for a period of five years, and its accrual and payment will be subject to compliance with a series of multi-year indicators (the "Deferred Portion"). The application of these indicators, calculated over the first three years of deferral, may lead to a reduction of the Deferred Portion, even in its entirety, but in no event may be increased. Provided that the relevant conditions have been met, the resulting amount will then be paid (40% in cash and 60% in shares), according to the following payment schedule: 60% in 2021, 20% in 2022 and the remaining 20% in 2023.
- The shares received as Annual Variable Remuneration will be withheld for a period of one year after their delivery, with the exception of those transferred to honor the payment of taxes arising from their delivery.
- The deferred portion of the Annual Variable Remuneration in cash will be subject to updating under the terms established by the Board of Directors.
- No personal hedging strategies or insurance may be used in connection with the remuneration and the responsibility that may undermine the effects of alignment with prudent risk management.
- The variable component of the remuneration corresponding to the financial year 2017 will be limited to a maximum amount of 200% of the fixed component of the total remuneration, as agreed by the General Meeting.
- Over the entire deferral and withholding period, the total Annual Variable Remuneration will be subject to variable "malus" and "clawback" arrangements.

Similarly, in application of the settlement and payment system of the annual variable remuneration for 2014 financial year, in accordance with the remuneration policy applicable at that time, the Senior Management who were beneficiaries of such remuneration, have received the deferred last third of the annual variable

(*) Date of the Board of Directors' resolution by which organizational changes were approved in the Group.

remuneration for that financial year, which delivery corresponded to the first quarter of 2018, thus concluding payment of the deferred variable remuneration for the 2014 financial year.

In accordance with the above, the remuneration paid to members of the Senior Management as a whole, who held that position as at 20 December 2018, excluding executive directors, during the 2018 financial year is indicated below (itemized):

Annual Fixed Remuneration (thousands of euro) received in 2018	
Senior Management total	16,129

Annual Variable Remuneration for the 2017 financial year, received in 2018		
	In cash (thousands of euro)	**In shares**
Senior Management total	1,489	205,104

Deferred variable remuneration for the 2014 financial year, received in 2018		
	In cash (thousands of euro)	**In shares**
Senior Management total	573	64,853

In addition, all members of Senior Management who held that position as at 20 December 2018, excluding executive directors, received remuneration in kind throughout the 2018 financial year, including insurance premiums and others, amounting to a total of €875 thousand.

At the year-end 2018 and subject to the conditions established in the remuneration policies applicable to the corresponding year for, components of the annual variable remuneration of members of the Senior Management who were beneficiaries of remunerations for the 2016 and 2017 financial years, are deferred to be received in future years, if conditions are met, in accordance with the policy applicable for each of such financial years.

As regards of those members of the Senior Management who were appointed by resolution of BBVA's Board of Directors on 20 December 2018 (5 members) have not received any remuneration for such condition, having received fixed and variable remuneration in line with their former positions and functions amounting in aggregate €1,757 thousand as Annual Fixed Remuneration; €337 thousand and 24,293 BBVA shares for Upfront Portion of the Annual Variable Remuneration for the 2017 financial year; and €33 thousand and 3,684 BBVA shares as settlement of the deferred last third of the Annual Variable Remuneration for the 2014 financial year to the Senior Management who were beneficiaries of such remuneration, including the corresponding update, as well as remuneration in kind and others for an amount of €158 thousand, all in application of the remuneration policy to which they were entitled in their condition as risk taker.

- **Annual Variable Remuneration for Senior Management for financial year 2018**

Following year-end 2018, the Annual Variable Remuneration of Senior Management corresponding to said period has been determined, excluding executive directors, who held that position as at 20 December 2018 (15 members).

Therefore, the 2018 Annual Variable Remuneration to all of the Senior Management, excluding executive directors, has been determined in a total amount of €7,074 thousand, in application of the settlement and payment system for this group. The 40% of the Annual Variable Remuneration corresponding to each of will be paid, providing the conditions are met, in equal parts in cash and in shares, during the first quarter of 2019. The remaining 60% of the Annual Variable Remuneration (40% in cash and 60% in shares) will be

subject to compliance with a series of multi-year indicators and to the rest of the settlement and payment system conditions set out in the remuneration policy applicable to Senior Management, which includes malus and clawback arrangements and retention periods for shares.

As regards those members of the Senior Management who were appointed by resolution of BBVA's Board of Directors on 20 December 2018 (5 members), their Annual Variable Remuneration for the 2018 year-end has been calculated in line with their former positions and functions, amounting in aggregate €633 thousand, being subject to the conditions set out in the remuneration policy to which they were entitled in their condition as risk taker.

At the time of drafting of these consolidated Annual Accounts none of these remunerations have been paid.

- **Deferred Annual Variable Remuneration of Senior Management for financial year 2015**

Following year-end 2018, the deferred Annual Variable Remuneration of Senior Management for financial year 2015 has been determined, excluding executive directors, who held that position as at 20 December 2018 (15 members).

Thus, based on the result of each of the multi-year performance indicators set by the Board in 2015 to calculate the deferred portion of this remuneration, and in application of the corresponding scales of achievement and their corresponding targets and weightings, likewise approved by the Board, the deferred portion of the Annual Variable Remuneration for financial year 2015 has been adjusted downwards as a consequence of result of the TSR indicator, which scale has determined a 10% reduction in the deferred amount associated to this indicator. The final amount of the deferred portion of the Annual Variable Remuneration for financial year 2015 to be paid to Senior Management beneficiaries of such remuneration, if applicable conditions are met, after the corresponding adjustment in light of the result of the TSR indicator, has been determined in an amount of €2,936 thousand and 382,407 BBVA shares, which includes the corresponding updating.

As regards those members of the Senior Management who were appointed by resolution of BBVA's Board of Directors on 20 December 2018 (5 members) that were entitled to such deferred remuneration, their Annual Variable Remuneration for financial year 2015 has been calculated in line with their former positions and functions, amounting in aggregate €110 thousand and 14,203 BBVA shares, which includes the corresponding updating and being subject to the conditions set out in the remuneration policy to which they were entitled in their condition as a Group's risk takers.

At the time of drafting of these consolidated Annual Accounts none of these remunerations have been paid.

- Remuneration system with deferred delivery of shares for non-executive directors

BBVA has a remuneration system in shares with deferred delivery for its non-executive directors, which was approved by the General Shareholders' Meeting held on 18 March 2006 and extended by resolutions of the General Shareholders' Meetings held on 11 March 2011 and 11 March 2016 for an additional period of five years in each case.

This system involves the annual allocation to non-executive directors of a number of "theoretical shares" of BBVA equivalent to 20% of the total remuneration received in cash received by each director in the previous financial year. This is calculated according to the average closing prices of BBVA shares during the 60 trading sessions prior to the dates of the Annual General Shareholders' Meetings that approve the corresponding financial statements for each financial year.

These shares will be delivered to each beneficiary, where applicable, after they leave their positions as directors for reasons other than serious breach of their duties.

The "theoretical shares" allocated in 2018 to each non-executive director beneficiaries of the remuneration system in shares with deferred delivery, corresponding to 20% of the total remuneration in cash received by each of them in 2017, are as follows:

	Theoretical shares allocated in 2018	Theoretical shares accumulated as at 31 December 2018
Tomás Alfaro Drake	10,367	83,449
José Miguel Andrés Torrecillas	12,755	36,565
Belén Garijo López	7,865	34,641
Sunir Kumar Kapoor	4,811	8,976
Carlos Loring Martínez de Irujo	11,985	98,876
Lourdes Máiz Carro	7,454	23,160
José Maldonado Ramos	11,176	78,995
Juan Pi Llorens	11,562	54,171
Susana Rodríguez Vidarte	12,425	104,983
Total (1)	90,400	523,816

(1) In addition, in 2018, 10,188 "theoretical shares" were allocated to José Antonio Fernández Rivero, who stepped down as a director on 16 March 2018.

- Pension commitments

At the end of the 2018 financial year, the Bank has pension commitments in favor of the executive directors Carlos Torres Vila and José Manuel González-Páramo Martínez-Murillo to cover contingencies for retirement, disability and death, in accordance with the Bylaws, the Remuneration Policy for BBVA Directors and their respective contracts entered into with the Bank.

With regard to Carlos Torres Vila, the Remuneration Policy for BBVA Directors provides for a benefits framework according to which he is entitled, provided that he does not leave his position as Chief Executive Officer due to serious breach of duties, to receive a retirement pension when he reaches the legally established retirement age, in the form of capital or income. The amount of this pension shall result from the funds accumulated by the Bank up to December 2016 to cover the commitments under his previous benefits scheme, plus the sum of the annual contributions made by the Bank from 1 January 2017 to cover said pension, as well as the corresponding accumulated yields.

The amount set out in the Remuneration Policy for BBVA Directors as annual contribution to cover retirement benefit under the defined-contribution scheme for Carlos Torres Vila is €1,642 thousand.

15% of the aforementioned agreed annual contribution will be based on variable components and considered "discretionary pension benefits", therefore subject to the conditions regarding delivery in shares, retention and clawback established in the applicable regulations, as well as any other conditions concerning variable remuneration that may be applicable in accordance with this Policy.

Should the contractual relationship be terminated before he reaches the retirement age for reasons other than serious breach of duties, the retirement pension due to Carlos Torres Vila upon reaching the legally established retirement age will be calculated based on the total contributions made by the Bank under the terms set out, up to that date, plus the corresponding accumulated yield, with no additional contributions to be made by the Bank from the time of termination.

With respect to the commitments to cover the contingencies for death and disability benefits for Carlos Torres Vila, the Bank will undertake the payment of the corresponding annual insurance premiums in order to top up the coverage the death and disability contingencies of his benefits system.

In line with the above, during the 2018 financial year, €1,896 thousand has been recorded to meet the benefits commitments for Carlos Torres Vila, amount which includes the contribution to the retirement contingency (€1,642 thousand) and to death and disability (€212 thousand), as well as €42 thousand corresponding to the adjustments made to the amount of "discretionary pension benefits" from 2017, as declared at 2017 year-end and which had to be registered in the accumulated fund in 2018. As a result, the total accumulated amount of the fund to meet retirement commitments with Carlos Torres Vila amounts to €18,581 thousand as at 31 December 2018.

15% of the agreed annual contribution to retirement (€246 thousand) has been registered in 2018 as "discretionary pension benefits". Following year-end 2018, this amount has been adjusted according to the criteria established to determine Carlos Torres Vila's Annual Variable Remuneration for 2018. Accordingly, the "discretionary pension benefits" for the financial year have been determined in an amount of €245 thousand, which will be included in the accumulated fund for 2019, subject to the same conditions as the Deferred Component of Annual Variable Remuneration for 2018, as well as the remaining conditions established for these benefits in the Remuneration Policy for BBVA Directors.

In the case of José Manuel González-Páramo Martínez-Murillo, the pension system provided for in the Remuneration Policy for BBVA Directors establishes an annual contribution of 30% of his Annual Fixed Remuneration, to cover the contingency of his retirement, as well as the payment of the corresponding insurance premiums in order to top up the coverage of death and disability.

15% of the aforementioned agreed annual contribution will be based on variable components and considered "discretionary pension benefits", therefore subject to the conditions regarding delivery in shares, retention and clawback established in the applicable regulations, as well as any other conditions concerning variable remuneration that may be applicable in accordance with this Policy.

José Manuel González-Páramo Martínez-Murillo, upon reaching retirement age, will be entitled to receive, in the form of capital or income, the benefits arising from contributions made by the Bank to cover pension commitments, plus the corresponding yield accumulated up to that date, provided he does not leave his position due to serious breach of duties. In the event of voluntary termination of contractual relationship by the director before retirement, the benefits will be limited to 50% of the contributions made by the Bank up to that date, as well as the corresponding accumulated yield, with no additional contributions to be made by the Bank upon termination.

With respect to the commitments to cover the contingencies for death and disability benefits for José Manuel González-Páramo Martínez-Murillo, the Bank will undertake the payment of the corresponding annual insurance premiums in order to top up the coverage the death and disability contingencies of his benefits system.

In line with the above, during the 2018 financial year, €405 thousand has been recorded to meet the benefits commitments for José Manuel González-Páramo Martínez-Murillo, amount which includes the contribution to the retirement contingency (€250 thousand) and to death and disability (€147 thousand), as well as €8 thousand corresponding to the adjustments made to the amount of "discretionary pension benefits" from 2017, as declared at 2017 year-end and which had to be registered in the accumulated fund in 2018. As a result, the total accumulated amount of the fund to meet retirement commitments with José Manuel González-Páramo amounts to €1,067 thousand as at 31 December 2018.

15% of the agreed annual contribution to retirement (€38 thousand) has been registered in 2018 as "discretionary pension benefits". Following year-end 2018, this amount has been adjusted according to the criteria established to determine José Manuel González-Páramo Martínez-Murillo's Annual Variable Remuneration for 2018. Accordingly, the "discretionary pension benefits" for the financial year have been determined in an amount of €42 thousand, which will be included in the accumulated fund for 2019, subject to the same conditions as the Deferred Component of Annual Variable Remuneration for 2018, as well as the remaining conditions established for these benefits in the Remuneration Policy for BBVA Directors.

As of 31 December 2018 there are no other pension commitments undertaken in favor of other executive directors.

Likewise, during the 2018 financial year, €4,754 thousand has been recorded to meet the benefits commitments undertaken with members of the Senior Management, excluding executive directors, who held said position as at 20 December 2018 (15 members), amount which includes the contribution to the retirement contingency (€3,883 thousand) and to death and disability (€831 thousand), as well as €40 thousand corresponding to the adjustments made to the amount of "discretionary pension benefits" from 2017, as declared at 2017 year-end and which had to be registered in the accumulated fund in 2018. As a result, the total accumulated amount of the fund to meet retirement commitments with Senior Management amounts to €57,429 thousand as at 31 December 2018.

15% of the agreed annual contributions for members of Senior Management who held that position as at 20 December 2018 will be based on variable components and considered "discretionary pension benefits", therefore subject to the conditions regarding delivery in shares, retention and clawback established in the applicable regulations, as well as any other conditions concerning variable remuneration that may be applicable in accordance with the remuneration policy applicable to members of Senior Management.

To this end, of the agreed annual contribution to retirement, an amount of €571 thousand has been registered in 2018 as "discretionary pension benefits". Following year-end 2018, this amount has been adjusted according to the criteria established to determine the Annual Variable Remuneration of the Senior Management for 2018. Accordingly, the "discretionary pension benefits" for the financial year, corresponding to members of the Senior Management who held that position as at 20 December 2018, have been determined in an amount of €555 thousand, which will be included in the accumulated fund for 2019, subject to the same conditions as the Deferred Component of Annual Variable Remuneration for 2018, as well as the remaining conditions established for these benefits in the remuneration policy applicable to members of the Senior Management.

During the 2018 financial year, €146 thousand has been recorded to meet the benefits commitments undertaken with the members of the Senior Management, excluding executive directors, who were appointed by BBVA's Board of Directors on 20 December 2018 (five members), pursuant to the commitments made by the Bank with each of them in relation to their previous positions and functions, with such amount including both the contribution to retirement contingency(€97 thousand) as well as to death and disability (€49 thousand), with the fund accumulated to meet retirement commitments for this group amounting to a total of €1,713 thousand.

Termination of the contractual relationship

In accordance with the Remuneration Policy for BBVA Directors, the Bank has no commitments to pay severance payments to executive directors.

The contractual framework defined in the aforementioned Policy for Carlos Torres Vila and for the executive director José Manuel González-Páramo Martínez-Murillo, includes a post-contractual non-compete agreement for a period of two years after they cease as BBVA executive directors, in accordance to which they will receive remuneration from the Bank for an amount equivalent to one Annual Fixed Remuneration for each year of duration of the non-compete arrangement , which shall be paid periodically over the course of the two years, provided that they leave their positions as executive directors for reasons other than retirement, disability or serious breach of duties.

55. Other information

55.1 Environmental impact

Given the activities BBVA Group entities engage in, the Group has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its consolidated equity, financial situation and profits. Consequently, as of December 31, 2018, there is no item in the Group's accompanying consolidated financial statements that requires disclosure in an environmental information report pursuant to Ministry of Justice Order JUS/471/2017, of May 19, and consequently no specific disclosure of information on environmental matters is included in these financial statements.

55.2 Reporting requirements of the Spanish National Securities Market Commission (CNMV)

Dividends paid in the year

The table below presents the dividends per share paid in cash during 2016, 2017 and 2018 (cash basis dividend, regardless of the year in which they were accrued), but without including other shareholder remuneration, such as the "Dividend Option". See Notes 4 and 26 for a complete analysis of all remuneration awarded to the shareholders.

Dividends Paid ("Dividend Option" not included)

	2018			2017			2016		
	% Over Nominal	Euros per Share	Amount (Millions of Euros)	% Over Nominal	Euros per Share	Amount (Millions of Euros)	% Over Nominal	Euros per Share	Amount (Millions of Euros)
Ordinary shares	51.02%	0.25	1,667	34.69%	0.17	1,125	32.65%	0.16	1,028
Rest of shares	-	-	-	-	-	-	-	-	-
Total dividends paid in cash	**51.02%**	**0.25**	**1,667**	**34.69%**	**0.17**	**1,125**	**32.65%**	**0.16**	**1,028**
Dividends with charge to income	51.02%	0.25	1,667	34.69%	0.17	1,125	32.65%	0.16	1,028
Dividends with charge to reserve or share premium	-	-	-	-	-	-	-	-	-
Dividends in kind	-	-	-	-	-	-	-	-	-

Ordinary earnings and ordinary income by operating segment

The detail of the consolidated profit for each operating segment is as follows as of December 31 2018, 2017 and 2016:

Profit Attributable by Operating Segments

	Notes	2018	2017	2016
Banking Activity in Spain		1,522	1,374	912
Non-Core Real Estate		(78)	(490)	(595)
United States		735	486	459
Mexico		2,384	2,187	1,980
Turkey		569	826	599
South America		591	861	771
Rest of Eurasia		93	125	151
Subtotal operating segments		**5,818**	**5,368**	**4,276**
Corporate Center		(494)	(1,848)	(801)
Profit attributable to parent company	**6**	**5,324**	**3,519**	**3,475**
Non-assigned income		-	-	-
Elimination of interim income (between segments)		-	-	-
Other gains (losses) (*)		827	1,243	1,218
Income tax and/or profit from discontinued operations		2,295	2,169	1,699
Operating profit before tax	**6**	**8,446**	**6,931**	**6,392**

(*) Profit attributable to non-controlling interests.

Interest income by geographical area

The breakdown of the balance of "Interest income and other income" in the accompanying consolidated income statements by geographical area is as follows:

Interest Income. Breakdown by geographical area (Millions of euros)

	Notes	2018	2017	2016
Domestic		4,952	5,093	5,962
Foreign		24,879	24,203	21,745
European Union		509	422	291
Eurozone		391	239	291
No eurozone		117	183	-
Other countries		24,370	23,781	21,455
Total	**37.1**	**29,831**	**29,296**	**27,708**

55.3 Mortgage market policies and procedures

The information on "Mortgage market policies and procedures" (for the granting of mortgage loans and for debt issues secured by such mortgage loans) required by Bank of Spain Circular 5/2011, applying Royal Decree 716/2009, dated April 24 (which developed certain aspects of Act 2/1981, dated March 25, on the regulation of the mortgage market and other mortgage and financial market regulations), can be found in Appendix III.

56. Subsequent events

On January 15, 2019, BBVA announced its irrevocable decision to early redeem, on February 19, 2019, the issuance of preferred securities contingently convertible (additional tier 1 instrument) carried out by the Bank on February 19, 2014, for an amount of €1.5 billion on the First Reset Date of the issuance and once the prior consent from the Regulator was obtained (see Note 22.4).

The Board of Directors, in their meeting on January 31, 2019, agreed on carrying out an issuance of bonds convertible into ordinary shares of BBVA with exclusion of pre-emptive subscription rights, under the power delegated by the General Shareholders' Meeting of the Company held on March 17, 2017 under the fifth item on the agenda which is pending to be executed.

On February 1, 2019 it was announced that it was foreseen to submit to the consideration of the corresponding government bodies the proposal of cash payment in a gross amount of euro 0.16 per share to be paid in April as final dividend for 2018 (see Note 4).

From January 1, 2019 to the date of preparation of these Consolidated Financial Statements, no other subsequent events not mentioned above in these financial statements have taken place that could significantly affect the Group's earnings or its equity position.

57. Explanation added for translation into English

These accompanying consolidated financial statements are presented on the basis of IFRS, as adopted by the European Union. Certain accounting practices applied by the Group that conform to EU-IFRS may not conform to other generally accepted accounting principles.

BBVA Group

Appendices

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX I Additional information on consolidated subsidiaries and consolidated structured entities composing the BBVA Group

Additional Information on Consolidated Subsidiaries and consolidated structured entities composing the BBVA Group

			% Legal share of participation			Millions of Euros (*)				
						Affiliate Entity Data				
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 31.12.18	Liabilities 31.12.18	Equity 31.12.18	Profit (Loss) 31.12.18
ACTIVOS MACORP SL	SPAIN	REAL ESTATE	50.63	49.37	100.00	21	24	3	20	1
ALCALA 120 PROMOC. Y GEST.IMMOB. S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	17	26	8	16	2
ANIDA GERMANIA IMMOBILIEN ONE, GMBH	GERMANY	IN LIQUIDATION	-	100.00	100.00	-	-	-	-	-
ANIDA GRUPO INMOBILIARIO SL	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	1,569	1,642	38	1,863	(259)
ANIDA INMOBILIARIA, S.A. DE C.V.	MEXICO	INVESTMENT COMPANY	-	100.00	100.00	113	80	-	59	21
ANIDA OPERACIONES SINGULARES, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	1,485	2,381	893	1,678	(190)
ANIDA PROYECTOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	53	57	4	32	21
ANIDAPORT INVESTIMENTOS IMOBILIARIOS, UNIPESSOAL, LTDA	PORTUGAL	REAL ESTATE	-	100.00	100.00	23	62	53	6	2
APLICA NEXTGEN OPERADORA S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	10	9	1	-
APLICA NEXTGEN SERVICIOS S.A. DE C.V	MEXICO	SERVICES	-	100.00	100.00	-	3	3	-	-
APLICA TECNOLOGIA AVANZADA SA DE CV	MEXICO	SERVICES	100.00	-	100.00	203	232	21	214	(3)
ARIZONA FINANCIAL PRODUCTS, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	855	855	-	855	1
ARRAHONA AMBIT, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	12	34	10	14	9
ARRAHONA IMMO, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	53	118	4	105	9
ARRAHONA NEXUS, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	58	131	67	58	6
ARRAHONA RENT, S.L.U.	SPAIN	REAL ESTATE	-	100.00	100.00	9	12	1	10	-
ARRELS CT FINSOL, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	64	114	35	64	15
ARRELS CT LLOGUER, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	5	27	21	5	1
ARRELS CT PATRIMONI I PROJECTES, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	22	52	28	22	2
ARRELS CT PROMOU SA	SPAIN	REAL ESTATE	-	100.00	100.00	28	60	23	28	9
AZLO BUSINESS, INC	UNITED STATES	SERVICES	-	100.00	100.00	11	12	1	18	(8)
BAHIA SUR RESORT S.C.	SPAIN	INACTIVE	99.95	-	99.95	1	1	-	1	-
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY SA	URUGUAY	BANKING	100.00	-	100.00	110	2,850	2,652	168	30
BANCO INDUSTRIAL DE BILBAO SA	SPAIN	BANKING	-	99.93	99.93	46	45	-	60	(15)
BANCO OCCIDENTAL SA	SPAIN	BANKING	49.43	50.57	100.00	17	18	-	18	-
BANCO PROVINCIAL OVERSEAS NV	CURAÇAO	BANKING	-	100.00	100.00	48	403	355	44	5
BANCO PROVINCIAL SA - BANCO UNIVERSAL	VENEZUELA	BANKING	1.46	53.75	55.21	52	296	174	140	(18)
BANCOMER FOREIGN EXCHANGE INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	21	21	-	16	5
BANCOMER PAYMENT SERVICES INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1	2	1	1	-
BBV AMERICA SL	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	79	614	-	604	10
BBVA AGENCIA DE SEGUROS COLOMBIA LTDA	COLOMBIA	INSURANCES SERVICES	-	100.00	100.00	-	-	-	-	-
BBVA ASSET MANAGEMENT CONTINENTAL SA SAF	PERU	FINANCIAL SERVICES	-	100.00	100.00	15	18	3	11	4
BBVA ASSET MANAGEMENT SA SGIIC	SPAIN	OTHER INVESTMENT COMPANIES	17.00	83.00	100.00	38	111	55	(41)	98
BBVA ASSET MANAGEMENT SA SOCIEDAD FIDUCIARIA (BBVA FIDUCIARIA)	COLOMBIA	FINANCIAL SERVICES	-	100.00	100.00	29	32	4	19	10
BBVA AUTOMERCANTIL COMERCIO E ALUGER DE VEICULOS AUTOMOVEIS LDA.	PORTUGAL	FINANCIAL SERVICES	100.00	-	100.00	4	26	21	4	-
BBVA BANCO CONTINENTAL SA	PERU	BANKING	-	46.12	46.12	998	19,382	17,212	1,747	423
BBVA BANCO FRANCES SA	ARGENTINA	BANKING	39.97	26.58	66.55	157	8,189	7,166	1,047	(23)
BBVA BANCOMER GESTION, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	14	31	17	9	5
BBVA BANCOMER OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	69	269	199	60	9
BBVA BANCOMER SA INSTITUCION DE BANCA MULTIPLE GRUPO FINANCIERO BBVA BANCOMER	MEXICO	BANKING	-	100.00	100.00	8,633	87,919	79,560	6,374	1,985

(*) Information on foreign companies at exchange rate on December 31, 2018

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Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

			% Legal share of participation			Millions of Euros (*)				
						Affiliate Entity Data				
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 31.12.18	Liabilities 31.12.18	Equity 31.12.18	Profit (Loss) 31.12.18
BBVA BANCOMER SEGUROS SALUD SA DE CV	MEXICO	INSURANCES SERVICES	-	100.00	100.00	13	23	10	12	2
BBVA BANCOMER SERVICIOS ADMINISTRATIVOS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	38	197	159	27	11
BBVA BRASIL BANCO DE INVESTIMENTO SA	MEXICO	BANKING	100.00	-	100.00	16	28	3	25	-
BBVA BROKER CORREDURIA DE SEGUROS Y REASEGUROS SA	SPAIN	INSURANCES SERVICES	99.94	0.06	100.00	-	15	3	8	4
BBVA BROKER SA	ARGENTINA	INSURANCES SERVICES	-	99.99	99.99	-	9	2	2	5
BBVA COLOMBIA SA	COLOMBIA	BANKING	77.41	18.06	95.47	355	16,793	15,572	1,035	186
BBVA COMPASS BANCSHARES INC	UNITED STATES	INVESTMENT COMPANY	100.00	-	100.00	11,703	11,817	41	11,131	645
BBVA COMPASS FINANCIAL CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	230	432	210	217	5
BBVA COMPASS INSURANCE AGENCY, INC	UNITED STATES	INSURANCES SERVICES	-	100.00	100.00	38	40	2	29	9
BBVA COMPASS PAYMENTS INC	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	88	88	-	73	15
BBVA CONSOLIDAR SEGUROS SA	UNITED STATES	INSURANCES SERVICES	87.78	12.22	100.00	8	82	55	22	4
BBVA CONSULTING (BEIJING) LIMITED	CHINA	FINANCIAL SERVICES	-	100.00	100.00	2	2	-	2	-
BBVA CONSULTORIA, S.A.	SPAIN	SERVICES	-	100.00	100.00	2	5	3	2	-
BBVA CONSUMER FINANCE ENTIDAD DE DESARROLLO A LA PEQUEÑA Y MICRO EMPRESA EDPYME SA (BBVA CONSUMER FINANCE - EDPYME)	PERU	FINANCIAL SERVICES	-	100.00	100.00	21	135	115	17	3
BBVA DATA & ANALYTICS SL	SPAIN	SERVICES	-	100.00	100.00	6	5	2	3	1
BBVA DISTRIBUIDORA DE SEGUROS S.R.L.	URUGUAY	INSURANCES SERVICES	-	100.00	100.00	5	5	-	3	2
BBVA FINANZIA SPA	ITALY	IN LIQUIDATION	100.00	-	100.00	4	13	10	4	-
BBVA FRANCES ASSET MANAGMENT S.A. SOCIEDAD GERENTE DE FONDOS COMUNES DE INVERSIÓN.	ARGENTINA	FINANCIAL SERVICES	-	100.00	100.00	11	15	5	11	-
BBVA FRANCES VALORES, S.A.	ARGENTINA	SECURITIES DEALER	-	100.00	100.00	4	5	1	5	(1)
BBVA FUNDOS S.GESTORA FUNDOS PENSOES SA	PORTUGAL	PENSION FUNDS MANAGEMENT	100.00	-	100.00	10	10	-	8	2
BBVA GLOBAL FINANCE LTD	CAYMAN ISLANDS	FINANCIAL SERVICES	100.00	-	100.00	-	179	175	4	-
BBVA GLOBAL MARKETS BV	NETHERLANDS	FINANCIAL SERVICES	100.00	-	100.00	-	2,562	2,561	-	-
BBVA HOLDING CHILE SA	CHILE	INVESTMENT COMPANY	61.22	38.78	100.00	139	348	-	273	75
BBVA INFORMATION TECHNOLOGY ESPAÑA SL	SPAIN	SERVICES	76.00	-	76.00	1	6	5	1	-
BBVA INSTITUIÇAO FINANCEIRA DE CREDITO SA	PORTUGAL	FINANCIAL SERVICES	49.90	50.10	100.00	39	422	369	50	3
BBVA INTERNATIONAL PREFERRED SOCIEDAD ANONIMA	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	36	35	-	-
BBVA IRELAND PLC	IRELAND	FINANCIAL SERVICES	100.00	-	100.00	2	52	48	2	1
BBVA LEASING MEXICO SA DE CV	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	51	888	751	127	10
BBVA LUXINVEST SA	LUXEMBOURG	PENSION FUNDS MANAGEMENT	36.00	64.00	100.00	-	2	1	(1)	1
BBVA MEDIACION OPERADOR DE BANCA-SEGUROS VINCULADO, S.A.	SPAIN	INSURANCES SERVICES	-	100.00	100.00	10	96	69	10	17
BBVA NEXT TECHNOLOGIES SLU	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	19	41	18	20	3
BBVA NOMINEES LIMITED	UNITED KINGDOM	IN LIQUIDATION	100.00	-	100.00	-	-	-	-	-
BBVA OP3N S.L.	SPAIN	SERVICES	-	100.00	100.00	-	3	4	(1)	(1)
BBVA OPEN PLATFORM INC	UNITED STATES	SERVICES	-	100.00	100.00	1	2	1	8	(7)
BBVA PARAGUAY SA	PARAGUAY	BANKING	100.00	-	100.00	23	1,923	1,741	150	32
BBVA PENSIONES SA ENTIDAD GESTORA DE FONDOS DE PENSIONES	SPAIN	PENSION FUNDS MANAGEMENT	100.00	-	100.00	13	40	13	16	11
BBVA PLANIFICACION PATRIMONIAL SL	SPAIN	FINANCIAL SERVICES	80.00	20.00	100.00	-	1	-	1	-
BBVA PREVISION AFP SA ADM.DE FONDOS DE PENSIONES	BOLIVIA	PENSION FUNDS MANAGEMENT	75.00	5.00	80.00	1	26	15	5	7
BBVA PROCUREMENT SERVICES AMERICA DEL SUR SpA	CHILE	SERVICES	-	100.00	100.00	6	8	1	6	1
BBVA RE DAC	IRELAND	INSURANCES SERVICES	-	100.00	100.00	39	68	25	48	(6)

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Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

			% Legal share of participation			Millions of Euros (*)				
						Affiliate Entity Data				
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 31.12.18	Liabilities 31.12.18	Equity 31.12.18	Profit (Loss) 31.12.18
BBVA REAL ESTATE MEXICO, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
BBVA SECURITIES INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	192	398	205	187	6
BBVA SEGUROS COLOMBIA SA	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	10	90	68	13	9
BBVA SEGUROS DE VIDA COLOMBIA SA	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	14	402	282	86	33
BBVA SEGUROS SA DE SEGUROS Y REASEGUROS	SPAIN	INSURANCES SERVICES	99.96	-	99.96	713	17,303	16,509	484	309
BBVA SERVICIOS, S.A.	SPAIN	COMMERCIAL	-	100.00	100.00	-	8	-	7	-
BBVA SUIZA SA (BBVA SWITZERLAND)	SWITZERLAND	BANKING	100.00	-	100.00	98	832	719	108	4
BBVA TRADE, S.A. (**)	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	4	42	37	5	-
BBVA TRANSFER SERVICES INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	66	118	51	57	9
BBVA VALORES COLOMBIA SA COMISIONISTA DE BOLSA	COLOMBIA	SECURITIES DEALER	-	100.00	100.00	5	6	1	4	1
BBVA WEALTH SOLUTIONS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	8	8	-	6	2
BEEVA TEC OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	2	2	-	-
BEEVA TEC SA DE CV	MEXICO	SERVICES	-	100.00	100.00	1	6	3	2	1
BILBAO VIZCAYA HOLDING SA	SPAIN	INVESTMENT COMPANY	89.00	11.00	100.00	51	234	141	90	3
CAIXA MANRESA IMMOBILIARIA ON CASA SL	SPAIN	REAL ESTATE	100.00	-	100.00	2	2	-	2	-
CAIXA MANRESA IMMOBILIARIA SOCIAL SL	SPAIN	REAL ESTATE	100.00	-	100.00	4	3	-	3	-
CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS SAU	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	1	76	74	2	-
CAIXASABADELL PREFERENTS SA	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	91	90	1	-
CARTERA E INVERSIONES SA CIA DE	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	92	224	120	(83)	186
CASA DE BOLSA BBVA BANCOMER SA DE CV	MEXICO	SECURITIES DEALER	-	100.00	100.00	48	57	8	21	27
CATALONIA GEBIRA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	-	1	1	-	-
CATALONIA PROMODIS 4, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	1	4	2	2	-
CATALUNYACAIXA CAPITAL SA	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	79	88	7	76	5
CATALUNYACAIXA IMMOBILIARIA SA	SPAIN	REAL ESTATE	100.00	-	100.00	328	324	8	303	14
CATALUNYACAIXA SERVEIS SA	SPAIN	SERVICES	100.00	-	100.00	2	8	6	3	-
CDD GESTIONI S.R.L.	ITALY	REAL ESTATE	100.00	-	100.00	5	12	2	6	4
CETACTIUS SL	SPAIN	REAL ESTATE	100.00	-	100.00	1	1	-	1	-
CIDESSA DOS, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	15	15	1	15	-
CIDESSA UNO SL	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	5	283	251	(50)	83
CIERVANA SL	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	53	60	6	54	-
CLUB GOLF HACIENDA EL ALAMO, S.L.	SPAIN	IN LIQUIDATION	-	97.87	97.87	1	2	1	-	1
COMERCIALIZADORA CORPORATIVA SAC	PERU	FINANCIAL SERVICES	-	50.00	50.00	-	1	1	-	-
COMERCIALIZADORA DE SERVICIOS FINANCIEROS, S.A.	COLOMBIA	SERVICES	-	100.00	100.00	4	9	5	3	1
COMPAÑIA CHILENA DE INVERSIONES SL	SPAIN	INVESTMENT COMPANY	100.00	0.03	100.00	221	719	280	(59)	498
COMPASS BANK	UNITED STATES	BANKING	-	100.00	100.00	10,950	84,383	73,398	10,267	718
COMPASS CAPITAL MARKETS, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	7,203	7,203	-	7,116	88
COMPASS GP, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	43	54	10	43	-
COMPASS INSURANCE TRUST	UNITED STATES	INSURANCES SERVICES	-	100.00	100.00	-	-	-	-	-
COMPASS LIMITED PARTNER, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	6,305	6,305	-	6,218	87
COMPASS LOAN HOLDINGS TRS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	72	72	-	71	1

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(**) This company has an equity loan from CARTERA E INVERSIONES S.A., CIA DE.

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Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

			% Legal share of participation			Millions of Euros (*)				
						Affiliate Entity Data				
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 31.12.18	Liabilities 31.12.18	Equity 31.12.18	Profit (Loss) 31.12.18
COMPASS MORTGAGE CORPORATION	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	2,857	2,950	98	2,783	69
COMPASS MORTGAGE FINANCING, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
COMPASS SOUTHWEST, LP	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	5,213	5,229	5	5,151	73
COMPASS TEXAS MORTGAGE FINANCING, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
CONSOLIDAR A.F.J.P SA	ARGENTINA	IN LIQUIDATION	46.00	53.89	100.00	1	2	1	2	-
CONTENTS AREA, S.L.	SPAIN	SERVICES	-	100.00	100.00	6	8	1	6	1
CONTINENTAL BOLSA SDAD. AGENTE DE BOLSA SA	PERU	SECURITIES DEALER	-	100.00	100.00	6	103	98	4	2
CONTINENTAL DPR FINANCE COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	52	52	-	-
CONTINENTAL SOCIEDAD TITULIZADORA SA	PERU	FINANCIAL SERVICES	-	100.00	100.00	1	1	-	1	-
CONTRATACION DE PERSONAL, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	6	11	5	5	1
COPROMED SA DE CV	MEXICO	SERVICES	-	100.00	100.00	-	-	-	-	-
CORPORACION GENERAL FINANCIERA SA	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	510	1,577	-	1,642	(65)
COVAULT, INC	UNITED STATES	SERVICES	-	100.00	100.00	1	1	1	2	(2)
DALLAS CREATION CENTER, INC	UNITED STATES	SERVICES	-	100.00	100.00	4	8	4	-	3
DATA ARCHITECTURE AND TECHNOLOGY S.L.	SPAIN	SERVICES	-	51.00	51.00	-	4	1	2	-
DENIZEN FINANCIAL, INC	UNITED STATES	SERVICES	-	100.00	100.00	-	-	1	3	(3)
DENIZEN GLOBAL FINANCIAL SAU	SPAIN	PAYMENT ENTITIE	100.00	-	100.00	2	4	1	4	(1)
DEUTSCHE BANK MEXICO SA FIDEICOMISO F/1859	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
DEUTSCHE BANK MEXICO SA FIDEICOMISO F/1860	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
DISTRITO CASTELLANA NORTE, S.A.	SPAIN	REAL ESTATE	-	75.54	75.54	98	147	20	133	(5)
ECASA, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	25	30	4	14	11
EL ENCINAR METROPOLITANO, S.A.	SPAIN	REAL ESTATE	-	99.05	99.05	6	6	-	6	-
EL MILANILLO, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	7	13	6	9	(3)
EMPRENDIMIENTOS DE VALOR S.A.	URUGUAY	FINANCIAL SERVICES	-	100.00	100.00	3	6	3	3	-
ENTIDAD DE PROMOCION DE NEGOCIOS SA	SPAIN	HOLDING	-	99.88	99.88	15	17	-	17	-
ENTRE2 SERVICIOS FINANCIEROS E.F.C SA	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	9	9	-	9	-
ESPAIS SABADELL PROMOCIONS INMOBILIARIES, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	6	8	-	8	-
EUROPEA DE TITULIZACION SA SGFT .	SPAIN	FINANCIAL SERVICES	88.24	-	88.24	2	34	2	28	4
EXPANSION INTERCOMARCAL SL	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	16	17	-	16	-
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON DERECHO DE REVERSION	MEXICO	REAL ESTATE	-	42.40	42.40	-	1	-	1	-
F/253863 EL DESEO RESIDENCIAL	MEXICO	REAL ESTATE	-	65.00	65.00	-	1	-	1	-
F/403035-9 BBVA HORIZONTES RESIDENCIAL	MEXICO	REAL ESTATE	-	65.00	65.00	-	-	-	-	-
FIDEICOMISO 28991-8 TRADING EN LOS MCADOS FINANCIEROS	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	2	2	-	2	-
FIDEICOMISO F/29764-8 SOCIO LIQUIDADOR DE OPERACIONES FINANCIERAS DERIVADAS	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	46	46	-	41	6
FIDEICOMISO F/403112-6 DE ADMINISTRACION DOS LAGOS	MEXICO	REAL ESTATE	-	100.00	100.00	-	-	-	-	-
FIDEICOMISO HARES BBVA BANCOMER F/ 47997-2	MEXICO	REAL ESTATE	-	100.00	100.00	4	8	5	4	-
FIDEICOMISO LOTE 6.1 ZARAGOZA	COLOMBIA	REAL ESTATE	-	59.99	59.99	-	2	-	2	-
FIDEICOMISO N.989 EN THE BANK OF NEW YORK MELLON SA INSTITUCION DE BANCA MULTIPLE FIDUCIARIO (FIDEIC.00989 6 EMISION)	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	79	79	(3)	3

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Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

			% Legal share of participation			Millions of Euros (*)				
						Affiliate Entity Data				
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 31.12.18	Liabilities 31.12.18	Equity 31.12.18	Profit (Loss) 31.12.18
FIDEICOMISO Nº 711 EN BANCO INVEX SA INSTITUCION DE BANCA MULTIPLE INVEX GRUPO FINANCIERO FIDUCIARIO (FIDEIC. INVEX 1ª EMISION)	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	13	14	(1)	-
FIDEICOMISO Nº 752 EN BANCO INVEX SA INSTITUCION DE BANCA MULTIPLE INVEX GRUPO FINANCIERO FIDUCIARIO (FIDEIC. INVEX 2ª EMISION)	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	7	7	-	-
FIDEICOMISO Nº 847 EN BANCO INVEX SA INSTITUCION DE BANCA MULTIPLE INVEX GRUPO FINANCIERO FIDUCIARIO (FIDEIC. INVEX 4ª EMISION)	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	39	38	-	1
FIDEICOMISO SCOTIABANK INVERLAT S A F100322908	MEXICO	REAL ESTATE	-	100.00	100.00	7	13	6	6	1
FINANCEIRA DO COMERCIO EXTERIOR SAR.	PORTUGAL	INACTIVE	100.00	-	100.00	-	-	-	-	-
FINANCIERA AYUDAMOS S.A. DE C.V., SOFOMER	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	11	12	1	16	(6)
FOMENTO Y DESARROLLO DE CONJUNTOS RESIDENCIALES S.L.	SPAIN	IN LIQUIDATION	-	60.00	60.00	-	-	-	-	-
FORUM COMERCIALIZADORA DEL PERU SA	PERU	SERVICES	-	100.00	100.00	2	1	-	1	-
FORUM DISTRIBUIDORA DEL PERU SA	PERU	FINANCIAL SERVICES	-	100.00	100.00	5	46	41	5	-
FORUM DISTRIBUIDORA, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	39	373	336	32	5
FORUM SERVICIOS FINANCIEROS, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	244	3,014	2,785	161	68
FUTURO FAMILIAR, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	4	3	1	-
G NETHERLANDS BV	NETHERLANDS	INVESTMENT COMPANY	-	100.00	100.00	340	348	50	299	(1)
GARANTI BANK SA	ROMANIA	BANKING	-	100.00	100.00	269	2,216	1,930	258	28
GARANTI BILISIM TEKNOLOJISI VE TIC TAS	TURKEY	SERVICES	-	100.00	100.00	13	17	4	12	2
GARANTI DIVERSIFIED PAYMENT RIGHTS FINANCE COMPANY	CAIMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	3,316	3,321	(3)	(3)
GARANTI EMEKLILIK VE HAYAT AS	TURKEY	INSURANCES SERVICES	-	84.91	84.91	126	266	120	67	79
GARANTI FACTORING HIZMETLERI AS	TURKEY	FINANCIAL SERVICES	-	81.84	81.84	19	399	376	29	(6)
GARANTI FILO SIGORTA ARACILIK HIZMETLERI A.S.	TURKEY	INSURANCES SERVICES	-	100.00	100.00	-	1	-	-	-
GARANTI FILO YONETIM HIZMETLERI A.S.	TURKEY	OTHER HOLDING	-	100.00	100.00	2	302	301	-	1
GARANTI FINANSAL KIRALAMA AS	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	149	995	846	133	16
GARANTI HIZMET YONETIMI AS	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	-	1	-	1	-
GARANTI HOLDING BV	NETHERLANDS	INVESTMENT COMPANY	-	100.00	100.00	228	340	-	340	-
GARANTI KONUT FINANSMANI DANISMANLIK HIZMETLERI AS (GARANTI MORTGAGE)	TURKEY	SERVICES	-	100.00	100.00	-	1	-	-	-
GARANTI KULTUR AS	TURKEY	SERVICES	-	100.00	100.00	-	-	-	-	-
GARANTI ODEME SISTEMLERI AS (GOSAS)	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	-	6	3	3	1
GARANTI PORTFOY YONETIMI AS	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	16	19	2	11	5
GARANTI YATIRIM MENKUL KIYMETLER AS	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	29	56	27	19	11
GARANTI YATIRIM ORTAKLIGI AS	TURKEY	INVESTMENT COMPANY	-	3.61	95.49	-	6	-	6	-
GARANTIBANK INTERNATIONAL NV	NETHERLANDS	BANKING	-	100.00	100.00	578	4,278	3,703	560	14
GARRAF MEDITERRANIA, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	2	2	1	2	-
GESCAT GESTIO DE SOL SL	SPAIN	REAL ESTATE	100.00	-	100.00	8	20	8	14	(2)
GESCAT LLEVANT, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	3	5	2	2	1
GESCAT LLOGUERS SL	SPAIN	REAL ESTATE	100.00	-	100.00	3	4	-	3	-
GESCAT POLSKA SP ZOO	POLAND	REAL ESTATE	100.00	-	100.00	10	10	-	9	1
GESCAT SINEVA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	6	6	-	6	-
GESCAT VIVENDES EN COMERCIALITZACIO SL	SPAIN	REAL ESTATE	100.00	-	100.00	93	107	14	98	(6)
GESTION DE PREVISION Y PENSIONES SA	SPAIN	PENSION FUNDS MANAGEMENT	60.00	-	60.00	9	28	1	21	6
GESTION Y ADMINISTRACION DE RECIBOS, S.A. - GARSA	SPAIN	SERVICES	-	100.00	100.00	1	2	-	2	-
GRAN JORGE JUAN SA	SPAIN	REAL ESTATE	100.00	-	100.00	409	966	558	395	14

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Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

			% Legal share of participation			Millions of Euros (*)				
						Affiliate Entity Data				
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GRUPO FINANCIERO BBVA BANCOMER SA DE CV	MEXICO	FINANCIAL SERVICES	99.98	-	99.98	6,678	9,642	-	7,323	2,318
GUARANTY BUSINESS CREDIT CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	32	32	-	32	-
GUARANTY PLUS HOLDING COMPANY	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	-	-	-	-	-
HABITATGES FINVER, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	1	2	-	1	-
HABITATGES JUVIPRO, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	1	1	-	1	-
HOLAMUNO AGENTE DE SEGUROS VINCULADO, S.L.U.(**)	SPAIN	INSURANCES SERVICES	-	100.00	100.00	-	2	4	(1)	(2)
HOLVI DEUTSCHLAND SERVICE GMBH	GERMANY	SERVICES	-	100.00	100.00	-	-	-	-	-
HOLVI PAYMENT SERVICE OY	FINLAND	FINANCIAL SERVICES	-	100.00	100.00	32	5	2	12	(9)
HUMAN RESOURCES PROVIDER, INC	UNITED STATES	SERVICES	-	100.00	100.00	404	404	-	398	6
HUMAN RESOURCES SUPPORT, INC	UNITED STATES	SERVICES	-	100.00	100.00	399	399	-	393	6
INMESP DESARROLLADORA, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	26	34	9	25	-
INMUEBLES Y RECUPERACIONES CONTINENTAL SA	PERU	REAL ESTATE	-	100.00	100.00	40	41	1	39	1
INPAU, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	25	25	-	25	-
INVERAHORRO SL	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	101	103	-	105	(3)
INVERPRO DESENVOLUPAMENT, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	4	10	2	4	3
INVERSIONES ALDAMA, C.A.	VENEZUELA	IN LIQUIDATION	-	100.00	100.00	-	-	-	-	-
INVERSIONES BANPRO INTERNATIONAL INC NV	CURAÇAO	INVESTMENT COMPANY	48.00	-	48.01	16	52	2	45	5
INVERSIONES BAPROBA CA	VENEZUELA	FINANCIAL SERVICES	100.00	-	100.00	1	1	-	-	1
INVERSIONES DE INNOVACION EN SERVICIOS FINANCIEROS, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	40	41	1	40	-
INVERSIONES P.H.R.4, C.A.	VENEZUELA	INACTIVE	-	60.46	60.46	-	-	-	-	-
IRIDION SOLUCIONS IMMOBILIARIES SL	SPAIN	REAL ESTATE	100.00	-	100.00	2	3	1	2	-
JALE PROCAM, S.L.	SPAIN	IN LIQUIDATION	-	50.00	50.00	-	3	56	(49)	(4)
L'EIX IMMOBLES, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	2	9	7	2	-
LIQUIDITY ADVISORS LP	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1,116	1,124	2	1,108	14
MADIVA SOLUCIONES, S.L.	SPAIN	SERVICES	-	100.00	100.00	9	3	1	2	1
MICRO SPINAL LLC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
MISAPRE, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	2	2	-	2	-
MOMENTUM SOCIAL INVESTMENT HOLDING, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	7	7	-	7	-
MOTORACTIVE IFN SA	ROMANIA	FINANCIAL SERVICES	-	100.00	100.00	37	185	158	23	3
MOTORACTIVE MULTISERVICES SRL	ROMANIA	SERVICES	-	100.00	100.00	-	16	14	1	1
MULTIASISTENCIA OPERADORA S.A. DE C.V.	#N/A	INSURANCES SERVICES	-	100.00	100.00	-	1	1	-	-
MULTIASISTENCIA SERVICIOS S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	-	1	-	-	-
MULTIASISTENCIA, S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	22	35	13	15	6
NEWCO PERU SAC	PERU	INVESTMENT COMPANY	100.00	-	100.00	124	1,005	-	829	176
NOIDIRI SL	SPAIN	REAL ESTATE	100.00	-	100.00	-	-	-	-	-
NOVA TERRASSA 3, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	6	6	-	6	-
OPCION VOLCAN, S.A.	MEXICO	REAL ESTATE	-	100.00	100.00	19	23	4	20	-
OPENPAY S.A.P.I DE C.V.	MEXICO	PAYMENT ENTITIES	-	100.00	100.00	15	2	1	1	-
OPENPAY SERVICIOS S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	-	-	-	-
OPERADORA DOS LAGOS S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	2	1	1	-

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(**) These companies have an equity loan from BILBAO VIZCAYA HOLDING, S.A.

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OPPLUS OPERACIONES Y SERVICIOS SA	SPAIN	SERVICES	100.00	-	100.00	1	41	11	24	6
OPPLUS SAC	PERU	IN LIQUIDATION	-	100.00	100.00	1	1	-	1	-
P.I. HOLDINGS NO. 3, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1	1	-	1	-
PARCSUD PLANNER, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	1	4	2	1	-
PECRI INVERSION SA	SPAIN	OTHER INVESTMENT COMPANIES	100.00	-	100.00	163	164	-	148	15
PENSIONES BBVA BANCOMER, S.A. DE C.V., GRUPO FINANCIERO BBVA BANCOMER	MEXICO	INSURANCES SERVICES	-	100.00	100.00	185	4,629	4,449	140	41
PERSONAL DATA BANK SLU	SPAIN	SERVICES	-	100.00	100.00	-	-	-	-	-
PHOENIX LOAN HOLDINGS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	339	361	20	336	5
PI HOLDINGS NO. 1, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	83	83	-	83	-
PORTICO PROCAM, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	26	26	-	25	-
PROMOCIONES Y CONSTRUCCIONES CERBAT, S.L.U.	SPAIN	REAL ESTATE	-	100.00	100.00	8	8	-	8	-
PROMOTORA DEL VALLES, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	39	101	65	49	(13)
PROMOU CT 3AG DELTA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	1	10	9	1	-
PROMOU CT EIX MACIA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	4	5	-	5	-
PROMOU CT GEBIRA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	2	8	6	1	1
PROMOU CT OPENSEGRE, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	5	29	22	6	1
PROMOU CT VALLES, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	2	8	6	2	-
PROMOU GLOBAL, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	18	45	28	7	11
PRONORTE UNO PROCAM, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	-	5	4	-	-
PROPEL VENTURE PARTNERS GLOBAL, S.L	SPAIN	FINANCIAL SERVICES	-	99.50	99.50	31	64	20	33	10
PROPEL VENTURE PARTNERS US FUND I, L.P.	UNITED STATES	VENTURE CAPITAL	-	100.00	100.00	71	71	-	70	-
PRO-SALUD, C.A.	VENEZUELA	INACTIVE	-	58.86	58.86	-	-	-	-	-
PROVINCIAL DE VALORES CASA DE BOLSA CA	VENEZUELA	SECURITIES DEALER	-	90.00	90.00	1	2	1	-	1
PROVINCIAL SDAD.ADMIN.DE ENTIDADES DE INV.COLECTIVA CA	VENEZUELA	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
PROV-INFI-ARRAHONA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	6	9	3	4	2
PROVIVIENDA ENTIDAD RECAUDADORA Y ADMIN.DE APORTES, S.A.	BOLIVIA	PENSION FUNDS MANAGEMENT	-	100.00	100.00	2	8	7	2	-
PUERTO CIUDAD LAS PALMAS, S.A. (**)	SPAIN	REAL ESTATE	-	96.64	96.64	-	21	45	(18)	(6)
QIPRO SOLUCIONES S.L.	SPAIN	SERVICES	-	100.00	100.00	5	15	3	10	2
RALFI IFN SA	ROMANIA	FINANCIAL SERVICES	-	100.00	100.00	39	126	109	15	2
RENTRUCKS ALQUILER Y SERVICIOS DE TRANSPORTE SA	SPAIN	INACTIVE	100.00	-	100.00	1	1	-	2	(1)
RESIDENCIAL CUMBRES DE SANTA FE, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	3	3	-	2	-
RPV COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	1,324	1,324	-	-
RWHC, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	742	739	-	725	14
SAGE OG I, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
SATICEM GESTIO SL	SPAIN	REAL ESTATE	100.00	-	100.00	4	4	-	4	-
SATICEM HOLDING SL	SPAIN	REAL ESTATE	100.00	-	100.00	5	6	-	5	-
SATICEM IMMOBILIARIA SL	SPAIN	REAL ESTATE	100.00	-	100.00	15	15	-	15	-
SATICEM IMMOBLES EN ARRENDAMENT SL	SPAIN	REAL ESTATE	100.00	-	100.00	2	2	-	2	-
SEGUROS BBVA BANCOMER SA DE CV GRUPO FINANCIERO BBVA BANCOMER	MEXICO	INSURANCES SERVICES	-	100.00	100.00	335	4,199	3,865	124	210
SEGUROS PROVINCIAL CA	VENEZUELA	INSURANCES SERVICES	-	100.00	100.00	7	7	7	-	-

(*) Information on foreign companies at exchange rate on December 31, 2018
(**) These companies have an equity loan from CATALUNYA CAIXA INMOBILIARIA, S.A

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Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

			% Legal share of participation			Millions of Euros (*)				
						Affiliate Entity Data				
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 31.12.18	Liabilities 31.12.18	Equity 31.12.18	Profit (Loss) 31.12.18
SERVICIOS CORPORATIVOS BANCOMER, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	5	6	2	5	-
SERVICIOS CORPORATIVOS DE SEGUROS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	3	17	14	2	-
SERVICIOS EXTERNOS DE APOYO EMPRESARIAL, S.A DE C.V.	MEXICO	SERVICES	-	100.00	100.00	10	26	15	8	2
SERVICIOS TECNOLOGICOS SINGULARES, S.A.	SPAIN	SERVICES	-	100.00	100.00	-	1	1	-	-
SIMPLE FINANCE TECHNOLOGY CORP.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	50	59	9	80	(30)
SOCIEDAD DE ESTUDIOS Y ANALISIS FINANCIERO SA	SPAIN	SERVICES	100.00	-	100.00	79	83	8	81	(5)
SOCIEDAD GESTORA DEL FONDO PUBLICO DE REGULACION DEL MERCADO HIPOTECARIO SA	SPAIN	PAYMENT INSTITUIONS	77.20	-	77.20	-	-	-	-	-
SPORT CLUB 18 SA (**)	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	10	13	1	13	(1)
TEXAS LOAN SERVICES LP	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1,129	1,130	-	1,112	17
TMF HOLDING INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	15	22	8	14	1
TRIFOI REAL ESTATE SRL	ROMANIA	REAL ESTATE	-	100.00	100.00	1	1	-	1	-
TUCSON LOAN HOLDINGS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	33	35	-	34	1
TURKIYE GARANTI BANKASI AS	TURKEY	BANKING	49.85	-	49.85	5,509	59,390	51,556	6,670	1,163
UNIVERSALIDAD TIPS PESOS E-9	COLOMBIA	FINANCIAL SERVICES	-	100.00	100.00	-	49	20	27	2
UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS SA	SPAIN	REAL ESTATE	100.00	-	100.00	359	1,038	496	500	42
UPTURN FINANCIAL INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1	1	-	2	(1)
URBANIZADORA SANT LLORENC SA	SPAIN	INACTIVE	60.60	-	60.60	-	-	-	-	-
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS S.L.	SPAIN	SERVICES	-	51.00	51.00	-	3	2	-	-

(*) Information on foreign companies at exchange rate on December 31, 2018
(**) This company has an equity loan from BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

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APPENDIX II Additional information on investments joint ventures and associates in the BBVA Group

Acquisitions or increases of interest ownership in consolidated subsidiaries

			% Legal share of participation			Millions of Euros (**)				
						Affiliate Entity Data				
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 31.12.18	Liabilities 31.12.18	Equity 31.12.18	Profit (Loss) 31.12.18
ASSOCIATES										
ADQUIRA ESPAÑA, S.A.	SPAIN	COMMERCIAL	-	40.00	40.00	3	18	11	7	1
ATOM BANK PLC	UNITED KINGDOM	BANKING	39.06	-	39.06	138	3,078	2,796	330	(48)
AUREA, S.A. (CUBA)	CUBA	REAL ESTATE	-	49.00	49.00	5	10	1	9	1
BANK OF HANGZHOU CONSUMER FINANCE CO LTD	CHINA	BANKING	30.00	-	30.00	18	753	693	58	3
CANCUN SUN & GOLF COUNTRY CLUB, S.A.P.I. DE C.V.	MEXICO	REAL ESTATE	-	33.33	33.33	27	75	22	52	1
COMPAÑIA ESPAÑOLA DE FINANCIACION DEL DESARROLLO SA	SPAIN	PUBLIC INSTITUTIONS	16.67	-	16.67	22	138	6	124	9
COMPAÑIA PERUANA DE MEDIOS DE PAGO SAC (VISANET PERU)	PERU	ELECTRONIC MONEY ENTITIES	-	20.96	20.96	2	49	37	4	8
DIVARIAN PROPIEDAD, S.A.U.	SPAIN	REAL ESTATE	-	-	20.00	591	3,014	57	2,936	20
FIDEICOMISO F/00185 FIMPE - FIDEICOMISO F/00185 PARA EXTENDER A LA SOCIEDAD LOS BENEFICIOS DEL ACCESO A LA INFRAESTRUCTURA DE LOS MEDIOS DE PAGO ELECTRONICOS	MEXICO	FINANCIAL SERVICES	-	28.50	28.50	3	12	-	12	-
METROVACESA SA	SPAIN	REAL ESTATE	9.44	11.41	20.85	508	2,577	184	2,402	(9)
REDSYS SERVICIOS DE PROCESAMIENTO SL	SPAIN	FINANCIAL SERVICES	20.00	-	20.00	12	121	60	51	11
ROMBO COMPAÑIA FINANCIERA SA	ARGENTINA	BANKING	-	40.00	40.00	12	209	179	31	(2)
SERVICIOS ELECTRONICOS GLOBALES SA DE CV	MEXICO	SERVICES	-	46.14	46.14	9	18	-	17	1
SERVIRED SOCIEDAD ESPAÑOLA DE MEDIOS DE PAGO SA	SPAIN	FINANCIAL SERVICES	28.72	-	28.72	9	38	8	27	3
SOLARISBANK AG	GERMANY	BANKING	-	18.76	18.76	37	212	158	56	(2)
TELEFONICA FACTORING ESPAÑA SA	SPAIN	FINANCIAL ASSETS	30.00	-	30.00	4	59	46	7	6
TF PERU SAC	PERU	FINANCIAL ASSETS	-	24.30	24.30	1	5	1	3	2
JOINT VENTURES (*)										
ADQUIRA MEXICO SA DE CV	MEXICO	COMMERCIAL	-	50.00	50.00	2	5	2	3	-
ALTURA MARKETS SOCIEDAD DE VALORES SA	SPAIN	SECURITIES DEALER	50.00	-	50.00	69	2,711	2,574	127	10
COMPAÑIA MEXICANA DE PROCESAMIENTO SA DE CV	MEXICO	SERVICES	-	50.00	50.00	7	15	-	14	1
CORPORACION IBV PARTICIPACIONES EMPRESARIALES, S.A.	SPAIN	INVESTMENT COMPANY	-	50.00	50.00	29	63	5	58	-
DESARROLLOS METROPOLITANOS DEL SUR, S.L.	SPAIN	REAL ESTATE	-	50.00	50.00	13	77	52	25	1
FIDEICOMISO F/402770-2 ALAMAR	MEXICO	REAL ESTATE	-	42.40	42.40	7	17	-	17	-
FIDEICOMISO 1729 INVEX ENAJENACION DE CARTERA	MEXICO	REAL ESTATE	-	32.25	32.25	55	171	-	171	-
INVERSIONES PLATCO CA	VENEZUELA	FINANCIAL SERVICES	-	50.00	50.00	1	2	-	4	(2)
PROMOCIONS TERRES CAVADES, S.A.	SPAIN	REAL ESTATE	-	39.11	39.11	4	15	-	15	-
PSA FINANCE ARGENTINA COMPAÑIA FINANCIERA SA	ARGENTINA	BANKING	-	50.00	50.00	10	96	76	22	(2)
RCI COLOMBIA SA COMPAÑIA DE FINANCIAMIENTO	COLOMBIA	FINANCIAL SERVICES	-	49.00	49.00	32	379	314	61	5
REAL ESTATE DEAL II SA	SPAIN	IN LIQUIDATION	20.06	-	20.06	4	20	-	18	2
VITAMEDICA ADMINISTRADORA, S.A. DE C.V	MEXICO	SERVICES	-	51.00	51.00	5	16	8	6	2
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA SA	ARGENTINA	BANKING	-	51.00	51.00	15	195	166	34	(5)

(*) Joint ventures incorporated by the equity method.
(**) In foreign companies the exchange rate of December 31, 2018 is applied.

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APPENDIX III Changes and notification of participations in the BBVA Group in 2018

Acquisitions or Increases of Interest Ownership in Consolidated Subsidiaries

			Millions of Euros		% of Voting Rights			
Company	**Type of Transaction**	**Activity**	**Price Paid in the Transactions + Expenses directly attributable to the Transactions**	**Fair Value of Equity Instruments issued for the Transactions**	**% Participation (net) Acquired in the Year**	**Total Voting Rights Controlled after the Transactions**	**Effective Date for the Transaction (or Notification Date)**	**Category**
ENTIDAD DE PROMOCION DE NEGOCIOS SA	ACQUISITION	RENT HOLDING	-	-	0.02%	99.88%	10-May-18	SUBSIDIARY
BBVA BROKER SA	ACQUISITION	INSURANCES SERVICES	-	-	4.99%	99.99%	01-Oct-18	SUBSIDIARY
BBVA HOLDING CHILE SA	FOUNDING AND SPLIT	INVESTMENT COMPANY	-	-	100.00%	100.00%	23-Jan-18	SUBSIDIARY
HOLVI DEUTSCHLAND SERVICE GMBH	FOUNDING	SERVICES	-	-	100.00%	100.00%	01-May-18	SUBSIDIARY
PERSONAL DATA BANK SLU	FOUNDING	SERVICES	-	-	100.00%	100.00%	01-Jun-18	SUBSIDIARY
DOMICILIA TREBOLBLUE SA	FOUNDING	HOLDING ENT.	-	-	100.00%	100.00%	03-Jul-18	SUBSIDIARY
ONUTPEN 2018 SL	FOUNDING	INVESTMENT COMPANY	-	-	100.00%	100.00%	21-Aug-18	SUBSIDIARY
GARANTI YATIRIM ORTAKLIGI AS	CAPITAL INCREASE	INVESTMENT COMPANY	-	-	0.31%	95.49%	01-Dec-18	SUBSIDIARY

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Changes and notification of participations in the BBVA Group in 2018 (continued)

Disposals or Reduction of Interest Ownership in Consolidated Subsidiaries

			Millions of Euros		% of Voting Rights			
Company	Type of Transaction	Activity	Profit (Loss) in the Transaction	Changes in the Equity due to the transaction	% Participation Sold in the Year	Total Voting Rights Controlled after the Disposal	Effective Date for the Transaction (or Notification Date)	Category
BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL) SA	MERGER	BANKING	-	-	100.00%	-	1-Oct-18	SUBSIDIARY
PROMOCION EMPRESARIAL XX SA	MERGER	INVESTMENT COMPANY	-	-	100.00%	-	17-Dec-18	SUBSIDIARY
BBVA RENTING, S.A.	MERGER	FINANCIAL SERVICES	-	-	100.00%	-	2-Jul-18	SUBSIDIARY
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.	DISPOSAL	BANKING	-	-	68.19%	-	6-Jul-18	SUBSIDIARY
BBVA CORREDORES DE BOLSA LIMITADA	DISPOSAL	SECURITIES DEALER	-	-	100.00%	-	6-Jul-18	SUBSIDIARY
BBVA SOCIEDAD DE LEASING INMOBILIARIO, S.A.	DISPOSAL	FINANCIAL SERVICES	-	-	97.49%	-	6-Jul-18	SUBSIDIARY
BBVA ASESORIAS FINANCIERAS, S.A.	DISPOSAL	FINANCIAL SERVICES	-	-	100.00%	-	6-Jul-18	SUBSIDIARY
BBVA ASSET MANAGEMENT ADMINISTRADORA GENERAL DE FONDOS S.A.	DISPOSAL	FINANCIAL SERVICES	-	-	100.00%	-	6-Jul-18	SUBSIDIARY
BBVA FACTORING LIMITADA (CHILE)	DISPOSAL	FINANCIAL SERVICES	-	-	100.00%	-	6-Jul-18	SUBSIDIARY
BBVA CORREDORA TECNICA DE SEGUROS LIMITADA	DISPOSAL	INSURANCES SERVICES	-	-	100.00%	-	6-Jul-18	SUBSIDIARY
BANCOMER FINANCIAL SERVICES INC.	MERGER	FINANCIAL SERVICES	-	-	100.00%	-	6-Dec-18	SUBSIDIARY
APLICA TECNOLOGIA AVANZADA OPERADORA, S.A. DE C.V.	DISPOSAL	SERVICES	(8)	-	100.00%	-	18-Jul-18	SUBSIDIARY
APLICA TECNOLOGIA AVANZADA SERVICIOS, S.A. DE C.V.	DISPOSAL	SERVICES	-	-	100.00%	-	18-Jul-18	SUBSIDIARY
BBVA SUBORDINATED CAPITAL SOCIEDAD ANONIMA	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	18-Dec-18	SUBSIDIARY
BBVA SENIOR FINANCE SAU	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	18-Dec-18	SUBSIDIARY
BBVA INMOBILIARIA E INVERSIONES, S.A.	DISPOSAL	REAL ESTATE	3	-	68.11%	-	6-Jul-18	SUBSIDIARY
HOMEOWNERS LOAN CORPORATION	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	1-Dec-18	SUBSIDIARY
BBVA RENTAS E INVERSIONES LIMITADA	MERGER	INVESTMENT COMPANY	-	-	100.00%	-	30-Apr-18	SUBSIDIARY
BBVA SERVICIOS CORPORATIVOS LIMITADA	DISPOSAL	SERVICES	-	-	100.00%	-	6-Jul-18	SUBSIDIARY
DIVARIAN DESARROLLOS INMOBILIARIOS, S.L.U	DISPOSAL	REAL ESTATE	-	-	100.00%	-	10-Oct-18	SUBSIDIARY
BBVA INVERSIONES CHILE, S.A.	DISPOSAL	INVESTMENT COMPANY	863	-	100.00%	-	6-Jul-18	SUBSIDIARY
BBVA SEGUROS DE VIDA, S.A.	DISPOSAL	SERVICES	-	-	100.00%	-	6-Jul-18	SUBSIDIARY
GUARANTY PLUS PROPERTIES, INC-1	MERGER	FINANCIAL SERVICES	-	-	100.00%	-	31-Dec-18	SUBSIDIARY
GUARANTY PLUS PROPERTIES LLC-2	LIQUIDATION	FINANCIAL SERVICES	(1)	-	100.00%	-	1-Aug-18	SUBSIDIARY
4D INTERNET SOLUTIONS, INC	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	18-Dec-18	SUBSIDIARY

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Changes and notification of participations in the BBVA Group in 2018 (continued)

Disposals or Reduction of Interest Ownership in Consolidated Subsidiaries

			Millions of Euros		% of Voting Rights			
Company	Type of Transaction	Activity	Profit (Loss) in the Transaction	Changes in the Equity due to the transaction	% Participation Sold in the Year	Total Voting Rights Controlled after the Disposal	Effective Date for the Transaction (or Notification Date)	Category
PARTICIPACIONES ARENAL, S.L.	LIQUIDATION	INVESTMENT COMPANY	-	-	100.00%	0.00%	7-Aug-18	SUBSIDIARY
CAIXASABADELL TINELIA, S.L.	MERGER	INVESTMENT COMPANY	-	-	100.00%	0.00%	18-Jul-18	SUBSIDIARY
HABITATGES INVERVIC, S.L.	LIQUIDATION	REAL ESTATE	-	-	35.00%	0.00%	22-Feb-18	SUBSIDIARY
PROCAMVASA, S.A.	LIQUIDATION	REAL ESTATE	-	-	51.00%	0.00%	4-May-18	SUBSIDIARY
CATALUNYACAIXA ASSEGURANCES GENERALS, S.A.	MERGER	INSURANCES SERVICES	-	-	100.00%	0.00%	23-Jan-18	SUBSIDIARY
VOLJA LUX, SARL	LIQUIDATION	INVESTMENT COMPANY	-	-	71.78%	0.00%	29-Jan-19	SUBSIDIARY
CX PROPIETAT, FII	LIQUIDATION	REAL ESTATE INVESTMENT	-	-	94.96%	0.00%	30-Jun-18	SUBSIDIARY
VOLJA PLUS SL	LIQUIDATION	INVESTMENT COMPANY	-	-	75.40%	0.00%	1-Oct-18	SUBSIDIARY
UNITARIA GESTION DE PATRIMONIOS INMOBILIARIOS SA	LIQUIDATION	REAL ESTATE	-	-	100.00%	0.00%	20-Dec-18	SUBSIDIARY
SCALDIS FINANCE, S.A.	LIQUIDATION	INVESTMENT COMPANY	-	-	100.00%	0.00%	1-Apr-18	SUBSIDIARY
ONUTPEN 2018 SL	DISPOSAL	INVESTMENT COMPANY	-	-	100.00%	0.00%	31-Oct-18	SUBSIDIARY
DOMICILIA TREBOLBLUE SA	MERGER	OTHER HOLDING	-	-	100.00%	0.00%	19-Dec-18	SUBSIDIARY

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Changes and notification of participations in the BBVA Group in 2018 (continued)

Business Combinations and Other Acquisitions or Increases of Interest Ownership in Associates and Joint-Ventures Accounted for Under the Equity Method

			Millions of Euros		% of Voting Rights			
Company	Type of Transaction	Activity	Price Paid in the Transactions + Expenses Directly Attributable to the Transactions	Fair Value of Equity Instruments Issued for the Transactions	% Participation (Net) Acquired in the Year	Total Voting Rights Controlled After the Transactions	Effective Date for the Transaction (or Notification Date)	Category
LEVENT YAPILANDIRMA YONETIMI AS	FOUNDING	SERVICES	-	-	22.13%	22.13%	14-Dec-18	ASSOCIATED
ATOM BANK PLC	INCREASE TO WHICH OTHER MEMERS DO NOT ASSIST	BANKING	99	-	9.16%	39.06%	01-May-18	ASSOCIATED
SR2 SOCIEDAD DE MEDIOS DE PAGO S.A.	FOUNDING AND SPLIT	PAYMENT ENTITIES	1	-	28.72%	28.72%	01-Jan-18	ASSOCIATED
SOCIEDADE ALTITUDE SOFTWARE-SISTEMA E SERCIÇOS SA	FOUNDING	SERVICES	-	-	31.55%	31.55%	02-Apr-18	JOINT VENTURE
SISTEMAS DE TARJETAS Y MEDIOS DE PAGO SA	FOUNDING	PAYMENT ENTITIES	-	-	18.11%	18.11%	30-Apr-18	ASSOCIATED
SOLARISBANK AG	ACQUISITION	BANKING	38	-	18.76%	18.76%	01-Oct-18	ASSOCIATED
ANTHEMIS BBVA VENTURE PARTNERSHIP LLP	FOUNDING	INVESTMENT COMPANY	-	-	75.00%	75.00%	01-Dec-18	JOINT VENTURE
COMPAÑIA PERUANA DE MEDIOS DE PAGO SAC (VISANET PERU)	CAPITAL INCREASE	ELECTRONIC MONEY ENTITIES	-	-	0.68%	20.96%	01-Aug-18	ASSOCIATED

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Changes and notification of participations in the BBVA Group in 2018 (continued)

Disposal or Reduction of Interest Ownership in Associates and Joint-Ventures Companies Accounted for Under the Equity Method

			Millions of Euros	% of Voting Rights			
Company	Type of Transaction	Activity	Profit (Loss) in the Transaction	% Participation Sold in the Year	Total Voting Rights Controlled after the Disposal	Effective Date for the Transaction (or Notification Date)	Category
FIDEICOMISO F/404180-2 BBVA BANCOMER SERVICIOS GOLF ZIBATA	DISPOSAL	REAL ESTATE	-	30.00%	-	15-Feb-18	JOINT VENTURE
SISTARBANC S.R.L.	DISPOSAL	FINANCIAL SERVICES	-	26.66%	-	13-Sep-18	ASSOCIATE
FIDEICOMISO F 403853- 5 BBVA BANCOMER SERVICIOS ZIBATA	DISPOSAL	REAL ESTATE	22	30.00%	-	15-Feb-18	JOINT VENTURE
OPERADORA ZIBATA S. DE R.L. DE C.V.	DISPOSAL	SERVICES	-	30.00%	-	15-Feb-18	ASSOCIATE
FERROMOVIL 3000, S.L.	DISPOSAL	SERVICES	12	20.00%	-	29-May-18	JOINT VENTURE
FERROMOVIL 9000, S.L.	DISPOSAL	SERVICES	8	20.00%	-	29-May-18	JOINT VENTURE
DIVARIAN PROPIEDAD, S.A.U.	DISPOSAL	REAL ESTATE	-	80.00%	20.00%	10-Oct-18	ASSOCIATE
TELEFONICA FACTORING CHILE, S.A.	DISPOSAL	FINANCIAL SERVICES	-	24.30%	-	06-Jul-18	ASSOCIATE
ALTITUDE SOFTWARE SGPS, S.A.	MERGER	SERVICES	-	31.55%	-	01-Apr-18	JOINT VENTURE
METROVACESA SA	DISPOSAL	REAL ESTATE	2	7.66%	20.85%	06-Feb-18	ASSOCIATE
TESTA RESIDENCIAL SOCIMI SAU	DISPOSAL	REAL ESTATE INVESTMENT TRUST	28	26.87%	-	21-Dec-18	ASSOCIATE
PARQUE RIO RESIDENCIAL, S.L.	DISPOSAL	REAL ESTATE	8	50.00%	-	27-Apr-18	JOINT VENTURE
AVANTESPACIA INMOBILIARIA, S.L.	DISPOSAL	REAL ESTATE	3	30.01%	-	28-Dec-18	JOINT VENTURE
BATEC ORTO DISTRIBUCION S.L.	LIQUIDATION	COMMERCIAL	-	100.00%	-	07-Jun-18	JOINT VENTURE
HABITATGES CIMIPRO, S.L.	LIQUIDATION	REAL ESTATE	-	50.00%	-	12-Mar-18	JOINT VENTURE
SOLARVOLAR, S.L.	LIQUIDATION	REAL ESTATE	-	45.00%	-	08-Feb-18	JOINT VENTURE
PROMOCIONES MIES DEL VALLE, S.L.	DILUTION EFFECT	REAL ESTATE	-	51.00%	-	01-Oct-18	JOINT VENTURE
TEIN CENTRO TECNOLOGICO DEL PLASTICO, S.L.	DILUTION EFFECT	SERVICES	-	40.00%	-	01-Sep-18	JOINT VENTURE
HABITATGES SOCIALS DE CALAF S.L	DISPOSAL	REAL ESTATE	-	40.00%	-	04-Apr-18	JOINT VENTURE
SR2 SOCIEDAD DE MEDIOS DE PAGO S.A.	MERGER	PAYMENT ENTITIES	-	28.72%	-	01-Apr-18	ASSOCIATE

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX IV Fully consolidated subsidiaries with more than 10% owned by non-Group shareholders as of December 31, 2018

		% of Voting Rights Controlled by the Bank		
Company	**Activity**	**Direct**	**Indirect**	**Total**
BBVA BANCO CONTINENTAL SA	BANKING	-	46.12	46.12
BANCO PROVINCIAL SA - BANCO UNIVERSAL	BANKING	1.46	53.75	55.21
INVERSIONES BANPRO INTERNATIONAL INC NV	INVESTMENT COMPANY	48.00	-	48.00
PRO-SALUD, C.A.	NO ACTIVITY	-	58.86	58.86
INVERSIONES P.H.R.4, C.A.	NO ACTIVITY	-	60.46	60.46
COMERCIALIZADORA CORPORATIVA SAC	FINANCIAL SERVICES	-	50.00	50.00
DISTRITO CASTELLANA NORTE, S.A.	REAL ESTATE	-	75.54	75.54
GESTION DE PREVISION Y PENSIONES SA	PENSION FUND MANAGEMENT	60.00	-	60.00
URBANIZADORA SANT LLORENC SA	NO ACTIVITY	60.60	-	60.60
F/403035-9 BBVA HORIZONTES RESIDENCIAL	REAL ESTATE	-	65.00	65.00
F/253863 EL DESEO RESIDENCIAL	REAL ESTATE	-	65.00	65.00
DATA ARCHITECTURE AND TECHNOLOGY S.L.	SERVICES	-	51.00	51.00
FIDEICOMISO LOTE 6.1 ZARAGOZA	REAL ESTATE	-	59.99	59.99
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON DERECHO DE REVERSION	REAL ESTATE	-	42.40	42.40
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS S.L.	SERVICES	-	51.00	51.00
GARANTI EMEKLILIK VE HAYAT AS	INSURANCES	-	84.91	84.91
FOMENTO Y DESARROLLO DE CONJUNTOS RESIDENCIALES S.L.	IN LIQUIDATION	-	60.00	60.00
BBVA INFORMATION TECHNOLOGY ESPAÑA SL	SERVICES	76.00	-	76.00
JALE PROCAM, S.L.	IN LIQUIDATION	-	50.00	50.00

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APPENDIX V BBVA Group's structured entities. Securitization funds

			Millions of Euros	
Securitization Fund (consolidated)	**Company**	**Origination Date**	**Total Securitized Exposures at the Origination Date**	**Total Securitized Exposures as of December 31, 2018 (*)**
AYT CAIXA SABADELL HIPOTECARIO I, FTA	BBVA SA	07/2008	300	80
AYT HIPOTECARIO MIXTO IV, FTA	BBVA SA	06/2005	100	18
AYT HIPOTECARIO MIXTO, FTA	BBVA SA	03/2004	100	13
BBVA CONSUMER AUTO 2018-1	BBVA SA	06/2018	800	746
BBVA CONSUMO 6 FTA	BBVA SA	10/2014	299	54
BBVA CONSUMO 7 FTA	BBVA SA	07/2015	1,450	572
BBVA CONSUMO 8 FT	BBVA SA	07/2016	700	502
BBVA CONSUMO 9 FT	BBVA SA	03/2017	1,375	1,229
BBVA EMPRESAS 4 FTA	BBVA SA	07/2010	1,700	37
BBVA LEASING 1 FTA	BBVA SA	06/2007	2,500	43
BBVA PYME 10 FT	BBVA SA	12/2015	780	201
BBVA RMBS 1 FTA	BBVA SA	02/2007	2,500	1,000
BBVA RMBS 10 FTA	BBVA SA	06/2011	1,600	1,150
BBVA RMBS 11 FTA	BBVA SA	06/2012	1,400	1,006
BBVA RMBS 12 FTA	BBVA SA	12/2013	4,350	3,197
BBVA RMBS 13 FTA	BBVA SA	07/2014	4,100	3,138
BBVA RMBS 14 FTA	BBVA SA	11/2014	700	488
BBVA RMBS 15 FTA	BBVA SA	05/2015	4,000	3,185
BBVA RMBS 16 FT	BBVA SA	05/2016	1,600	1,345
BBVA RMBS 17 FT	BBVA SA	11/2016	1,800	1,576
BBVA RMBS 18 FT	BBVA SA	11/2017	1,800	1,686
BBVA RMBS 2 FTA	BBVA SA	03/2007	5,000	1,858
BBVA RMBS 3 FTA	BBVA SA	07/2007	3,000	1,414
BBVA RMBS 5 FTA	BBVA SA	05/2008	5,000	2,350
BBVA RMBS 9 FTA	BBVA SA	04/2010	1,295	844
BBVA VELA SME 2017-1	BBVA SA	06/2017	3,000	1,321
BBVA VELA SME 2018	BBVA SA	03/2018	1,950	1,387
BBVA-5 FTPYME FTA	BBVA SA	11/2006	1,900	11
BBVA-6 FTPYME FTA	BBVA SA	06/2007	1,500	13
FTA TDA-22 MIXTO	BBVA SA	12/2004	112	24
FTA TDA-27	BBVA SA	12/2006	275	87
FTA TDA-28	BBVA SA	07/2007	250	88
GAT ICO FTVPO 1, F.T.H	BBVA SA	jun.-09	358	84
GC FTGENCAT TARRAGONA 1 FTA	BBVA SA	06/2008	283	23
HIPOCAT 10 FTA	BBVA SA	07/2006	1,500	291
HIPOCAT 11 FTA	BBVA SA	03/2007	1,600	299
HIPOCAT 7 FTA	BBVA SA	06/2004	1,400	221
HIPOCAT 8 FTA	BBVA SA	05/2005	1,500	261
HIPOCAT 9 FTA	BBVA SA	11/2005	1,000	201
TDA 19 FTA	BBVA SA	03/2004	200	25
TDA 20-MIXTO, FTA	BBVA SA	06/2004	100	15
TDA 23 FTA	BBVA SA	03/2005	300	53
TDA TARRAGONA 1 FTA	BBVA SA	12/2007	397	116
VELA CORPORATE 2018-1	BBVA SA	12/2018	1,000	916

			Millions of Euros	
Securitization Fund (not consolidated)	**Company**	**Origination Date**	**Total Securitized Exposures at the Origination Date**	**Total Securitized Exposures as of December 31, 2018 (*)**
FTA TDA-18 MIXTO	BBVA, S.A.	nov.-03	91	12
HIPOCAT 6 FTA	BBVA, S.A.	jul.-03	850	108

(*) Solvency scope.

APPENDIX VI Details of the outstanding subordinated debt and preferred securities issued by the Bank or entities in the Group consolidated as of December 31, 2018, 2017 and 2016

Outstanding as of December 31, 2018, 2017, and 2016 of subordinated issues

		Millions of Euros				
Issuer Entity and Issued Date(*)	**Currency**	**December 2018**	**December 2017**	**December 2016**	**Prevailing Interest Rate as of December 31, 2018**	**Maturity Date**
Issues in Euros						
BBVA, S.A						
February-07	EUR	-	255	255	0.47%	16-Feb-22
March-08	EUR	125	125	125	6.03%	3-Mar-33
July-08	EUR	100	100	100	6.20%	4-Jul-23
February-14	EUR	1,500	1,500	1,500	7.00%	Perpetual
April-14	EUR	1,494	1,494	-	3.50%	11-Apr-24
February-15	EUR	1,500	1,500	1,500	6.75%	Perpetual
April-16	EUR	1,000	1,000	1,000	8.88%	Perpetual
February-17	EUR	1,000	997	-	3.50%	10-Feb-27
February-17	EUR	165	165	-	4.00%	24-Feb-32
May-17	EUR	150	150	-	2.54%	24-May-27
May-17	EUR	500	500	-	5.88%	Perpetual
September-18	EUR	990	-	-	5.87%	Perpetual
Various	EUR	384	386	277		
Subtotal	**EUR**	**8,906**	**8,171**	**4,756**		
BBVA SUBORDINATED CAPITAL, S.A.U. (*)						
October-05	EUR	-	99	99	0.47%	13-Oct-20
April-07	EUR	-	-	68	0.57%	4-Apr-22
May-08	EUR	-	-	50	3.00%	19-May-23
July-08	EUR	-	20	20	6.11%	22-Jul-18
April-14	EUR	-	-	1,500	3.50%	11-Apr-24
Subtotal	**EUR**	**-**	**119**	**1,737**		
Others	EUR	-	-	-		
Total issued in Euros	**EUR**	**8,906**	**8,290**	**6,493**		

(*) The issuances of BBVA Subordinated Capital, S.A.U. are jointly, severally and unconditionally guaranteed by the Bank.

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Outstanding as of December 31, 2018, 2017, and 2016 of subordinated issues (continued)

Issuer Entity and Issued Date	Currency	Millions of Euros			Prevailing Interest Rate as of December 31, 2018	Maturity Date
		December 2018	December 2017	December 2016		
Issues in foreign currency						
BBVA, S.A						
May-13	USD	-	1,251	1,423	9.00%	Perpetual
March-17	USD	105	100	-	5.70%	31-Mar-32
November-17	USD	873	834	-	6.13%	Perpetual
May-18	USD	260	-	-	5.25%	29-May-33
Subtotal	**USD**	**1,238**	**2,185**	**1,423**		
May-17	CHF	18	17	-	1.60%	24-may-27
Subtotal	**CHF**	**18**	**17**	**-**		
BBVA GLOBAL FINANCE, LTD. (*)						
December-95	USD	169	162	189	7.00%	01-Dec--25
Subtotal	**USD**	**169**	**162**	**189**		
BANCO BILBAO VIZCAYA ARGENTARIA, CHILE						
Different issues	CLP	-	574	609		Various
Subtotal	**CLP**	**-**	**574**	**609**		
BBVA BANCOMER, S.A. de C.V.						
May-07	USD	-	-	474	6,01%	17-May-22
April-10	USD	874	831	947	7.25%	22-Apr-20
March-11	USD	1,092	1,039	1,184	6.50%	10-Mar-21
July-12	USD	1,311	1,247	1,421	6.75%	30-Sep-22
November-14	USD	175	166	189	5.35%	12-Nov-29
Jan-18	USD	874	-	-	5.13%	18-Jan-33
Subtotal	**USD**	**4,325**	**3,283**	**4,214**		
BBVA PARAGUAY						
November-14	USD	19	17	19	6.75%	05-Nov-21
November-15	USD	23	21	24	6.70%	22-Nov-22
Subtotal	**USD**	**42**	**38**	**43**		
TEXAS REGIONAL STATUTORY TRUST I						
February-04	USD	-	-	47	3.13%	49,020
Subtotal	**USD**	**-**	**-**	**47**		

(*) The issuances of BBVA Global Finance, Ltd, are guaranteed (secondary liability) by the Bank

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Outstanding as of December 31, 2018, 2017, and 2016 of subordinated issues

Issuer Entity and Issued Date (continued)	Currency	Millions of Euros			Prevailing Interest Rate as of December 31, 2018	Maturity Date
		December 2018	December 2017	December 2016		
STATE NATIONAL CAPITAL TRUST I						
July-03	USD	-	-	14	3.32%	30-Sep-33
Subtotal	**USD**	**-**	**-**	**14**		
STATE NATIONAL STATUTORY TRUST II						
March-04	USD	-	-	9	3.07%	17-Mar-34
Subtotal	**USD**	**-**	**-**	**9**		
TEXASBANC CAPITAL TRUST I						
June-04	USD	-	-	24	2.88%	23-Jul-34
Subtotal	**USD**	**-**	**-**	**24**		
COMPASS BANK						
March-05	USD	199	190	212	5.50%	1-Apr-20
March-06	USD	62	59	65	5.90%	1-Apr-26
September-07	USD	-	-	332	6.40%	1-Oct-17
April-15	USD	611	584	655	3.88%	10-Apr-25
Subtotal	**-**	**872**	**833**	**1,264**		
BBVA COLOMBIA, S.A.						
September-11	COP	-	28	32	8.31%	19-Sep-18
September-11	COP	28	30	33	8.48%	19-Sep-21
September-11	COP	42	44	49	8.72%	19-Sep-26
February-13	COP	53	56	63	7.65%	19-Feb-23
February-13	COP	44	46	52	7.93%	19-Feb-28
November-14	COP	24	25	28	8.53%	26-Nov-26
November-14	COP	43	45	51	8.41%	26-Nov-34
January-00	COP	(9)	-	-		
December-15	COP	(9)	-	-		
Subtotal	**COP**	**215**	**273**	**308**		
April-15	USD	332	313	379	4.88%	21-Apr-25
Subtotal	**USD**	**332**	**313**	**379**		
BANCO CONTINENTAL, S.A.						
September-07	USD	-	-	19	2.16%	24-Sep-17
Subtotal	**USD**	**-**	**-**	**19**		
May-07	PEN	-	-	11	5.85%	7-May-22
May-07	PEN	17	17	19	6.00%	14-May-27
June-07	PEN	20	20	21	3.47%	18-Jun-32
November-07	PEN	18	18	19	3.56%	19-Nov-32
July-08	PEN	16	16	17	3.06%	8-Jul-23
September-08	PEN	17	17	18	3.09%	9-Sep-23
December-08	PEN	10	10	11	4.19%	15-Dec-33
October-13	PEN	40	38	43	6.53%	2-oct.-28
September-14	PEN	252	244	273	5.25%	22-sep.-29
Subtotal	**PEN**	**410**	**395**	**451**		
TURKIYE GARANTI BANKASI A.S						
May-17	USD	652	623	-	6.13%	24-May-27 -
Subtotal	**USD**	**652**	**623**	**-**		
Total issues in foreign currencies(Millions of Euros)		**8,274**	**8,695**	**8,994**		

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Outstanding as of December 31, 2018, 2017, and 2016 of subordinated issues (Millions of euros)

	December 2018		December 2017		December 2016	
Issuer Entity and Issued Date	**Currency**	**Amount Issued**	**Currency**	**Amount Issued**	**Currency**	**Amount Issued**
BBVA S.A						
December 2007	EUR	-	EUR	-	EUR	14
BBVA COLOMBIA SA	-	-	-	-	-	-
December 1993	COP	19	PESO COL	-	PESO COL	-
BBVA PARAGUAY, S.A.	-	-	-	-	-	-
September 2005	-	-	EUR	-	EUR	86
September 2006	-	-	EUR	-	EUR	164
April 2007	-	-	USD	-	USD	569
BBVA International Preferred, S.A.U.	-	-	-	-	-	-
July 2007	GBP	35	GBP	35	GBP	36
Phoenix Loan Holdings Inc.	-	-	-	-	-	-
December 2000	USD	18	USD	18	USD	22
Caixa Terrasa Societat de Participacion	-	-	-	-	-	-
August 2005	EUR	52	EUR	51	EUR	51
Caixasabadell Preferents, S.A.	-	-	-	-	-	-
December 2004	-	-	-	-	EUR	-
July 2006	EUR	56	EUR	56	EUR	53
Others	-	-	-	1	-	1

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APPENDIX VII Consolidated balance sheets held in foreign currency as of December 31, 2018, 2017 and 2016.

December 2018 (Millions of euros)

	USD	Mexican Pesos	Turkish Lira	Other Foreign Currencies	Total Foreign Currencies
Assets					
Cash, cash balances at central banks and other demand deposits	15,184	6,869	476	5,547	28,076
Financial assets held for trading Financial assets	3,133	15,500	366	3,614	22,614
Non- Trading financial assets mandatorily at fair value through profit or loss	650	2,303	3	58	3,014
Loans and receivables	16,566	4,704	3,031	2,931	27,232
Financial assets at amortized cost	101,366	47,550	28,094	34,075	211,085
Investments in entities accounted for using the equity method	5	54	-	267	326
Tangible assets	670	1,964	1,007	850	4,490
Other assets	3,444	2,911	1,361	2,879	10,595
Total	**141,019**	**81,856**	**34,336**	**50,221**	**307,433**
Liabilities					
Financial liabilities held for trading	2,372	13,626	360	1,507	17,864
Financial liabilities at amortized cost	136,307	48,169	20,878	37,342	242,696
Other liabilities	3,874	6,081	750	7,200	17,904
Total	**142,552**	**67,876**	**21,987**	**46,049**	**278,464**

December 2017 (Millions of euros)

	USD	Mexican Pesos	Turkish Lira	Other Foreign Currencies	Total Foreign Currencies
Assets					
Cash, cash balances at central banks and other demand deposits	17,111	4,699	827	4,264	26,902
Financial assets held for trading	2,085	14,961	484	4,583	22,113
Available-for-sale financial assets	14,218	8,051	4,904	3,010	30,183
Loans and receivables	93,069	39,717	32,808	34,488	200,081
Investments in entities accounted for using the equity method	5	124	-	147	276
Tangible assets	659	1,953	1,289	673	4,573
Other assets	7,309	5,041	4,426	18,662	35,438
Total	**134,456**	**74,546**	**44,738**	**65,826**	**319,566**
Liabilities					
Financial liabilities held for trading	935	5,714	506	533	7,688
Financial liabilities at amortized cost	135,546	51,492	27,079	39,062	253,178
Other liabilities	3,907	8,720	1,039	16,593	30,259
Total	**140,387**	**65,926**	**28,623**	**56,188**	**291,124**

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December 2016 (Millions of euros)

	USD	Mexican Pesos	Turkish Lira	Other Foreign Currencies	Total Foreign Currencies
Assets					
Cash, cash balances at central banks and other demand deposits	15,436	4,947	426	4,547	25,357
Financial assets held for trading	5,048	15,541	732	2,695	24,016
Available-for-sale financial assets	18,525	9,458	4,889	5,658	38,530
Loans and receivables	109,167	41,344	34,425	46,629	231,565
Investments in entities accounted for using the equity method	5	135	-	106	247
Tangible assets	788	2,200	1,376	844	5,207
Other assets	4,482	5,214	5,219	4,358	19,273
Total	**153,451**	**78,839**	**47,066**	**64,839**	**344,194**
Liabilities					
Financial liabilities held for trading	3,908	5,957	693	1,426	11,983
Financial liabilities at amortized cost	150,035	53,185	28,467	53,858	285,546
Other liabilities	1,812	8,774	1,418	1,957	123,961
Total	**155,755**	**67,916**	**30,578**	**57,241**	**311,490**

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APPENDIX VIII Consolidated income statements for the first and second half of 2018 and 2017

	Six months ended June 30, 2018	Six months ended December 31, 2018	Six months ended June 30, 2017	Six months ended December 31, 2017
Interest income and other income	14,418	15,413	14,305	14,991
Interest expenses	(5,828)	(6,411)	(5,502)	(6,035)
NET INTEREST INCOME	**8,590**	**9,001**	**8,803**	**8,955**
Dividend income	83	74	212	122
Share of profit or loss of entities accounted for using the equity method	14	(21)	(8)	12
Fee and commission income	3,553	3,579	3,551	3,599
Fee and commission expenses	(1,073)	(1,180)	(1,095)	(1,134)
Net gains (losses) on financial assets and liabilities	130	86	683	302
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss. net	329	378	139	79
Gains or (-) losses on financial assets and liabilities held for trading, net	3	93	-	-
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	107	36	(88)	32
Gains or (-) losses from hedge accounting, net	51	21	(193)	(16)
Exchange differences, net	74	(83)	528	502
Other operating income	554	395	562	877
Other operating expenses	(1,062)	(1,039)	(945)	(1,278)
Income on insurance and reinsurance contracts	1,601	1,348	1,863	1,479
Expenses on insurance and reinsurance contracts	(1,091)	(803)	(1,295)	(977)
GROSS INCOME	**11,865**	**11,882**	**12,718**	**12,552**
Administration costs	(5,297)	(5,197)	(5,599)	(5,513)
Personnel expenses	(3,103)	(3,017)	(3,324)	(3,247)
Other administrative expenses	(2,195)	(2,179)	(2,275)	(2,266)
Depreciation	(599)	(609)	(712)	(675)
Provisions or (-) reversal of provisions	(184)	(189)	(364)	(381)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	(1,606)	(2,375)	(1,941)	(2,862)
NET OPERATING INCOME	**4,179**	**3,512**	**4,102**	**3,120**
Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates	-	-	-	-
Impairment or (-) reversal of impairment on non-financial assets	(0)	(138)	(80)	(284)
Gains (losses) on derecognized of non financial assets and subsidiaries, net	80	-	30	17
Negative goodwill recognized in profit or loss	-	-	-	-
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	29	786	(18)	44
OPERATING PROFIT BEFORE TAX	**4,286**	**4,160**	**4,033**	**2,898**
Tax expense or (-) income related to profit or loss from continuing operation	(1,222)	(1,073)	(1,120)	(1,049)
PROFIT FROM CONTINUING OPERATIONS	**3,063**	**3,088**	**2,914**	**1,848**
Profit from discontinued operations, net	-	-	-	-
PROFIT	**3,063**	**3,088**	**2,914**	**1,848**
Attributable to minority interest [non-controlling interests]	528	299	607	636
Attributable to owners of the parent	2,536	2,788	2,306	1,213

Euros	Six months ended June 30, 2018	Six months ended December 30, 2018	Six months ended June 30, 2017	Six months ended December 30, 2017
EARNINGS PER SHARE	-	-	-	-
Basic earnings per share from continued operations	0.37	0.39	0.33	0.16
Diluted earnings per share from continued operations	0.37	0.39	0.33	0.16
Basic earnings per share from discontinued operations	-	-	-	-
Diluted earnings per share from discontinued operations	-	-	-	-

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX IX. Financial Statements of Banco Bilbao Vizcaya Argentaria, S.A.

ASSETS (Millions of euros)

	December 2018	December 2017(*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**30,922**	**18,503**
FINANCIAL ASSETS HELD FOR TRADING	**75,210**	**50,424**
Derivatives	30,217	36,536
Equity instruments	4,850	6,202
Debt securities	11,453	7,686
Loans and advances to central banks	2,073	-
Loans and advances to credit institutions	14,588	-
Loans and advances to customers	12,029	-
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,726**	
Equity instruments	200	
Debt securities	150	
Loans and advances to central banks	-	
Loans and advances to credit institutions	-	
Loans and advances to customers	1,376	
OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**-**	**648**
Equity instruments	-	-
Debt securities	-	-
Loans and advances to central banks	-	-
Loans and advances to credit institutions	-	-
Loans and advances to customers	-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME	**19,273**	**24,205**
Equity instruments	2,020	2,378
Debt securities	17,253	21,827
FINANCIAL ASSETS AT AMORTIZED COST	**219,127**	**252,586**
Debt securities	19,842	18,856
Loans and advances to central banks	5	28
Loans and advances to credit institutions	5,271	22,105
Loans and advances to customers	194,009	211,597
HEDGING DERIVATIVES	**1,090**	**1,561**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**(21)**	**(25)**
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	**30,734**	**30,795**
Subsidiaries	29,634	30,304
Joint ventures	58	58
Associates	1,042	433
TANGIBLE ASSETS	**1,739**	**1,599**
Property, plants and equipment	1,737	1,587
For own use	1,737	1,587
Other assets leased out under an operating lease	-	-
Investment properties	2	12
INTANGIBLE ASSETS	**898**	**882**
Goodwill	-	-
Other intangible assets	898	882
TAX ASSETS	**13,990**	**12,911**
Current	1,410	1,030
Deferred	12,580	11,881
OTHER ASSETS	**4,187**	**3,768**
Insurance contracts linked to pensions	2,032	2,142
Inventories	-	-
Other	2,155	1,626
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	**1,065**	**2,226**
TOTAL ASSETS	**399,940**	**400,083**

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LIABILITIES AND EQUITY (Millions of euros)

	December 2018	December 2017(*)
FINANCIAL LIABILITIES HELD FOR TRADING	**68,242**	**43,703**
Trading derivatives	29,748	36,097
Short positions	9,235	7,606
Deposits from central banks	5,149	-
Deposits from credit institutions	15,642	-
Customer deposits	8,468	-
Debt certificates	-	-
Other financial liabilities	-	-
OTHER FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,746**	**-**
Deposits from central banks	-	-
Deposits from credit institutions	-	-
Customer deposits	1,746	-
Debt certificates	-	-
Other financial liabilities	-	-
Of which: Subordinated liabilities	-	-
FINANCIAL LIABILITIES AT AMORTIZED COST	**283,157**	**305,797**
Deposits from central banks	26,605	28,132
Deposits from credit institutions	20,539	40,599
Customer deposits	192,419	194,645
Debt certificates	35,769	34,166
Other financial liabilities	7,825	8,255
Of which: Subordinated liabilities	*10,588*	*10,887*
HEDGING DERIVATIVES	**1,068**	**1,327**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**-**	**(7)**
PROVISIONS	**5,125**	**7,605**
Provisions for pensions and similar obligations	4,043	4,594
Other long term employee benefits	29	31
Provisions for taxes and other legal contingencies	348	329
Provisions for contingent risks and commitments	238	272
Other provisions	467	2,379
TAX LIABILITIES	**1,197**	**1,240**
Current	126	124
Deferred	1,071	1,116
OTHER LIABILITIES	**1,996**	**2,207**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**-**	**-**
TOTAL LIABILITIES	**362,531**	**361,872**

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LIABILITIES AND EQUITY (Continued) (Millions of euros)

	December 2018	December 2017(*)
SHAREHOLDERS' FUNDS	**37,417**	**37,802**
Capital	**3,267**	**3,267**
Paid up capital	3,267	3,267
Unpaid capital which has been called up	-	-
Share premium	**23,992**	**23,992**
Equity instruments issued other than capital	**46**	**47**
Equity component of compound financial instruments	-	-
Other equity instruments issued	46	47
Other equity	**-**	**-**
Retained earnings	**-**	**-**
Revaluation reserves	**3**	**12**
Other reserves	**8,796**	**9,445**
Less: Treasury shares	**(23)**	**-**
Profit or loss of the year	**2,316**	**2,083**
Less: Interim dividends	**(980)**	**(1,044)**
ACCUMULATED OTHER COMPREHENSIVE INCOME	**(8)**	**409**
Items that will not be reclassified to profit or loss	**(152)**	**(38)**
Actuarial gains or (-) losses on defined benefit pension plans	(78)	(38)
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	(190)	-
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	-	
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)	-	
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	116	
Items that may be reclassified to profit or loss	**144**	**447**
Hedge of net investments in foreign operations (effective portion)	-	-
Foreign currency translation	-	-
Hedging derivatives. Cash flow hedges (effective portion)	(116)	(136)
Available for sale financial assets		583
Available for sale financial assets Fair value changes of debt instruments measured at fair value through other comprehensive income	260	
Hedging instruments (non-designated items)	-	
Non-current assets and disposal groups classified as held for sale	-	-
TOTAL EQUITY	**37,409**	**38,211**
TOTAL EQUITY AND TOTAL LIABILITIES	**399,940**	**400,083**

MEMORANDUM ITEM - OFF BALANCE SHEET EXPOSURES (Millions of euros)

	December 2018	December 2017(*)
Loan commitments given	69,513	54,631
Financial guarantees given	9,197	11,336
Contingent commitments given	27,202	36,503

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INCOME STATEMENTS (Millions of euros)

	December 2018	December 2017(*)
Interest income and other incomes	4,877	4,860
Finanancial assets and liabilities at fair value through other comprehensive income	394	393
Finanacial assets at amortized cost	4,293	4,343
Other interest incomes	190	124
Interest expenses	(1,386)	(1,397)
NET INTEREST INCOME	**3,491**	**3,463**
Dividend income	3,115	3,555
Fee and comission income	2,083	2,003
Fee and comission expenses	(407)	(386)
Gains (losses) on decognition of financial assets and liabilities not measured at fair value through profit or loss, net	109	634
Financial assets at amortized cost	3	565
Other financial assets and liabilities	106	69
Gains or (-) losses from hedge accounting, net	364	32
Reclasification of financial assets from fair value through other comprehensive income	-	-
Reclasification of financial assets from amortized cost	-	-
Other gains or losses	364	-
Gains (losses) on on-trading financial assets mandatorily at fair value through profit or loss	78	-
Reclasification of financial assets from fair value through other comprehensive income	-	
Reclasification of financial assets from amortized cost	-	
Other gains or losses	78	
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(41)	18
Gains (losses) from hedge accounting, net	46	(227)
Exchange differences,	(60)	435
Other operating income	108	159
Other operating expenses	(474)	(466)
GROSS INCOME	**8,412**	**9,220**
Administration costs	(4,077)	(4,038)
Personnel expenses	(2,328)	(2,382)
Other administrative expenses	(1,749)	(1,656)
Depreciation and amortization	(452)	(540)
Provisions or (-) reversal of provisions	(566)	(802)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	(267)	(1,585)
Financial asssets at amortized cost	(278)	(451)
Financial assets at fair value through other comprehensive income	11	(1,134)
NET OPERATING INCOME	**3,050**	**2,256**
Impairment or reversal of impairment of investments in joint ventures and associates	(1,537)	207
Impairment or reversal of impairment on non-financial assets	(27)	(8)
Tangible assets	(23)	(8)
Intangible assets	-	-
Other assets	(4)	-
Gains or losses on derecognized assets not classified as non-current assets held for sale	(16)	(1)
Negative goodwill recognized in profit or loss	-	-
Profit or loss froma non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	1,004	(14)
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**2,474**	**2,440**
Tax expense or income related to profit or loss from continuing operations	(159)	(357)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**2,316**	**2,083**
Profit or loss after tax from discontinued operations	-	-
PROFIT FOR THE PERIOD	**2,316**	**2,083**

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STATEMENTS OF RECOGNIZED INCOME AND EXPENSES (MILLIONS OF EUROS)

	2018	2017
PROFIT RECOGNIZED IN INCOME STATEMENT	**2,316**	**2,083**
OTHER RECOGNIZED INCOME (EXPENSES)	**(382)**	**771**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(125)**	**4**
Actuarial gains and losses from defined benefit pension plans	**(47)**	**6**
Non-current assets available for sale	**-**	**-**
Fair value changes of equity instruments measured at fair value through other comprehensive income	**(199)**	**-**
Gains or losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	**-**	**-**
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	**166**	**-**
Other valuation adjustments	-	-
Income tax related to items not subject to reclassification to income statement	(45)	(2)
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(257)**	**767**
Hedge of net investments in foreign operations [effective portion]	-	-
Foreign currency translation	**-**	**(18)**
Translation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	(18)
Other reclassifications	-	-
Cash flow hedges [effective portion]	**29**	**(12)**
Valuation gains or (-) losses taken to equity	29	(9)
Transferred to profit or loss	-	(3)
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Available for sale financial assets		**751**
Valuation gains or (losses) taken to equity		142
Transferred to profit or loss		609
Other reclassifications		-
Debt securities at fair value through other comprehensive income	**(396)**	
Valuation gains/(losses)	(292)	
Amounts reclassified to income statement	(104)	
Reclassifications (other)	-	
Non-current assets held for sale and disposal groups held for sale	**-**	**-**
Income tax related to items subject to reclassification to income statement	**110**	**46**
TOTAL RECOGNIZED INCOME/EXPENSES	**1,934**	**2,854**

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Statement of changes in equity for the year ended December 31, 2018 of BBVA, S.A.

Millions of Euros

December 2018	Capital	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Total
Balances as of January 1, 2018	**3,267**	**23,992**	**47**	**-**	**-**	**12**	**9,445**	**-**	**2,083**	**(1,045)**	**409**	**38,210**
Effect of correction of errors	-	-	-	-	-	-	**(666)**	-	-	-	**(35)**	**(701)**
Adjusted initial balance	**3,267**	**23,992**	**47**	**-**	**-**	**12**	**8,779**	**-**	**2,083**	**(1,045)**	**374**	**37,509**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,316**	**-**	**(382)**	**1,934**
Other changes in equity	**-**	**-**	**(1)**	**-**	**-**	**(9)**	**17**	**(23)**	**(2,083)**	**65**	**-**	**(2,034)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	(1,000)	-	-	(980)	-	(1,980)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,288)	-	-	-	(1,288)
Sale or cancellation of treasury shares	-	-	-	-	-	-	(5)	1,265	-	-	-	1,260
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	(1)	-	-	(9)	1,048	-	(2,083)	1,045	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	(25)	-	-	-	-	(25)
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	-	-	-	-	(1)	-	-	-	-	(1)
Balance as of December 31, 2018	**3,267**	**23,992**	**46**	**-**	**-**	**3**	**8,796**	**(23)**	**2,316**	**(980)**	**(8)**	**37,409**

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Statement of changes in equity for the year ended December 31, 2017 of BBVA, S.A.

Millions of Euros

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

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CASH FLOWS STATEMENTS (Millions of euros)

	December 2018	December 2017(*)
CASH FLOW FROM OPERATING ACTIVITIES (1)	**16,944**	**(20)**
Profit for the period	**2,316**	**2,083**
Adjustments to obtain the cash flow from operating activities:	**1,227**	**2,261**
Depreciation and amortization	452	540
Other adjustments	775	1,721
Net increase/decrease in operating assets	**10,926**	**17,516**
Financial assets held for trading	2,178	7,016
Non-trading financial assets mandatorily at fair value throught profit or loss	3,087	
Other financial assets designated at fair value through profit or loss	-	(648)
Financial assets at fair value through other comprehensive income	3,409	4,799
Loans and receivables	3,081	7,255
Other operating assets	(829)	(906)
Net increase/decrease in operating liabilities	2,317	**(22,237)**
Financial liabilities held for trading	(2,718)	(4,562)
Other financial liabilities designated at fair value through profit or loss	754	-
Financial liabilities at amortized cost	5,735	(15,228)
Other operating liabilities	(1,454)	(2,447)
Collection/Payments for income tax	**158**	**357**
CASH FLOWS FROM INVESTING ACTIVITIES (2)	**(2,049)**	**1,995**
Investment	(7,081)	**(2,118)**
Tangible assets	(372)	(100)
Intangible assets	(314)	(276)
Investments	(6,083)	(1,117)
Subsidiaries and other business units	-	-
Non-current assets held for sale and associated liabilities	(312)	(625)
Held-to-maturity investments		-
Other settlements related to investing activities	-	-
Divestments	5,032	**4,113**
Tangible assets	50	21
Intangible assets	-	-
Investments	1,678	508
Subsidiaries and other business units	-	-
Non-current assets held for sale and associated liabilities	3,304	815
Held-to-maturity investments		2,576
Other collections related to investing activities	-	193

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CASH FLOWS STATEMENTS (Continued) (Millions of euros)

	December 2018	December 2017(*)
CASH FLOWS FROM FINANCING ACTIVITIES (3)	**(2,334)**	**106**
Investment	**(4,872)**	**(4,090)**
Dividends	(1,980)	(1,570)
Subordinated liabilities	(1,627)	(919)
Common stock amortization	-	-
Treasury stock acquisition	(1,265)	(1,354)
Other items relating to financing activities	-	(247)
Divestments	**2,538**	**4,196**
Subordinated liabilities	1,262	2,819
Common stock increase	-	-
Treasury stock disposal	1,260	1,377
Other items relating to financing activities	16	-
EFFECT OF EXCHANGE RATE CHANGES (4)	**(143)**	**566**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)	**12,418**	**2,647**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**18,503**	**15,856**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**30,921**	**18,503**

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

	December 2018	December 2017
Cash	975	906
Balance of cash equivalent in central banks	27,290	15,858
Other financial assets	2,656	1,739
Less: Bank overdraft refundable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**30,921**	**18,503**

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APPENDIX X Information on data derived from the special accounting registry and other information about bonds

The Bank counts with explicit policies and procedures for its activities in the mortgage market and in the financing of exportation of goods and services or the process of internationalization of companies, which allow ensuring compliance with the applicable regulations of the mortgage market and for the issuance of bonds.

Mortgage market policies and procedures

Information required pursuant to Circular 5/2011 of the Bank of Spain is indicated as follows.

The mortgage origination policy is based in principles focused on assessing the adequate ratio between the amount of the loan, and the payments, and the income of the applicant. Applicants must in all cases prove sufficient repayment ability (present and future) to meet their repayment obligations, for both the mortgage debt and for other debts detected in the financial system. Therefore, the applicant's repayment ability is a key aspect within the credit decision-making tools and retail risk acceptance manuals, and has a high weighting in the final decision.

During the mortgage risk transaction analysis process, documentation supporting the applicant's income (payroll, etc.) is required, and the applicant's position in the financial system is checked through automated database queries (internal and external). This information is used for calculation purposes in order to determine the level of indebtedness/compliance with the remainder of the system. This documentation is kept in the transaction's file.

In addition, the mortgage origination policy assesses the adequate ratio between the amount of the loan and the appraisal value of the mortgaged asset. The policy also establishes that the property to be mortgaged be appraised by an independent appraisal company as established by Circular 3/2010 and Circular 4/2016. BBVA selects those companies whose reputation, standing in the market and independence ensure that their appraisals adapt to the market reality in each region. Each appraisal is reviewed and checked before the loan is granted and, in those cases where the loan is finally granted, it is kept in the transaction's file.

As for issues related to the mortgage market, the Finance area annually defines the strategy for wholesale finance issues, and more specifically mortgage bond issues, such as mortgage covered bonds or mortgage securitization. The Assets and Liabilities Committee tracks the budget monthly. The volume and type of assets in these transactions is determined in accordance with the wholesale finance plan, the trend of the Bank's "Loans and receivables" outstanding balances and the conditions in the market.

The Board of Directors of the Bank authorizes each of the issues of Mortgage Transfer Certificates and/or Mortgage Participations issued by BBVA to securitize the credit rights derived from loans and mortgage loans. Likewise, the Board of Directors authorizes the establishment of a Base Prospectus for the issuance of fixed-income securities through which the mortgage-covered bonds are implemented.

As established in article 24 of Royal Decree 716/2009, of April, 24, by virtue of which certain aspects of Law 2/1981, of 25 March, of regulation of the mortgage market and other rules of the mortgage and financial system are developed, *"the volume of outstanding mortgage-covered bonds issued by a bank may not exceed 80% of a calculation base determined by adding the outstanding principal of all the loans and mortgage loans in the bank's portfolio that are eligible"* and which are not covered by the issue of Mortgage Bonds, Mortgage Participations or Mortgage Transfer Certificates. For these purposes, in accordance with the aforementioned Royal Decree 716/2009, in order to be eligible, loans and mortgage loans, on a general basis: (i) must be secured by a first

mortgage on the freehold; (ii) the loan's amount may not exceed 80% of the appraisal value for residential mortgages, and 60% for other mortgage lending; (iii) must be established on assets exclusively and wholly owned by the mortgagor; (iv) must have been appraised by an independent appraisal company unrelated to the Group and authorized by the Bank of Spain; and (v) the mortgaged property must be covered at least by a current damage insurance policy.

The Bank has set up a series of controls for mortgage covered bonds, which regularly control the total volume of issued mortgage covered bonds issued and the remaining eligible collateral, to avoid exceeding the maximum limit set by Royal Decree 716/2009, and outlined in the preceding paragraph. In the case of securitizations, the preliminary portfolio of loans and mortgage loans to be securitized is checked according to an agreed procedures engagement, by the Bank's external auditor as required by the Spanish Securities and Exchange Commission. There is also a series of filters through which some mortgage loans and credits are excluded in accordance with legal, commercial and risk concentration criteria.

b) Quantitative information on activities in the mortgage market

The quantitative information on activities in the mortgage market required by Bank of Spain Circular 5/2011 as of December 31, 2018 and 2017 is shown below.

b.1) Ongoing operations

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of euros)

	December 2018	December 2017
Nominal value of outstanding loans and mortgage loans	97,519	105,539
Minus: Nominal value of all outstanding loans and mortgage loans that form part of the portfolio, but have been mobilized through mortgage bond holdings or mortgage transfer certificates.	(29,781)	(32,774)
Nominal value of outstanding loans and mortgage loans, excluding securitized loans	**67,738**	**72,765**
Of which:		
Loans and mortgage loans which would be eligible if the calculation limits set forth in Article 12 of Spanish Royal Decree 716/2009 were not applied.	45,664	48,003
Minus: Loans and mortgage loans which would be eligible but, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, cannot be used to collateralize any issuance of mortgage bonds.	(1,240)	(1,697)
Eligible loans and mortgage loans that, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, can be used as collateral for the issuance of mortgage bonds	**44,424**	**46,306**
Issuance limit: 80% of eligible loans and mortgage loans that can be used as collateral	35,539	37,045
Issued Mortgage-covered bonds	**24,301**	**20,153**
Outstanding Mortgage-covered bonds	**15,207**	**16,065**
Capacity to issue mortgage-covered bonds	11,238	16,892
Memorandum items:		
Percentage of overcollateralization across the portfolio	279%	361%
Percentage of overcollateralization across the eligible used portfolio	183%	230%
Nominal value of available sums (committed and unused) from all loans and mortgage loans.	5,267	3,084
Of which:		
Potentially eligible	4,517	2,471
Ineligible	750	613
Nominal value of all loans and mortgage loans that are not eligible, as they do not meet the thresholds set in Article 5.1 of Spanish Royal Decree 716/2009, but do meet the rest of the eligibility requirements indicated in Article 4 of the Royal Decree.	12,827	16,272
Nominal value of the replacement assets subject to the issue of mortgage-covered bonds.	-	-

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of euros)

		December 2018	December 2017
Total loans	**(1)**	**97,519**	**105,539**
Issued mortgage participations	**(2)**	**4,360**	**1,809**
Of which: recognized on the balance sheet		*2,927*	-
Issued mortgage transfer certificates	**(3)**	**25,422**	**30,965**
Of which: recognized on the balance sheet		*23,590*	*28,954*
Mortgage loans as collateral of mortgages bonds	**(4)**		
Loans supporting the issuance of mortgage-covered bonds	**1-2-3-4**	**67,738**	**72,765**
Non elegible loans		22,074	24,762
Comply requirements to be eligible except the limit provided for under the article 5.1 of the Spanish Royal Decree 716/2009		12,827	16,272
Other		9,247	8,490
Elegible loans		45,664	48,003
That cannot be used as collateral for issuances		1,240	1,697
That can be used as collateral for issuances		44,424	46,306
Loans used to collateralize mortgage bonds		-	-
Loans used to collateralize mortgage-covered bonds		44,424	46,306

Mortgage loans. Classification of the nominal values according to different characteristics (Millions of euros)

	December 2018			December 2017		
	Total mortgage loans	Eligible Loans(*)	Eligible that can be used as collateral for issuances (**)	Total mortgage loans	Eligible Loans(*)	Eligible that can be used as collateral for issuances (**)
TOTAL	**67,738**	**45,664**	**44,424**	**72,765**	**48,003**	**46,306**
By source of the operations						
Originated by the bank	62,170	40,962	39,799	67,134	43,315	41,694
Subrogated by other institutions	797	664	660	795	692	686
Rest	4,771	4,038	3,965	4,836	3,996	3,926
By Currency						
In euros	67,255	45,362	44,122	72,070	47,623	45,945
In foreign currency	483	302	302	695	380	361
By payment situation						
Normal payment	56,621	41,688	41,057	61,013	43,578	43,187
Other situations	11,117	3,976	3,367	11,752	4,425	3,119
By residual maturity						
Up to 10 years	15,169	11,226	10,808	15,482	10,268	9,659
10 to 20 years	28,317	22,907	22,344	29,131	23,344	22,748
20 to 30 years	18,195	9,973	9,752	18,470	11,565	11,153
Over 30 years	6,057	1,558	1,520	9,682	2,826	2,746
By Interest Rate						
Fixed rate	10,760	5,545	5,467	5,578	2,697	2,614
Floating rate	56,978	40,119	38,957	67,187	45,306	43,692
Mixed rate	-	-	-	-	-	-
By Target of Operations						
For business activity	13,308	7,107	6,196	17,111	7,788	6,569
From which: public housing	2,770	1,455	682	4,520	1,670	726
For households	54,430	38,557	38,228	55,654	40,215	39,737
By type of guarantee						
Secured by completed assets/buildings	**65,535**	**44,912**	**43,884**	**70,922**	**47,619**	**45,989**
Residential use	56,880	40,098	39,276	53,543	39,050	38,499
From which: public housing	4,464	3,423	3,278	4,124	3,029	2,981
Commercial	8,618	4,803	4,597	4,610	2,535	2,414
Other	37	11	11	12,769	6,034	5,076
Secured by assets/buildings under construction	**1,014**	**369**	**261**	**1,433**	**245**	**191**
Residential use	721	234	150	522	61	61
From which: public housing	18	1	1	8	1	1
Commercial	293	135	111	174	48	48
Other	-	-	-	737	136	82
Secured by land	**1,189**	**383**	**279**	**410**	**139**	**126**
Urban	478	134	47	8	5	2
Non-urban	711	249	232	402	134	124

(*) Not taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009

(**) Taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009

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December 2018. Nominal value of the total mortgage loans (Millions of euros)

	Loan to Value (Last available appraisal risk)				
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80%	Total
Home mortgages	13,792	15,459	11,704	-	40,955
Other mortgages	2,506	2,203			4,709
Total	**16,298**	**17,662**	**11,704**	**-**	**45,664**

December 2017. Nominal value of the total mortgage loans (Millions of euros)

	Loan to Value (Last available appraisal risk)					
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60%	Over 60% but less than or equal to 80%	Over 80%	Total
Home mortgages	14,535	17,225		12,667	-	44,427
Other mortgages	1,827	1,749				3,576
Total	**16,362**	**18,974**	**-**	**12,667**	**-**	**48,003**

Eligible and non eligible mortgage loans. Changes of the nominal values in the period (Millions of euros)

	2018		2017	
	Eligible (*)	Non eligible	Eligible (*)	Non eligible
Balance at the beginning	**48,003**	**24,762**	**46,987**	**33,313**
Retirements	**7,994**	**7,483**	**9,820**	**15,015**
Held-to-maturity cancellations	4,425	1,883	4,614	2,562
Anticipated cancellations	2,227	2,625	2,008	2,582
Subrogations to other institutions	25	13	33	23
Rest	1,317	2,962	3,165	9,848
Additions	**5,655**	**4,795**	**10,835**	**6,464**
Originated by the bank	2,875	3,376	2,645	3,392
Subrogations to other institutions	15	7	15	5
Rest	2,765	1,412	8,176	3,067
Balance at the end	**45,664**	**22,074**	**48,003**	**24,762**

(*) Not taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009

Mortgage loans supporting the issuance of mortgage-covered bonds. Nominal value (Millions of euros)

	2018	2017
Potentially eligible	4,517	2,471
Ineligible	750	613
Total	**5,267**	**3,084**

b.2) Liabilities operations

Issued Mortgage Bonds (Millions of euros)

	2018		2017	
	Nominal value	**Average residual maturity**	**Nominal value**	**Average residual maturity**
Mortgage bonds	**-**		**-**	
Mortgage-covered bonds	**24,301**		**20,153**	
Of which: Not recognized as liabilities on balance	*9,093*		*4,088*	
Of Which: Outstanding	*15,207*		*16,065*	
Debt securities issued through public offer	12,501		12,501	
Residual maturity up to 1 year	-		-	
Residual maturity over 1 year and less than 2 years	2,051		-	
Residual maturity over 2 years and less than 3 years	2,750		2,051	
Residual maturity over 3 years and less than 5 years	3,500		4,000	
Residual maturity over 5 years and less than 10 years	4,000		6,250	
Residual maturity over 10 years	200		200	
Debt securities issued without public offer	9,161		4,162	
Residual maturity up to 1 year	-		-	
Residual maturity over 1 year and less than 2 years	50		-	
Residual maturity over 2 years and less than 3 years	1,500		50	
Residual maturity over 3 years and less than 5 years	2,500		1,500	
Residual maturity over 5 years and less than 10 years	5,111		2,612	
Residual maturity over 10 years	-		-	
Deposits	2,640		3,491	
Residual maturity up to 1 year	380		791	
Residual maturity over 1 year and less than 2 years	246		380	
Residual maturity over 2 years and less than 3 years	425		246	
Residual maturity over 3 years and less than 5 years	468		793	
Residual maturity over 5 years and less than 10 years	471		571	
Residual maturity over 10 years	650		710	
Mortgage participations	**2,927**		**-**	
Issued through public offer	2,927		-	
Issued without public offer	-		-	
Mortgage transfer certificates	**23,590**		**28,954**	
Issued through public offer	23,590	269	28,954	279
Issued without public offer	-	-	-	-

Given the characteristics of the type of covered bonds issued by the Bank, there is no substituting collateral related to these issues.

The Bank does not hold any derivative financial instruments relating to mortgage bond issues, as defined in the aforementioned Royal Decree.

c) Quantitative information on internationalization covered bonds

Below is the quantitative information of BBVA, S.A. internationalization covered bonds required by Bank of Spain Circular 4/2015 as of December 31, 2018 and 2017.

c.1) Assets operations

Principal outstanding payment of loans (Millions of euros)	Nominal value 2018	Nominal value 2017
Eligible loans according to article 34.6 y 7 of the Law 14/2013	3,369	3,075
Minus: Loans that support the issuance of internationalization bonds	-	-
Minus: NPL to be deducted in the calculation of the issuance limit, according to Article 13 del Royal Decree 579/2014	4	74
Total Loans included in the base of all issuance limit	**3,365**	**3,001**

c.2) Liabilities operations

Internationalization covered bonds (Millions of euros)	Nominal value 2018	Nominal value 2017
(1) Debt securities issued through public offer (a)	**1,500**	**1,500**
of which: Treasury shares	*1,500*	*1,500*
Residual maturity up to 1 year	-	-
Residual maturity over 1 year and less than 2 years	1,500	1,500
Residual maturity over 2 years and less than 3 years	-	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
(2) Debt securities issued without public offer (a)	**-**	**-**
(3) Deposits (b)	**-**	**-**
TOTAL: (1) + (2) + (3)	**1,500**	**1,500**
	Percentage	**Percentage**
Coverage ratio of internationalization covered bonds on loans (c)	**45%**	**50%**

(a) Balance that includes all internationalization covered bonds issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).

(b) Nominative bonds.

(c) Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee

Given the characteristics of the Bank's internationalization covered bonds, there are no substitute assets assigned to these issuances.

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d) Territorial bonds

d.1) Assets operations

Decemeber 2018. Loans that serves as collateral for the territorial bonds

	Nominal Value(a)		
	Total	**Spanish Residents**	**Residents in other countries of the European Economic Area**
Central Governments	1,637	1,592	45
Regional Governments	8,363	8,333	30
Local Governments	5,145	5,145	-
Total loans	**15,145**	**15,070**	**75**

(a) Principal pending payment of loans.

December 2017. Loans that serves as collateral for the territorial bonds (Millions of euros)

	Nominal Value (a)		
	Total	**Spanish Residents**	**Residents in other countries of the European Economic Area**
Central Governments	473	420	53
Regional Governments	8,882	8,851	31
Local Governments	7,040	7,040	-
Total loans	**16,395**	**16,311**	**84**

(a) Principal pending payment of loans.

d.2) Liabilities operations

Territorial bonds (Millions of euros)

	Nominal value2018	Nominal value 2017
Territorial bonds issued (a)	**7,540**	**9,690**
Issued through a public offering	7,540	9,540
Of which: Treasury stock	*7,040*	*9,040*
Residual maturity up to 1 year	-	-
Residual maturity over 1 year and less than 2 years	4,500	-
Residual maturity over 2 years and less than 3 years	2,000	6,500
Residual maturity over 3 years and less than 5 years	1,040	2,840
Residual maturity over 5 years and less than 10 years	-	200
Residual maturity over 10 years	-	-
Other issuances	-	150
Of which: Treasury stock	-	-
Residual maturity over 1 year and less than 2 years	-	150
Residual maturity over 2 years and less than 3 years	-	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-

	Percentage	Percentage
Coverage ratio of the territorial bonds on loans (b)	**50%**	**59%**

(a) Includes the nominal value of all loans that serve as collateral for the territorial bonds, regardless of the item in which they are included in the balance sheet. Principal pending payment of loans. The territorial bonds include all the instruments issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).

(b) Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee

APPENDIX XI. Quantitative information on refinancing and restructuring operations and other requirement under Bank of Spain Circular 6/2012

a) Quantitative information on refinancing and restructuring operations

The breakdown of refinancing and restructuring operations as of December 31, 2018, 2017 and 2016 is as follows:

	DECEMBER 2018 BALANCE OF FORBEARANCE (Millions of Euros)						
	TOTAL						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	75	111	46	64	52	-	15
Other financial corporations and individual entrepreneurs (financial business)	252	13	29,360	5	3	0	6
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	44,271	4,483	15,493	4,177	2,200	221	3,148
Of which: financing the construction and property (including land)	*734*	*258*	*1,627*	*962*	*501*	*12*	*517*
Rest homes (*)	193,061	1,326	355,466	6,990	5,083	150	1,716
Total	**237,659**	**5,933**	**400,365**	**11,236**	**7,338**	**371**	**4,885**

	Of which: IMPAIRED						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	46	65	12	16	8	-	10
Other financial corporations and individual entrepreneurs (financial business)	133	4	29,320	4	2	0	5
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	25,420	2,723	9,922	2,777	1,192	100	2,773
Of which: financing the construction and property (including land)	*631*	*200*	*1,145*	*656*	*254*	*1*	*477*
Rest homes (*)	116,916	741	42,403	3,673	2,435	26	1,414
Total	**142,515**	**3,533**	**81,657**	**6,470**	**3,636**	**126**	**4,202**

(*) Number of operations does not include Garanti Bank.

Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

The accumulated impairment or accumulated losses in fair value due to credit risk correspond to €682 million of collective impairment losses and €4,202 million of specific impairment losses.

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DECEMBER 2017 BALANCE OF FORBEARANCE
(Millions of Euros)

	TOTAL						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	69	105	135	430	112	302	18
Other financial corporations and individual entrepreneurs (financial business)	4,727	36	93	8	1	-	21
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	113,464	4,672	17,890	6,258	3,182	251	3,579
Of which: financing the construction and property (including land)	*1,812*	*398*	*3,495*	*2,345*	*1,995*	-	*1,327*
Rest homes (*)	163,101	1,325	109,776	8,477	6,891	18	1,373
Total	**281,361**	**6,138**	**127,894**	**15,173**	**10,186**	**571**	**4,991**

	Of which: IMPAIRED						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	50	72	45	29	22	-	16
Other financial corporations and individual entrepreneurs (financial business)	126	5	16	2	+	-	5
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	95,427	2,791	10,994	4,144	1,983	66	3,361
Of which: financing the construction and property (including land)	*1,538*	*208*	*2,779*	*1,961*	*1,273*	-	*1,282*
Rest homes (*)	105,468	747	47,612	4,330	3,270	6	1,231
Total	**201,071**	**3,615**	**58,667**	**8,506**	**5,275**	**72**	**4,612**

(*) Number of operations does not include Garanti Bank.

Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

The accumulated impairment or accumulated losses in fair value due to credit risk correspond to €378 million of collective impairment losses and €4,612 million of specific impairment losses.

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DECEMBER 2016 BALANCE OF FORBEARANCE
(Millions of Euros)

	TOTAL						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	24	8	112	711	98	584	6
Other financial corporations and individual entrepreneurs (financial business)	3,349	59	71	18	5	-	8
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	125,328	5,057	25,327	9,643	4,844	124	5,310
Of which: financing the construction and property (including land)	*1,519*	*496*	*5,102*	*4,395*	*694*	-	*2,552*
Rest homes (*)	116,961	1,550	103,868	9,243	7,628	18	1,474
Total	**245,662**	**6,674**	**129,378**	**19,615**	**12,576**	**726**	**6,798**

	Of which: IMPAIRED						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	12	8	53	33	27	-	4
Other financial corporations and individual entrepreneurs (financial business)	131	8	22	2	-	-	5
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	103,310	2,857	16,327	6,924	3,002	53	4,986
Of which: financing the construction and property (including land)	*1,191*	*304*	*4,188*	*3,848*	*494*	-	*2,499*
Rest homes (*)	72,199	672	47,767	4,366	3,271	3	1,285
Total	**175,652**	**3,545**	**64,169**	**11,325**	**6,300**	**57**	**6,281**

(*) Number of operations does not include Garanti Bank.

Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

The accumulated impairment or accumulated losses in fair value due to credit risk correspond to €517 million of collective impairment losses and €6,281 million of specific impairment losses.

In addition to the restructuring and refinancing transactions mentioned in this section, loans that were not considered impaired or renegotiated have been modified based on the criteria set out in the accounting regulation that applies. These loans have not been classified as renegotiated or impaired, since they were modified for commercial or competitive reasons (for instance, to improve relationships with clients) rather than for economic or legal reasons relating to the borrower's financial situation.

The table below provides a roll forward of refinanced assets during 2018 and 2017:

Refinanced assets Roll forward. December 2018 (Millions of euros)

	Stages 1&2		Stage 3		TOTAL	
	Risk	Coverage	Risk	Coverage	Risk	Coverage
Balance at the beginning	**9,191**	**378**	**12,120**	**4,612**	**21,311**	**4,991**
(+) Additions	1,599	397	1,417	767	3,017	1,164
(-) Decreases (payments or repayments)	(1,098)	(47)	(2,280)	(1,282)	(3,378)	(1,330)
(-) Foreclosures	-	-	(339)	(216)	(339)	(216)
(-) Write-offs	(2)	(1)	(857)	(606)	(859)	(607)
(+)/(-) Other	(2,524)	(45)	(58)	927	(2,582)	882
Ending Balance	**7,166**	**682**	**10,003**	**4,202**	**17,169**	**4,885**

Refinanced assets Roll forward. December 2017 (*) (Millions of euros)

	Normal		Impaired		TOTAL	
	Risk	Coverage	Risk	Coverage	Risk	Coverage
Balance at the beginning	**11,418**	**517**	**14,869**	**6,281**	**26,288**	**6,798**
(+) Additions	3,095	182	1,614	599	4,709	781
(-) Decreases (payments or repayments)	(2,462)	(145)	(2,754)	(1,180)	(5,216)	(1,325)
(-) Foreclosures	(2)	-	(463)	(267)	(465)	(267)
(-) Write-offs	(63)	(2)	(1,667)	(1,413)	(1,730)	(1,415)
(+)/(-) Other	(2,795)	(174)	521	593	(2,275)	419
Ending Balance	**9,191**	**378**	**12,120**	**4,612**	**21,311**	**4,991**

(*) Data presenting under the accounting regulation that applied in 2017.

The table below provides a breakdown by segments of the forbearance operations (net of provisions) as of December 31, 2018 and 2017:

Forbearance operations. Breakdown by segments (Millions of euros)

	December 2018	December 2017	December 2016
Credit institutions	-	-	-
Central governments	160	518	713
Other financial corporations and individual entrepreneurs (financial activity)	13	24	69
Non-financial corporations and individual entrepreneurs (non-financial activity)	5,512	7,351	9,390
Of which: Financing the construction and property development (including land)	*702*	*1,416*	*2,339*
Households	6,600	8,428	9,319
Total carrying amount	**12,284**	**16,321**	**19,491**
Financing classified as non-current assets and disposal groups held for sale	-	-	-

NPL ratio by type of renegotiated loan

The non performing ratio of the renegotiated portfolio is defined as the impaired balance of renegotiated loans that shows signs of difficulties as of the closing of the reporting period, divided by the total payment outstanding in that portfolio.

As of December 31, 2018, the non performing ratio for each of the portfolios of renegotiated loans is as follows:

December 2018. NPL ratio renegotiated loan portfolio

	Ratio of Impaired loans - Past due
General governments	47%
Commercial	64%
Of which: Construction and developer	70%
Other consumer	53%

December 2017. NPL ratio renegotiated loan portfolio

	Ratio of Impaired loans - Past due
General governments	19%
Commercial	63%
Of which: Construction and developer	79%
Other consumer	52%

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

b) Qualitative information on the concentration of risk by activity and guarantees

Loans and advances to customers by activity (carrying amount)

December 2018 (Millions OF Euros)

				Collateralized loans and receivables -Loans and advances to customers. Loan to value				
	Total (*)	**Of which: Mortgage loans**	**Of which: Secured loans**	**Less than or equal to 40%**	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80% but less than or equal to 100%**	**Over 100%**
1 General governments	30,488	1,056	7,750	1,729	1,856	1,119	3,514	588
2 Other financial institutions	20,802	233	12,549	1,167	221	93	11,209	92
3 Non-financial institutions and individual entrepreneurs	173,493	29,001	32,371	25,211	11,121	9,793	5,087	10,160
3.1 Construction and property development	14,323	5,226	2,539	1,979	2,556	2,140	486	605
3.2 Construction of civil works	7,775	1,082	620	703	285	195	200	319
3.3 Other purposes	151,394	22,694	29,212	22,529	8,281	7,459	4,401	9,235
3.3.1 Large companies	97,132	9,912	19,069	13,918	3,979	4,019	2,245	4,820
3.3.2 SMEs (**) and individual entrepreneurs	54,262	12,782	10,143	8,611	4,302	3,440	2,156	4,416
4 Rest of households and NPISHs (***)	163,068	109,578	5,854	21,974	27,860	33,200	21,490	10,908
4.1 Housing	111,007	105,817	2,419	19,981	26,384	32,122	19,345	10,404
4.2 Consumption	40,124	522	2,600	489	587	306	1,597	142
4.3 Other purposes	11,938	3,239	835	1,505	888	772	547	362
6 TOTAL	**387,850**	**139,868**	**58,524**	**50,082**	**41,058**	**44,206**	**41,300**	**21,747**
MEMORANDUM:								
Forbearance operations (****)	*12,284*	*8,325*	*523*	*1,508*	*1,421*	*1,769*	*1,527*	*2,623*

(*) The amounts included in this table are net of impairment losses.

(**) Small and medium enterprises

(***) Nonprofit institutions serving households.

(****) Net of provisions

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December 2017 (Millions of euros)

				Collateralized Credit Risk. Loan to value				
	Total (*)	**Of which: Mortgage loans**	**Of which: Secured loans**	**Less than or equal to 40%**	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80% but less than or equal to 100%**	**Over 100%**
1 General governments	32,294	998	7,167	1,540	179	475	532	5,440
2 Other financial institutions	18,669	319	12,910	314	277	106	11,349	1,183
3 Non-financial institutions and individual entrepreneurs	172,338	39,722	24,793	11,697	5,878	5,183	9,167	32,591
3.1 Construction and property development	14,599	10,664	1,066	1,518	876	1,049	1,313	6,974
3.2 Construction of civil works	7,733	1,404	521	449	358	289	162	667
3.3 Other purposes	150,006	27,654	23,206	9,729	4,644	3,845	7,692	24,950
3.3.1 Large companies	93,604	10,513	16,868	2,769	1,252	1,023	3,631	18,706
3.3.2 SMEs (**) and individual entrepreneurs	56,402	17,142	6,338	6,960	3,392	2,823	4,061	6,244
4 Rest of households and NPISHs (***)	165,024	114,558	8,395	19,762	22,807	25,595	22,122	32,667
4.1 Housing	114,709	111,604	128	18,251	22,222	25,029	21,154	25,076
4.2 Consumption	40,705	670	4,784	1,058	256	192	316	3,632
4.3 Other purposes	9,609	2,284	3,483	452	330	374	652	3,959
6 TOTAL	**388,325**	**155,597**	**53,266**	**33,312**	**29,142**	**31,359**	**43,170**	**71,882**
MEMORANDUM:								
Forbearance operations (****)	*16,321*	*6,584*	*5,117*	*1,485*	*1,315*	*1,871*	*1,580*	*5,451*

(*) The amounts included in this table are net of impairment losses.

(**) Small and medium enterprises

(***) Nonprofit institutions serving households.

(****) Net of provisions

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December 2016 (Millions of euros)

				Collateralized Credit Risk. Loan to value				
	Total (*)	**Of which: Mortgage loans**	**Of which: Secured loans**	**Less than or equal to 40%**	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80% but less than or equal to 100%**	**Over 100%**
1 General governments	34,820	4,722	3,700	380	715	1,266	2,740	3,320
2 Other financial institutions	17,181	800	8,168	650	464	319	6,846	690
3 Non-financial institutions and individual entrepreneurs	183,871	47,105	22,663	17,000	13,122	11,667	14,445	13,533
3.1 Construction and property development	19,283	12,888	1,736	3,074	4,173	3,843	2,217	1,316
3.2 Construction of civil works	8,884	1,920	478	508	547	469	379	494
3.3 Other purposes	155,704	32,297	20,449	13,417	8,402	7,356	11,850	11,722
3.3.1 Large companies	107,550	16,041	16,349	7,311	5,149	4,777	7,160	7,993
3.3.2 SMEs (**) and individual entrepreneurs	48,154	16,257	4,100	6,106	3,253	2,579	4,689	3,729
4 Rest of households and NPISHs (***)	178,781	129,590	5,257	21,906	24,764	34,434	34,254	19,489
4.1 Housing	127,606	124,427	477	18,802	23,120	32,713	32,148	18,122
4.2 Consumption	44,504	3,181	3,732	2,535	1,278	1,230	1,322	547
4.3 Other purposes	6,671	1,982	1,048	569	366	491	784	820
6 TOTAL	**414,654**	**182,216**	**39,789**	**39,936**	**39,065**	**47,687**	**58,286**	**37,032**
MEMORANDUM:								
Forbearance operations (****)	*19,491*	*8,031*	*6,504*	*3,703*	*1,845*	*2,316*	*2,091*	*4,580*

(*) The amounts included in this table are net of impairment losses.

(**) Small and medium enterprises

(***) Nonprofit institutions serving households.

(****) Net of provisions.

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c) Information on the concentration of risk by activity and geographical areas.

December 2018 (Millions of euros)

	TOTAL(*)	Spain	European Union Other	America	Other
Credit institutions	113,978	35,728	33,440	31,234	13,575
General governments	123,382	53,686	11,081	50,092	8,523
Central Administration	87,611	35,691	10,756	32,735	8,428
Other	35,771	17,995	325	17,357	95
Other financial institutions	49,166	13,784	17,977	15,345	2,061
Non-financial institutions and individual entrepreneurs	226,487	70,536	24,565	87,419	43,967
Construction and property development	17,697	3,497	244	10,113	3,843
Construction of civil works	11,430	5,789	1,535	1,762	2,343
Other purposes	197,361	61,250	22,786	75,543	37,781
Large companies	137,150	36,964	22,114	53,423	24,649
SMEs and individual entrepreneurs	60,211	24,286	672	22,120	13,132
Other households and NPISHs	163,443	91,977	3,383	56,777	11,306
Housing	111,007	78,414	765	28,034	3,794
Consumer	40,124	10,303	629	22,036	7,155
Other purposes	12,312	3,259	1,989	6,707	357
TOTAL	**676,456**	**265,710**	**90,447**	**240,867**	**79,432**

(*)The definition of risk for the purpose of this statement includes the following items on the public balance sheet: Loans and advances to credit institutions, Loans and advances, Debt securities, Equity instruments, Other equity securities, Derivatives and hedging derivatives, Investments in subsidiaries, joint ventures and associates and guarantees given and Contingent risks. The amounts included in this table are net of impairment losses.

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December 2017 (Millions of euros)

	TOTAL(*)	Spain	European Union Other	America	Other
Credit institutions	70,141	10,606	34,623	13,490	11,422
General governments	121,863	55,391	11,940	44,191	10,341
Central Administration	83,673	35,597	11,625	26,211	10,240
Other	38,190	19,794	316	17,980	101
Other financial institutions	48,000	19,175	14,283	12,469	2,074
Non-financial institutions and individual entrepreneurs	228,227	78,507	20,485	80,777	48,458
Construction and property development	18,619	4,623	339	8,834	4,822
Construction of civil works	12,348	6,936	1,302	2,267	1,843
Other purposes	197,260	66,948	18,843	69,676	41,793
Large companies	134,454	43,286	17,470	48,016	25,681
SMEs and individual entrepreneurs	62,807	23,662	1,373	21,660	16,112
Other households and NPISHs	165,667	93,774	3,609	53,615	14,669
Housing	114,710	81,815	2,720	24,815	5,361
Consumer	40,705	8,711	649	22,759	8,587
Other purposes	10,251	3,248	241	6,041	721
TOTAL	**633,899**	**257,453**	**84,940**	**204,542**	**86,964**

(*)The definition of risk for the purpose of this statement includes the following items on the public balance sheet: Loans and advances to credit institutions, Loans and advances, Debt securities, Equity instruments, Other equity securities, Derivatives and hedging derivatives, Investments in subsidiaries, joint ventures and associates and guarantees given and Contingent risks. The amounts included in this table are net of impairment losses.

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December 2016 (Millions of euros)

	TOTAL(*)	Spain	European Union Other	America	Other
Credit institutions	84,381	12,198	40,552	17,498	14,133
General governments	134,261	61,495	14,865	47,072	10,829
Central Administration	92,155	39,080	14,550	27,758	10,768
Other	42,105	22,415	315	19,314	61
Other financial institutions	47,029	16,942	14,881	12,631	2,576
Non-financial institutions and individual entrepreneurs	249,322	69,833	26,335	98,797	54,357
Construction and property development	23,141	5,572	371	11,988	5,209
Construction of civil works	14,185	6,180	2,493	3,803	1,709
Other purposes	211,996	58,080	23,471	83,005	47,439
Large companies	158,356	35,514	22,074	64,940	35,828
SMEs and individual entrepreneurs	53,640	22,566	1,397	18,065	11,611
Other households and NPISHs	179,051	96,345	3,796	62,836	16,073
Housing	127,607	85,763	3,025	32,775	6,044
Consumer	44,504	7,230	642	27,398	9,234
Other purposes	6,939	3,352	129	2,663	795
TOTAL	**694,044**	**256,813**	**100,428**	**238,834**	**97,968**

(*)The definition of risk for the purpose of this statement includes the following items on the public balance sheet: Loans and advances to credit institutions, Loans and advances, Debt securities, Equity instruments, Other equity securities, Derivatives and hedging derivatives, Investments in subsidiaries, joint ventures and associates and guarantees given and Contingent risks. The amounts included in this table are net of impairment losses.

APPENDIX XII Additional information on Risk Concentration

a) Sovereign risk exposure

The table below provides a breakdown of exposure to financial assets (excluding derivatives and equity instruments), as of December 31, 2018, 2017 and 2016 by type of counterparty and the country of residence of such counterparty. The below figures do not take into account accumulated other *comprehensive* income, impairment losses or loan-loss provisions:

Risk Exposure by Countries (Millions of euros)

	Sovereign Risk		
	December 2018	**December 2017**	**December 2016**
Spain	52,970	54,625	60,434
Turkey	7,998	9,825	10,478
Italy	9,249	9,827	12,206
France	122	383	518
Portugal	529	722	586
Germany	362	259	521
United Kingdom	51	41	17
Ireland	-	-	-
Greece	-	-	-
Rest of Europe	699	662	940
Subtotal Europe	**71,981**	**76,343**	**85,699**
Mexico	26,562	25,114	26,942
The United States	18,645	14,059	16,039
Venezuela	1	137	179
Rest of countries	4,910	5,809	3,814
Subtotal Rest of Countries	**50,118**	**45,119**	**46,974**
Total Exposure to Financial Instruments	**122,099**	**121,462**	**132,674**

The exposure to sovereign risk set out in the above table includes positions held in government debt securities in countries where the Group operates. They are used for ALCO's management of the interest-rate risk on the balance sheets of the Group's entities in these countries, as well as for hedging of pension and insurance commitments by insurance entities within the BBVA Group.

Sovereign risk exposure in Europe

The table below provides a breakdown of the exposure of the Group's credit institutions to European sovereign risk as of December 31, 2018 and December 2017 by type of financial instrument and the country of residence of the counterparty, under EBA (European Banking Authority) requirements:

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Exposure to Sovereign Risk by European Union Countries. December 2018 (Millions of euros)

	Debt securities	Loans and advances	Derivatives						Total	%
			Direct exposure			Indirect exposure				
			Notional value	Fair value +	Fair value -	Notional value	Fair value +	Fair value -		
Spain	5,237	43,236	1,264	57	(15)	(3,224)	1,130	(1,117)	46,568	79%
Italy	1,726	8,270	-	-	-	(795)	210	(298)	9,112	15%
France	591	77	-	-	-	150	1	(32)	787	1%
Germany	310	334	-	-	-	182	74	(87)	813	1%
Portugal	265	430	277	57	(57)	67	37	(26)	1,050	2%
United Kingdom	-	45	-	-	-	-	-	-	45	0%
Greece	-	-	-	-	-	-	-	-	-	0%
Hungary	-	-	-	-	-	-	-	-	-	0%
Ireland	-	548	-	-	-	-	-	-	548	1%
Rest of European Union	300	31	-	-	-	(36)	3	(3)	295	0%
Total Exposure to Sovereign Counterparties (European Union)	**8,428**	**52,971**	**1,541**	**113**	**(71)**	**(3,656)**	**1,454**	**(1,563)**	**59,218**	**100%**

This table shows sovereign risk balances with EBA criteria. Therefore, sovereign risk of the Group's insurance companies (€10,883 million as of December 31, 2018) is not included. Includes credit derivatives CDS (Credit Default Swaps) shown at fair value.

Exposure to Sovereign Risk by European Union Countries. December 2017 (Millions of euros)

	Debt securities				Loans and receivables	Derivatives						Total	%
						Direct exposure			Indirect exposure				
	Financial Assets Held-for-Trading		Available-for-Sale Financial Assets	Held -to-maturity investment		Notional value	Fair value +	Fair value -	Notional value	Fair value +	Fair value -		
Spain	7,065	-	14,029	5,754	22,101	1,513	62	(15)	591	1,082	(773)	51,410	75.3%
Italy	4,606	-	4,292	2,349	55	-	-	-	(57)	648	(237)	11,657	17.1%
France	622	-	8	-	27	-	-	-	329	15	(19)	983	1.4%
Germany	517	-	-	-	-	-	-	-	826	26	(17)	1,352	2.0%
Portugal	832	-	1	-	202	1,019	1	(44)	176	87	(53)	2,221	3.3%
United Kingdom	-	-	-	-	37	-	-	-	(2)	-	-	35	0.1%
Greece	-	-	-	-	-	-	-	-	-	-	-	-	-
Hungary	-	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-	-	-	-	-	-
Rest of European Union	38	-	505	-	32	-	-	-	31	5	(5)	607	0.9%
Total Exposure to Sovereign Counterparties (European Union)	**13,681**	**-**	**18,835**	**8,103**	**22,453**	**2,533**	**64**	**(59)**	**1,896**	**1,863**	**(1,104)**	**68,265**	**100%**

This table shows sovereign risk balances with EBA criteria. Therefore, sovereign risk of the Group's insurance companies (€10,474 million as of December 31, 2017) is not included. Includes credit derivatives CDS (Credit Default Swaps) shown at fair value.

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Exposure to Sovereign Risk by European Union Countries. December 2016 (Millions of euros)

	Debt securities				Loans and receivables	Derivatives (2)						Total	%
						Direct exposure			Indirect exposure				
	Financial Assets Held-for-Trading	Financial assets designated at fair value through profit or loss	Available-for-Sale Financial Assets	Held -to-maturity investment		Notional value	Fair value +	Fair value -	Notional value	Fair value +	Fair value -		
Spain	927	-	13,385	8,063	24,835	1,786	88	(27)	(744)	993	(1,569)	47,737	81.4%
Italy	1,973	-	4,806	2,719	60	-	-	-	(1,321)	1,271	(866)	8,641	14.7%
France	250	-	-	-	28	-	-	-	(13)	46	(63)	248	0.4%
Germany	82	-	-	-	-	-	-	-	(5)	203	(249)	30	0.1%
Portugal	54	-	1	-	285	1,150	-	(215)	10	1	(6)	1,280	2.2%
United Kingdom	-	-	-	-	16	-	-	-	(9)	1	-	8	0.0%
Greece	-	-	-	-	-	-	-	-	-	-	-	-	-
Hungary	-	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Rest of European Union	195	-	469	-	36	-	-	-	30	13	(6)	736	1.3%
Total Exposure to Sovereign Counterparties (European Union)	**3,482**	**-**	**18,660**	**10,783**	**25,259**	**2,936**	**88**	**(242)**	**(2,053)**	**2,527**	**(2,759)**	**58,680**	**100%**

This table shows sovereign risk balances with EBA criteria. Therefore, sovereign risk of the Group's insurance companies (€10,443 million as of December 31, 2016) is not included. Includes credit derivatives CDS (Credit Default Swaps) shown at fair value.

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As of December 31, 2018, 2017 and 2016 the breakdown of total exposure faced by the Group's credit institutions to Spain and other countries, by maturity of the financial instruments, is as follows:

Maturities of Sovereign Risks European Union. December 2018 (Millions of euros)

	Debt securities	Loans and advances	Derivatives						Total	%
			Direct exposure			Indirect exposure				
			Notional value	Fair value +	Fair value -	Notional value	Fair value +	Fair value -		
Spain	**5,237**	**43,236**	**1,264**	**57**	**(15)**	**(3,224)**	**1,130**	**(1,117)**	**46,568**	**79%**
Up to 1 Year	2,821	13,381	383	1	-	(3,224)	1,130	(1,117)	13,375	23%
1 to 5 Years	761	7,904	640	42	(8)	-	-	-	9,340	16%
Over 5 Years	1,654	21,950	242	13	(7)	-	-	-	23,853	40%
Rest of European Union	**3,192**	**9,735**	**277**	**57**	**(57)**	**(431)**	**324**	**(446)**	**12,651**	**21%**
Up to 1 Year	1,155	2,328	220	0	(5)	(865)	297	(355)	2,776	5%
1 to 5 Years	250	1,184	57	57	-	10	16	(24)	1,548	3%
Over 5 Years	1,787	6,224	-	-	(52)	423	12	(67)	8,327	14%
Total Exposure to European Union Sovereign Counterparties	**8,428**	**52,971**	**1,541**	**113**	**(71)**	**(3,656)**	**1,454**	**(1,563)**	**59,218**	**100%**

Maturities of Sovereign Risks European Union. December 2017 (Millions of euros)

	Debt securities			Loans and receivables	Derivatives						Total	%
					Direct exposure			Indirect exposure				
	Financial Assets Held-for-Trading	Available-for-Sale Financial Assets	Held -to-maturity investment		Notional value	Fair value +	Fair value -	Notional value	Fair value +	Fair value -		
Spain	7,065	14,029	5,754	22,101	1,513	62	(15)	591	1,082	(773)	51,410	75%
Up to 1 Year	1,675	3,363	2,900	7,852	69	1	-	591	1,082	(773)	12,312	25%
1 to 5 Years	2,196	1,335	106	7,978	1,131	44	(1)	-	-	-	16,883	19%
Over 5 Years	3,195	9,332	2,747	6,271	314	17	(14)	-	-	-	22,215	32%
Rest of European Union	6,616	4,806	2,349	352	1,019	1	(44)	1,305	781	(331)	16,856	25%
Up to 1 Year	2,212	1,663	1,895	54	466	1	(6)	744	756	(252)	3,614	11%
1 to 5 Years	2,932	192	-	162	3	-	-	243	17	(21)	7,313	5%
Over 5 Years	1,473	2,951	454	137	550	-	(38)	318	8	(58)	5,928	8%
Total Exposure to European Union Sovereign Counterparties	**13,681**	**18,835**	**8,103**	**22,453**	**2,533**	**64**	**(59)**	**1,896**	**1,863**	**(1,104)**	**68,265**	**100%**

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 and 56). In the event of a discrepancy, the Spanish-language version prevails.

Maturities of Sovereign Risks European Union. December 2016 (Millions of euros)

	Debt securities			Loans and receivables	Derivatives						Total	%
					Direct exposure			Indirect exposure				
	Financial Assets Held-for-Trading	Available-for-Sale Financial Assets	Held -to-maturity investment		Notional value	Fair value +	Fair value -	Notional value	Fair value +	Fair value -		
Spain	**927**	**13,385**	**8,063**	**24,835**	**1,786**	**88**	**(27)**	**(744)**	**993**	**(1,569)**	**47,737**	**81%**
Up to 1 Year	913	889	1,989	9,087	-	-	-	(736)	993	(1,564)	11,571	20%
1 to 5 Years	1,272	3,116	3,319	7,059	1,209	32	(1)	(3)	-	-	16,004	27%
Over 5 Years	(1,259)	9,380	2,755	4,595	577	56	(27)	(6)	-	(4)	16,068	27%
Rest of European Union	**2,554**	**5,275**	**2,719**	**424**	**1,150**	**-**	**(215)**	**(1,309)**	**1,534**	**(1,191)**	**10,943**	**19%**
Up to 1 Year	(395)	38	-	2	-	-	-	(1,721)	1,507	(1,054)	(1,623)	-3%
1 to 5 Years	1,535	2,050	1,958	247	381	-	(12)	194	19	(50)	6,322	11%
Over 5 Years	1,414	3,186	761	175	770	-	(203)	218	8	(86)	6,243	11%
Total Exposure to European Union Sovereign Counterparties	**3,482**	**18,660**	**10,783**	**25,259**	**2,936**	**88**	**(242)**	**(2,053)**	**2,527**	**(2,759)**	**58,680**	**100%**

b) Concentration of risk on activities in the real-estate market in Spain

Quantitative information on activities in the real-estate market in Spain

The following quantitative information on real-estate activities in Spain has been prepared using the reporting models required by Bank of Spain Circular 5/2011, of November 30.

As of December 31, 2018, 2017 and 2016, exposure to the construction sector and real-estate activities in Spain stood at €11,045, €11,981 and €15,285 million, respectively. Of that amount, risk from loans to construction and real-estate development activities accounted for €3,183, €5,224 and €7,930 million, respectively, representing 1.7%, 2.9% and 5.0% of loans and advances to customers of the balance of business in Spain (excluding the general governments) and 0.5%, 0.8% and 1.1% of the total assets of the Consolidated Group.

Lending for real estate development of the loans as of December 31, 2018, 2017 and 2016 is shown below:

December 2018. Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase (Millions of euros)

	Gross Amount	Drawn Over the Guarantee Value	Accumulated impairment
Financing to construction and real estate development (including land) (Business in Spain)	**3,183**	**941**	**(537)**
Of which: Impaired assets	*875*	*440*	*(463)*
Memorandum item:			
Write-offs	*2,619*		
Memorandum item:			
Total loans and advances to customers, excluding the General Governments (Business in Spain)	*183,196*		
Total consolidated assets (total business)	*676,689*		
Impairment and provisions for normal exposures	*4,938*		

December 2017. Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase (Millions of euros)

	Gross Amount	Drawn Over the Guarantee Value	Accumulated impairment
Financing to construction and real estate development (including land) (Business in Spain)	**5,224**	**2,132**	**(1,500)**
Of which: Impaired assets	*2,660*	*1,529*	*(1,461)*
Memorandum item:			
Write-offs	*2,289*		
Memorandum item:			
Total loans and advances to customers, excluding the General Governments (Business in Spain)	*174,014*		
Total consolidated assets (total business)	*690,059*		
Impairment and provisions for normal exposures	*(5,843)*		

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December 2016. Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase (Millions of euros)

	Gross Amount	Drawn Over the Guarantee Value	Accumulated impairment
Financing to construction and real estate development (including land) (Business in Spain)	**7,930**	**3,449**	**(2,944)**
Of which: Impaired assets	*5,095*	*2,680*	*(2,888)*
Memorandum item:			
Write-offs	*2,061*		
Memorandum item:			
Total loans and advances to customers, excluding the General Governments (Business in Spain)	*159,492*		
Total consolidated assets (total business)	*731,856*		
Impairment and provisions for normal exposures	*(5,830)*		

The following is a description of the real estate credit risk based on the types of associated guarantees:

Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase (Millions of euros)

	2018	2017	2016
Without secured loan	**324**	**552**	**801**
With secured loan	**2,859**	**4,672**	**7,129**
Terminated buildings	1,861	2,904	3,875
Homes	1,382	2,027	2,954
Other	479	877	921
Buildings under construction	432	462	760
Homes	408	439	633
Other	24	23	127
Land	566	1,306	2,494
Urbanized land	364	704	1,196
Rest of land	202	602	1,298
Total	**3,183**	**5,224**	**7,930**

As of December 31, 2018, 2017 and 2016, 58.5%, 55.6%, and 48.9% of loans to developers were guaranteed with buildings (74.3%, 69.8% and 76.2%, are homes), and only 17.8%, 25.0% and 31.5% by land, of which 64.3%, 53.9% and 48.0% % are in urban locations, respectively.

The table below provides the breakdown of the financial guarantees given as of December 31, 2018, 2017 and 2016:

Financial guarantees given (Millions of euros)

	December 2018	December 2017	December 2016
Houses purchase loans	48	64	62
Without mortgage	24	12	18

The information on the retail mortgage portfolio risk (housing mortgage) as of December 31, 2018, 2017 and 2016 is as follows:

December 2018. Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase. (Millions of euros)

	Gross amount	***Of which: impaired loans***
Houses purchase loans	80,159	*3,852*
Without mortgage	1,611	*30*
With mortgage	78,548	*3,822*

December 2017. Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase. (Millions of euros)

	Gross amount	***Of which: impaired loans***
Houses purchase loans	83,505	*4,821*
Without mortgage	1,578	*51*
With mortgage	81,927	*4,770*

December 2016. Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase. (Millions of euros)

	Gross amount	***Of which: impaired loans***
Houses purchase loans	87,874	*4,938*
Without mortgage	1,935	*93*
With mortgage	85,939	*4,845*

The loan to value (LTV) ratio of the above portfolio is as follows:

LTV Breakdown of mortgage to households for the purchase of a home (Business in Spain) (Millions of euros)"

	Total risk over the amount of the last valuation available (Loan To Value-LTV)					
	Less than or equal to 40%	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80% but less than or equal to 100%**	**Over 100%**	**Total**
Gross amount 2018	14,491	18,822	21,657	13,070	10,508	78,548
of which: Impaired loans	*204*	*323*	*507*	*610*	*2,178*	*3,822*
Gross amount 2017	14,485	18,197	20,778	14,240	14,227	81,927
of which: Impaired loans	*293*	*444*	*715*	*897*	*2,421*	*4,770*
Gross amount 2016	13,780	18,223	20,705	15,967	17,264	85,939
of which: Impaired loans	*306*	*447*	*747*	*962*	*2,383*	*4,845*

Outstanding home mortgage loans as of December 31, 2018, 2017 and 2016 had an average LTV of 49%, 51%, and 47% respectively.

The breakdown of foreclosed, acquired, purchased or exchanged assets from debt from loans relating to business in Spain, as well as the holdings and financing to non-consolidated entities holding such assets is as follows:

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Information about Assets Received in Payment of Debts (Business in Spain) (Millions of euros)

	December 2018			
	Gross Value	Provisions	*Of which: Valuation adjustments on impaired assets, from the time of foreclosure*	Carrying Amount
Real estate assets from loans to the construction and real estate development sectors in Spain.	**2,165**	**1,252**	***828***	**913**
Terminated buildings	991	445	*274*	546
Homes	588	245	*144*	343
Other	403	200	*130*	203
Buildings under construction	209	131	*96*	78
Homes	194	117	*85*	77
Other	15	14	*11*	1
Land	965	676	*458*	289
Urbanized land	892	633	*421*	259
Rest of land	73	43	*37*	30
Real estate assets from mortgage financing for households for the purchase of a home	**1,797**	**932**	***331***	**865**
Rest of foreclosed real estate assets	**348**	**192**	***40***	**156**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**1,345**	**234**	***234***	**1,111**
Total	**5,655**	**2,610**	***1,433***	**3,045**

Additionally, in December 18, there was an increase of BBVA, S.A.'s stake in Garanti Yatirim Ortakligi AS through its contribution to the capital increase carried out by the latter entity.

Information about Assets Received in Payment of Debts (Business in Spain) (Millions of euros)

	December 2017			
	Gross Value	Provisions	*Of which: Valuation adjustments on impaired assets, from the time of foreclosure*	Carrying Amount
Real estate assets from loans to the construction and real estate development sectors in Spain.	**6,429**	**4,350**	***2,542***	**2,079**
Terminated buildings	2,191	1,184	*606*	1,007
Homes	1,368	742	*366*	626
Other	823	442	*240*	381
Buildings under construction	541	359	*192*	182
Homes	521	347	*188*	174
Other	20	12	*4*	8
Land	3,697	2,807	*1,744*	890
Urbanized land	1,932	1,458	*1,031*	474
Rest of land	1,765	1,349	*713*	416
Real estate assets from mortgage financing for households for the purchase of a home	**3,592**	**2,104**	***953***	**1,488**
Rest of foreclosed real estate assets	**1,665**	**905**	***268***	**760**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**1,135**	**325**	***273***	**810**
Total	**12,821**	**7,684**	**4,036**	**5,137**

Additionally, in March 2017, there was an increase of BBVA, S.A.'s stake in Testa Residencial through its contribution to the capital increase carried out by the latter entity by contributing assets from the Bank's real estate assets.

Information about Assets Received in Payment of Debts (Business in Spain) (Millions of euros)

	December 2016			
	Gross Value	Provisions	*Of which: Valuation adjustments on impaired assets, from the time of foreclosure*	Carrying Amount
Real estate assets from loans to the construction and real estate development sectors in Spain.	**8,017**	**5,290**	***2,790***	**2,727**
Finished buildings	2,602	1,346	*688*	1,256
Homes	1,586	801	*408*	785
Other	1,016	545	*280*	471
Buildings under construction	665	429	*203*	236
Homes	642	414	*195*	228
Other	23	15	*8*	8
Land	4,750	3,515	*1,899*	1,235
Urbanized land	3,240	2,382	*1,364*	858
Rest of land	1,510	1,133	*535*	377
Real estate assets from mortgage financing for households for the purchase of a home	**4,332**	**2,588**	***1,069***	**1,744**
Rest of foreclosed real estate assets	**1,856**	**1,006**	***225***	**850**
Foreclosed equity instruments	**1,240**	**549**	***451***	**691**
Total	**15,445**	**9,433**	**4,535**	**6,012**

As of December 31, 2018, 2017 and 2016, the gross book value of the Group's real-estate assets from corporate financing of real-estate construction and development was €2,165, €6,429 and €8,017 million, respectively, with an average coverage ratio of 57.8%, 67.7% and 66.0%, respectively.

The gross book value of real-estate assets from mortgage lending to households for home purchase as of December 31, 2018, 2017 and 2016, amounted to €1,797, €3,592 and €4,332 million, respectively, with an average coverage ratio of 51.9%, 58.6% and 59.7%.

As of December 31, 2018, 2017 and 2016, the gross book value of the BBVA Group's total real-estate assets (business in Spain), including other real-estate assets received as debt payment, was €4,310, €11,686 and €14,205 million, respectively. The coverage ratio was 55.1%, 63.0% and 62.5%, respectively.

c) Concentration of risk by geography

Below is a breakdown of the balances of financial instruments registered in the accompanying consolidated balance sheets by their concentration in geographical areas and according to the residence of the customer or counterparty. It does not take into account impairment losses or loan-loss provisions:

Risks by Geographical Areas. December 2018 (millions of euros)

	Spain	Europe, Excluding Spain	Mexico	USA	Turkey	South America	Other	Total
Derivatives	**3,979**	**16,055**	**1,550**	**7,057**	**161**	**1,150**	**583**	**30,536**
Equity instruments (*)	**3,228**	**3,669**	**2,459**	**1,139**	**29**	**212**	**207**	**10,944**
Debt securities	**43,777**	**14,908**	**23,134**	**16,991**	**8,048**	**5,274**	**1,312**	**113,445**
Central banks	-	-	-	-	-	1,982	71	2,052
General governments	36,553	10,675	20,891	13,276	7,887	2,431	164	91,877
Credit institutions	1,130	1,821	573	74	155	297	463	4,514
Other financial corporations	5,769	1,048	227	2,595	5	432	114	10,190
Non-financial corporations	325	1,364	1,443	1,046	1	132	500	4,812
Loans and advances	**177,077**	**43,034**	**55,248**	**62,193**	**45,285**	**40,007**	**7,089**	**429,933**
Central banks	294	-	-	-	3,688	342	1,674	6,110
General governments	16,671	329	5,727	5,369	99	1,923	453	30,572
Credit institutions	5,422	13,600	1,476	696	956	984	639	23,774
Other financial corporations	4,616	10,893	1,303	2,255	766	637	304	20,773
Non-financial corporations	51,942	14,317	22,426	32,480	26,813	18,518	3,852	170,349
Households	98,131	3,783	24,316	21,393	12,963	17,602	168	178,355
Total Risk in Financial Assets	**228,061**	**77,666**	**82,392**	**87,381**	**53,523**	**46,644**	**9,191**	**584,858**
Loan commitments given	32,582	21,983	14,503	32,136	7,914	8,590	1,252	118,959
Financial guarantees given	3,242	1,708	1,528	796	6,900	989	1,291	16,454
Other Commitments given	15,995	9,229	532	2,118	2,230	2,782	2,213	35,098
Off-balance sheet exposures	**51,819**	**32,920**	**16,563**	**35,050**	**17,043**	**12,360**	**4,756**	**170,511**
Total Risks in Financial Instruments	**279,880**	**110,586**	**98,955**	**122,430**	**70,567**	**59,004**	**13,947**	**755,369**

(*) Equity instruments are shown net of valuation adjustment.

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Risks by Geographical Areas. December 2017 (Millions of euros)

	Spain	Europe, Excluding Spain	Mexico	USA	Turkey	South America	Other	Total
Derivatives	**6,336**	**20,506**	**1,847**	**4,573**	**113**	**977**	**921**	**35,273**
Equity instruments (*)	**3,539**	**4,888**	**2,050**	**991**	**36**	**333**	**71**	**11,908**
Debt securities	**44,773**	**15,582**	**21,594**	**13,280**	**10,601**	**5,861**	**1,450**	**113,141**
Central banks	49	-	-	2,734	-	2,685	-	5,468
General governments	36,658	11,475	19,323	8,894	9,668	2,246	221	88,485
Credit institutions	1,364	2,095	289	98	884	387	752	5,869
Other financial corporations	6,492	994	337	3,026	7	315	194	11,365
Non-financial corporations	259	1,018	1,645	1,262	42	228	234	4,688
Loans and advances	**185,597**	**41,426**	**50,352**	**54,315**	**56,062**	**42,334**	**4,585**	**434,670**
Central banks	-	626	-	-	5,299	1,375	-	7,300
General governments	18,116	352	5,868	5,165	152	2,354	398	32,405
Credit institutions	5,564	15,493	1,889	789	1,073	1,145	345	26,297
Other financial corporations	7,769	6,231	588	1,732	1,297	664	270	18,551
Non-financial corporations	54,369	14,615	19,737	29,396	31,691	19,023	3,345	172,175
Households	99,780	4,110	22,269	17,233	16,550	17,773	227	177,942
Total Risk in Financial Assets	**240,245**	**82,401**	**75,842**	**73,159**	**66,812**	**49,504**	**7,027**	**594,990**
Loan commitments given	31,100	16,203	1,691	29,539	2,944	11,664	1,126	94,268
Financial guarantees given	4,635	1,427	82	717	7,993	1,174	519	16,546
Other Commitments given	25,279	9,854	1,582	1,879	1,591	3,750	1,804	45,738
Off-balance sheet exposures	**61,014**	**27,484**	**3,356**	**32,134**	**12,527**	**16,588**	**3,450**	**156,552**
Total Risks in Financial Instruments	**301,259**	**109,885**	**79,198**	**105,293**	**79,339**	**66,092**	**10,477**	**751,542**

(*) Equity instruments are shown net of valuation adjustment.

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Risks by Geographical Areas. December 2016 (Millions of euros)

	Spain	Europe, Excluding Spain	Mexico	USA	Turkey	South America	Other	Total
Derivatives	**7,143**	**26,176**	**2,719**	**4,045**	**175**	**1,359**	**1,339**	**42,955**
Equity instruments (*)	**4,641**	**2,303**	**2,383**	**831**	**57**	**316**	**706**	**11,236**
Debt securities	**49,355**	**20,325**	**22,380**	**18,043**	**11,695**	**7,262**	**1,923**	**130,983**
Central banks	-	-	-	-	-	2,237	16	2,253
General governments	40,172	14,282	19,771	11,446	10,258	2,257	240	98,426
Credit institutions	1,781	2,465	257	112	1,331	1,459	869	8,275
Other financial corporations	6,959	1,181	352	4,142	15	347	379	13,376
Non-financial corporations	443	2,397	2,000	2,343	90	961	418	8,653
Loans and advances	**187,717**	**45,075**	**52,230**	**61,739**	**61,090**	**58,020**	**5,067**	**470,938**
Central banks	-	158	21	-	5,722	2,994	-	8,894
General governments	20,741	424	7,262	4,593	217	1,380	256	34,873
Credit institutions	5,225	19,154	1,967	1,351	1,194	1,515	1,011	31,416
Other financial corporations	5,339	6,213	1,171	1,648	1,620	886	214	17,091
Non-financial corporations	54,112	14,818	19,256	34,330	34,471	26,024	3,371	186,384
Households	102,299	4,308	22,552	19,818	17,866	25,221	216	192,281
Total Risk in Financial Assets	**248,856**	**93,880**	**79,712**	**84,657**	**73,016**	**66,956**	**9,036**	**656,112**
Loan commitments given	31,477	19,219	13,060	34,449	2,912	5,161	976	107,254
Financial guarantees given	1,853	3,504	121	819	9,184	2,072	714	18,267
Other Commitments given	16,610	14,154	1,364	2,911	2,002	3,779	1,771	42,592
Off-balance sheet exposures	**49,940**	**36,878**	**14,545**	**38,179**	**14,098**	**11,012**	**3,461**	**168,113**
Total Risks in Financial Instruments	**298,796**	**130,757**	**94,257**	**122,836**	**87,114**	**77,968**	**12,497**	**824,225**

The breakdown of the main figures in the most significant foreign currencies in the accompanying consolidated balance sheets is set forth in Appendix VII.

The breakdown of loans and advances in the heading of Loans and receivables, impaired by geographical area as of December 31, 2018, 2017 and 2016 is as follows:

Impaired Financial Assets by geographic area (Millions of euros)

	December 2018	December 2017	December 2016
Spain	10,025	13,318	16,812
Rest of Europe	225	549	704
Mexico	1,138	1,124	1,152
South America	1,715	1,468	1,589
The United States	733	631	975
Turkey	2,520	2,311	1,693
Rest of the world	2	-	-
IMPAIRED RISKS	**16,359**	**19,401**	**22,925**

APPENDIX XIII. Information in accordance with Article 89 of Directive 2013/36/EU of the European Parliament and its application to Spanish Law through Law 10/2014

December 31, 2018 (Millions of euros)

Country	CIT payments cash basis	CIT expense consol	PBT consol	Turnover	Nº Employees (*)	Activity	Main Entity
Mexico	903	902	3,241	7,070	36,118	Finance, banking and insurance services and real estate	BBVA Bancomer SA
Spain	534	383	1,295	5,649	29,375	Finance, banking and insurance services and real estate	BBVA SA
Turkey	422	269	1,225	3,511	20,305	Finance, banking and insurance services	Turkiye Garanti Bankasi
United States	165	188	977	2,991	10,682	Finance and banking services	Compass Bank, Inc.
Colombia	85	117	355	1,013	6,633	Finance, banking and insurance services	BBVA Colombia SA
Argentina	32	116	66	661	5,740	Finance, banking and insurance services	BBVA Banco Frances SA
Peru	146	163	584	1,140	6,262	Finance and banking services	BBVA Banco Continental SA
Venezuela	-	20	2	102	3,371	Finance, banking and insurance services	BBVA Banco Provincial SA
Chile	365	43	205	502	923	Financial services	Forum Servicios Financieros, S.A.
Romania	1	4	38	118	1,313	Finance and banking services	Garanti Bank SA
Uruguay	15	6	37	162	578	Finance and banking services	BBVA Uruguay SA
Paraguay	9	3	35	87	430	Finance and banking services	BBVA Paraguay SA
Bolivia	2	2	9	25	396	Pensiones	BBVA Previsión AFP SA
Netherlands	7	5	20	84	256	Finance and banking services	Garantibank International NV
Switzerland	9	1	4	36	122	Finance and banking services	BBVA -Switzerland SA
Finland	-	-	(12)	-	83	Financial services	Holvi Payment Service OY
Ireland	-	2	10	8	4	Finance, banking and insurance services	BBVA Ireland PCL
Brasil	-	-	-	2	6	Financial services	BBVA Brasil Banco de Investimento, S.A.
Curaçao	-	-	6	8	13	Finance and banking services	Banco Provincial Overseas NV
Portugal	6	27	59	109	468	Finance and banking services	BBVA - Sucursal de Portugal
United Kingdom	3	2	21	65	126	Financial services	BBVA -Sucursal de Londres
Hong Kong	-	1	14	44	89	Financial services	BBVA -Sucursal de Hong-Kong
France	14	12	36	52	72	Financial services	BBVA -Sucursal de Paris
Italy	8	8	29	55	52	Financial services	BBVA -Sucursal de Roma
Germany	17	1	16	44	41	Financial services	BBVA -Sucursal de Frankfurt
Belgium	-	-	2	7	24	Financial services	BBVA -Sucursal de Bruselas
China	-	-	(1)	2	22	Financial services	BBVA -Sucursal de Shanghai
South Korea	-	-	-	-	-	Financial services	BBVA -Sucursal de Seúl
Singapore	1	1	7	10	8	Financial services	BBVA -Sucursal de Singapur
Japan	-	-	-	1	3	Financial services	BBVA -Sucursal de Tokio
Taiwan	-	-	(2)	2	9	Financial services	BBVA -Sucursal de Taipei
Luxembourg	-	-	-	-	-	Financial services	BBVA Luxinvest, S.A.
Cyprus	3	7	30	33	107	Financial services	Garanti -Sucursal de Nicosia
Malta	6	10	136	153	13	Financial services	Garanti -Sucursal de la Valeta
Poland	-	-	2	1	-	Real estate	Geskat Polska SP. ZOO
Total	**2,753**	**2,295**	**8,446**	**23,747**	**123,644**		

(*) Full time employees. The 15 employees of representative offices are not included in the total number.

The results of this breakdown of the branches are integrated in the financial statements of the parent companies on which they depend.

As of December 31, 2018, the return of the Group's assets calculated by dividing the "Profit" between "Total Assets" is 0.91%.

In 2018 (*), BBVA group has not received public aid for the financial sector which has the aim of promoting the carrying out of banking activities and which is significant. This statement is made for the purposes of article 89 of Directive 2013/36/UE of the European Parliament and of the Council of June 26 (on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms) and its transposition to Spanish legislation by means of Law 10/2014 on Monitoring, Supervision and Solvency of Credit Institutions of June 26.

(*) BBVA disclosed by means of public relevant events: (i) on 07/27/2012 the closing of the acquisition of UNNIM Banc, S.A. and (ii) on 04/24/2015 the closing of the acquisition of Catalunya Banc, S.A.

Glossary

Additional Tier 1 Capital	Includes: Preferred stock and convertible perpetual securities and deductions.
Adjusted acquisition cost	The acquisition cost of the securities less accumulated amortizations, plus interest accrued, but not net of any other valuation adjustments.
Amortized cost	The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus, the cumulative amortization using the effective interest rate method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.
Associates	Companies in which the Group has a significant influence, without having control. Significant influence is deemed to exist when the Group owns 20% or more of the voting rights of an investee directly or indirectly.
Available-for-sale financial assets	Available-for-sale (AFS) financial assets are debt securities that are not classified as held-to-maturity investments or as financial assets designated at fair value through profit or loss (FVTPL) and equity instruments that are not subsidiaries, associates or jointly controlled entities and have not been designated as at FVTPL. The AFS category belongs to IAS 39 standard, replaced by "Financial Assets at fair value through other comprehensive income" under IFRS 9.
Baseline macroeconomic scenarios	IFRS 9 requires that an entity must evaluate a range of possible outcomes when estimating provisions and measuring expected credit losses, through macroeconomic scenarios. The baseline macroeconomic scenario presents the situation of the particular economic cycle.
Basic earnings per share	Calculated by dividing "Profit attributable to Parent Company" corresponding to ordinary shareholders of the entity by the weighted average number of shares outstanding throughout the year (i.e., excluding the average number of treasury shares held over the year).
Basis risk	Risk arising from hedging exposure to one interest rate with exposure to a rate that reprices under slightly different conditions.
Business combination	A business combination is a transaction, or any other event, through which a single entity obtains the control of one or more businesses.
Business Model	The assessment as to how an asset shall be classified is made on the basis of both the business model for managing the financial asset and the contractual cash flow characteristic of the financial asset (SPPI Criterion). Financial assets are classified on the basis of its business model for managing the financial assets. The Group's business models shall be determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective and generate cash flows.
Cash flow hedges	Those that hedge the exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.
Commissions	Income and expenses relating to commissions and similar fees are recognized in the consolidated income statement using criteria that vary according to their nature. The most significant income and expense items in this connection are: · Fees and commissions relating linked to financial assets and liabilities measured at fair value through profit or loss, which are recognized when collected. · Fees and commissions arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services. · Fees and commissions generated by a single act are accrued upon execution of that act.

Consolidated statements of cash flows	The indirect method has been used for the preparation of the consolidated statement of cash flows. This method starts from the entity's consolidated profit and adjusts its amount for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with cash flows classified as investment or finance. As well as cash, short-term, highly liquid investments subject to a low risk of changes in value, such as cash and deposits in central banks, are classified as cash and equivalents. When preparing these financial statements the following definitions have been used: · Cash flows: Inflows and outflows of cash and equivalents. · Operating activities: The typical activities of credit institutions and other activities that cannot be classified as investment or financing activities. · Investing activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents or in operating activities. · Financing activities: Activities that result in changes in the size and composition of the Group's equity and of liabilities that do not form part of operating activities.
Consolidated statements of changes in equity	The consolidated statements of changes in equity reflect all the movements generated in each year in each of the headings of the consolidated equity, including those from transactions undertaken with shareholders when they act as such, and those due to changes in accounting criteria or corrections of errors, if any. The applicable regulations establish that certain categories of assets and liabilities are recognized at their fair value with a charge to equity. These charges, known as "Valuation adjustments" (see Note 31), are included in the Group's total consolidated equity net of tax effect, which has been recognized as deferred tax assets or liabilities, as appropriate.
Consolidated statements of recognized income and expenses	The consolidated statements of recognized income and expenses reflect the income and expenses generated each year. Such statement distinguishes between income and expenses recognized in the consolidated income statements and "Other recognized income (expenses)" recognized directly in consolidated equity. "Other recognized income (expenses)" include the changes that have taken place in the year in the "Valuation adjustments" broken down by item. The sum of the changes to the heading "Other comprehensive income " of the consolidated total equity and the consolidated profit for the year comprise the "Total recognized income/expenses of the year".
Consolidation method	Method used for the consolidation of the accounts of the Group's subsidiaries. The assets and liabilities of the Group entities are incorporated line-by-line on the consolidate balance sheets, after conciliation and the elimination in full of intragroup balances, including amounts payable and receivable. Group entity income statement income and expense headings are similarly combined line by line into the consolidated income statement, having made the following consolidation eliminations: a) income and expenses in respect of intragroup transactions are eliminated in full. b) profits and losses resulting from intragroup transactions are similarly eliminated. The carrying amount of the parent's investment and the parent's share of equity in each subsidiary are eliminated.
Contingencies	Current obligations of the entity arising as a result of past events whose existence depends on the occurrence or non-occurrence of one or more future events independent of the will of the entity.

Contingent commitments	Possible obligations of the entity that arise from past events and whose existence depends on the occurrence or non-occurrence of one or more future events independent of the entity's will and that could lead to the recognition of financial assets.
Control	An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An investor controls an investee if and only if the investor has all the following: a) Power; An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns. b) Returns; An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. The investor's returns can be only positive, only negative or both positive and negative. c) Link between power and returns; An investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee.
Correlation risk	Correlation risk is related to derivatives whose final value depends on the performance of more than one underlying asset (primarily, stock baskets) and indicates the existing variability in the correlations between each pair of assets.
Credit Valuation Adjustment (CVA)	An adjustment to the valuation of OTC derivative contracts to reflect the creditworthiness of OTC derivative counterparties.
Current service cost	Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.
Current tax assets	Taxes recoverable over the next twelve months.
Current tax liabilities	Corporate income tax payable on taxable profit for the year and other taxes payable in the next twelve months.
Debit Valuation Adjustment (DVA)	An adjustment made by an entity to the valuation of OTC derivative liabilities to reflect within fair value the entity's own credit risk.
Debt certificates	Obligations and other interest-bearing securities that create or evidence a debt on the part of their issuer, including debt securities issued for trading among an open group of investors, that accrue interest, implied or explicit, whose rate, fixed or benchmarked to other rates, is established contractually, and take the form of securities or book-entries, irrespective of the issuer.
Default	An asset will be considered as defaulted whenever it is more than 90 days past due.
Deferred tax assets	Taxes recoverable in future years, including loss carry forwards or tax credits for deductions and tax rebates pending application.
Deferred tax liabilities	Income taxes payable in subsequent years.
Defined benefit plans	Post-employment obligation under which the entity, directly or indirectly via the plan, retains the contractual or implicit obligation to pay remuneration directly to employees when required or to pay additional amounts if the insurer, or other entity required to pay, does not cover all the benefits relating to the services rendered by the employees when insurance policies do not cover all of the corresponding post-employees benefits.

Defined contribution plans	Defined contribution plans are retirement benefit plans under which amounts to be paid as retirement benefits are determined by contributions to a fund together with investment earnings thereon. The employer's obligations in respect of its employees current and prior years' employment service are discharged by contributions to the fund.
Deposits from central banks	Deposits of all classes, including loans and money market operations, received from the Bank of Spain and other central banks.
Deposits from credit institutions	Deposits of all classes, including loans and money market operations received, from credit entities.
Deposits from customers	Redeemable cash balances received by the entity, with the exception of debt certificates, money market operations through counterparties and subordinated liabilities, which are not received from either central banks or credit entities. This category also includes cash deposits and consignments received that can be readily withdrawn.
Derivatives	The fair value in favor (assets) or again (liabilities) of the entity of derivatives not designated as accounting hedges.
Derivatives - Hedging derivatives	Derivatives designated as hedging instruments in an accounting hedge. The fair value or future cash flows of those derivatives is expected to offset the differences in the fair value or cash flows of the items hedged.
Diluted earnings per share	Calculated by using a method similar to that used to calculate basic earnings per share; the weighted average number of shares outstanding, and the profit attributable to the parent company corresponding to ordinary shareholders of the entity, if appropriate, is adjusted to take into account the potential dilutive effect of certain financial instruments that could generate the issue of new Bank shares (share option commitments with employees, warrants on parent company shares, convertible debt instruments, etc.).
Dividends and retributions	Dividend income collected announced during the year, corresponding to profits generated by investees after the acquisition of the stake.
Early retirements	Employees that no longer render their services to the entity but which, without being legally retired, remain entitled to make economic claims on the entity until they formally retire.
Economic capital	Methods or practices that allow banks to consistently assess risk and attribute capital to cover the economic effects of risk-taking activities.
Effective interest rate (EIR)	Discount rate that exactly equals the value of a financial instrument with the cash flows estimated over the expected life of the instrument based on its contractual period as well as its anticipated amortization, but without taking the future losses of credit risk into consideration.
Employee expenses	All compensation accrued during the year in respect of personnel on the payroll, under permanent or temporary contracts, irrespective of their jobs or functions, irrespective of the concept, including the current costs of servicing pension plans, own share based compensation schemes and capitalized personnel expenses. Amounts reimbursed by the state Social Security or other welfare entities in respect of employee illness are deducted from personnel expenses.
Equity	The residual interest in an entity's assets after deducting its liabilities. It includes owner or venturer contributions to the entity, at incorporation and subsequently, unless they meet the definition of liabilities, and accumulated net profits or losses, fair value adjustments affecting equity and, if warranted, non-controlling interests.
Equity instruments	An equity instrument that evidences a residual interest in the assets of an entity, that is after deducting all of its liabilities.

Equity instruments issued other than capital	Includes equity instruments that are financial instruments other than "Capital" and "Equity component of compound financial instruments".
Equity Method	Is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income.
Exchange/translation differences	Exchange differences (P&L): Includes the earnings obtained in currency trading and the differences arising on translating monetary items denominated in foreign currency to the functional currency. Exchange differences (valuation adjustments): those recorded due to the translation of the financial statements in foreign currency to the functional currency of the Group and others recorded against equity.
Expected Credit Loss (ECL)	Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument. Hence, credit losses are the present value of expected cash shortfalls. The measurement and estimate of these expected credit losses should reflect: 1. An unbiased and probability-weighted amount. 2. The time value of money by discounting this amount to the reporting date using a rate that approximates the EIR of the asset, and 3. Reasonable and supportable information that is available without undue cost or effort. The expected credit losses must be measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate or an approximation thereof (forward looking).
Exposure at default	EAD is the amount of risk exposure at the date of default by the counterparty.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Fair value hedges	Derivatives that hedge the exposure to changes in the fair value of assets and liabilities or firm commitments that have not be recognized, or of an identified portion of said assets, liabilities or firm commitments, attributable to a specific risk, provided it could affect the income statement.
Financial Assets at Amortized Cost	Financial assets that do not meet the definition of financial assets designated at fair value through profit or loss and arise from the financial entities' ordinary activities to capture funds, regardless of their instrumentation or maturity.
Financial Assets at fair value through other comprehensive income	Financial instruments with determined or determinable cash flows and in which the entire payment made by the entity will be recovered, except for reasons attributable to the solvency of the debtor. This category includes both the investments from the typical lending activity as well as debts contracted by the purchasers of goods, or users of services, that form part of the entity's business. It also includes all finance lease arrangements in which the consolidated subsidiaries act as lessors.
Financial guarantees	Contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs when a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument, irrespective of its instrumentation. These guarantees may take the form of deposits, technical or financial guarantees, insurance contracts or credit derivatives.
Financial guarantees given	Transactions through which the entity guarantees commitments assumed by third parties in respect of financial guarantees granted or other types of contracts.

Financial instrument	A financial instrument is any contract that gives rise to a financial asset of one entity and to a financial liability or equity instrument of another entity.
Financial liabilities at amortized cost	Financial liabilities that do not meet the definition of financial liabilities designated at fair value through profit or loss and arise from the financial entities' ordinary activities to capture funds, regardless of their instrumentation or maturity.
Goodwill	Goodwill acquired in a business combination represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not able to be individually identified and separately recognized.
Hedges of net investments in foreign operations	Foreign currency hedge of a net investment in a foreign operation.
Held for trading (assets and liabilities)	Financial assets and liabilities acquired or incurred primarily for the purpose of profiting from variations in their prices in the short term. This category also includes financial derivatives not qualifying for hedge accounting, and in the case of borrowed securities, financial liabilities originated by the firm sale of financial assets acquired under repurchase agreements or received on loan ("short positions").
Held-to-maturity investments	Held-to-maturity investments are financial assets traded on an active market, with fixed maturity and fixed or determinable payments and cash flows that an entity has the positive intention and financial ability to hold to maturity. The Held-to-maturity category belongs to IAS 39 standard, replaced by IFRS 9.
Impaired financial assets	An asset is credit-impaired according to IFRS 9 if one or more events have occurred and they have a detrimental impact on the estimated future cash flows of the asset. *Evidence that a financial asset is credit-impaired includes observable data about the following events:* *a) significant financial difficulty of the issuer or the borrower,* *b) a breach of contract (e.g. a default or past due event),* *c) a lender having granted a concession to the borrower – for economic or contractual reasons relating to the borrower's financial difficulty – that the lender would not otherwise consider,* *d) it becoming probable that the borrower will enter bankruptcy or other financial reorganization,* *e) the disappearance of an active market for that financial asset because of financial difficulties, or* f) *the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.*
Income from equity instruments	Dividends and income on equity instruments collected or announced during the year corresponding to profits generated by investees after the ownership interest is acquired. Income is recognized gross, i.e., without deducting any withholdings made, if any.
Insurance contracts linked to pensions	The fair value of insurance contracts written to cover pension commitments.
Inventories	Assets, other than financial instruments, under production, construction or development, held for sale during the normal course of business, or to be consumed in the production process or during the rendering of services. Inventories include land and other properties held for sale at the real estate development business.
Investment properties	Investment property is property (land or a building—or part of a building—or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for own use or sale in the ordinary course of business.
Joint arrangement	An arrangement of which two or more parties have joint control.

Joint control	The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
Joint operation	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets of the arrangement and obligations for the liabilities. A joint venturer shall recognize the following for its participation in a joint operation: a) its assets, including any share of the assets of joint ownership; b) its liabilities, including any share of the liabilities incurred jointly; c) income from the sale of its share of production from the joint venture; d) its share of the proceeds from the sale of production from the joint venturer; and e) its expenses, including any share of the joint expenses. A joint venturer shall account for the assets, liabilities, income and expenses related to its participation in a joint operation in accordance with IFRS applicable to the assets, liabilities, income and expenses specific question.
Joint venture	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.
Leases	A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time, a stream of cash flows that is essentially equivalent to the combination of principal and interest payments under a loan agreement. a) A lease is classified as a finance lease when it substantially transfers all the risks and rewards incidental to ownership of the asset forming the subject-matter of the contract. b) A lease will be classified as operating lease when it is not a financial lease.
Liabilities included in disposal groups classified as held for sale	The balance of liabilities directly associated with assets classified as non-current assets held for sale, including those recognized under liabilities in the entity's balance sheet at the balance sheet date corresponding to discontinued operations.
Liabilities under insurance contracts	The technical reserves of direct insurance and inward reinsurance recorded by the consolidated entities to cover claims arising from insurance contracts in force at period-end.
Loans and advances to customers	Loans and receivables, irrespective of their type, granted to third parties that are not credit entities.
Loans and receivables	Financial instruments with determined or determinable cash flows and in which the entire payment made by the entity will be recovered, except for reasons attributable to the solvency of the debtor. This category includes both the investments from the typical lending activity (amounts of cash available and pending maturity by customers as a loan or deposits lent to other entities, and unlisted debt certificates), as well as debts contracted by the purchasers of goods, or users of services, that form part of the entity's business. It also includes all finance lease arrangements in which the consolidated subsidiaries act as lessors. The Loans and receivables category belongs to IAS 39 standard, replaced by "Financial Assets at Amortized Cost" under IFRS 9.
Loss given default (LGD)	It is the estimate of the loss arising in the event of default. It depends mainly on the characteristics of the counterparty, and the valuation of the guarantees or collateral associated with the asset.

Mortgage-covered bonds	Financial asset or security created from mortgage loans and backed by the guarantee of the mortgage loan portfolio of the entity.
Non performing financial guarantees given	The balance of non performing risks, whether for reasons of default by customers or for other reasons, for financial guarantees given. This figure is shown gross: in other words, it is not adjusted for value corrections (loan loss reserves) made.
Non Performing Loans (NPL)	The balance of non performing risks, whether for reasons of default by customers or for other reasons, for exposures on balance loans to customers. This figure is shown gross: in other words, it is not adjusted for value corrections (loan loss reserves) made.
Non-controlling interests	The net amount of the profit or loss and net assets of a subsidiary attributable to associates outside the group (that is, the amount that is not owned, directly or indirectly, by the parent), including that amount in the corresponding part of the consolidated earnings for the period.
Non-current assets and disposal groups held for sale	A non-current asset or disposal group, whose carrying amount is expected to be realized through a sale transaction, rather than through continuing use, and which meets the following requirements: a) it is immediately available for sale in its present condition at the balance sheet date, i.e. only normal procedures are required for the sale of the asset. b) the sale is considered highly probable.
Non-monetary assets	Assets and liabilities that do not provide any right to receive or deliver a determined or determinable amount of monetary units, such as tangible and intangible assets, goodwill and ordinary shares subordinate to all other classes of capital instruments.
Option risk	Risks arising from options, including embedded options.
Other financial assets/liabilities at fair value through profit or loss	Instruments designated by the entity from the inception at fair value with changes in profit or loss. An entity may only designate a financial instrument at fair value through profit or loss, if doing so more relevant information is obtained, because: a) It eliminates or significantly reduces a measurement or recognition inconsistency (sometimes called "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. It might be acceptable to designate only some of a number of similar financial assets or financial liabilities if doing so a significant reduction (and possibly a greater reduction than other allowable designations) in the inconsistency is achieved. b) The performance of a group of financial assets or financial liabilities is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity´s key management personnel. These are financial assets managed jointly with “Liabilities under insurance and reinsurance contracts” measured at fair value, in combination with derivatives written with a view to significantly mitigating exposure to changes in these contracts' fair value, or in combination with financial liabilities and derivatives designed to significantly reduce global exposure to interest rate risk. These headings include customer loans and deposits effected via so-called unit-linked life insurance contracts, in which the policyholder assumes the investment risk.

Other Reserves	This heading is broken down as follows: i) Reserves or accumulated losses of investments in subsidiaries, joint ventures and associate: include the accumulated amount of income and expenses generated by the aforementioned investments through profit or loss in past years. ii) Other: includes reserves different from those separately disclosed in other items and may include legal reserve and statutory reserve.
Other retributions to employees long term	Includes the amount of compensation plans to employees long term.
Own/treasury shares	The amount of own equity instruments held by the entity.
Past service cost	It is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits.
Post-employment benefits	Retirement benefit plans are arrangements whereby an enterprise provides benefits for its employees on or after termination of service.
Probability of default (PD)	It is the probability of the counterparty failing to meet its principal and/or interest payment obligations. The PD is associated with the rating/scoring of each counterparty/transaction.
Property, plant and equipment/tangible assets	Buildings, land, fixtures, vehicles, computer equipment and other facilities owned by the entity or acquired under finance leases.
Provisions	Provisions include amounts recognized to cover the Group's current obligations arising as a result of past events, certain in terms of nature but uncertain in terms of amount and/or cancellation date.
Provisions for contingent liabilities and commitments	Provisions recorded to cover exposures arising as a result of transactions through which the entity guarantees commitments assumed by third parties in respect of financial guarantees granted or other types of contracts, and provisions for contingent commitments, i.e., irrevocable commitments which may arise upon recognition of financial assets.
Provisions for pensions and similar obligation	Constitutes all provisions recognized to cover retirement benefits, including commitments assumed vis-à-vis beneficiaries of early retirement and analogous schemes.
Provisions or (-) reversal of provisions	Provisions recognized during the year, net of recoveries on amounts provisioned in prior years, with the exception of provisions for pensions and contributions to pension funds which constitute current or interest expense.
Refinanced Operation	An operation which is totally or partially brought up to date with its payments as a result of a refinancing operation made by the entity itself or by another company in its group.
Refinancing Operation	An operation which, irrespective of the holder or guarantees involved, is granted or used for financial or legal reasons related to current or foreseeable financial difficulties that the holder(s) may have in settling one or more operations granted by the entity itself or by other companies in its group to the holder(s) or to another company or companies of its group, or through which such operations are totally or partially brought up to date with their payments, in order to enable the holders of the settled or refinanced operations to pay off their loans (principal and interest) because they are unable, or are expected to be unable, to meet the conditions in a timely and appropriate manner.
Renegotiated Operation	An operation whose financial conditions are modified when the borrower is not experiencing financial difficulties, and is not expected to experience them in the future, i.e. the conditions are modified for reasons other than restructuring.

Repricing risk	Risks related to the timing mismatch in the maturity and repricing of assets and liabilities and off-balance sheet short and long-term positions.
Restructured Operation	An operation whose financial conditions are modified for economic or legal reasons related to the holder's (or holders') current or foreseeable financial difficulties, in order to enable payment of the loan (principal and interest), because the holder is unable, or is expected to be unable, to meet those conditions in a timely and appropriate manner, even if such modification is provided for in the contract. In any event, the following are considered restructured operations: operations in which a haircut is made or assets are received in order to reduce the loan, or in which their conditions are modified in order to extend their maturity, change the amortization table in order to reduce the amount of the installments in the short term or reduce their frequency, or to establish or extend the grace period for the principal, the interest or both; except when it can be proved that the conditions are modified for reasons other than the financial difficulties of the holders and, are similar to those applied on the market on the modification date for operations granted to customers with a similar risk profile.
Retained earnings	Accumulated net profits or losses recognized in the income statement in prior years and retained in equity upon distribution.
Securitization fund	A fund that is configured as a separate equity and administered by a management company. An entity that would like funding sells certain assets to the securitization fund, which, in turn, issues securities backed by said assets.
Share premium	The amount paid in by owners for issued equity at a premium to the shares' nominal value.
Shareholders' funds	Contributions by stockholders, accumulated earnings recognized in the income statement and the equity components of compound financial instruments.
Short positions	Financial liabilities arising as a result of the final sale of financial assets acquired under repurchase agreements or received on loan.
Significant increase in credit risk	In order to determine whether there has been a significant increase in credit risk for lifetime expected losses recognition, the Group has develop a two-prong approach: *a)* *Quantitative criterion*: based on comparing the current expected probability of default over the life of the transaction with the original adjusted expected probability of default. The thresholds used for considering a significant increase in risk take into account special cases according to geographic areas and portfolios. b) *Qualitative criterion:* most indicators for detecting significant risk increase are included in the Group's systems through rating/scoring systems or macroeconomic scenarios, so quantitative analysis covers the majority of circumstances. The Group will use additional qualitative criteria when it considers it necessary to include circumstances that are not reflected in the rating/score systems or macroeconomic scenarios used.

Significant influence	Is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. If an entity holds, directly or indirectly (i.e. through subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the entity holds, directly or indirectly (i.e. through subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence. The existence of significant influence by an entity is usually evidenced in one or more of the following ways: a) representation on the board of directors or equivalent governing body of the investee; b) participation in policy-making processes, including participation in decisions about dividends or other distributions; c) material transactions between the entity and its investee; d) interchange of managerial personnel; or e) provision of essential technical information.
Solely Payments of Principle and Interest (SPPI)	The assessment as to how an asset shall be classified is made on the basis of both the business model for managing the financial asset and the contractual cash flow characteristic of the financial asset (SPPI Criterion). To determine whether a financial asset shall be classified as measured at amortized cost or FVOCI, a Group assesses (apart from the business model) whether the cash flows from the financial asset represent, on specified dates, solely payments of principal and interest on the principal amount outstanding (SPPI).
Stages	IFRS 9 classifies financial instruments into three categories, which depend on the evolution of their credit risk from the moment of initial recognition. The first category includes the transactions when they are initially recognized - *without significant increase in credit risk* (Stage 1); the second comprises the operations for which a significant increase in credit risk has been identified since its initial recognition - *significant increase in credit risk* (Stage 2) and the third one, the impaired operations *Impaired* (Stage 3). The transfer logic is defined in a symmetrical way, whenever the condition that triggered a transfer to Stage 2 is no longer met, the exposure will be transferred to Stage 1. In the case of forbearances transferred to stage 2, as long as the loan is flagged as forbearance it will keep its status as Stage 2. However, when the loan is not flagged as forbearance it will be transferred back to Stage 1.
Structured credit products	Special financial instrument backed by other instruments building a subordination structure.
Structured Entities	A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: a) restricted activities. b) a narrow and well-defined objective, such as to effect a tax-efficient lease, carry out research and development activities, provide a source of capital or funding to an entity or provide investment opportunities for investors y passing on risks and rewards associated with the assets of the structured entity to investors. c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support. d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

Subordinated liabilities	Financing received, regardless of its instrumentation, which ranks after the common creditors in the event of a liquidation.
Subsidiaries	Companies over which the Group exercises control. An entity is presumed to have control over another when it possesses the right to oversee its financial and operational policies, through a legal, statutory or contractual procedure, in order to obtain benefits from its economic activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of an entity's voting power, unless, exceptionally, it can be clearly demonstrated that ownership of more than one half of an entity's voting rights does not constitute control of it. Control also exists when the parent owns half or less of the voting power of an entity when there is: a) an agreement that gives the parent the right to control the votes of other shareholders; b) power to govern the financial and operating policies of the entity under a statute or an agreement; power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; c) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.
Tax liabilities	All tax related liabilities except for provisions for taxes.
Territorial bonds	Financial assets or fixed asset security issued with the guarantee of portfolio loans of the public sector of the issuing entity.
Tier 1 Capital	Mainly includes: Common stock, parent company reserves, reserves in consolidated companies, non-controlling interests, deductions and others and attributed net income.
Tier 2 Capital	Mainly includes: Subordinated, preferred shares and non- controlling interest.
Unit-link	This is life insurance in which the policyholder assumes the risk. In these policies, the funds for the technical insurance provisions are invested in the name of and on behalf of the policyholder in shares of Collective Investment Institutions and other financial assets chosen by the policyholder, who bears the investment risk.
Value at Risk (VaR)	Value at Risk (VaR) is the basic variable for measuring and controlling the Group's market risk. This risk metric estimates the maximum loss that may occur in a portfolio's market positions for a particular time horizon and given confidence level VaR figures are estimated following two methodologies: a) VaR without smoothing, which awards equal weight to the daily information for the immediately preceding last two years. This is currently the official methodology for measuring market risks vis-à-vis limits compliance of the risk. b) VaR with smoothing, which weighs more recent market information more heavily. This is a metric which supplements the previous one. VaR with smoothing adapts itself more swiftly to the changes in financial market conditions, whereas VaR without smoothing is, in general, a more stable metric that will tend to exceed VaR with smoothing when the markets show less volatile trends, while it will tend to be lower when they present upturns in uncertainty.
Yield curve risk	Risks arising from changes in the slope and the shape of the yield curve.

BBVA Creating Opportunities

Management Report 2018

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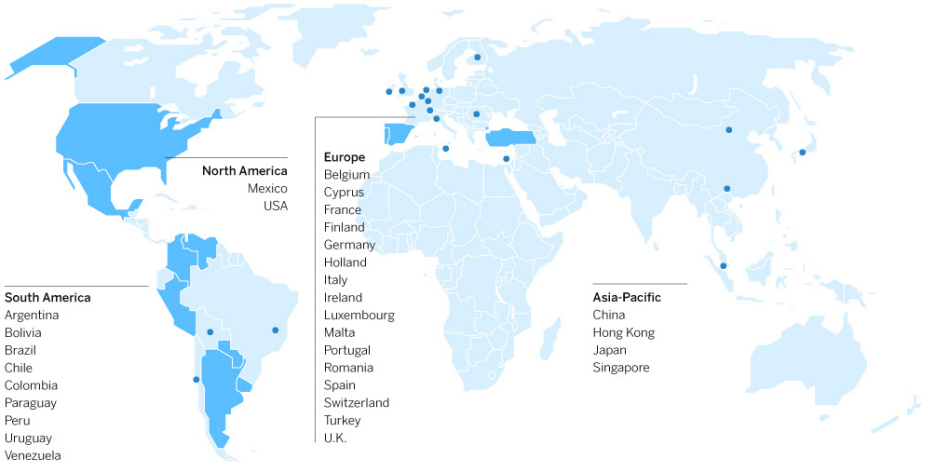
About BBVA

BBVA is a customer-centric global financial services group founded in 1857. Its Purpose is to bring the age of opportunity to everyone. This motto reflects the Entity's role as enabler, offering its customers the best banking solutions, helping them make the best financial decisions and making a true difference in their lives. We live in the era of opportunities, where technology offers universal access to education and offers many more people than ever before the possibility of embarking on projects and chasing their dreams. BBVA helps people make their dreams come true.

The Group operates in more than 30 countries. The Group has a solid position in Spain, is the largest financial institution in Mexico and has leading franchises in South America and the Sunbelt Region of the United States. It is also Turkish bank Garanti's leading shareholder. Its diversified business is based on high-growth markets and it relies on technology as a key sustainable competitive advantage.

BBVA has a responsible banking model based on seeking out a return adjusted to principles, legal compliance, best practices and the creation of long-term value for all its stakeholders.



€677 billion in total assets

74.5 million customers

>30 countries

7,963 branches

32,029 ATMs

125,627 employees

Data at the end of Dec 2018. Those countries in which BBVA has no legal entity or the volume of activity is not significant, are not included

This Management Report includes information on the Group's performance in 2018: the financial performance in the Group's Information chapter and the different countries and business areas in the corresponding Business Areas; and the rest of the activity more related to the stakeholders, in the chapters of the Other Non-financial Information Report.

Group information

BBVA Group highlights

BBVA Group highlights (Consolidated figures)

	IFRS 9		IAS 39	
	31-12-18	Δ %	31-12-17	31-12-16
Balance sheet (millions of euros)				
Total assets	676,689	(1.9)	690,059	731,856
Loans and advances to customers (gross)	386,225	(3.5)	400,369	430,474
Deposits from customers	375,970	(0.1)	376,379	401,465
Other customer funds	128,103	(5.0)	134,906	132,092
Total customer funds	504,073	(1.4)	511,285	533,557
Total equity	52,874	(0.8)	53,323	55,428
Income statement (millions of euros)				
Net interest income	17,591	(0.9)	17,758	17,059
Gross income	23,747	(6.0)	25,270	24,653
Operating income	12,045	(5.7)	12,770	11,862
Profit/(loss) before tax	7,580	9.4	6,931	6,392
Net attributable profit	5,324	51.3	3,519	3,475
The BBVA share and share performance ratios				
Number of shares (million)	6,668	-	6,668	6,567
Share price (euros)	4.64	(34.8)	7.11	6.41
Earning per share (euros) (1)	0.76	55.9	0.48	0.49
Book value per share (euros)	7.12	2.2	6.96	7.22
Tangible book value per share (euros)	5.86	2.9	5.69	5.73
Market capitalization (millions of euros)	30,909	(34.8)	47,422	42,118
Yield (dividend/price; %)	5.4		4.2	5.8
Significant ratios (%)				
ROE (net attributable profit/average shareholders' funds +/- average accumulated other comprehensive income) (2)	11.6		7.4	7.3
ROTE (net attributable profit/average shareholders' funds excluding average intangible assets +/- average accumulated other comprehensive income) (2)	14.1		9.1	9.2
ROA (Profit or loss for the year/average total assets)	0.91		0.68	0.64
RORWA (Profit or loss for the year/average risk-weighted assets - RWA)	1.74		1.27	1.19
Efficiency ratio	49.3		49.5	51.9
Cost of risk	1.01		0.89	0.85
NPL ratio	3.9		4.6	5.0
NPL coverage ratio	73		65	70
Capital adequacy ratios (%)				
CET1 fully-loaded	11.3		11.1	10.9
CET1 phased-in (3)	11.6		11.7	12.2
Tier 1 phased-in (3)	13.2		13.0	12.9
Total ratio phased-in (3)	15.7		15.5	15.1
Other information				
Number of shareholders	902,708	1.3	891,453	935,284
Number of employees	125,627	(4.7)	131,856	134,792
Number of branches	7,963	(3.7)	8,271	8,660
Number of ATMs	32,029	1.1	31,688	31,120

General note: data as of 31-12-17 and 31-12-16 are presented for comparison purposes only.
(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 the item called "Accumulated other comprehensive income", which forms part of the equity. Excluding this item, the ROE would stand at 10.1%, in 2018; 6.7%, in 2017; and 6.9%, in 2016; and the ROTE at 12.0%, 8.0% and 8.6%, respectively.

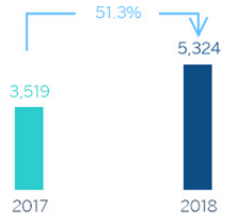
(3) As of December,31 2018 phased-in ratios include the temporary treatment on the impact of IFRS 9, calculated in accordance with Article 473 bis of Capital Requirements Regulation (CRR). The capital ratios are calculated under CRD IV from Basel III regulation, in which a phase-in of 80% is applied for 2017 and a phase-in of 60% for 2016.

Relevant events

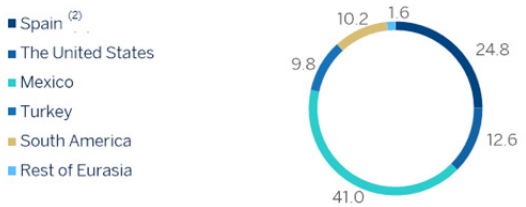
Results

- Generalized growth in the **more recurring revenue items** for almost all business areas.
- Containment trend in **operating expenses**, whose performance is affected by exchange rates trends.
- Lower amount **of impairment on financial assets not measured at fair value through profit or loss** (hereinafter, "impairment on financial assets") affected by the negative impact of the recognition in the fourth quarter of 2017 of impairment losses, amounting €1,123m from BBVA's stake in Telefónica, S.A.
- The financial statements of the Group for 2018 include, on one hand, the negative impact derived from the accounting for **hyperinflation in Argentina** (-€266m) in the net attributable profit, and on the other hand, the positive impact on equity of €129m.
- The result of **corporate operations** amounted to €633m and includes the capital gains (net of taxes) arising from the **sale** of BBVA's equity stake in **BBVA Chile**.
- The net attributable **profit** was €5,324m, 51.3% higher than in 2017.
- **Net attributable profit excluding results from corporate operations** stood at €4,691m, up 33.3% higher than the result reached in 2017.

Net attributable profit
(Millions of Euros)



Net attributable profit breakdown [1]
(Percentage. 2018)



(1) Excludes the Corporate Center.
(2) Includes the areas Banking activity in Spain and Non Core Real Estate.

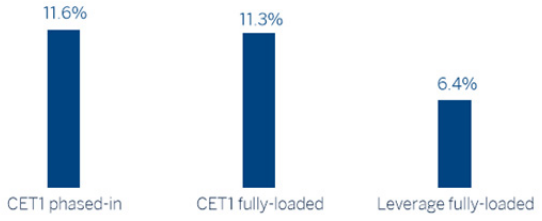
Balance sheet and business activity

- Lower volume of **loans and advances to customers** (gross); however, by business areas, in the United States, Mexico, South America (excluding BBVA Chile) and Rest of Eurasia volumes increased.
- **Non-performing loans** continue to reduce in 2018.
- Within **off-balance-sheet funds**, mutual funds continue to perform positively.

Solvency

- The **capital** position is above regulatory requirements.
- BBVA has once again excelled in EU-wide bank stress tests thanks to its resilience in the face of potential economic shocks. According to the exercise results, under the adverse scenario, BBVA is the second bank among its European peers with lower negative impact in CET1 fully-loaded capital ratio and one of the few banks with the ability to generate an accumulated profit in the three-year period under analysis (2018, 2019, and 2020), under this scenario.

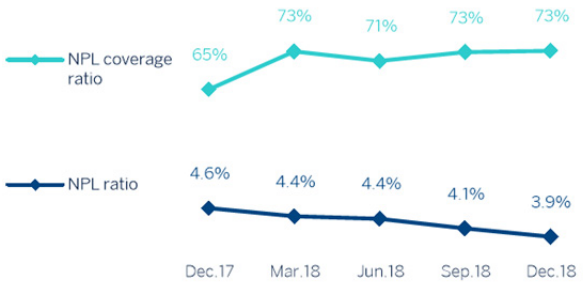
Capital and leverage ratios (Percentage as of 31-12-18)



Risk management

- Solid indicators of the main **credit-risk metrics**: as of 31-December-2018, the NPL ratio closed at 3.9%, the NPL coverage ratio at 73% and the cumulative cost of risk at 1.01%.

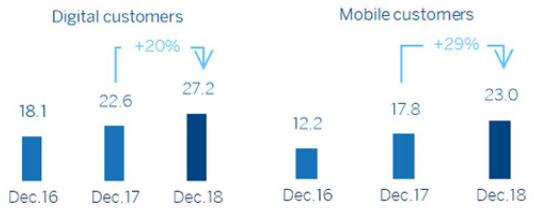
NPL and NPL coverage ratios (Percentage)



Transformation

- The Group's **digital and mobile customer base** and **digital sales** continue to increase in all the geographic areas where BBVA operates with a positive impact in efficiency.

Digital and mobile customers (Millions)



Appointments

- BBVA's Board of Directors, in its meeting held on December 20, 2018, approved the **succession plans for the Group Executive Chairman and for the Chief Executive Officer** and appointed Carlos Torres Vila as Executive Chairman of BBVA, replacing Francisco González Rodríguez and Onur Genç as member of the Board of Directors and as Chief Executive Officer of BBVA. The Board of Directors also approved organisational changes, which involve changes at the senior management level of BBVA Group. On December, 21st, BBVA received the required administrative authorisations to give full effect to the resolutions approved.

Other matters of interest

- On December, 26th, BBVA reached an agreement with Voyager Investing UK Limited Partnership, an entity managed by Canada Pension Plan Investment Board ("CPPIB") for the transfer of a credit portfolio mainly composed by non-performing and defaulted mortgage loans. The closing of the Transaction will be completed as soon as the relevant conditions are fulfilled, which is expected to occur within the second quarter of 2019. In addition, it is expected that the impact in the Group's attributable profit, which is currently expected to be positive by €150m, net of taxes and other adjustments, and the impact in the Common Equity Tier 1 (fully-loaded), which is expected to be slightly positive.
- Impact of the initial implementation of IFRS 9: The figures corresponding to 2018 are prepared under International Financial Reporting Standard 9 (IFRS 9), which entered into force on January 1, 2018. This new accounting standard did not require the restatement of comparative information from prior periods, so the comparative figures shown for the year 2017 have been prepared in accordance with the IAS 39 (International Accounting Standard 39) regulation applicable at that time. The impacts derived from the first application of IFRS 9, as of January 1, 2018, were registered with a charge to reserves of approximately €900m (net of fiscal effect) mainly due to the allocation of provisions based on expected losses, compared to the model of losses incurred under the previous IAS 39.

  In capital, the impact derived from the first application of IFRS 9 has been a reduction of 31 basis points with respect to the fully-loaded CET1 ratio of December 2017.

- IFRS 16 came into effect on January 1, 2019, a standard on leases introduces a single lessee accounting model and will require lessees to recognize assets and liabilities of all lease contracts. The main impact in the Group is the recognition of the right-of-use assets and lease liabilities in an approximate amount of €3,600m mainly coming from the Group's activity in Spain and lease of premises of its branch network. The estimated impact in terms of capital for the Group amounts to approximately -12 basis points in terms of CET1.

- Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA, S.A.") stand-alone financial statements: BBVA has estimated that, mainly due to the depreciation of the Turkish lira, there is an impairment of its participation in Garanti Bank that only affects the stand-alone financial statements of BBVA, S.A. For this reason, a negative adjustment for a net amount of €1,517m has been registered in the income statement of BBVA, S.A. for the year 2018. Total equity for BBVA, S.A. as of December 31, 2018 has decreased by this same amount. The impact on the fully-loaded CET1 capital ratio of BBVA, S.A. is approximately -10 basis points.

  It is important to note that the recognition of this accounting impact in the stand-alone financial statements of BBVA, S.A. does not generate any impact on the Consolidated Group (neither on the attributed profit, total equity or capital ratios), it does not generate any additional cash outflow and will not affect the proposal of a dividend distribution to shareholders.

Results

BBVA generated a net attributable **profit** of €5,324m in 2018, which represents a year-on-year increase of 51.3% (+78.2% at constant exchange rates) that includes the results from corporate operations originated by the capital gains (net of taxes) from the sale of BBVA Chile. Moreover, at constant exchange rates, it is worth mentioning the good performance of recurring revenue, lower loan-loss impairments (affected by the negative impact of the recognition in the fourth quarter of 2017 of impairment losses, amounting €1,123m from BBVA stake in Telefónica, S.A.) and provisions, which offsets the lower contribution from net trading income (NTI) compared to the same period the previous year.

Consolidated income statement (Millions of euros)

	IFRS 9			IAS 39
	2018	Δ %	Δ % at constant exchange rates	2017
Net interest income	**17,591**	**(0.9)**	**10.8**	**17,758**
Net fees and commissions	4,879	(0.8)	8.9	4,921
Net trading income	1,223	(37.8)	(33.9)	1,968
Dividend income	157	(52.9)	(52.0)	334
Share of profit or loss of entities accounted for using the equity method	(7)	n.s.	n.s.	4
Other operating income and expenses	(96)	n.s.	n.s.	285
Gross income	**23,747**	**(6.0)**	**4.3**	**25,270**
Operating expenses	(11,702)	(6.4)	2.5	(12,500)
Personnel expenses	(6,120)	(6.9)	2.0	(6,571)
Other administrative expenses	(4,374)	(3.7)	6.1	(4,541)
Depreciation	(1,208)	(12.9)	(6.5)	(1,387)
Operating income	**12,045**	**(5.7)**	**6.2**	**12,770**
Impairment on financial assets not measured at fair value through profit or loss	(3,981)	(17.1)	(12.0)	(4,803)
Provisions or reversal of provisions	(373)	(49.9)	(47.1)	(745)
Other gains (losses)	(110)	(62.1)	(63.0)	(292)
Profit/(loss) before tax	**7,580**	**9.4**	**30.4**	**6,931**
Income tax	(2,062)	(4.9)	9.2	(2,169)
Profit/(loss) after tax from ongoing operations	**5,518**	15.9	40.6	**4,762**
Results from corporate operations (1)	633	-	-	-
Profit/(loss) for the year	**6,151**	**29.2**	**56.7**	**4,762**
Non-controlling interests	(827)	(33.5)	(11.7)	(1,243)
Net attributable profit	**5,324**	**51.3**	**78.2**	**3,519**
Net attributable profit excluding results from corporate operations	**4,691**	**33.3**	**57.0**	**3,519**
Earning per share (euros) (2)	**0.76**			**0.48**

(1) Includes net capital gains from the sale of BBVA Chile.

(2) Adjusted by additional Tier 1 instrument remuneration.

Unless expressly indicated otherwise, to better understand the changes in the main headings of the Group's income statement, the year-on-year percentage changes provided below refer to **constant exchange rates**.

Gross income

Gross income accumulated in the period grew by 4.3% year-on-year, supported by the positive performance of the more recurring items.

Net interest income grew by 10.8% year-on-year, leveraged mainly by higher contribution from inflation-linked bonds in Turkey. The other business areas, with the exception of Spain and Rest of Eurasia, also registered positive year-on-year changes, with Mexico, South America and the United States standing out, in this order, for its contribution.

On the other hand, cumulative **net fees and commissions** (up 8.9% year-on-year) also registered a favorable evolution highly driven by their diversification.

As a result, the **more recurring revenue items** (net interest income plus net fees and commissions) increased by 10.4% year-on-year.

NTI in 2018 moderated in comparison with the previous year, when it was exceptionally high, largely due to the registration of the capital gains of €228m before taxes, from market sales of the stake in China Citic Bank (CNCB): €204m in the first quarter, from the sale of 1.7% stake, and €24m in the third quarter from the sale of the remaining 0.34%. There have also been lower sales of ALCO portfolios in Spain in the first nine months of 2018 compared to the same period of the previous year. By business areas, NTI had a good performance in South America and Turkey.

Other operating income and expenses closed at -€96m in 2018 compared to €285m in 2017, mainly due to negative impact of the hyperinflation in Argentina which meant -€323m in this line of the income statement. The change is also explained by the higher contribution, amounting to €44m, to the Single Resolution Fund (SRF) and Deposit Guarantee Fund (DGF) in Spain. The net contribution of the insurance business grew by 8.7% in cumulative terms.

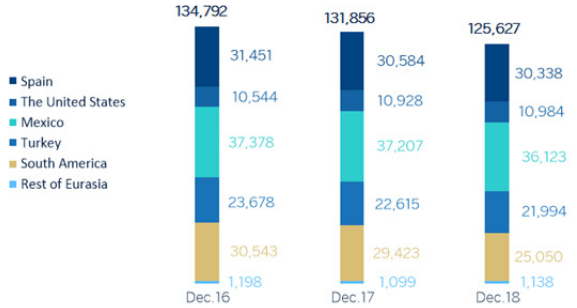
Operating income

Operating expenses in 2018 registered an increase of 2.5%, year-on-year, well below the inflation rate recorded in the main countries where BBVA is present (down 6.4% at current exchange rates). Cost discipline has been maintained in all the Group's areas through various efficiency plans. By business area the biggest year-on-year reductions were in Banking activity in Spain and Non Core Real Estate. In the United States, Mexico and Turkey the growth of operating expenses was lower than the growth of gross income.

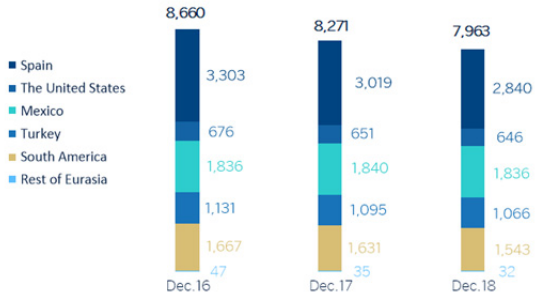
Breakdown of operating expenses and efficiency calculation (Millions of euros)

	2018	Δ %	2017
Personnel expenses	**6,120**	**(6.9)**	**6,571**
Wages and salaries	4,786	(7.3)	5,163
Employee welfare expenses	869	(4.6)	911
Training expenses and other	465	(6.4)	497
Other administrative expenses	**4,374**	**(3.7)**	**4,541**
Property, fixtures and materials	982	(5.0)	1,033
IT	1,133	11.2	1,018
Communications	235	(12.7)	269
Advertising and publicity	336	(4.5)	352
Corporate expenses	109	(0.8)	110
Other expenses	1,162	(10.7)	1,301
Levies and taxes	417	(8.6)	456
Administration costs	**10,494**	**(5.6)**	**11,112**
Depreciation	**1,208**	**(12.9)**	**1,387**
Operating expenses	**11,702**	**(6.4)**	**12,500**
Gross income	**23,747**	**(6.0)**	**25,270**
Efficiency ratio (operating expenses/gross income; %)	**49.3**		**49.5**

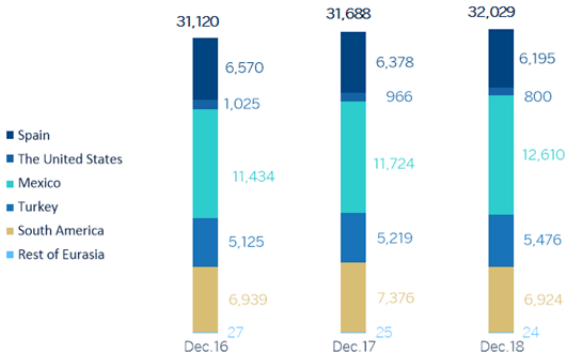
Number of employees



Number of branches

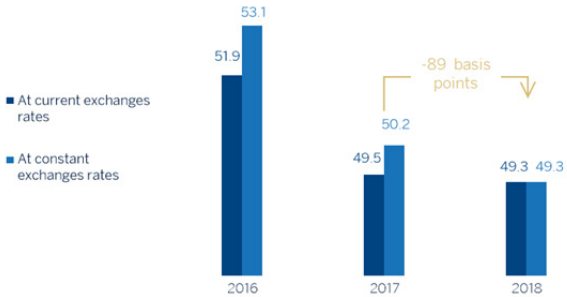


Number of ATMs



As a consequence of this evolution of operating expenses, the **efficiency** ratio stood at 49.3% and the **operating income** posted a year-on-year growth of 6.2% (+9.4% in the last quarter of 2018).

Efficiency ratio (Percentage)



Provisions and other

Impairment on financial assets in 2018 decreased by 12.0% in comparison with the figure for 2017, affected by the negative impact of the recognition in 2017 of impairment losses, amounting €1,123m from BBVA stake in Telefónica, S.A. as a result of the evolution of the price of the latter and in compliance with the requirements of the accounting standard IAS 39 which was in force at that point in time. By business area, they continued to fall in Spain, due to lower loan-loss provisioning requirements for large customers. In contrast, they increased, especially in Turkey, due to the deterioration of the macroeconomic scenario and some wholesale-customers and to a lesser extent in South America. On the other hand, Mexico stood in line with 2017.

The heading **provisions or reversal of provisions** (hereinafter, provisions) was 47.1% lower than the figure of 2017, as a result of lower restructuring costs in 2018. The line **other gains (losses)** showed a negative balance, due mainly to certain operations with an unfavorable effect from the Non Core Real Estate area, recorded in the last quarter.

The heading **results from corporate operations** amounted to €633m and registered the capital gains (net of taxes) originated by the sale of BBVA'S equity stake in BBVA Chile.

Results

As a result of the above, the Group's **net attributable profit** accumulated in 2018 reached an amount of €5,324m and continued to show a very positive year-on-year evolution (up 78.2% at constant exchange rates, up 51.3% at current exchange rates). The **net attributable profit**, **excluding results from corporate operations**, stood at €4,691m, or 33.3% higher than the amount recorded for the previous year, when operations of this kind were not carried out (up 57.0% at constant exchange rates).

By **business area**, Banking activity in Spain generated a profit of €1,522m, Non Core Real Estate a loss of €78m, the United States contributed a profit of €735m, Mexico registered €2,384m, Turkey contributed a profit of €569m, South America €591m and the Rest of Eurasia €93m.

ROE and ROTE [1] (Percentage)

ROA and RORWA (Percentage)

(1) The ROE and ROTE ratios include, in the denominator, the Group's average shareholders' funds and take into account the item called "Accumulated other comprehensive income", which forms part of the equity. Excluding this item, the ROE would stand at 6.9% in 2016, 6.7% in 2017 and 10.1% in 2018; and the ROTE on 8.6%, 8.0% and 12.0%, respectively.

Balance sheet and business activity

The year-on-year comparison of the Group´s balance sheet and business activity has been affected by the **sale of BBVA Chile**, completed in July 2018 and therefore as of December 31, 2018, was not included within BBVA's perimeter.

The **evolution** of the Group's balance sheet and activity are presented below, from the opening balance sheet after the first implementation of IFRS 9 until the end of December 2018. These figures include the new categories comprised in the aforementioned standard.

Regarding the Group's activity, the most significant aspects during this period are summarized below:

- Lower volume of **loans and advances to customers** (gross); however, by business area, in the United States, Mexico, South America (excluding BBVA Chile) and Rest of Eurasia volumes increased.
- **Non-performing loans** fell mainly due to a favorable trend in Spain and, to a lesser extent, in South America and Rest of Eurasia.
- The headings of **other assets and other liabilities** are affected by the sale of BBVA Chile completed in July 2018. Until then, these items included BBVA Chile's balance sheet reclassified in the category of non-current assets and liabilities held for sale.
- In **deposits** from customers, time deposits showed a decrease, offset by an increase in demand deposits, particularly in Spain.
- In **off-balance-sheet funds**, mutual funds continued to perform well.

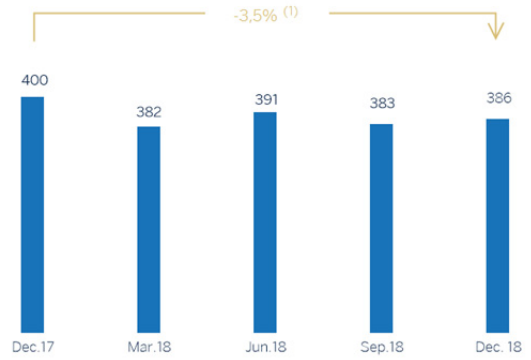
Consolidated balance sheet (Millions of euros)

	31-12-18	Δ %	01-01-18
Cash, cash balances at central banks and other demand deposits	58,196	36.4	42,680
Financial assets held for trading	90,117	(1.9)	91,854
Non-trading financial assets mandatorily at fair value through profit or loss	5,135	15.4	4,451
Financial assets designated at fair value through profit or loss	1,313	28.9	1,019
Financial assets at fair value through accumulated other comprehensive income	56,337	(9.3)	62,115
Financial assets at amortized cost	419,660	(0.5)	421,685
Loans and advances to central banks and credit institutions	13,103	(26.0)	17,716
Loans and advances to customers	374,027	0.0	374,009
Debt securities	32,530	8.6	29,959
Investments in subsidiaries, joint ventures and associates	1,578	(0.7)	1,589
Tangible assets	7,229	0.5	7,191
Intangible assets	8,314	(1.8)	8,464
Other assets	28,809	(40.4)	48,368
Total assets	**676,689**	**(1.8)**	**689,414**
Financial liabilities held for trading	80,774	(0.0)	80,783
Other financial liabilities designated at fair value through profit or loss	6,993	27.3	5,495
Financial liabilities at amortized cost	509,185	0.6	506,118
Deposits from central banks and credit institutions	59,259	(14.0)	68,928
Deposits from customers	375,970	3.4	363,689
Debt certificates	61,112	(0.9)	61,649
Other financial liabilities	12,844	8.4	11,851
Liabilities under insurance and reinsurance contracts	9,834	6.6	9,223
Other liabilities	17,029	(51.9)	35,392
Total liabilities	**623,814**	**(2.1)**	**637,010**
Non-controlling interests	5,764	(17.7)	7,008
Accumulated other comprehensive income	(7,215)	2.6	(7,036)
Shareholders' funds	54,326	3.6	52,432
Total equity	**52,874**	**0.9**	**52,404**
Total liabilities and equity	**676,689**	**(1.8)**	**689,414**
Memorandum item:			
Guarantees given	47,574	5.2	47,668

Loans and advances to customers (Millions of euros)

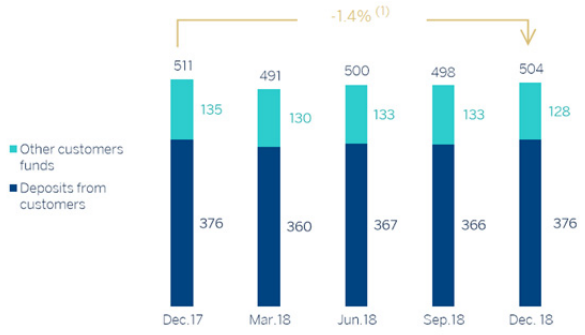
	IFRS 9 31-12-18	Δ %	IAS 39 31-12-17
Public sector	**28,504**	**(4.7)**	**29,921**
Individuals	**170,501**	**3.6**	**164,578**
Mortgages	111,527	(0.7)	112,274
Consumer	33,063	3.0	32,092
Credit cards	13,507	(0.9)	13,630
Other loans	12,404	88.5	6,581
Business	**170,872**	**(8.4)**	**186,479**
Non-performing loans	**16,348**	**(15.7)**	**19,390**
Loans and advances to customers (gross)	**386,225**	**(3.5)**	**400,369**
Loan-loss provisions	(12,199)	(4.3)	(12,748)
Loans and advances to customers	**374,027**	**(3.5)**	**387,621**

Loans and advances to customers (gross) (Billions of Euros)



(1) At constant exchange rates: -0.2%.

Customer funds (Billions of Euros)



(1) At constant exchange rates: +0.6%.

Customer funds (Millions of euros)

	IFRS 9 31-12-18	Δ %	IAS 39 31-12-17
Deposits from customers	**375,970**	**(0.1)**	**376,379**
Of which current accounts	260,573	8.2	240,750
Of which time deposits	108,313	(6.4)	115,761
Other customer funds	**128,103**	**(5.0)**	**134,906**
Mutual funds and investment companies	61,393	0.7	60,939
Pension funds	33,807	(0.5)	33,985
Other off-balance sheet funds	2,949	(4.3)	3,081
Customer portfolios	29,953	(18.8)	36,901
Total customer funds	**504,073**	**(1.4)**	**511,285**

Solvency

Capital base

The **fully-loaded CET1** ratio stood at 11.3% for the period ended December 31, 2018. In the third quarter of 2018, the sale of the stake in BBVA Chile generated a positive impact on the fully-loaded CET1 ratio of 50 basis points. Additionally, the transfer of BBVA's real estate business in Spain to Cerberus had a positive impact on the ratio, although it was not material. It is noted that this ratio includes the impact of -31 basis points for first application of IFRS 9, which came into force January 1, 2018. In this context, the Parliament and the European Commission have established transitional arrangements that are voluntary for the institutions, adapting the impact of IFRS 9 on capital adequacy ratios. The Group has informed the supervisory body of its adherence to these arrangements.

Risk-weighted assets (RWA) have decreased in the year, mainly due to the sale of BBVA Chile and the depreciations of currencies against the euro. During 2018, the Group carried out three securitizations whose impact, through the release of risk weighted assets, was a positive in the amount of €971m. In addition, BBVA received European Central Bank (ECB) authorization to update the RWA calculation by structural exchange rate risk under the standard model.

Capital base (Millions of euros)

	CRD IV phased-in		CRD IV fully-loaded	
	31-12-18 (1)	31-12-17	31-12-18 (1)	31-12-17
Common Equity Tier 1 (CET 1)	40,311	42,341	39,569	40,061
Tier 1	45,945	46,980	45,044	46,316
Tier 2	8,754	9,134	8,859	8,891
Total Capital (Tier 1 + Tier 2)	**54,699**	**56,114**	**53,903**	**55,207**
Risk-weighted assets	**348,254**	**361,686**	**348,795**	**361,686**
CET1 (%)	11.6	11.7	11.3	11.1
Tier 1 (%)	13.2	13.0	12.9	12.8
Tier 2 (%)	2.5	2.5	2.5	2.5
Total capital ratio (%)	**15.7**	**15.5**	**15.5**	**15.3**

General note: as of December 31 and September 30 of 2018, the main difference between the phased-in and fully loaded ratios arises from the temporary treatment of the impact of IFRS 9, to which the BBVA Group has adhered voluntarily (in accordance with Article 473bis of the CRR).

(1) Preliminary data. Excludes the February 2014 issuance of 1,500 million euros from AT1 and which will be amortized in advance in February 2019.

Regarding capital **issues**, during the first part of the year, the Group computed a new issuance in the amount of US$1,000m, carried out in November 2017, of contingent convertible bonds that may be converted into ordinary shares (CoCos) as an AT1 instrument. In May, another AT1 instrument for US$1,500m issued in 2013 was redeemed early. During the second part of the year, in September, the Group carried out a new issuance of contingent convertible bonds for €1,000m and more recently, in January 2019, announced that it would exercise the early redemption option for the AT1 instrument for €1,500m issued in February 2014.

The Group has continued with its program to meet the **MREL** requirements, published in May 2018, by closing two public issuances of non-preferred senior debt for a total of €2,500m. The Group estimates that it is currently in line with this MREL requirement.

Regarding **shareholder remuneration**, on October, 10th BBVA paid a cash dividend with a gross amount of €0.10 per share against the 2018 fiscal year account. In addition, on April 10, 2018, BBVA paid a final dividend against the 2017 fiscal year account for an amount of €0.15 gross per share, also in cash. Both distributions are consistent with the Group's shareholder remuneration policy, which consists of maintaining a pay-out ratio of 35-40% of recurring profit.

As of December 31, 2018, the **phased-in CET1** ratio stood at 11.6%, taking into account the impact of the initial implementation of IFRS 9. **Tier 1** capital stood at 13.2% and **Tier 2** at 2.5% resulting in a **total capital ratio** of 15.7%. These levels are above the requirements established by the regulator in its SREP letter and the systemic buffers applicable in 2018 for BBVA Group. Since January 1, 2018, the requirement has been established at 8.438% for the phased-in CET1 ratio and 11.938% for the total capital ratio. The change with respect to 2017 is due to the steady implementation of the capital conservation buffers and the capital buffer applicable to other systemically important banks. The regulatory requirement for 2018 in fully-loaded terms remained unchanged (CET1 of 9.25% and total ratio of 12.75%) compared with the previous year.

Finally, the Group's **leverage** ratio maintained a solid position, at 6.4% fully-loaded (6.5% phased-in), which is still the highest of its peer group.

Ratings

During the first half of the year 2018, Moody's, S&P and DBRS upgraded one notch BBVA's rating to A3, A- and A (high), respectively. During the second half of 2018, the three leading agencies Moody´s, S&P and Fitch reaffirmed the rating given to BBVA (A3, A- and A-, respectively), although both S&P and Fitch placed its perspective in negative due to the evolution of the economy in Turkey (both agencies) and Mexico (Fitch). At present, all agencies assign to BBVA a category "A" rating, which did not occur since mid-2012, thus recognizing the strength and robustness of BBVA's business model.

Ratings

Rating agency	Long term	Short term	Outlook
DBRS	A (high)	R-1 (middle)	Stable
Fitch	A-	F-2	Negative
Moody's (1)	A3	P-2	Stable
Scope Ratings	A+	S-1+	Stable
Standard & Poor's	A-	A-2	Negative

(1) Additionally, Moody's assigns an A2 rating to BBVA's long term deposits.

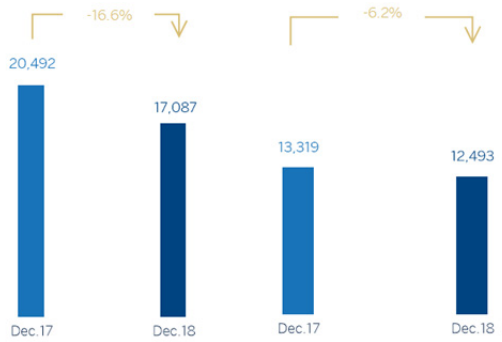
Risk management

Credit risk

BBVA Group's risk metrics continued to perform well along 2018:

- **Credit risk** decreased by 3.6% throughout 2018 or -0.4% isolating the impact of the sale of BBVA Chile (-1.8% and +1.3%, respectively, at constant exchange rates), mainly due to lower activity in Non Core Real Estate and contraction in Turkey and South America due to the exchange rates evolution. During the fourth quarter credit risk increased by +1.3% (+0.6% at constant exchange rates).
- The **balance of non-performing loans** decreased throughout 2018 by -16.6% (-11.1% in constant terms), highlighting the good performance of the Banking activity in Spain and Non Core Real Estate. Wholesale customers in Turkey and the United States deteriorated, having a negative impact in its balance of non-performing loans. In the last quarter of 2018 there was a decrease of 3.4% at current exchange rates (-0.5% at constant exchange rates).
- The **NPL ratio** stood at 3.9% as of December 31, 2018, a reduction of 19 basis points with respect to September 30, 2018 and of 61 basis points throughout the year.
- **Loan-loss provisions** decreased by 6.2% during the last 12 months (-0.3% at constant exchange rates) whereas the decrease over the quarter amounted to 3.1% (-2.5% at constant exchange rates).
- **NPL coverage ratio** closed at 73% with an improvement of 812 basis points over the year and 26 basis points in the last 3 months.
- The cumulative **cost of risk** [1] through December 2018 was 1.01%, +13 basis points higher than the figure for 2017.

Non-performing loans and provisions (Millions of Euros)



(1) The cumulative cost of risk, including provisions for real estate assets stood at 0.93% in 2016, 0.97% in 2017 and 1.03% in 2018.

Credit risk [1] (Millions of euros)

	31-12-18	30-09-18	30-06-18 [2]	31-03-18 [2]	31-12-17 [2]
Credit risk	**433,799**	**428,318**	**451,587**	**442,446**	**450,045**
Non-performing loans	17,087	17,693	19,654	19,516	20,492
Provisions	12,493	12,890	13,954	14,180	13,319
NPL ratio (%)	**3.9**	**4.1**	**4.4**	**4.4**	**4.6**
NPL coverage ratio (%)	**73**	**73**	**71**	**73**	**65**

(1) Include gross loans and advances to customers plus guarantees given.
(2) Figures without considering the classification of non-current assets held for sale.

Non-performing loans evolution (Millions of euros)

	4Q178 (1)	3Q18	2Q18 (2)	1Q18 (2)	4Q17 (2)
Beginning balance	**17,693**	**19,654**	**19,516**	**20,492**	**20,932**
Entries	3,005	2,168	2,596	2,065	3,757
Recoveries	(1,548)	(1,946)	(1,655)	(1,748)	(2,142)
Net variation	**1,456**	**222**	**942**	**317**	**1,616**
Write-offs	(1,681)	(1,606)	(863)	(913)	(1,980)
Exchange rate differences and other	(382)	(576)	59	(380)	(75)
Period-end balance	**17,087**	**17,693**	**19,654**	**19,516**	**20,492**
Memorandum item:					
Non-performing loans	16,348	17,045	18,627	18,569	19,753
Non performing guarantees given	739	649	1,027	947	739

(1) Preliminary data.

(2) Figures without considering the classification of non-current assets held for sale.

Structural risks

Liquidity and funding

Management of **liquidity and funding** in BBVA aims to finance the recurring growth of the banking business at suitable maturities and costs, using a wide range of instruments that provide access to a large number of alternative sources of financing, always in compliance with current regulatory requirements.

Due to its subsidiary-based management model, BBVA Group is one of the few large European banks that follows the MPE resolution **strategy** ("Multiple Point of Entry"): the parent company sets the liquidity and risk policies, but the subsidiaries are self-sufficient and responsible for the managing their liquidity (taking deposits or accessing the market with their own rating), without funds transfer or financing occurring between either the parent company and the subsidiaries or between different subsidiaries. This principle limits the spread of a liquidity crisis among the Group's different areas and ensures that the cost of liquidity and funding is correctly reflected in the price formation process.

The financial soundness of the Group's banks continues to be based on the funding of lending activity, fundamentally through the use of stable customer funds. During 2018, **liquidity** conditions remained comfortable across BBVA Group's global footprint:

- In the Eurozone, the liquidity situation is still comfortable, reducing the credit gap and growth in customer deposits.
- In the United States, the liquidity situation is adequate. The credit gap increased during the year due to the dynamism of consumer and commercial credit as well as to the cost-containment strategy for deposits, in an environment of competition in prices and rising rates.
- In Mexico, the liquidity position is sound as the environment has improved after the electoral process and the new commercial agreement with the United States. The credit gap has widened year-to-date due to deposits growing less than lending.
- The liquidity situation in Turkey is stable, showing a reduction in the credit gap as a result of deposits growing faster than lending.
- In South America, the liquidity situation remains comfortable in all geographies. In Argentina, despite the volatility of the markets which has been reducing at the end of the year, the liquidity situation is adequate.

The wholesale **funding** markets in the geographic areas where the Group operates continued to be stable, with the exception of Turkey where the volatility increased during the third quarter, having stabilized in the fourth quarter with the renewal of the maturities of syndicated loans of different entities.

The main **operations** carried out by the entities that form part of the BBVA Group during 2018 were:

- BBVA, S.A. completed three operations: an issuance of senior non-preferred debt for €1.5 billion, with a floating coupon at 3-month Euribor plus 60 basis points and a maturity of five years. It also carried out the largest issuance made by a financial institution in the Eurozone of the so-called "green bonds" (€1 billion). It was a 7-year senior non-preferred debt issuance, which made BBVA the first Spanish bank to carry out this type of issuance. The high demand allowed the price to be lowered to mid-swap plus 80 basis points. Finally, BBVA carried out an issuance of preferred securities contingently convertible into newly issued ordinary shares of BBVA (CoCos). This transaction was, for the first time, available to Spanish institutional investors and it was

registered with the CNMV for an amount of €1 billion, an annual coupon of 5.875% for the first five years and amortization option from the fifth year. Additionally, it closed a private issuance of Tier 2 subordinated debt for US$300m, with a maturity of 15 years, with a coupon of 5.25%.

- In the United States, BBVA Compass issued in June a senior debt bond for US$1.15 billion in two tranches, both at three years: US$700m at a fixed rate with a reoffer yield of 3.605%, and US$450m at a floating rate of 3-month Libor plus 73 basis points.
- In Mexico, BBVA Bancomer completed an international issuance of subordinated Tier 2 debt of US$1 billion. The instrument was issued at a price equivalent to Treasury bonds plus 265 basis points at a maturity of 15 years, with a ten-year call (BBVA Bancomer 15NC10). In addition, two new Banking Securities Certificates were issued for 7 billion Mexican pesos in two tranches, one of them being the first green bond issued by a private bank in Mexico (3.5 billion Mexican pesos at three years at TIIE28 + 10 basis points).
- In Turkey, Garanti issued the first private bond in emerging markets for US$75m over six years, to support women's entrepreneurship, and renewed the financing of two syndicated loans.
- On the other hand, in South America, in Chile, Forum issued senior debt on the local market for an amount equivalent to €108m and BBVA Peru issued a three-year senior debt in the local market for an aggregate amount of €53m.

As of December 31, 2018, the liquidity coverage ratio (**LCR**) in BBVA Group remained comfortably above 100% in the period and stood at 127%. For the calculation of the ratio it is assumed that there is no transfer of liquidity among subsidiaries; i.e. no kind of excess liquidity levels in the subsidiaries abroad are considered in the calculation of the consolidated ratio. When considering this excess liquidity levels, the ratio would stand at 154% (27 percentage points above 127%). All the subsidiaries remained comfortably above 100% (Eurozone, 145%; Mexico, 154%; Turkey, 209%; and the United States, 143%).

Foreign exchange

Foreign-exchange risk management of BBVA's long-term investments, basically stemming from its franchises abroad, aims to preserve the Group's capital adequacy ratios and ensure the stability of its income statement.

The year **2018** was notable for the depreciation against the euro of the Turkish lira (down 25.0%) and the Argentine peso (down 47.8%), while the Mexican peso (+5.2%) and the U.S. Dollar (+4.7%) appreciated. BBVA has maintained its policy of actively hedging its main investments in emerging countries, covering on average between 30% and 50% of the earnings for the year and around 70% of the excess of CET1 capital ratio. In accordance with this policy, the sensitivity of the CET1 ratio to a depreciation of 10% of the main emerging currencies (Mexican peso or Turkish lira) against the euro remains at around a negative two basis points for each of these currencies. In the case of the dollar, the sensitivity is approximately a positive eleven basis points to a depreciation of 10% of the dollar against the euro, as a result of RWAs denominated in U.S. Dollar outside the United States. The coverage level of the expected earnings for 2019, at the closing of January, 2019 is, 85% for Mexico and 30% for Turkey.

Interest rates

The aim of managing **interest-rate risk** is to maintain a sustained growth of net interest income in the short and medium-term, irrespective of interest-rate fluctuations, while controlling the impact on capital through the valuation of the portfolio of financial assets at fair value with changes reflected in other accumulated comprehensive income.

The Group's banks have fixed-income portfolios to manage their balance-sheet structure. During 2018, the results of this management were satisfactory, with limited risk strategies in all the Group's banks. Their capacity of resilience to market events has allowed them to face the cases of Italy and Turkey.

After the formation of the new government in Italy, the reaction of the market to the budget negotiation process has contributed to the sustained pressure on the Italian debt, however without significant impact on the capital ratio.

In Turkey, an excessive economic growth have given rise to inflationary tensions that, together with the level of current account deficits, have weakened the Turkish Lira. In this context, the Central Bank of Turkey (CBRT) has raised rates to contain the depreciation of the currency. Risk management and bond portfolio with a high component of inflation-linked bonds have stabilized the net interest income and limited impact on the capital ratio.

Finally, it is worth noting the following **monetary policies** pursued by the different central banks in the main geographical areas where BBVA operates:

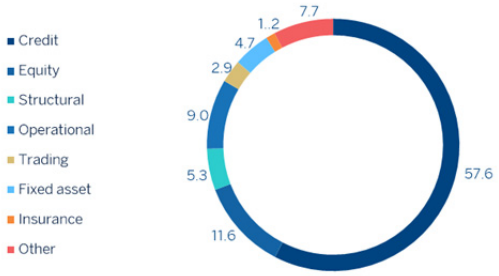
- No relevant changes in the Eurozone, where interest rates remain at 0% and the deposit facility rate at -0.40%.
- In the United States the upward trend in interest rates continues. The increases of 25 basis points each in March, June, September and December, left the rate at 2.50%.
- In Mexico, after making two increases in the first half of the year, Banxico raised them again twice in the fourth quarter from 7.75% to 8.25%.

- In Turkey, after the increases in the first three quarters of the year, the central bank maintained the average interest rate at 24.00% in the fourth quarter.
- In South America, the monetary authorities of Colombia and Peru have maintained their reference rates flat throughout the quarter, considering in its decision the behavior of inflation next to the established goals, as well as the dynamics of domestic demand. In Argentina, the adopted measures at the beginning of the quarter in terms of monetary policy (increase in reserve requirements and the reference rate) in order not to increase the monetary base and curb inflation which have delivered their results, with a certain deceleration in inflation.

Economic capital

Consumption of **economic risk capital** (ERC) at the close of December 2018, in consolidated terms, was €31,177m, equivalent to a decline of 0.8% compared to September 2018. Variation within exact time period and at constant exchange rates was down 2.1%, which is mainly explained by structural risk associated with the transfer of the real estate assets of BBVA in Spain to Cerberus Capital Management, L.P. (Cerberus). There were also less relevant decreases in credit risk and equity (goodwill).

Consolidated economic risk capital breakdown (Percentage as of December 2018)



The BBVA share

Global economic growth maintained a robust growth of approximately 3.6% in 2018, although slowed more than expected during the second half of 2018, due to both the poorer performance seen by retailers and the industrial sector along with a strong increase in financial tensions, especially in the developed economies, as a result of higher uncertainty. Poorer economic figures in Europe and China was accompanied by downwards trends in Asian countries and a cyclical deterioration in the United States. In this context, both the Federal Reserve (Fed) and the ECB have been more cautious and patient in the path towards monetary policy normalization and their decisions going forward will depend on the performance of the economy. The main short-term risk continues to be protectionism, not only because of the direct impact of the commercial channel, but also because its indirect effect on confidence and on financial volatility. Additionally, there are concerns about the intensity of the adjustment on economic activity during the following quarters, both in the United States and in China.

Most **stock-market indices** showed a downward trend during 2018. In Europe, the Stoxx 50 and the Euro Stoxx 50 fell by 13.1% and 14.3%, respectively. On the other hand, in Spain, the Ibex 35 lost 15.0% over the same period. Finally, in the United States the S&P 500 index fell 6.2% in the last twelve months, mainly due to the decline in the last quarter (down 14.0%).

In particular, the **banking sector** indices were notably more negative during 2018 than these general indices. The European Stoxx Banks index, which includes British banks, lost 28.0%, and the Eurozone bank index, the Euro Stoxx Banks, was down 33.3%, while in the United States the S&P Regional Banks index declined 20.5% in comparison at the close of 2017.

The **BBVA share** closed 2018 at €4.64, a fall of 34.8% for this year.

BBVA share evolution compared with European indices (Base indice 100=31-12-17)

The BBVA share and share performance ratios

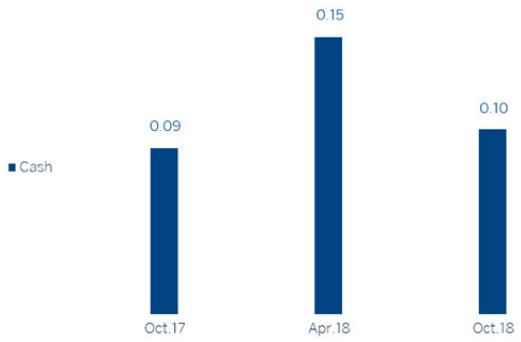
	31-12-18	31-12-17
Number of shareholders	902,708	891,453
Number of shares issued	6,667,886,580	6,667,886,580
Daily average number of shares traded	35,909,997	35,820,623
Daily average trading (million euros)	213	252
Maximum price (euros)	7.73	7.93
Minimum price (euros)	4.48	5.92
Closing price (euros)	4.64	7.11
Book value per share (euros)	7.12	6.96
Tangible book value per share (euros)	5.86	5.69
Market capitalization (million euros)	30,909	47,422
Yield (dividend/price; %) (1)	5.4	4.2

(1) Calculated by dividing shareholder remuneration over the last twelve months by the closing price of the period.

Regarding **shareholder remuneration**, on October 10, BBVA paid in cash a gross amount of €0.10 per share on account of the 2018 fiscal year. This payment is consistent with the shareholder remuneration policy announced by Relevant

Event of February 1, 2017, that envisages, subject to the pertinent approvals by the corresponding corporate bodies, the payment of two dividends in cash, foreseeably on October and April of each year. It is expected to be proposed for the consideration of the competent governing bodies a cash payment in a gross amount of euro 0.16 per share to be paid in April 2019 as final dividend for 2018.

Shareholder remuneration (Euros gross/share)



As of December 31, 2018, the number of BBVA **shares** remained at 6,668 million, and the number of **shareholders** was 902,708. By type of investor, residents in Spain held 44.82% of the share capital, while the remaining 55.18% was owned by non-resident shareholders.

.Shareholder structure (31-12-2018)

	Shareholders		Shares	
Number of shares	**Number**	**%**	**Number**	**%**
Up to 150	179,213	19.9	12,701,058	0.2
151 to 450	179,572	19.9	49,210,098	0.7
451 to 1800	284,225	31.5	278,003,301	4.2
1,801 to 4,500	136,369	15.1	388,215,619	5.8
4,501 to 9,000	63,647	7.1	401,194,972	6.0
9,001 to 45,000	53,104	5.9	921,740,895	13.8
More than 45,001	6,578	0.7	4,616,820,637	69.2
Total	**902,708**	**100.0**	**6,667,886,580**	**100.0**

BBVA **shares** are included on the main stock-market indices, including the Ibex 35, Euro Stoxx 50 and Stoxx 50, with a weighting of 7.0%, 1.4% and 0.9% respectively. They also form part of several sector indices, including the Euro Stoxx Banks, with a weighting of 8.3%, and the Stoxx Banks, with a weighting of 3.8%.

Finally, BBVA maintains a significant presence on a number of international **sustainability indices** or ESG (environmental, social and governance) indices, which evaluate the performance of companies in this area. In September 2018, BBVA joined the Dow Jones Sustainability Index (DJSI), benchmark in the market, which measures the performance of nearly 3,400 listed companies in environmental, social and corporate governance matters. Among the aspects most valued in BBVA's analysis are the fiscal strategy, the information security and cybersecurity policies, the management of environmental risks and opportunities, financial inclusion and, above all, Pledge 2025 announced this year (see responsible banking section).

Main sustainability indices on which BBVA is listed as of 31-12-2018

Listed on the DJSI World and DJSI Europe indices

Listed on the MSCI ESG Leaders Indexes

AAA Rating

Listed on the FTSE4Good Global Index Series

Listed on the Euronext Vigeo Eurozone 120 and Europe 120 indices

Listed on the Ethibel Sustainability Excellence Europe and Eithebel Sustainability Excellence Global indices

In 2018, BBVA obtained a "B" rating

(1) The inclusion of BBVA in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of BBVA by MSCI or any of its affiliates. The MSCI indices are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Business areas

This section presents and analyzes the most relevant aspects of the Group's different business areas. Specifically, it shows a summary of the income statement and balance sheet, the business activity figures and the most significant ratios in each of them.

At the closing of 2018 the **reporting structure** of BBVA Group's business areas remained basically the same even if its composition differs from the one presented in 2017 due to the sale of BBVA Chile announced on November 28, 2017, and which was closed on July 6, 2018. This operation, which has affected the composition of the business area of South America, will be detailed in the following sections as well as the rest of the Group's business areas:

- **Banking activity in Spain** includes the Retail Network in Spain, Corporate and Business Banking (CBB), Corporate & Investment Banking (CIB), BBVA Seguros and Asset Management units in Spain. It also includes the new loan production to developers or loans that are no longer in difficulties as well as the portfolios, funding and structural interest-rate positions of the euro balance sheet.
- **Non Core Real Estate** covers the specialized management in Spain of loans to developers in difficulties and real-estate assets mainly coming from foreclosed assets, originated from both, residential mortgages, as well as loans to developers. On November 29, 2017, BBVA Group signed an agreement with Cerberus Capital Management, L.P. (Cerberus) for the creation of a joint venture in which the real-estate business area of BBVA in Spain would be transferred. At a later stage, 80% of this entity would be sold to a subsidiary of Cerberus (Divarian). On October 10, 2018, the stated operation was closed and, at the close of 2018, the participation in Divarian which BBVA maintains at 20%, is recorded in the Corporate Center.
- **The United States** includes the Group's business activity in the country through the BBVA Compass group and the BBVA New York branch.
- **Mexico** basically includes all the banking and insurance businesses carried out by the Group in the country. Since 2018 it has also included the BBVA Bancomer branch in Houston (in previous years located in the United States). Consequently, the figures from previous years have been reworked to incorporate this change and show comparable series.
- **Turkey** includes the activity of the Garanti group.
- **South America** basically includes BBVA's banking and insurance businesses in the region. On July 6, 2018, the sale of BBVA Chile to The Bank of Nova Scotia (Scotiabank) was completed which affects the comparability of the results, the balance sheet, the activity and the most significant ratios of this business area with prior periods.
- **The Rest of Eurasia** includes the Group's retail and wholesale business activity in the rest of Europe and Asia.

In addition to the above, all the areas include a remainder made up basically of other businesses and a supplement that includes deletions and allocations not assigned to the units making up the above areas.

Lastly, the **Corporate Center** is an aggregate that contains the rest of the items that have not been allocated to the business areas, as it corresponds to the Group's holding function. It includes: the costs of the head offices that have a corporate function; management of structural exchange-rate positions; specific issues of equity instruments to ensure adequate management of the Group's global solvency; portfolios and their corresponding results, whose management is not linked to customer relations, such as industrial holdings; certain tax assets and liabilities; funds due to commitments with employees; goodwill and other intangibles. At the close of 2018, the participation in Davarian, which BBVA maintains at 20%, is included in this unit.

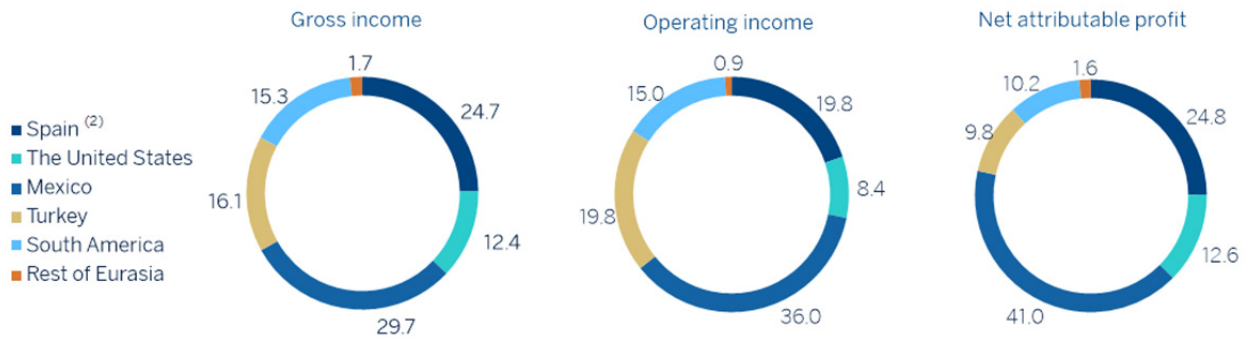
Finally, as usual, in the case of the Americas and Turkey areas, the results of applying constant **exchange rates** are given in addition to the year-on-year variations at current exchange rates.

The **information by areas** is based on units at the lowest level and/or companies making up the Group, which are assigned to the different areas according to the main geographical area in which they carry out their activity.

Major income statement items by business area (Millions of euros)

		Business areas								
	BBVA Group	Banking activity in Spain	Non Core Real Estate	The United States	Mexico	Turkey	South America	Rest of Eurasia	Σ Business areas	Corporate Center
2018										
Net interest income	17,591	3,672	32	2,276	5,568	3,135	3,009	175	17,867	(276)
Gross income	23,747	5,943	38	2,989	7,193	3,901	3,701	415	24,179	(432)
Operating income	12,045	2,680	(28)	1,127	4,825	2,658	2,011	124	13,397	(1,352)
Profit/(loss) before tax	7,580	2,017	(129)	919	3,294	1,448	1,307	144	9,000	(1,420)
Net attributable profit	5,324	1,522	(78)	735	2,384	569	591	93	5,818	(494)
2017										
Net interest income	17,758	3,738	71	2,119	5,476	3,331	3,200	180	18,115	(357)
Gross income	25,270	6,180	(17)	2,876	7,122	4,115	4,451	468	25,196	73
Operating income	12,770	2,790	(116)	1,025	4,671	2,612	2,444	160	13,585	(815)
Profit/(loss) before tax	6,931	1,854	(656)	748	2,984	2,147	1,691	177	8,944	(2,013)
Net attributable profit	3,519	1,374	(490)	486	2,187	826	861	125	5,368	(1,848)

Gross income[1], operating income[1] and net attributable profit[1] breakdown (Percentage. 2018)



(1) Excludes the Corporate Center.
(2) Includes the areas Banking activity in Spain and Non Core Real Estate.

Major balance-sheet items and risk-weighted assets by business area (Millions of euros)

	BBVA Group	Business areas									
		Banking activity in Spain	Non Core Real Estate	The United States	Mexico	Turkey	South America	Rest of Eurasia	Σ Business areas	Corporate Center	AyPNCV variation [1]
31-12-18											
Loans and advances to customers	374,027	169,856	582	60,808	51,101	41,478	34,469	15,731	374,027	-	-
Deposits from customers	375,970	180,891	36	63,891	50,530	39,905	35,842	4,876	375,970	-	-
Off-balance sheet funds	98,150	62,557	2	-	20,647	2,894	11,662	388	98,150	-	-
Total assets/liabilities and equity	676,689	335,294	4,163	82,057	96,455	66,250	52,385	18,000	654,605	22,084	-
Risk-weighted assets	348,254	100,950	3,022	64,146	53,359	56,486	42,736	15,449	336,149	12,105	-
31-12-17											
Loans and advances to customers	387,621	183,172	3,521	53,718	45,768	51,378	48,272	14,864	400,693	-	(13,072)
Deposits from customers	376,379	177,763	13	60,806	49,964	44,691	45,666	6,700	385,604	-	(9,225)
Off-balance sheet funds	98,005	62,054	4	-	19,472	3,902	12,197	376	98,005	-	-
Total assets/liabilities and equity	690,059	319,417	9,714	75,775	94,061	78,694	74,636	17,265	669,562	20,497	-
Risk-weighted assets	361,686	108,141	9,692	58,688	44,941	62,768	55,975	15,150	355,354	6,332	-

(1) Includes non-current assets and liabilities held for sale (AyPNCV for its acronym in Spanish) of the BBVA Chile and real estate operations.

Interest rates (Quarterly averages. Percentage)

	2018				2017			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Official ECB rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Euribor 3 months	(0.32)	(0.32)	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)
Euribor 1 year	(0.14)	(0.17)	(0.19)	(0.19)	(0.19)	(0.16)	(0.13)	(0.10)
USA Federal rates	2.28	2.01	1.81	1.58	1.30	1.25	1.05	0.80
TIIE (Mexico)	8.26	8.11	7.88	7.84	7.42	7.37	7.04	6.41
CBRT (Turkey)	24.00	19.29	14.82	12.75	12.17	11.97	11.80	10.10

Exchange rates (Expressed in currency/euro)

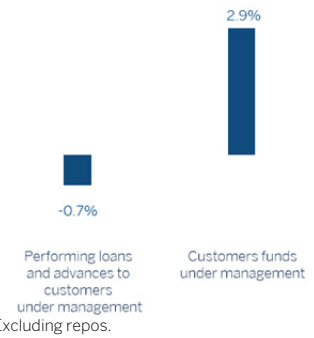
	Year-end exchange rates			Average exchange rates	
	31-12-18	Δ % on 31-12-17	Δ % on 30-09-18	2018	Δ % on 2017
Mexican peso	22.4921	5.2	(3.2)	22.7046	(6.1)
U.S. dollar	1.1450	4.7	1.1	1.1810	(4.3)
Argentine peso	43.2900	(47.8)	5.7	43.2900	(56.7)
Chilean peso	795.54	(7.2)	(3.8)	757.00	(3.2)
Colombian peso	3,745.32	(4.3)	(7.6)	3,484.32	(4.3)
Peruvian sol	3.8621	0.5	(1.2)	3.8787	(5.1)
Turkish lira	6.0588	(25.0)	15.0	5.7058	(27.8)

Banking activity in Spain

Highlights

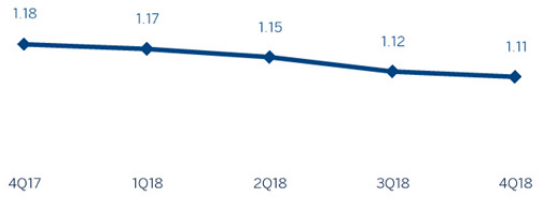
- **Activity growth in high profitable segments.**
- **Good performance of net fees and commissions.**
- **Operating expenses decline during all quarters.**
- **Solid asset-quality indicators: lower impairments and provisions.**

Business activity[1] (Year-on-year change. Data as of 31-12-18)

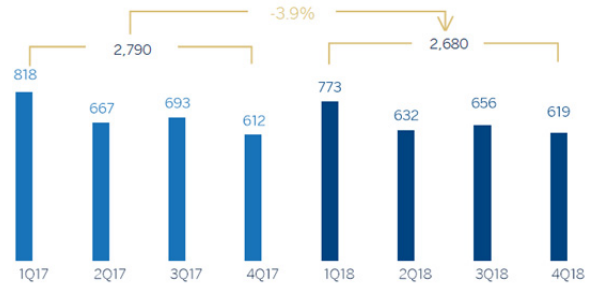


(1) Excluding repos.

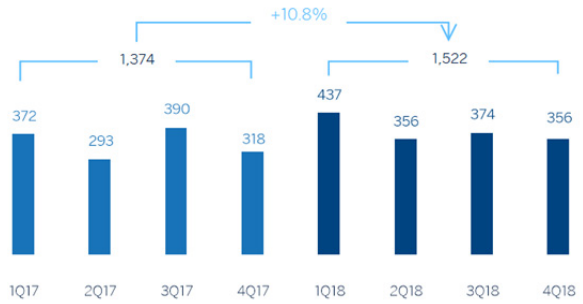
Net interest income/ATAs (Percentage)



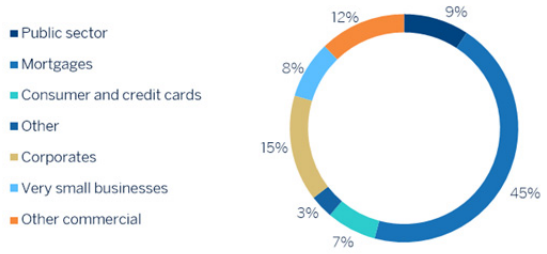
Operating income (Millions of Euros)



Net attributable profit (Millions of Euros)

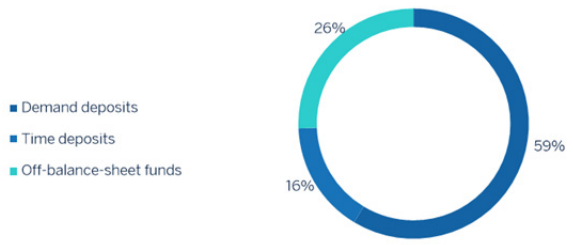


Breakdown of performing loans under management [1] (31-12-18)



(1) Excluding repos.

Breakdown of customer funds under management[1] (31-12-18)



(1) Excluding repos.

Financial statements and relevant business indicators (Millions of euros and percentage)

Income statement	IFRS 9 2018	Δ %	IAS 39 2017
Net interest income	**3,672**	**(1.8)**	**3,738**
Net fees and commissions	1,681	7.7	1,561
Net trading income	466	(16.1)	555
Other operating income and expenses	124	(62.0)	327
of which Insurance activities [1]	485	12.0	433
Gross income	**5,943**	**(3.8)**	**6,180**
Operating expenses	(3,262)	(3.8)	(3,390)
Personnel expenses	(1,862)	(2.9)	(1,917)
Other administrative expenses	(1,113)	(3.6)	(1,154)
Depreciation	(288)	(9.8)	(319)
Operating income	**2,680**	**(3.9)**	**2,790**
Impairment on financial assets not measured at fair value through profit or loss	(371)	(34.6)	(567)
Provisions or reversal of provisions and other results	(292)	(20.9)	(369)
Profit/(loss) before tax	**2,017**	**8.8**	**1,854**
Income tax	(492)	3.1	(477)
Profit/(loss) for the year	**1,525**	**10.8**	**1,377**
Non-controlling interests	(3)	7.1	(3)
Net attributable profit	**1,522**	**10.8**	**1,374**

(1) Includes premiums received net of estimated technical insurance reserves.

Balance sheets	IFRS 9 31-12-18	Δ %	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	27,841	106.8	13,463
Financial assets designated at fair value	100,094	25.9	79,501
of which loans and advances	28,451	n.s.	1,312
Financial assets at amortized cost	193,936	(12.4)	221,391
of which loans and advances to customers	169,856	(7.3)	183,172
Inter-area positions	7,314	n.s.	1,806
Tangible assets	1,263	44.1	877
Other assets	4,846	103.6	2,380
Total assets/liabilities and equity	**335,294**	**5.0**	**319,417**
Financial liabilities held for trading and designated at fair value through profit or loss	66,255	80.0	36,817
Deposits from central banks and credit institutions	44,043	(29.2)	62,226
Deposits from customers	180,891	1.8	177,763
Debt certificates	30,451	(8.6)	33,301
Inter-area positions	-	-	-
Other liabilities	5,756	n.s.	391
Economic capital allocated	7,898	(11.5)	8,920

Relevant business indicators	31-12-18	Δ %	31-12-17
Performing loans and advances to customers under management [1]	166,131	(0.7)	167,291
Non-performing loans	9,101	(16.0)	10,833
Customer deposits under management [1]	181,119	3.6	174,822
Off-balance sheet funds [2]	62,557	0.8	62,054
Risk-weighted assets	100,950	(6.6)	108,141
Efficiency ratio (%)	54.9		54.9
NPL ratio (%)	4.6		5.5
NPL coverage ratio (%)	57		50
Cost of risk (%)	0.21		0.32

(1) Excluding repos.
(2) Includes mutual funds, pension funds and other off-balance sheet funds.

Macro and industry trends

According to the latest information from the National Institute of Statistics (INE for its acronym in Spanish), the Spanish **economy** grew 0.6% on a quarterly basis during the the third quarter of 2018, consolidating a solid growth throughout the year but at a more moderate pace than the two previous years. The most recent indicators show that this progress of the GDP has continued in the last quarter of 2018, supported by robust domestic factors related to the improvement of the labor market and favorable financial conditions. Both monetary and fiscal policy continue to support growth, while the depreciation of the euro and demand in the euro zone must continue to support exports. All in all, the economy could have grown around 2.5% in 2018.

Regarding the Spanish **banking system** and according to October 2018 data from the Bank of Spain (latest published data), the total volume of lending to the private sector (household and corporate) continued to decline year-on-year (down 3.0%). Non-performing loans in the sector decreased significantly (down 28.2% year-on-year as of October 2018) driven by the completion of several transactions of non-performing loans and real-estate assets during 2018. At the end of October, the sector's NPL ratio was 6.08%, that is 26.0% below the figure registered in the previous year.

Activity

The most relevant aspects related to the area's activity during 2018 were:

- **Lending** (performing loans under management) closed in line with the figure at the end of December 2017 (down 0.7% year-on-year), mainly due to the reduction in the mortgage portfolio (down 3.6%) and other commercial portfolios (-11.2%). In contrast, consumer financing and credit cards maintained a very positive performance (during the course of the year up 21.9%), which, together with the good evolution of the SME portfolio (+6.5%), offset the reduction of mortgage loans. In the last three months of 2018 there has been a transfer of outstanding portfolio of performing loans from Non Core Real Estate to Banking Activity in Spain, amounting to €60m, which, in addition to the e one completed in the first semester amounts to a total of €260m in the year.
- In **asset quality**, the non-performing loans balance showed a downward trend over the year that positively affected the area's NPL ratio, which reduced to 4.6% from the 5.5% as of 31-December-2017. The NPL coverage ratio closed at 57%, 660 basis points above the closing of 2017.
- Customer **deposits** under management grew by 3.6% compared to the close of December 2017 (up 3.5% in the last quarter of 2018). By products, there was a decline in time deposits (down 20.4% year-on-date), that has by far offset by the increase in demand deposits (up 12.7%), which as of December represent approximately 80% of total liabilities.
- The **off-balance-sheet** funds showed a slight increase with respect to the figure registered twelve months before (+0.8%), despite of the unfavorable evolution of the markets, especially in the last quarter.

Results

The net attributable **profit** generated by the Banking Activity in Spain in 2018 reached €1,522m, which represents a year-on-year increase of 10.8%, strongly supported by the favorable performance of commissions, a strict control of operating expenses and provisions. The highlights of the area's income statement are:

- **Net interest income showed** a decline of 1.8% year-on-year although it increased slightly in the fourth quarter of 2018 (+1.2%). The smaller contribution from targeted longer-term refinancing operations (TLTRO) explained most of this evolution.
- Positive performance of **net fees and commissions** (up 7.7% year-on-year), which offset by far the decline in net interest income. There was a significant contribution from asset management fees and banking commissions.
- Lower contribution from **NTI** compared to the same period of previous year (down 16.1%), associated with lower ALCO portfolio sales in 2018.
- Reduction in **other income/expenses** (down 62.0% year-on-year). One of the aspects explaining this is the greater contribution made to the DGF and SRF compared to 2017. Also, net earnings from the insurance business showed an increase of 12.0%.
- **Operating expenses** declined by 3.8% and the **efficiency ratio** closed at 54.9%, in line with the figure registered at the close of 2017.
- Decline in **impairment losses on financial assets** (down 34.6% year-on-year) explained by lower gross additions to NPLs and loan-loss provisions for large customers. As a result, the cumulative cost of risk stood at 0.21% as of December 31, 2018.
- Lastly, **provisions (net) and other gains (losses)** showed a year-on-year decline of 20.9%, mainly favoured by lower restructuring costs.

Non Core Real Estate

Highlights

- **Continued positive trend in the Spanish real-estate market, although with a more moderate growth rate.**
- **Minimum levels of the net real-estate exposure.**
- **Closing of the sale agreement of the participation in Testa.**
- **Significant reduction in net losses in the area.**

Industry trends

The Spanish real estate market continues to show a growth trend, somewhat more moderated. The macroeconomic context continues to be favorable for residential demand: interest rates remain at minimum levels and the economy is still generating jobs. However, the uncertainty regarding economic policy could affect the decision of households and entrepreneurs of the sector.

- **Investment in housing** accelerated its growth in the third quarter of 2018, after the slowdown registered in the previous quarter. According to data from the National Quarterly Accounting Office of the INE investment in housing grew by 1.6% between July and September, an evolution that, once again, exceeded the economy as a whole.
- Between January and November, 526,840 homes were sold in Spain, a year-on-year increase of 8.5%, according to information from the General Council of Spanish Notaries (CIEN).
- Housing **prices** accelerated in the third quarter of 2018 to 7.2% in year-on-year terms (INE figures), exceeding the figures registered in the two previous quarters.
- The interest rate applied to new loan operations remains at 2.3% and the **cost of mortgage financing** remains at relatively low levels. As a result, new home loans grew by 17.1% in the first eleven months of the year.
- Finally, the evolution of the **construction activity** continued to be robust, in response to the increase in residential demand. According to data from the Ministry of Public Works, nearly 84,000 new housing construction permits were approved in the first ten months of the year 2018, 23.2% more than in the same period of 2017.

Activity

The net real-estate **exposure** amounted to €2,498m as of 31-December-2018, which means a very significant reduction in year-on-year terms (-61.1%).

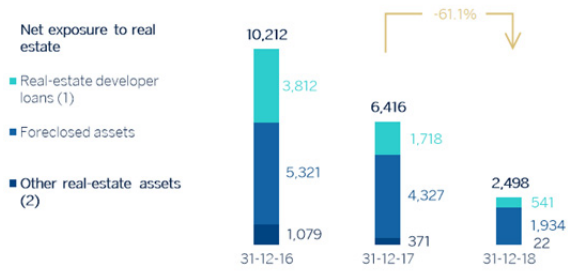
With regards to the loans to developers, in the last three months of 2018 outstanding performing loans to developers for an amount of €60m were transferred from Non Core Real Estate to Banking Activity in Spain, that together with the transfer already made during the first half of 2018 stood at €260m in the year. In addition, the agreement with the Canada Pension Plan Investment Board (CPPIB) for the sale of non-performing and written-off loans to developers for a gross amount of approximately €1 billion was closed in July.

Having received the regulatory authorizations, BBVA closed on October 10, 2018 the operation of the transfer of its real-estate business in Spain to Cerberus Capital Management, L.P. (Cerberus). The closing of this operation implies the sale of 80% of the share capital of Divarian, the joint venture to which the real-estate business had been transferred, however the effective transfer of some real estate owned assets ("REOs") is subject to the fulfillment of certain conditions and in the meanwhile, BBVA will continue to manage those assets. As of December 31, 43,900 assets with a value 2,828 million euros would have been transferred to Divarian. 17,485 assets with a value of approximately €900m are pending transfer, subject to specific authorizations in process of obtaining them.

As of December 31, 2018 the participation in Divarian which BBVA maintains at 20%, is recorded in Corporate Center.

In addition, on December 21, 2018 BBVA reached an agreement with Blackstone for the sale of its participation of its 25.24% stake in Testa for €478m.

Evolution of Net exposure to real estate (Millions of Euros)



(1) Compared to Bank of Spain's Transparency scope (Circular 5/2011 dated November 30), real-estate developer loans do not include €2.1Bn (December 2018) mainly related performing loans to developers transferred to the Banking Activity in Spain area.
(2) Other real-estate assets not originated from foreclosures.

Coverage of real-estate exposure (Millions of Euros as of 31-12-18)

	Gross Value	Provisions	Net exposure	% Coverage
Real-estate developer loans [1]	**1,006**	**465**	**541**	**46%**
Performing	**174**	**23**	**150**	**13%**
Finished properties	145	18	127	13%
Construction in progress	14	3	11	23%
Land	14	1	13	8%
Without collateral and other	1	-	-	46%
NPL	**832**	**442**	**390**	**53%**
Finished properties	361	160	201	44%
Construction in progress	23	11	13	45%
Land	392	237	156	60%
Without collateral and other	55	35	21	62%
Foreclosed assets	**4,310**	**2,376**	**1,934**	**55%**
Finished properties	3,037	1,501	1,536	49%
Construction in progress	209	131	78	63%
Land	1,064	744	320	70%
Other real-estate assets [2]	**25**	**3**	**22**	**11%**
Real-estate exposure	**5,341**	**2,843**	**2,498**	**53%**

(1) Compared to Bank of Spain's Transparency scope (Circular 5/2011 dated November 30), real-estate developer loans do not include €2.1 Bn (December 2018) mainly related performing loans to developers transferred to the Banking activity in Spain area.
(2) Other real-estate assets not originated from foreclosures.

Total real-estate exposure, including loans to developers, foreclosures and other assets, had a **coverage** ratio of 53% at the close of December 2018. The coverage ratio of foreclosed assets stood at 55%.

Non-performing loan balances showed a downward trend along the year, thanks to lower NPL entries and the recovery of activity over the quarter. The NPL coverage ratio was maintained at 53%.

Results

At the close of December 2018 this business area posted a cumulative loss in 2018 of €78m, which represents a positive evolution compared to a loss of €490m in the same period the previous year.

Financial statements (Millions of euros)

Income statement	IFRS 9 2018	Δ %	IAS 39 2017
Net interest income	**32**	**(55.8)**	**71**
Net fees and commissions	1	(56.7)	3
Net trading income	64	n.s.	0
Other operating income and expenses	(59)	(35.7)	(91)
Gross income	**38**	**n.s.**	**(17)**
Operating expenses	(65)	(33.9)	(99)
Personnel expenses	(39)	(23.3)	(51)
Other administrative expenses	(22)	(28.1)	(30)
Depreciation	(5)	(73.3)	(18)
Operating income	**(28)**	**(76.1)**	**(116)**
Impairment on financial assets not measured at fair value through profit or loss	(12)	(91.0)	(138)
Provisions or reversal of provisions and other results	(89)	(77.8)	(403)
Profit/(loss) before tax	**(129)**	**(80.3)**	**(656)**
Income tax	52	(68.8)	166
Profit/(loss) for the year	**(78)**	**(84.2)**	**(491)**
Non-controlling interests	(0)	n.s.	1
Net attributable profit	**(78)**	**(84.2)**	**(490)**

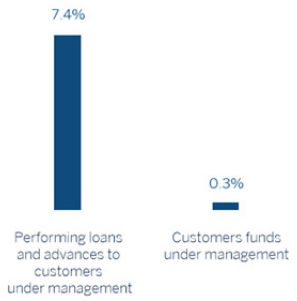
Balance sheet	IFRS 9 31-12-18	Δ %	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	14	19.8	12
Financial assets designated at fair value	1,358	n.s.	9
of which loans and advances	1,368	n.s.	-
Financial assets at amortized cost	582	(83.5)	3,521
of which loans and advances to customers	582	(83.5)	3,521
Inter-area positions	-	-	-
Tangible assets	30	n.s.	0
Other assets	2,179	(64.7)	6,172
Total assets/liabilities and equity	**4,163**	**(57.1)**	**9,714**
Financial liabilities held for trading and designated at fair value through profit or loss	-	-	-
Deposits from central banks and credit institutions	36	n.s.	0
Deposits from customers	36	187.5	13
Debt certificates	239	(69.6)	785
Inter-area positions	2,691	(53.4)	5,775
Other liabilities	205	n.s.	-
Economic capital allocated	956	(69.6)	3,141
Memorandum item:			
Risk-weighted assets	3,022	(68.8)	9,692

The United States

Highlights

- **Lending growth supported by business financing and retail segments.**
- **Good performance of net interest income and provisions.**
- **Improvement in efficiency.**
- **Net attributable profit affected by the tax reform at the end of 2017.**

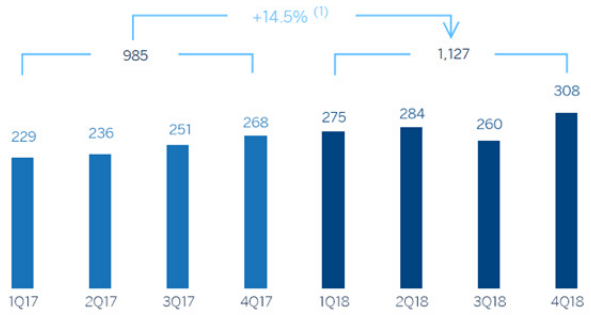
Business activity [1] (Year-on-year change at constant exchange rate. Data as of 31-12-18)



(1) Excluding repos.

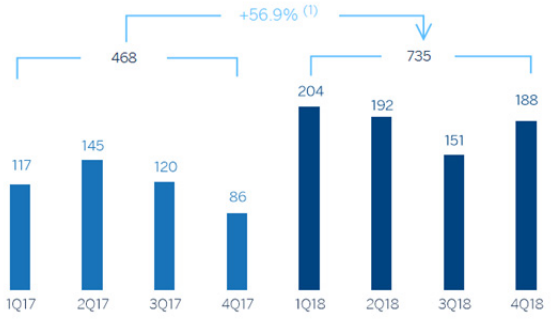
Net interest income/ATAs (Percentage. Constant exchange rate)

Operating income (Millions of Euros at constant exchange rate)



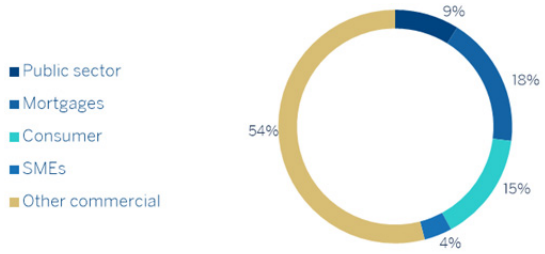
(1) At current exchange rate: +10.0%.

Net attributable profit (Millions of Euros at constant exchange rate)



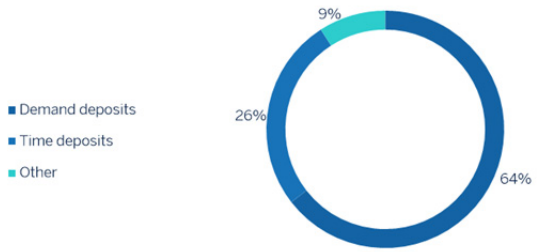
(1) At current exchange rate: +51.3%.

Breakdown of performing loans under management [1] (31-12-18)



(1) Excluding repos.

Breakdown of customer funds under management [1] (31-12-18)



(1) Excluding repos.

Financial statements and relevant business indicators (Millions of euros and percentage)

	IFRS 9			IAS 39
Income statement	**2018**	**Δ %**	**Δ % (1)**	**2017**
Net interest income	**2,276**	**7.4**	**12.1**	**2,119**
Net fees and commissions	596	(7.5)	(3.8)	644
Net trading income	109	(1.9)	0.9	111
Other operating income and expenses	9	n.s.	256.4	2
Gross income	**2,989**	**3.9**	**8.3**	**2,876**
Operating expenses	(1,862)	0.6	4.9	(1,851)
Personnel expenses	(1,051)	(1.6)	2.7	(1,067)
Other administrative expenses	(633)	6.0	10.5	(598)
Depreciation	(178)	(4.6)	(0.4)	(187)
Operating income	**1,127**	**10.0**	**14.5**	**1,025**
Impairment on financial assets not measured at fair value through profit or loss	(225)	(6.8)	(2.6)	(241)
Provisions or reversal of provisions and other results	16	n.s.	n.s.	(36)
Profit/(loss) before tax	**919**	**22.9**	**27.6**	**748**
Income tax	(184)	(29.8)	(26.9)	(262)
Profit/(loss) for the year	**735**	**51.3**	**56.9**	**486**
Non-controlling interests	-	-	-	-
Net attributable profit	**735**	**51.3**	**56.9**	**486**

	IFRS 9			IAS 39
Balance sheets	**31-12-18**	**Δ %**	**Δ % (1)**	**31-12-17**
Cash, cash balances at central banks and other demand deposits	4,835	(32.3)	(35.3)	7,138
Financial assets designated at fair value	10,481	(5.3)	(9.6)	11,068
of which loans and advances	156	179.2	n.s.	56
Financial assets at amortized cost	63,539	16.1	10.9	54,705
of which loans and advances to customers	60,808	13.2	8.1	53,718
Inter-area positions	-	-	-	-
Tangible assets	668	1.5	(3.1)	658
Other assets	2,534	14.8	9.6	2,207
Total assets/liabilities and equity	**82,057**	**8.3**	**3.4**	**75,775**
Financial liabilities held for trading and designated at fair value through profit or loss	234	68.2	60.6	139
Deposits from central banks and credit institutions	3,370	(5.9)	(10.1)	3,580
Deposits from customers	63,891	5.1	0.3	60,806
Debt certificates	3,599	78.4	70.3	2,017
Inter-area positions	2,528	127.8	117.5	1,110
Other liabilities	5,395	(0.7)	(5.2)	5,431
Economic capital allocated	3,040	12.9	7.8	2,693

Relevant business indicators	**31-12-18**	**Δ %**	**Δ % (1)**	**31-12-17**
Performing loans and advances to customers under management (2)	60,784	12.5	7.4	54,036
Non-performing loans	802	15.1	9.9	696
Customer deposits under management (2)	63,888	5.1	0.3	60,806
Off-balance sheet funds (3)	-	-	-	-
Risk-weighted assets	64,146	9.3	4.4	58,688
Efficiency ratio (%)	62.3			64.4
NPL ratio (%)	1.3			1.2
NPL coverage ratio (%)	85			104
Cost of risk (%)	0.39			0.43

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

Macro and industry trends

According to the latest available information from the Bureau of Economic Analysis (BEA), in the third quarter of 2018, annualized US **GDP** growth moderated from 4.2% to 3.4% as a result of the moderation of non-residential investment and the drop in exports after the strong rebound in the previous quarter. Furthermore, private consumption remains robust, supported by the dynamism of the labor market and the growth in wages, as well as public spending, driven by a more expansive fiscal policy. According to the most recent indicators growth could reach approximately 2.9% during 2018. Despite the strength of domestic demand and an unemployment rate below 4% last year, core **inflation** (PCE) remained relatively stable at approximately 2% in 2018, while the fall of prices of energy products was reflected in a strong moderation of headline inflation to 1.9% in November from rates close to 3% in the middle of the year. The Fed continued with the normalization process, with four increases of 25 basis points each in 2018 (up to the 2.25%-2.50% range).

The persistence of the expansive cycle in the country, together with the resurgence of uncertainty and financial volatility, associated with a combination of factors (among them, the fear of an escalating protectionism and a greater perception of risk on the vulnerability of emerging markets) have substantially revalued the **dollar** since the second quarter of 2018, which appreciated by around 7% during the year, with December closing data of the effective exchange rate weighted by the importance of its main trading partners.

The general situation of the country's **banking system** continued to be favorable. According to the latest available data from the Fed through November 2018, the total volume of bank credit in the system increased by 5.0% over the same month of the previous year, with a particularly positive performance in commercial loans (up 17.0% year-on-year), while real estate loans (including the mortgage loans) stayed flattish in the last twelve months. On the other hand, deposits remained basically at the same level as the prior year (down 0.6%). Lastly, non-performing loans continued their downward trend, with an NPL ratio of 1.58% at the end of the third quarter of 2018.

Activity

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and earnings, will be given at constant exchange rate. These rates, together with changes at current exchange rate, can be seen in the attached tables of financial statements and relevant business indicators.

The most relevant aspects related to the area's activity in 2018 were:

- **Lending activity** in the area (performing loans under management) showed an increase by 7.4% year-on-year.
- By **portfolio**, higher interest rates continued affecting negatively the mortgages and loans to developers (construction real estate). By contrast, the consumer and credit card loans, which have higher margins and are therefore more profitable, increased by 28.2% year-on-year. Both other commercial (up 7.0%) and corporates also performed well (up 12.3%).
- Regarding the **risk indicators**, slight rebound of the NPL ratio in the quarter, which stood at 1.3% from 1.1% registered as of 30-September-2018, due to the deterioration of certain singular clients. On the other hand, the NPL coverage ratio closed at 85%.
- Customer **deposits** under management closed in line with the figure of December 2017 (+0.3%), affected by the deposit-gathering campaigns, with an increase the time deposits (+2.2%) and a decrease in the demand deposits (-4.0%).

Results

The United States generated a cumulative net attributable **profit** of €735m during 2018, 56.9% higher than the one registered twelve months earlier, due mainly to the increase in net interest income, lower provisions and lower tax expenses. Also worth noting are the following:

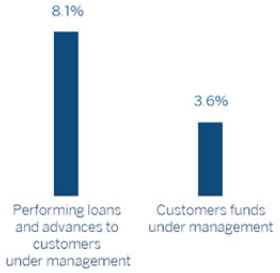
- **Net interest income** continued to perform positively, with the cumulative figure up by 12.1% year-on-year and 2.9% over the last quarter of 2018. This was due partly to the Fed's interest-rate hikes, but also the measures adopted by BBVA Compass to improve loan yields and contain the increase in the cost of deposits (improved deposit mix and wholesale funding).
- **Net fees and commissions** declined by 3.8% year-on-year, due to a lower contribution from markets, investment banking and money transfers.
- **Operating expenses** grew by 4.9% year-on-year, mainly due to greater activity related to the growth of consumer loans. This increase is lower than that shown by the gross margin (+8.3%), as a result, the efficiency ratio improved.
- **Impairment losses on financial assets** fell by 2.6% in the last twelve months, due to the lower provisioning requirements in those portfolios affected by the 2017 hurricanes. As a result, the cumulative cost of risk through 31-December-2018 declined to 0.39%.
- Lastly, **income tax** declined as a result of a reduction in the effective tax rate following the tax reform approved at the end of 2017, which in addition generated a one-off charge in the amount of €78m due to the valuation of deferred tax assets.

Mexico

Highlights

- **Good performance of the activity, with growth in all segments.**
- **Expenses continue to grow below the rate of gross income.**
- **Double-digit year-on-year growth in net attributable profit.**
- **Good asset quality indicators.**

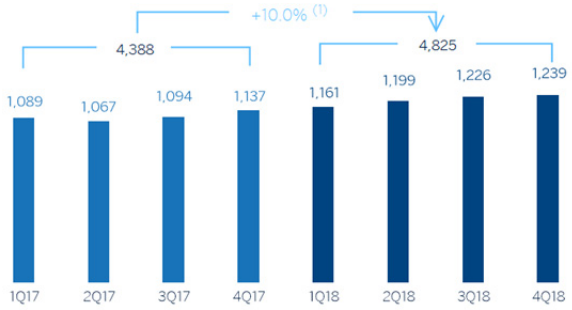
Business activity [1] (Year-on-year change at constant exchange rate. Data as of 31-12-18)



(1) Excluding repos.

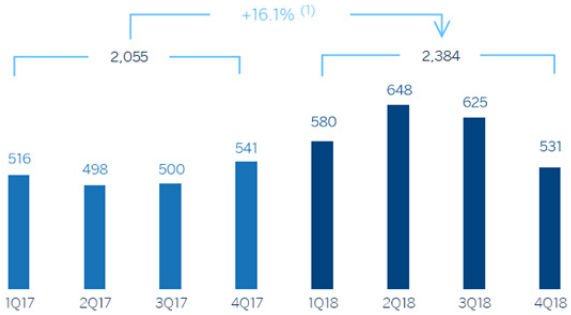
Net interest income/ATAs (Percentage. Constant exchange rate)

Operating income (Millions of Euros at constant exchange rate)



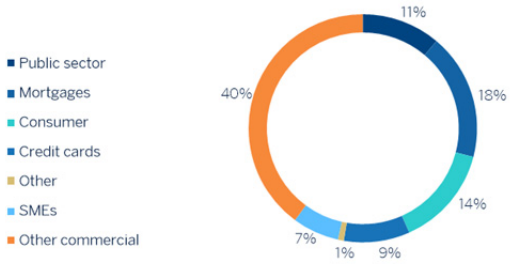
(1) At current exchange rate: +3.3%.

Net attributable profit (Millions of Euros at constant exchange rate)



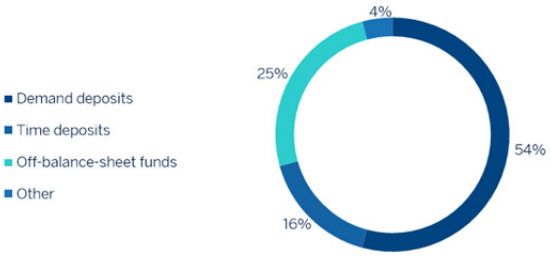
(1) At current exchange rate: +9.0%.

Breakdown of performing loans under management [1] (31-12-18)



(1) Excluding repos.

Breakdown of customer funds under management [1] (31-12-18)



(1) Excluding repos.

Financial statements and relevant business indicators (Millions of euros and percentage)

Income statement	IFRS 9 2018	Δ %	Δ % [1]	IAS 39 2017
Net interest income	**5,568**	**1.7**	**8.2**	**5,476**
Net fees and commissions	1,205	(1.2)	5.1	1,219
Net trading income	223	(10.4)	(4.6)	249
Other operating income and expenses	197	11.2	18.3	177
Gross income	**7,193**	**1.0**	**7.5**	**7,122**
Operating expenses	(2,368)	(3.4)	2.8	(2,452)
Personnel expenses	(1,024)	(2.6)	3.7	(1,051)
Other administrative expenses	(1,091)	(4.7)	1.5	(1,145)
Depreciation	(253)	(1.3)	5.1	(256)
Operating income	**4,825**	**3.3**	**10.0**	**4,671**
Impairment on financial assets not measured at fair value through profit or loss	(1,555)	(5.8)	0.2	(1,651)
Provisions or reversal of provisions and other results	24	n.s.	n.s.	(35)
Profit/(loss) before tax	**3,294**	**10.4**	**17.5**	**2,984**
Income tax	(909)	14.0	21.4	(797)
Profit/(loss) for the year	**2,385**	**9.0**	**16.1**	**2,187**
Non-controlling interests	(0)	9.1	16.1	(0)
Net attributable profit	**2,384**	**9.0**	**16.1**	**2,187**

Balance sheets	IFRS 9 31-12-18	Δ %	Δ % [1]	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	8,274	(6.3)	(11.0)	8,833
Financial assets designated at fair value	26,022	(9.1)	(13.6)	28,627
of which loans and advances	72	(95.4)	(95.6)	1,558
Financial assets at amortized cost	57,709	21.0	15.0	47,691
of which loans and advances to customers	51,101	11.7	6.1	45,768
Tangible assets	1,788	2.2	(2.8)	1,749
Other assets	2,663	(62.8)	(64.7)	7,160
Total assets/liabilities and equity	**96,455**	**2.5**	**(2.5)**	**94,061**
Financial liabilities held for trading and designated at fair value through profit or loss	18,028	91.7	82.2	9,405
Deposits from central banks and credit institutions	683	(88.3)	(88.9)	5,853
Deposits from customers	50,530	1.1	(3.9)	49,964
Debt certificates	8,566	17.1	11.4	7,312
Other liabilities	14,508	(17.7)	(21.8)	17,627
Economic capital allocated	4,140	6.2	0.9	3,901

Relevant business indicators	31-12-18	Δ %	Δ % [1]	31-12-17
Performing loans and advances to customers under management [2]	51,387	13.7	8.1	45,196
Non-performing loans	1,138	1.3	(3.7)	1,124
Customer deposits under management [2]	49,740	10.3	4.9	45,093
Off-balance sheet funds [3]	20,647	6.0	0.8	19,472
Risk-weighted assets	53,359	18.7	12.9	44,941
Efficiency ratio (%)	32.9			34.4
NPL ratio (%)	2.1			2.3
NPL coverage ratio (%)	154			123
Cost of risk (%)	3.07			3.24

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

Macro and industry trends

The quarterly **GDP growth** in Mexico was 0.8% in the third quarter of 2018, measured in figures adjusted by seasonality. This expansion, after a growth by 1.1% in the first quarter and a slight contraction of 0.1% in the second quarter, is mainly explained by the expansion of services and the manufacturing sector. On the demand side, the main contribution to growth in the third quarter has been from consumption. While private investment has shown new signs of weakness. The trade agreement reached by Mexico, the United States and Canada, as well as the reduction in uncertainty regarding the economic policy of the administration of Andrés Manuel López Obrador, who assumed the presidency of the country on December 1, could help to maintain in the following periods the dynamism observed in the third quarter.

With respect to **inflation**, the increase observed in recent months seems to be transitory, since it is mainly due to the increase in energy prices, while core inflation remains relatively stable. This, together with contained inflation pressures, suggests that additional interest rate hikes by Banxico might not be necessary for the remainder of the year.

For yet another quarter, the Mexican **banking system** showed excellent levels of solvency and asset quality. According to the latest available information from the Mexican National Banking and Securities Commission (CNBV) in November 2018, activity remained as strong as in previous quarters, with year-on-year growth in the volume of lending and deposits (demand and time deposits) at 10.6% and 8.4%, respectively. Both the NPL ratio (2.2%) and NPL coverage ratio (150%) were stable. Finally, solvency in the system is at a comfortable level, with a capital adequacy ratio of 15.65% as of the end of October 2018.

Activity

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and earnings, will be given at constant exchange rate. These rates, together with changes at current exchange rate, can be seen in the attached tables of financial statements and relevant business indicators.

The most relevant aspects related to the area's activity year in 2018 were:

- Year-on-year increase in **lending** (performing loans and advances to customers under management) of 8.1%. BBVA maintains its leading position in the country, with a market share of 22.6% in outstanding performing loans, according to local figures from the CNBV at the end of November 2018.
- By portfolios: the **wholesale portfolio**, which represents 51.8% of total lending, increased by 9.4% in year-on-year terms, driven mainly by medium-sized companies and the corporates segment. As for the **retail portfolio**, it increased by 6.7% (including SMEs), which was heavily supported by consumer loans (payroll, personal and auto), which rose by 8.7%.
- With respect to the **asset quality** indicators, the NPL ratio closed at 2.1% from the 2.3% registered twelve months earlier. The NPL coverage ratio closed at 154%.
- Total customer **funds** (customer deposits under management, mutual funds and other off-balance sheet funds) showed a year-on-year increase of 3.6%, with remarkable growth in demand deposits (+7.6%), in time deposits (+4.0%) and mutual funds (+2.6%).
- A profitable funding mix: low-cost accounts represent 77% of total customer deposits under management.

Results

BBVA in Mexico posted in 2018 a net attributable **profit** of €2,384m, a year-on-year increase of 16.1%. The main highlights in the evolution of income statement in Mexico is summarized below:

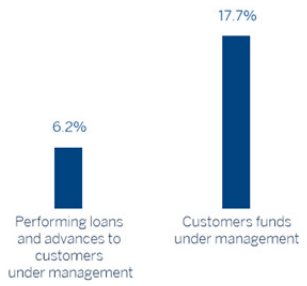
- Positive performance of the **net interest income**, which showed a year-on-year growth of +8.2%, highly aligned with lending activity (+8.1%).
- Good performance of **net fees and commissions**, which showed an increase of 5.1% as a result of increased activity in mutual funds, as well as a higher volume of transactions with on-line banking and credit card customers.
- **NTI** registered a decrease (-4.6%) due to the unfavorable performance of the Global Markets unit during 2018.
- The **other income/expenses** line registered year-on-year growth of 18.3%, mainly due to the positive performance of the insurance activity.
- **Operating expenses** continued to grow at a very controlled pace (up +2.8% year-on-year) and below the area's **gross income** growth (+7.5%). As a result, the efficiency ratio has continued to improve and stood at 32.9% as of December 31, 2018.
- Adequate risk management has been reflected in the change in the **impairment losses on financial assets** line item, which remains at the same level as 2017 (+0.2% year-on-year), despite the loan growth during the year, mainly explained by a change in the mix of the loan portfolio. As a result, the cumulative cost of risk in the area closed at 3.07% versus 3.24% as of December 2017.
- The positive evolution in the **other gains (losses)** line, that included the extraordinary income from the sale of BBVA Bancomer's stake in a real-estate development and the capital gain from the sale of a corporate building by Bancomer.

Turkey

Highlights

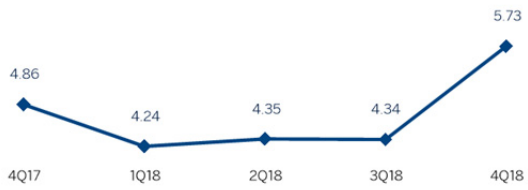
- **Activity impacted by the evolution of exchange rates.**
- **Good performance of recurring revenue items, as a result of the inflation-linked bonds performance.**
- **Operating expenses growth below inflation.**
- **Risk indicators affected by the update of the macroeconomic scenario and certain negative impacts of the portfolio of wholesale customers.**

Business activity [1] (Year-on-year change at constant exchange rate. Data as of 31-12-18)

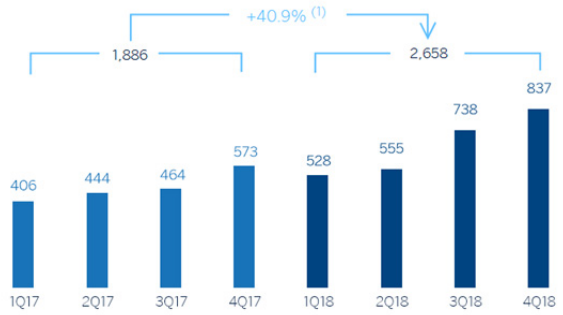


(1) Excluding repos.

Net interest income/ATAs (Percentage. Constant exchange rate)

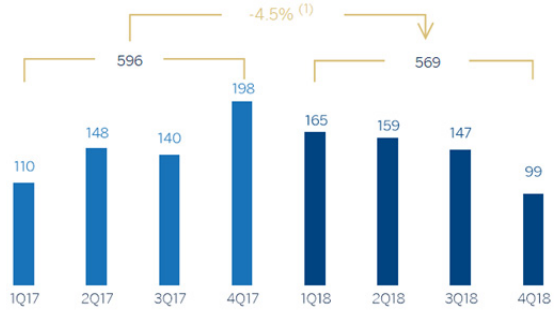


Operating income (Millions of Euros at constant exchange rate)



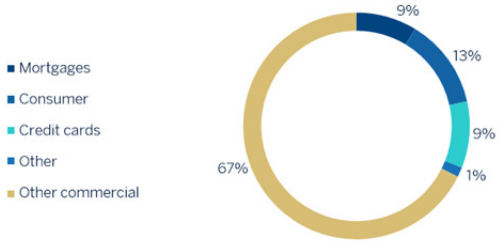
(1) At current exchange rate: +1.8%.

Net attributable profit (Millions of Euros at constant exchange rate)



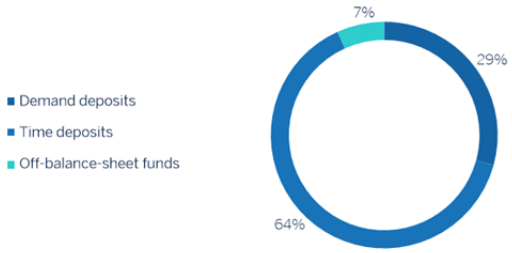
(1) At current exchange rate: -31.0%

Breakdown of performing loans under management [1] (31-12-18)



(1) Excluding repos.

Breakdown of customer funds under management [1] (31-12-18)



(1) Excluding repos.

Financial statements and relevant business indicators (Millions of euros and percentage)

Income statement	IFRS 9 2018	Δ %	Δ %[1]	IAS 39 2017
Net interest income	**3,135**	**(5.9)**	**30.3**	**3,331**
Net fees and commissions	686	(2.4)	35.1	703
Net trading income	11	(24.2)	5.0	14
Other operating income and expenses	70	3.4	43.1	67
Gross income	**3,901**	**(5.2)**	**31.3**	**4,115**
Operating expenses	(1,243)	(17.3)	14.5	(1,503)
Personnel expenses	(656)	(17.9)	13.6	(799)
Other administrative expenses	(449)	(14.6)	18.2	(526)
Depreciation	(138)	(22.4)	7.5	(178)
Operating income	**2,658**	**1.8**	**40.9**	**2,612**
Impairment on financial assets not measured at fair value through profit or loss	(1,202)	165.3	267.4	(453)
Provisions or reversal of provisions and other results	(8)	(33.7)	(8.2)	(12)
Profit/(loss) before tax	**1,448**	**(32.5)**	**(6.6)**	**2,147**
Income tax	(294)	(31.0)	(4.5)	(426)
Profit/(loss) for the year	**1,154**	**(32.9)**	**(7.1)**	**1,720**
Non-controlling interests	(585)	(34.6)	(9.5)	(895)
Net attributable profit	**569**	**(31.0)**	**(4.5)**	**826**

Balance sheets	IFRS 9 31-12-18	Δ %	Δ %[1]	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	7,853	94.6	159.3	4,036
Financial assets designated at fair value	5,506	(14.2)	14.3	6,419
of which loans and advances	410	n.s.	n.s.	-
Financial assets at amortized cost	50,315	(22.7)	3.0	65,083
of which loans and advances to customers	41,478	(19.3)	7.6	51,378
Tangible assets	1,059	(21.2)	5.1	1,344
Other assets	1,517	(16.3)	11.6	1,811
Total assets/liabilities and equity	**66,250**	**(15.8)**	**12.2**	**78,694**
Financial liabilities held for trading and designated at fair value through profit or loss	1,852	185.9	281.0	648
Deposits from central banks and credit institutions	6,734	(39.8)	(19.8)	11,195
Deposits from customers	39,905	(10.7)	19.0	44,691
Debt certificates	5,964	(28.5)	(4.8)	8,346
Other liabilities	9,267	(18.1)	9.1	11,321
Economic capital allocated	2,529	1.4	35.2	2,493

Relevant business indicators	31-12-18	Δ %	Δ %[1]	31-12-17
Performing loans and advances to customers under management [2]	40,996	(20.3)	6.2	51,438
Non-performing loans	2,876	12.7	50.1	2,553
Customer deposits under management [2]	39,897	(10.4)	19.4	44,539
Off-balance sheet funds [3]	2,894	(25.8)	(1.2)	3,902
Risk-weighted assets	56,486	(10.0)	19.9	62,768
Efficiency ratio (%)	31.9			36.5
NPL ratio (%)	5.3			3.9
NPL coverage ratio (%)	81			85
Cost of risk (%)	2.44			0.82

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

Macro and industry trends

According to the most recent figures from the Turkish Statistical Institute, Turkey's year-on-year **economic growth** was 1.6% in the third quarter of 2018, supported by the considerable positive external demand contribution, while domestic demand, including inventories, hindered growth.

Year-on-year inflation experienced a rapid correction as it declined from 24.5% in September to 20.3% in December, as a result of tax reductions in certain items, price discount campaigns, the contraction in oil prices and the appreciation of the Turkish lira by around 20% in the last four months of 2018.

Throughout the year, the Central Bank (CBRT) increased its funding **interest rate** by 1.125 basis points. However, in its December meeting the CBRT decided to keep it at 24.0%. With this decision, the CBRT strengthened its message against the easing expectations of the market, saying that risks on price stability continue to prevail despite the recent improvement in inflation outlook due to the developments in import prices and domestic demand conditions. Regarding fiscal policy stance, the government's budget targets were met at the end of 2018 with the support of one-off revenues.

Regarding the evolution of the Turkish **financial sector**, year-on-year credit growth has continued to decelerate during the last quarter of 2018, mainly due to business lending. By the last week of December 2018, the year-on-year total lending growth rate (adjusted for the depreciation of the lira effect) fell to 3.1%. On the other hand, customer deposits have also shown sign of a slowdown. The year-on-year total deposits growth rate fell to 6.2% (adjusted for the depreciation of the lira effect). Turkish-lira deposits grew by 10.6% and foreign-currency deposits (mainly in U.S. dollars) contracted by 7.6%. Lastly, the NPL ratio closed at 3.66% for December 28th (an increase of 59 basis points in the last quarter).

Activity

Unless expressly stated and communicated otherwise, rates of changes explained ahead, both for activity and for income will be presented at constant exchange rates. These rates, together with changes at current exchange rates, can be observed in the attached tables of the financial statements and relevant business indicators.

The most relevant aspects related to the area's activity year-to-date as of December 31, 2018 have been:

- **Lending activity** (performing loans under management) grew by 6.2% in the year driven by the evolution of exchange rates (down 11.2% in the quarter). On the one hand, Garanti Bank continued to reduce its exposure in foreign-currency loans (in U.S. dollars) in all quarters of 2018 in line with its corporate strategy; while on the other hand, Turkish-lira loan growth decelerated in the third quarter and decreased significantly in the last quarter of 2018.
- By **segments**, contraction has accelerated in the fourth quarter in all types of loans except auto loans and credit cards, which grew above the sector. On the contrary, the contraction in consumer and mortgage loans accelerated in the quarter in line with the sector and there was a contraction in Turkish-lira business banking loans which is in line with the private banks.
- In terms of **asset quality**, the NPL ratio increased to 5.3% due to the macroeconomic conditions and the inflow of certain doubtful clients. The NPL coverage ratio stood at 81%.
- Customer **deposits** (60% of total liabilities in the area as of December 31, 2018) remained the main source of funding for the Turkish´s balance sheet and grew by 19.4% in 2018 mainly supported by the growth of Garanti Bank Turkish-lira deposits. On the other hand, shrinkage in foreign-currency customer deposits (in U.S. dollars) continued due to higher interest rates in Turkish-lira deposits.
- All funding and liquidity ratios remained within comfort levels, and Garanti maintained its **solvency** levels well above requirements.

Results

In 2018, Turkey generated a cumulative attributable **profit** of €569m, a year-on-year decline of 4.5%. The most significant aspects of the year-on-year evolution in the income statement were as follows:

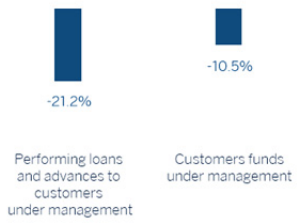
- Positive performance of **net interest income** (up to 30.3%) despite the pressure on customer spreads, mainly due to the significant income from inflation-linked bonds, whose contribution, compared to previous year, is more than double.
- Income from **net fees and commissions** grew by 35.1%. This significant increase was mainly driven by the positive performance in payment systems, advances, money transfers and other commissions.
- Increase in **NTI** (by 5.0%) where the high performance of global markets, asset and liabilities management and derivatives offsets the Turkish lira depreciation.
- **Gross income** was up 31.3% in 2018 compared to 2017, thanks to the increase in core banking activities and the aforementioned higher inflation-linked bonds contribution.
- **Operating expenses** increased by 14.5%, below the average inflation rate (16.2%) and well below the year-on-year growth rate in gross income. As a result of strict cost-control discipline, the efficiency ratio declined to 31.9%.
- **Impairment on financial assets** increased in year-on-year terms by 267.4%, mainly denominated by big ticket provisions coming from the wholesale-customer portfolio and also the macroeconomic scenario update. As a result, the cumulative cost of risk of the area increased to 2.44%.

South America

Highlights

- **Activity affected by the sale of BBVA Chile.**
- **In other countries, the activity evolves at a good pace.**
- **Argentina hyperinflation adjustment impacts in every item of the income statement.**

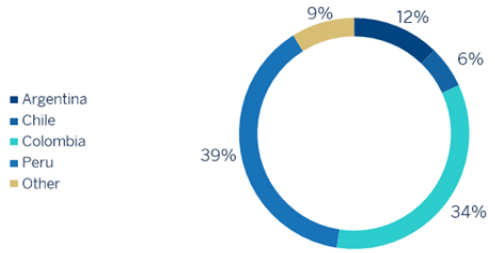
Business activity [1] (Year-on-year change at constant exchange rates. Data as of 31-12-18)



(1) Excluding repos.

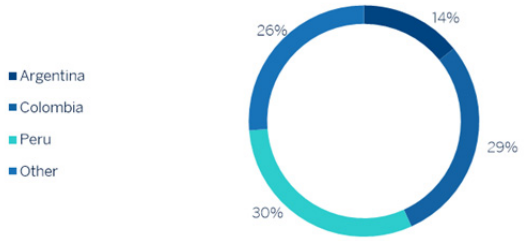
Net interest income/ATAs (Percentage. Constant exchange rate)

Breakdown of performing loans under management [1] (31-12-18)



(1) Excluding repos.

Breakdown of customer funds under management [1] (31-12-18)



(1) Excluding repos.

Financial statements and relevant business indicators (Millions of euros and percentage)

Income statement	IFRS 9 2018	Δ %	Δ % [1]	IAS 39 2017
Net interest income	**3,009**	**(6.0)**	**12.8**	**3,200**
Net fees and commissions	631	(11.4)	10.9	713
Net trading income	405	(15.7)	5.2	480
Other operating income and expenses	(344)	n.s.	n.s.	59
Gross income	**3,701**	**(16.9)**	**1.9**	**4,451**
Operating expenses	(1,690)	(15.8)	7.7	(2,008)
Personnel expenses	(846)	(18.3)	5.9	(1,035)
Other administrative expenses	(719)	(15.5)	7.4	(851)
Depreciation	(125)	3.2	24.7	(121)
Operating income	**2,011**	**(17.7)**	**(2.5)**	**2,444**
Impairment on financial assets not measured at fair value through profit or loss	(638)	(1.9)	5.2	(650)
Provisions or reversal of provisions and other results	(65)	(36.3)	(15.5)	(103)
Profit/(loss) before tax	**1,307**	**(22.7)**	**(5.1)**	**1,691**
Income tax	(475)	(2.2)	23.9	(486)
Profit/(loss) for the year	**833**	**(30.9)**	**(16.3)**	**1,205**
Non-controlling interests	(241)	(29.9)	(15.9)	(345)
Net attributable profit	**591**	**(31.3)**	**(16.5)**	**861**

Balance sheets	IFRS 9 31-12-18	Δ %	Δ %[1]	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	8,987	(0.6)	11.0	9,039
Financial assets designated at fair value	5,634	(51.5)	(47.0)	11,627
of which loans and advances	129	n.s.	n.s.	3
Financial assets at amortized cost	36,649	(28.4)	(21.3)	51,207
of which loans and advances to customers	34,469	(28.6)	(21.6)	48,272
Tangible assets	813	12.1	33.3	725
Other assets	302	(85.2)	(83.9)	2,038
Total assets/liabilities and equity	**52,385**	**(29.8)**	**(22.7)**	**74,636**
Financial liabilities held for trading and designated at fair value through profit or loss	1,357	(51.9)	(48.4)	2,823
Deposits from central banks and credit institutions	3,076	(59.3)	(57.9)	7,552
Deposits from customers	35,842	(21.5)	(13.0)	45,666
Debt certificates	3,206	(55.5)	(53.0)	7,209
Other liabilities	6,551	(23.0)	(10.4)	8,505
Economic capital allocated	2,355	(18.3)	(7.5)	2,881

Relevant business indicators	31-12-18	Δ %	Δ % [1]	31-12-17
Performing loans and advances to customers under management [2]	34,518	(28.2)	(21.2)	48,068
Non-performing loans	1,747	(7.3)	(3.2)	1,884
Customer deposits under management [3]	35,984	(21.7)	(13.2)	45,970
Off-balance sheet funds [4]	11,662	(4.4)	(1.1)	12,197
Risk-weighted assets	42,736	(23.7)	(14.4)	55,975
Efficiency ratio (%)	45.7			45.1
NPL ratio (%)	4.3			3.4
NPL coverage ratio (%)	97			89
Cost of risk (%)	1.44			1.32

(1) Figures at constant exchange rates.
(2) Excluding repos.
(3) Excluding repos and including specific marketable debt securities.
(4) Includes mutual funds, pension funds and other off-balance sheet funds.

South America. Data per country (Million of euros)

	IFRS 9			IAS 39	IFRS 9			IAS 39
	Operating income				Net attributable profit			
Country	**2018**	**Δ %**	**Δ % (1)**	**2017**	**2018**	**Δ %**	**Δ % (1)**	**2017**
Argentina	179	(65.7)	(20.6)	522	(29)	n.s.	n.s.	219
Chile	289	(31.2)	(28.9)	421	137	(27.1)	(24.7)	188
Colombia	645	0.3	4.8	644	229	11.6	16.6	206
Peru	736	1.3	6.7	726	195	8.4	14.3	180
Other countries (2)	161	23.0	29.7	131	59	(13.6)	(8.2)	68
Total	**2,011**	**(17.7)**	**(2.5)**	**2,444**	**591**	**(31.3)**	**(16.5)**	**861**

(1) Figures at constant exchange rates.
(2) Venezuela, Paraguay, Uruguay and Bolivia. Additionally, it includes eliminations and other charges.

South America. Relevant business indicators per country (Millions of euros)

	Argentina		Chile		Colombia		Peru	
	31-12-18	**31-12-17**	**31-12-18**	**31-12-17**	**31-12-18**	**31-12-17**	**31-12-18**	**31-12-17**
Performing loans and advances to customers under management (1)(2)	4,221	2,982	2,045	13,542	11,835	11,385	13,351	13,021
Non-performing loans and guarantees given (1)	87	24	58	390	768	643	709	648
Customer deposits under management (1)(3)	5,986	3,531	10	8,975	12,543	11,702	12,843	12,263
Off-balance sheet funds (1)(4)	783	654	-	1,201	1,287	1,070	1,666	1,589
Risk-weighted assets	8,036	9,364	2,243	14,398	12,672	12,299	15,760	14,879
Efficiency ratio (%)	73.0	56.1	42.1	45.2	36.3	36.0	35.4	35.6
NPL ratio (%)	2.0	0.8	2.8	2.6	6.0	5.3	4.0	3.8
NPL coverage ratio (%)	111	198	93	60	100	88	93	100
Cost of risk (%)	1.60	0.61	0.81	0.76	2.16	2.59	0.98	1.14

(1) Figures at constant exchange rates.
(2) Excluding repos.
(3) Excluding repos and including specific marketable debt securities.
(4) Includes mutual funds, pension funds and other off-balance sheet funds.

Macro and industry trends

The **activity** of the South American economies has exhibited, in general, a positive performance in the third quarter of 2018, mainly in the Andean countries, supported by a relatively expansive monetary policy. In contrast, economic activity in Argentina contracted once again, although significantly less than in the second quarter, in an environment in which stabilization signs are beginning to appear after the financial tensions that were previously present, and in which restrictive economic policies continue to be maintained. In the rest of the countries in the region, consumption continues to recover, supported by relatively low levels of inflation, and also investment, driven by the increase in domestic demand and the recovery of confidence.

Inflation in the region remains generally under control, at levels close to the objectives of the respective central banks. In this sense, an end to the lax monetary policy phase could be coming, and gradual increases in interest rates by the monetary authorities could begin in the coming months. As with the case of economic activity, the situation in Argentina contrasts with that of the other countries in the region. Despite recent signs of moderation, inflation remains high, in a context in which the restrictive tone of monetary policy is implemented through the nominal stability of monetary aggregates.

Regarding the **banking systems** within BBVA's regional footprint, the macroeconomic backdrop and low levels of banking penetration in these countries in aggregate terms (obviously with differences between countries) led to strong results in the main indicators of profitability and solvency, while non-performing loans remained under control. In addition, there has been sustained growth in lending and deposits.

Activity

On 6-July-2018, after obtaining all required authorizations, BBVA completed the **sale** to The Bank of Nova Scotia of its direct and indirect stake in Banco Bilbao Vizcaya Argentaria, Chile (**BBVA Chile**) as well as in other companies of its group in Chile whose operations are complementary to the banking business (particularly, BBVA Seguros Vida, S.A.). The impacts of this transaction were reflected in the financial statements of the BBVA Group for the third quarter of 2018. In addition, as it was announced to the market through relevant event on December 19, 2018 BBVA has decided to initiate a strategic review of alternatives for its automobile financing business in Chile mainly carried out by the company Forum Servicios Financieros, S.A. ("Forum"). Despite Forum being a highly attractive business, BBVA´s sale of its banking business in Chile, advises the initiation of this review process.

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and earnings, will be provided at constant exchange rates, and will be impacted by the divestment in BBVA Chile. These rates, together with changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators.

The most relevant aspects related to the area's activity in 2018 were:

- **Lending** (performing loans under management) in South America was 21.2% below the same period the previous year. Excluding BBVA Chile from the comparison, loans to customers grew by 8.6% since 31-12-2017. By country, the most significant increase was in Argentina (up 41.6% year-on-year) together with the improvement in lending in Colombia and Peru. By portfolios, excluding BBVA Chile from the comparison, performance was especially positive in the mortgage, consumer and business banking segments.
- Regarding **asset quality** of the portfolio, the NPL ratio, as of 31-December-2018 stood at 4.3%, in line with the previous quarter, while the NPL coverage ratio decreased to 97% (101% as of 30-September-2018).
- Customer **funds** decreased by 13.2%, although on a comparable basis, i.e. excluding BBVA Chile from the comparison, they grew by 10.7%. Off-balance-sheet funds, on a comparable basis, increased by 10.1% year-on-year. By country there was a positive trend in Argentina, Colombia and to a lesser extent in Peru, with a total customer funds increase of +61.8, +8.3 and +4.7%, respectively.

Results

South America generated a net attributable **profit** of €591m, which represents year-on-year variation of -16.5% (-31.3% at current exchange rates). This evolution is affected by the negative impact of accounting for hyperinflation in Argentina in the net attributable profit of the area (€-266m) as well as by the change in the perimeter originated from the sale of BBVA Chile. Excluding these two impacts, the most recurrent income (net interest income and commissions) and NTI increased by 11.7% in year-on-year terms, which offsets the increase of the impairment losses on financial assets (up 5.2% compared to the close of 2017). As a result, the cumulative cost of risk at the close of December stood at 1.44%.

By country, the trends in 2018 were as follows:

- In **Argentina**, there was year-on-year growth in gross income of 29.2%. This increase was based both on the performance of recurring revenue (boosted by higher volumes of business) and the positive performance of NTI (mainly due to exchange rates). The aforementioned in combination with the increase in impairment losses on financial assets and the negative effect of hyperinflation adjustment posted a net attributable profit of -€29m.
- In **Colombia**, the increase in earnings was based on the good performance of net interest income (due to a positive performance in activity and customer spreads) and higher net fees and commissions, which boosted gross income (up 5.3%). The aforementioned, together with the reduction of impairment losses on financial assets, this led to a year-on-year increase of 16.6% in the net attributable profit.
- In **Peru**, net attributable profit increased by 14.3% year-on-year, leveraged by the good performance of net interest income (increase in lending), higher net fees and commissions and a good performance of the impairment losses on financial assets.

Rest of Eurasia

Highlights

- **Positive trend in lending activity.**
- **Performance of deposits strongly influenced by the environment of negative interest rates.**
- **Despite de control costs, earnings affected by decrease in revenues.**
- **Improvement of the NPL and NPL coverage ratios.**

Financial statements and relevant business indicators (Millions of euros and percentage)

Income statement	IFRS 9 2018	Δ %	IAS 39 2017
Net interest income	**175**	**(2.5)**	**180**
Net fees and commissions	138	(15.9)	164
Net trading income	101	(17.3)	123
Other operating income and expenses	(0)	n.s.	1
Gross income	**415**	**(11.4)**	**468**
Operating expenses	(291)	(5.6)	(308)
Personnel expenses	(136)	(12.8)	(156)
Other administrative expenses	(149)	5.4	(141)
Depreciation	(6)	(44.2)	(11)
Operating income	**124**	**(22.5)**	**160**
Impairment on financial assets not measured at fair value through profit or loss	24	4.0	23
Provisions or reversal of provisions and other results	(3)	(40.4)	(6)
Profit/(loss) before tax	**144**	**(18.5)**	**177**
Income tax	(51)	(2.6)	(52)
Profit/(loss) for the year	**93**	**(25.2)**	**125**
Non-controlling interests	-	-	-
Net attributable profit	**93**	**(25.2)**	**125**

Balance sheets	IFRS 9 31-12-18	Δ %	IAS 39 31-12-17
Cash, cash balances at central banks and other demand deposits	273	(68.9)	877
Financial assets designated at fair value	504	(49.1)	991
of which loans and advances	-	-	-
Financial assets at amortized cost	16,930	12.8	15,009
of which loans and advances to customers	15,731	5.8	14,864
Inter-area positions	-	-	-
Tangible assets	39	10.4	36
Other assets	254	(27.8)	352
Total assets/liabilities and equity	**18,000**	**4.3**	**17,265**
Financial liabilities held for trading and designated at fair value through profit or loss	42	(6.3)	45
Deposits from central banks and credit institutions	1,316	(44.3)	2,364
Deposits from customers	4,876	(27.2)	6,700
Debt certificates	213	(39.9)	354
Inter-area positions	9,977	76.8	5,643
Other liabilities	819	(34.2)	1,246
Economic capital allocated	757	(17.1)	913

Relevant business indicators	31-12-18	Δ %	31-12-17
Performing loans and advances to customers under management [1]	16,553	7.7	15,362
Non-performing loans	430	(22.7)	556
Customer deposits under management [1]	4,876	(27.2)	6,700
Off-balance sheet funds [2]	388	3.2	376
Risk-weighted assets	15,449	(0.3)	15,150
Efficiency ratio (%)	70.2		65.9
NPL ratio (%)	1.7		2.4
NPL coverage ratio (%)	83		74
Cost of risk (%)	(0.11)		(0.16)

(1) Excluding repos.
(2) Includes mutual funds, pension funds and other off-balance sheet funds.

Macroeconomic environment

Growth in the Eurozone moderated in the third quarter of 2018 to 0.2% quarterly from 0.4% in the second quarter, according to the latest Eurostat information. This performance is mainly explained by a worse exports evolution, while the contribution of domestic demand remained stable despite the lower growth of private consumption. Domestic fundamentals remain solid, with an improvement in the labor market which, together with the moderation in prices, continues to support the growth of private spending, while favorable financial conditions and the absorption of the economy's idle capacity will continue to sustain the recovery of investment. For its part, the depreciation of the euro from the second quarter of 2018 will continue to support the competitiveness of exports. As a result, GDP growth could have been somewhat below 2% in 2018, after a total of 2.5% in 2017.

Headline **inflation** moderated to 1.6% in December after the strong rebound since mid-year due to the significant deceleration in the prices of energy products, while core inflation remained relatively stable at low levels (1.1%). In this context, the ECB announced the completion of asset purchases in December of 2018, although it will continue to reinvest in those that reach their maturity term and will maintain interest rates at low levels until, at least, the summer of 2019. The recent increase in downside risks to growth will keep the ECB cautious.

Activity and results

This business area basically includes the Group's retail and wholesale business in Europe (excluding Spain) and Asia.

The key aspects of the activity and results as of 31-December-2018 in this area were:

- **Lending** (performing loans under management) showed a year-on-year change of 7.7%.
- **Credit risk** indicators improved in the last twelve months: the NPL ratio closed at 1.7% (2.4% as of the close of 2017) and the NPL coverage ratio closed at 83% (74% as of 31-December-2017).
- Customer **deposits** under management were still strongly influenced by the negative interest rate environment in the region and showed a decline of 27.2%.
- Regarding **results**, gross income declined (-11.4% year-on-year): Europe (excluding Spain) fell by 13.6% and Asia grew by 11.0%. On the other hand, operating expenses continued to fall (down 5.6%), due to tight control of personnel costs. Impairments on financial assets recorded a release of provisions that were 4.0% higher than the previous year, as a result of lower loan-loss provisions in Europe. As a result, the cumulative net attributable profit of 2018 stood at €93 million (down 25.2% year-on-year).

Corporate Center

The Corporate Center basically includes the costs of the head offices that have a corporate function; management of structural exchange-rate positions; certain issuances of equity instruments to ensure adequate management of the Group's global solvency; portfolios and their corresponding earnings, whose management is not linked to customer relationships, such as industrial holdings; certain tax assets and liabilities; funds due to commitments with employees; goodwill and other intangibles. As of the end of 2018, the area includes the 20% participation that BBVA maintains in Divarian.

Financial statements (Millions of euros and percentage)

	IFRS 9		IAS 39
Income statement	**2018**	**Δ %**	**2017**
Net interest income	**(276)**	**(22.8)**	**(357)**
Net fees and commissions	(59)	(32.1)	(86)
Net trading income	(155)	n.s.	436
Other operating income and expenses	57	(29.2)	80
Gross income	**(432)**	**n.s.**	**73**
Operating expenses	(920)	3.6	(888)
Personnel expenses	(507)	2.4	(496)
Other administrative expenses	(199)	106.3	(96)
Depreciation	(214)	(27.8)	(297)
Operating income	**(1,352)**	**65.9**	**(815)**
Impairment on financial assets not measured at fair value through profit or loss	(2)	(99.8)	(1,125)
Provisions or reversal of provisions and other results	(65)	(10.8)	(73)
Profit/(loss) before tax	**(1,420)**	**(29.5)**	**(2,013)**
Income tax	290	75.0	166
Profit/(loss) after tax from ongoing operations	**(1,130)**	(38.8)	(1,847)
Results from corporate operations [1]	633	-	-
Profit/(loss) for the year	**(497)**	**(73.1)**	**(1,847)**
Non-controlling interests	3	n.s.	(1)
Net attributable profit	**(494)**	**(73.3)**	**(1,848)**
Net attributable profit excluding results from corporate operations	**(1,127)**	**(39.0)**	**(1,848)**

(1) Includes net capital gains from the sale of BBVA Chile.

	IFRS 9		IAS 39
Balance sheets	**31-12-18**	**Δ %**	**31-12-17**
Cash, cash balances at central banks and other demand deposits	119	n.s.	5
Financial assets designated at fair value	3,304	31.5	2,514
of which loans and advances	-	-	-
Financial assets at amortized cost	-	-	-
of which loans and advances to customers	-	-	-
Inter-area positions	(7,314)	n.s.	(1,501)
Tangible assets	1,567	(17.2)	1,893
Other assets	24,406	38.8	17,585
Total assets/liabilities and equity	**22,084**	**7.7**	**20,497**
Financial liabilities held for trading and designated at fair value through profit or loss	-	-	-
Deposits from central banks and credit institutions	-	-	-
Deposits from customers	-	-	-
Debt certificates	8,874	1.2	8,772
Inter-area positions	(15,195)	(7.3)	(16,384)
Other liabilities	153	(65.5)	443
Economic capital allocated	(21,674)	(13.1)	(24,941)
Shareholders' funds	49,927	(5.1)	52,606

The Corporate Center registered a net attributable **loss** of €494m during 2018, which positively compares with a loss of €1,848m in 2017. By entries, the most relevant are the following:

- Negative contribution from **NTI**, compared to the capital gains recorded, in the amount of €436m before taxes as of the end of 2017, from the market sales of the stakes in CNCB (€204m in the first quarter, for the sale of 1.7%, and €24m in the third quarter for the sale of the remaining 0.34%).
- Lower **impairment on financial assets**, as in 2017 this line registered the recognition of impairment losses of €1,123m from BBVA's stake in Telefónica, S.A.
- The **results from corporate operations** includes the capital gains (net of taxes) originated by the sale of **BBVA Chile**, which amounts to €633m. Excluding this effect, the attributable profit without corporate operations, amounted to -€1,127m, representing a loss 39.0% lower than the amount registered twelve months earlier.

Other Non-financial Information Report

Law 11/2018 of December 28 came into effect at the end of 2018, modifying the Commercial Code, the revised text of the Capital Companies Law approved by Royal Legislative Decree 1/2010 of July 2, and Law 22/2015 of July 20 on Accounts Auditing, regarding non-financial information and diversity (hereinafter, Law 11/2018); the latter replaces Royal Decree Law 18/2017 of November 24, by which Directive 2014/95/EU of the European Parliament and of the Council was transposed into Spanish law, as regards disclosure of non-financial information and diversity information.

Pursuant to Law 11/2018, certain companies, such as BBVA, are required to prepare a non-financial information report. This must be included either in the management report or in a separate report for the same year that includes the same content and meets the all specified requirements, including, but not limited to: the information needed to understand the performance, results, and position of the Group, and the impact of its activity on environmental,social, respect for human rights, and the fight against corruption and bribery matters, as well as employee matters, and should include any measures taken to promote the principle of equal treatment and opportunities for women and men, non-discrimination and inclusion of people with disabilities and universal accessibility.

In this context, BBVA prepares the consolidated **non-financial information report** in the Group's Management Report, which is attached to the Consolidated Financial Statements for the 2018 fiscal year.

Calculation of the non-financial key performance indicators included (KPI) in this consolidated non-financial statement is performed using the GRI (Global Reporting Initiative) guide, an international reporting framework, and is covered in the new article 49.6.e) of the Commercial Code introduced by Law 11/2018.

In addition, for the preparation of the non-financial information contained in this Management Report, the Group has considered the Communication from the Commission of July 5, 2017 on Guidelines on non-financial reporting (methodology for reporting non-financial information, 2017/C 215/01).

The information included in the consolidated non-financial information report is verified by KPMG Asesores S.L., in its capacity as independent provider of verification services, in accordance with the new wording given by Law 11/2018 to article 49 of the Commercial Code.

The Group's organizational chart

At the end of 2018, the Board of Directors of BBVA approved a new organizational structure, aimed at fostering the Group's transformation and businesses, while further specifying responsibilities for executive functions.

The main aspects of the new organizational structure are as follows:

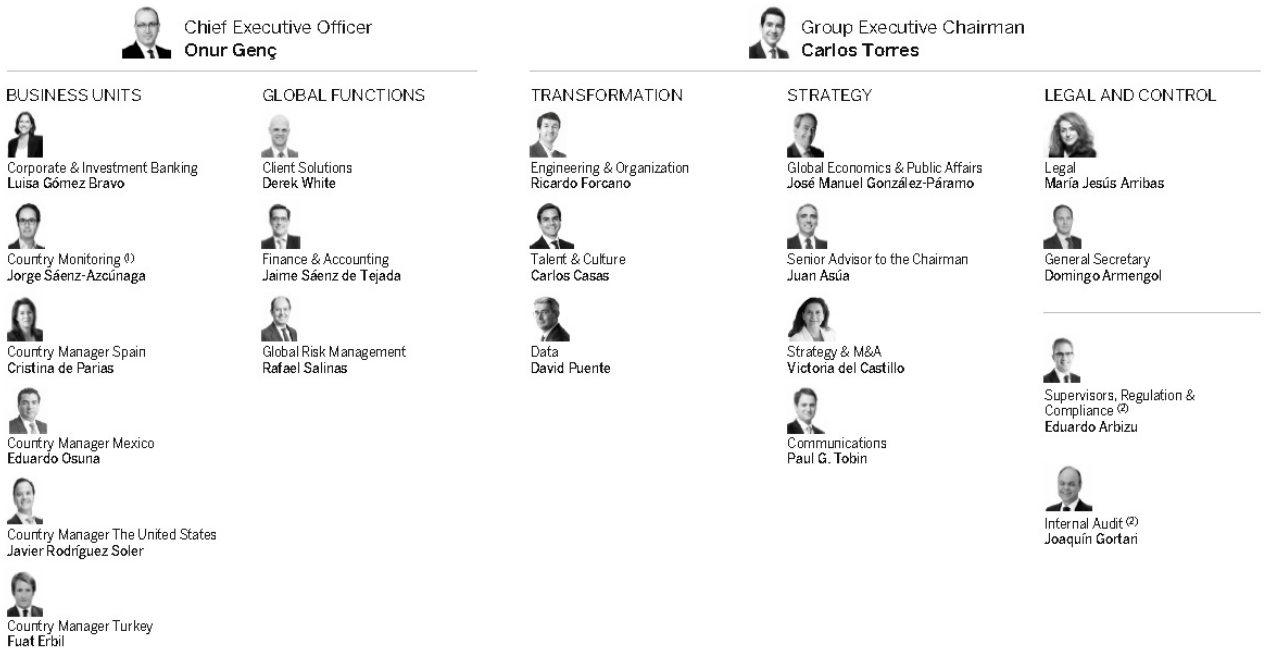
- The **Group Executive Chairman** is responsible for the management and well-functioning of the Board of Directors, the supervision of the management of the Group, the institutional representation, and leading and boosting the Group's strategy and its transformation process.

  The areas reporting directly to the executive chairman are those related to the transformation's key levers: Engineering & Organization, Talent & Culture and Data; those related to the Group's strategy: Global Economics & Public Affairs, Strategy & M&A, Communications and the new figure Senior Advisor to the Chairman; and the Legal-related and Board-related areas: Legal and General Secretary.

- The **Chief Executive Officer** (CEO) is in charge of the daily management of the Group's businesses, reporting directly to BBVA's Board of Directors.

  The areas reporting to the CEO are the Business Units in the different countries and Corporate & Investment Banking, as well as the following global functions: Client Solutions, Finance & Accounting, that integrates the functions of accounting and tax, and Global Risk Management.

Additionally, certain control areas strengthen their **independence**, establishing a direct reporting of their heads to the Board of Directors through the corresponding committees. These control areas are Internal Audit and the new Supervisors, Regulation & Compliance, area that is in charge of the relationship with regulators and supervisors, the monitoring and analysis of regulatory trends and the development of the Group's regulatory agenda, and the management of compliance-related risks.



(1) Reporting channel to CEO for Argentina, Colombia, Peru, Venezuela, Uruguay and Paraguay, as well as monitoring of all countries, including Spain, Mexico, The United States and Turkey
(2) Reporting to the Board of Directors through its corresponding committees

Environment

Macroeconomic environment

Global **economic growth** maintained robust throughout 2018 (approximately 3.6%), although it slowed more than expected in the second half of the year and the latest data on activity and confidence have generally given negative surprises. In particular, indicators linked to the industrial sector and international trade showed a clear deterioration, while those most closely linked to consumption and investment have resisted better. Poorer economic figures in Europe and China were accompanied by downwards trends in Asian countries and a certain cyclical deterioration in the United States that was new. The fear of a rapid global slowdown and the rise of protectionist risks also led to a sharp increase in the prices of refuge assets and capital outflows. Given this context of greater global uncertainty, and with **inflation** moderating as a result of lower oil prices, the main central banks, particularly the Federal Reserve (Fed), reacted with caution in their plans for normalization of **monetary policy**, which has been a key factor in the containment and partial reversal of tensions since the beginning of the year.

Global GDP growth and inflation in 2018. (Real percentage growth)

	GDP	Inflation
World	3.6	3.9
Eurozone	1.8	1.7
Spain	2.5	1.7
The United States	2.9	2.4
Mexico	2.2	4.9
South America [1]	1.3	8.4
Turkey	3.0	16.3
China	6.6	1.9

Source: BBVA Research estimates.

[1] It includes Argentina, Brasil, Chile, Colombia, Paraguay, Peru and Uruguay.

Digitalization and changing consumer behavior

Digital activity is outpacing growth in overall economic activity. Society is changing in line with the exponential growth in technology (internet, mobile devices, social networks, cloud, etc.). As a result, **digitalization** is therefore revolutionizing financial services worldwide. Consumers are altering their purchasing habits through use of digital technologies, which increase their ability to access financial products and services at any time and from anywhere. Greater availability of information is creating more demanding customers, who expect swift, easy and immediate responses to their needs. And digitalization is what enables the financial industry to meet these new customer demands.

Technology is the lever for change which allows the value proposition to be redefined to focus on customers' real needs. The use of **mobile devices** as the preferred and often only tool for customers' interactions with their financial institutions has changed the nature of this relationship and the way in which financial decisions are made. It is crucial to offer customers a simple, consistent and user-friendly experience, without jeopardizing security and making the most of technological resources.

Artificial intelligence (AI) and big data are two of the technologies that are currently driving the transformation of the financial industry. Their adoption by various entities translates into new services for clients that more accessible and agile, and a transformation in internal processes. AI allows, among other things, offering personalized products and recommendations to customers and make decisions more intelligently. These technologies are not only in the hands of traditional companies but Fintech also makes use of them.

Data are the cornerstone of the digital economy. Financial institutions must make the most of the opportunities offered by technology and innovation, analyzing customer behavior, needs and expectations in order to offer them personalized and value-added services, and help them in making decisions. The development of algorithms based on big data can lead to the development of new advisory tools for managing personal finances and access to products which until recently were only available to high-value segments.

The **digital transformation** of the financial industry is boosting efficiency through automation of internal processes, with the use of new technologies to remain relevant in the new environment, such as blockchain and the cloud; data exploitation; and new business models (platforms). Participation in digital ecosystems through alliances and investments provides a way to learn and take advantage of the opportunities emerging in the digital world.

The financial services market is also evolving with the arrival of **new players**: companies offering financial services to a specific segment or focused on a part of the value chain (payment, finance, etc.). These companies are digital natives, rely on data use and offer a good customer experience, sometimes exploiting a laxer regulatory framework than that for the banking sector.

Regulatory Environment

1. Banking package for the reduction and distribution of risks to finalize the banking union

The most important focus in the European regulatory agenda in 2018 was the negotiation of the banking package that includes the measures proposed by the Commission intended to reduce and share risks in the banking industry. In recent years, the construction of the banking union project has made significant progress but there are still elements pending development, which regulators have been adjusting at the technical level throughout the year.

a) Prudential measures

The **prudential measures** proposed are intended to implement internationally agreed reforms between the years of 2014 and 2016 (which do not correspond to the standards known as Basel IV). Additional requirements include the requirement of a net stable financing ratio, or a leverage ratio, and the review of the capital requirements of the financial liabilities held for trading (fundamental review of the trading book - FRTB). At the same time, 2018 was the first year in which the Single Resolution Mechanism (SRM) communicated the Minimum Required Eligible Liabilities (MREL) for each European bank on the basis of the Bank Recovery and Resolution Directive 1 (BRRD 1).

b) Non-Performing Loans

In the advances made in the package of measures for the adequate recognition and valuation of **non-performing loans**, two provision backstops stand out: the addendum to the Guide on NPLs (Non-Performing Loans) of the ECB, within the supervisory dialog ensconced in Pillar II, already in force, and the proposal of the European Commission, for mandatory compliance contained within Pillar I, still under discussion. Minimum coverage levels are established for these loans based on the time they have been classified as non-performing and based on whether or not they have applicable guarantees in effect. Any lack of provisions must be deducted from the CET1 capital.

c) Guarantee systems

On the one hand, an agreement was reached to begin political negotiations involving the European deposit insurance scheme (EDIS). On the other hand, it was agreed at the June Euro Summit that the European Stability Mechanism (ESM) will evolve into the backstop for the Single Resolution Fund (SRF), with a maximum provision of €60.0 billion.

d) Sovereign risk

At the global level, the work performed by the Basel Committee establishes not to modify the regulatory treatment of sovereign exposures in the short term.

At the European level, the discussion focused on the development of a new low-risk asset backed by a set of Eurozone sovereign bonds (sovereign bond-backed securities - SBBS). According to the European Commission, these assets could potentially contribute to the diversification of the sovereign portfolios of credit institutions, as well as to reduce financial fragmentation.

These measures were encouraged in order to get all Banking Union elements operational in 2019, and thus to create greater integration and diversification in the European financial sector and to build a stronger and more resilient economic and monetary union.

2. Culmination of the Capital Markets Union (CMU)

In 2018, the European Commission advanced a number of its pending action plans to complete the Capital Markets Union (CMU) in mid-2019. These include: i) review of the Directive and Regulation of mortgage-covered bonds and the Regulation of simple, transparent and standardized securitization (STS) to boost both markets with the goal of lowering the cost of financing for the real economy and SMEs; ii) measures to facilitate the cross-border distribution of mutual funds and securities and boost the growth of SME markets; iii) a pan-European venture capital fund program (VentureEU) intended to stimulate investment in emerging and expanding innovative companies throughout Europe; and iv) a **sustainable finance** action plan, consolidating the regulatory importance of integrating this type of finance into the EU financial system, as well as the inclusion of environmental, social and governance issues (ESG) in long-term investment decision-making..

3. Reference indices: EONIA and Euribor

The revision of interbank offering rates (IBORs) continues in order to adapt them to international principles and European regulations on indexes in terms of methodology, transparency, governance and others. In 2018, the ECB formed a working group with representatives of the financial industry (ERFR) with the goal of identifying and recommending alternative risk-free indices to those existing in the eurozone today.

- The ERFR recommended the Euro Short-Term Rate (ESTER) prepared by the ECB as the alternative index to EONIA. The transition from EONIA to ESTER will be carried out in 2019 according to the ERFR work plan.
- The hybrid methodology that combines real operations and expert judgment advances in accordance with the deadlines established and could be implemented in 2019. The Euribor supervisor, FSMA (Financial Services and Markets Authority), confirmed that the results of the parallel exercise, between the current methodology and the new hybrid methodology, carried out by its administrator, EMMI (European Money Markets Institute), would allow to approve the new methodology during the second quarter of 2019.

4. Global discussions focused on the implementation of capital and resolution measures

Upon completion of the Basel III framework in December 2017, which is set to come into force in January 2022 (although some of its elements will not be fully operational until 2027), the European Commission began its preparation work in 2018 by publishing a Call for Advice (CfA) to the EBA on the implementation of Basel III in European legislation. For this reason, the EBA launched an ad-hoc quantitative impact study (QIS) in August. This exercise was based on the Basel QIS exercise, in which BBVA also participated.

With regard to financial institutions' **recovery and resolution framework**, there are open discussions that revolve around the implementation of the bail-in tool and the need for liquidity in resolution. For this reason, the Financial Stability Board (FSB) published its final guidelines on resolution funding, as well as a review on the implementation of the total loss-absorbing capacity guidelines (TLAC), in addition to bank resolution plans.

5. Regulation in the field of the digital transformation of the financial sector

In 2018, the **digital transformation** of the financial sector was specified as a priority for the authorities. In Europe, the Commission and the European Banking Authority published action plans, and in Mexico, a Law to Regulate Financial Technology Institutions was enacted. At the global level, the regulatory debate that began in 2017 intensified, and calls for greater international cooperation in the definition of the new regulatory framework for digital financial services increased.

The authorities have agreed on their identification of priorities. They have highlighted: i) the identification of measures to favor the controlled development of new business models, and barriers to the adoption of innovative technologies in the financial sector; and ii) the implementation of schemes to facilitate innovation (regulatory sandboxes -scheme to enable firms to test, pursuant to a specific testing plan agreed and monitored by a dedicated function of the competent authority, innovative financial products, financial services or business models- and innovation hubs -point of contact for firms to raise enquiries with competent authorities on FinTech-related issues and to seek non-binding guidance on the conformity of innovative financial products, financial services or business models with licensing or registration requirements and regulatory and supervisory expectations-). A legislative proposal was presented in Spain in 2018 to create a regulatory sandbox, which will be operational in 2019.

Cybersecurity also remained among the top priorities of the financial sector and authorities. Increases in the frequency and sophistication of cyberattacks explain why work continued to improve harmonization and international cooperation throughout 2018. Cybersecurity took center stage in the agenda of the European Commission and the European Central Bank in 2018.

The new **Payment Services Directive** (**PSD2**) came into force in January 2018, and work continued on the process defining the technical details throughout the course of the year. This Directive seeks to encourage competition and strengthen the security of payments in Europe. To this end, it regulates access to customer payment accounts by third parties that may offer information-aggregation services and initiate payments.

Digitization makes it possible to store, process and exchange large volumes of data. This trend facilitates the adoption of technologies, such as big data or artificial intelligence, but also raises concerns about how to ensure the **privacy and integrity** of customer data. In Europe, this has materialized in the form of two regulations: the General Regulation of Data Protection (GDPR), which came into force in May 2018, and the e-Privacy Regulation, which is still under debate.

The recognition of **data** as a strategic asset in the **digital economy** increased in 2018, making it necessary to create attractive value propositions and strengthen customer confidence. In 2018, the approval of the new European regulation of free flow of non-personal data joined the open-banking regulations, such as the aforementioned PSD2 and GDPR, or the standards included under the Fintech law in Mexico, which regulate accessibility and the right to portability of data, was added in 2018.

In addition, the public debate on the role of large **technology companies** in the digital economy and financial sector intensified throughout the course of the year. In Europe, the Commission presented a proposal for regulations to delimit

certain obligations in its role as a platform for the intermediation of online services, in the interest of transparency and equity. It is expected that this trend will continue throughout 2019.

Economic outlook

The **global environment** has deteriorated during the second half of 2018, with a more evident effect of the increase in protectionism in global trade and the industrial sector together with the signs of a slowdown in China, the Eurozone and the United States. Faced with this scenario of further global uncertainty, the main central banks have shown signs of caution in their normalization plans, and have been key to containing the sharp rise in financial tensions. The update of the BBVA Research scenario takes into account this new environment, and is based on the assumption that high financial volatility may continue during the first half of the year 2019, should some the uncertainties weighing on the global panorama not dissipate (an agreement between the United States and China to curb trade disputes and avoid a new tariff hike, a solution that avoids a no-deal Brexit, and confirmation of a more deliberate tone in the Fed's monetary policy). In consideration of this, BBVA Research's **forecast** is for a smooth deceleration of the global economy, from 3.6% in 2018 to 3.5% in 2019 and 3.4% in 2020.

In terms of countries, the **moderation** of growth will be more evident in developed economies. In the **United States**, the moderation observed in the second half of last year, linked to the poorer performance of domestic demand and the recent appreciation of the dollar, is likely to continue. The aforementioned, linked to the gradual disappearance of the effects of the fiscal stimuli introduced last year and without private investment taking over as an economic engine, this will lead to a projected slowdown in growth from 2.9% in 2018 to 2.5% in 2019 and 2% in 2020. The recovery in the **Eurozone** has already suffered from lower global demand and more moderate growth is expected, around 1.4% in the 2019-20 period, after the 1.8% estimated in 2018. This growth is based on the strength of domestic fundamentals and the support of an accommodative monetary and fiscal policy. This dynamic will also have an impact on **Spain's** growth, although it will still remain above the Eurozone average, with a gradual slowdown from 2.5% in 2018 to 2% in 2020.

Growth in the emerging economies will remain relatively stable, although it will hide a different pattern among countries. In general, a **slowdown** is expected in the Asian economies being negatively affected by lower growth in **China**, from 6.6% in 2018 to 6.0% in 2019 and 5.8% in 2020, while the **recovery** will gain traction in **Latin American** countries (1.6% in 2018, 2.1% in 2019 and 2.4% in 2020). Growth is set to remain relatively stable in **Mexico** and **Peru** in the 2018-20 period, while a gradual recovery is expected in **Colombia** and **Brazil**. In **Argentina**, the activity could contract again by around 1.0% in 2019 after the sharp decrease of 2.4% in 2018, due to the contractionary policies applied; however, these will be smoothed over time, which will allow growth of approximately 2.5% in 2020. In **Turkey**, the adjustment process of the economy continues after the tightening of monetary and fiscal policies to correct the imbalances generated in previous years, so that the slowdown in growth will persist in 2019 (1.0%) before starting to gain some degree of momentum in 2020 (2.5%).

The scenario continues to be that of a mild slowdown of the global economy, but remains increasingly uncertain due to **risks** as protectionism; the adjustment of activity, both in the United States as well as China; and the increasing uncertainty in Europe, mainly linked to the Brexit and other political factors.

Strategy and business model

BBVA made significant progress in its **transformation** process during 2018, based on its **Purpose**, the six **Strategic Priorities**, and its **Values**, all of which are fundamental pillars of the Organization's overall strategy.

Vision and aspiration

BBVA is a transformation process that is necessary for adapting to the new environment in the financial industry, characterized by trends that confirm the Group's strategic **vision**, that is, a **reconfiguration of the entire financial services industry** is taking place. These trends are the following:

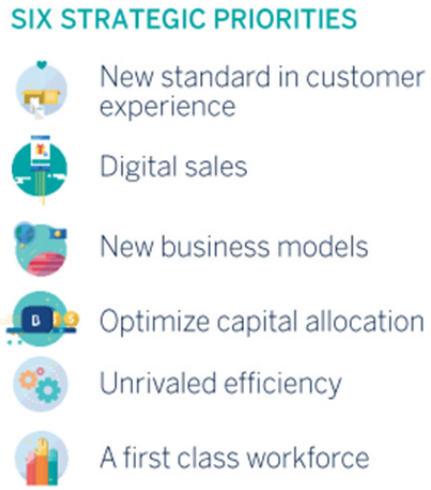
- A complex **macroeconomic environment**, characterized by strong regulatory pressure, low interest rates, high currency volatility, and geopolitical risks.
- A highly regulated banking industry, that is, traditional banking subject to a large number of legal **regulations**, both globally and locally.
- A **shift** in the needs and expectations of **customers** who demand higher value-added services that enable them to achieve their objectives, with a simple, transparent and immediate relationship model similar to the one they already enjoy with a number of other highly digitized industries.
- Certain **data** that is evolving into a strategic asset. Given the large amount of data stored within organizations, the ability to interpret and make value proposals to customers is considered to be critical, provided there is customer **consent** under all circumstances.
- Certain technological giants, with business models based on data that create **ecosystems** where the lines between different types of businesses are getting blurred.
- Greater competition as a result of the arrival of **new players** who focus on the most profitable aspects of the value chain.

In this context, the main objective of the Group's transformation strategy its **aspiration** is to **strengthen the relationship with its customers**.

Progress in BBVA´s transformation journey

BBVA advanced in fulfillment of its **Purpose** in 2018: To bring the age of opportunity to everyone, which is reflected in the **tagline**: Creating Opportunities. We want to help our customers make better financial decisions and attain their life goals; we want to be more than a bank, we want to be an engine of opportunities and have a positive impact on peoples' lives and companies' businesses.

In this respect, important steps were taken in the development of the six **Strategic Priorities** of the Group throughout the year in order to continue its advances in the transformation process. These advances were reflected in the results of key performance indicators (KPIs).



Strategic priorities

1. A new standard in customer experience

BBVA Group's main focus is based on providing a new standard in customer experience that stands out for its simplicity, transparency and swiftness, further empowering its customers while offering them personalized advice.

BBVA's business model is customer-oriented, with the goal of being a leader in customer satisfaction across its global footprint. In order to learn more about the degree of customer recommendation, and, in turn, their degree of satisfaction, the Group uses the **Net Promoter Score (NPS)** methodology, which recognizes BBVA as one of the most recommendable banking entities in every country where it operates.

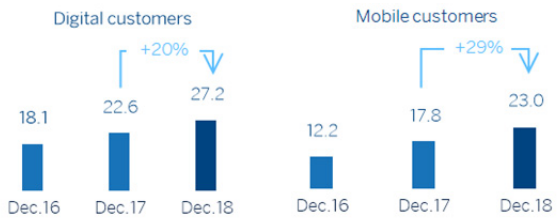
Likewise, progress in customer satisfaction is reflected in the positive performance of strategic indicators such as the **target customers** (segment of customers which the Group wishes to grow and retain), as well as its corresponding **client attrition rate.** The digital customers base are more satisfied and this translate into digital clients attrition rate reduction (-47% vs non digital clients). In short, BBVA is making progress in its strategy, and succeeding in attracting a greater number of customers, who are also more satisfied and more loyal.

2. Digital sales

BBVA's relationship model is evolving to adapt to the growing multi-channel customer profile, which is why it is essential to foster digitalization. For this purpose, it is developing an important digital offering including products and services that let customers use the most convenient channel for them.

The number of **digital and mobile customers** of the Group grew considerably in 2018, reaching the tipping point of 50% in digital customers at the Group level and in six countries where BBVA operates: Spain, The United States, Turkey, Argentina, Colombia and Venezuela.

Digital and mobile customers (BBVA Group. Millions)



Furthermore, a significant boost to **digital channel sales** is being made, which is having a very positive evolution across the global footprint. In 2018, 41% of sales were made through the Group's digital channels compared to 28% in the previous year.

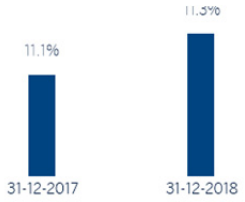
3. New business models

Throughout 2018, BBVA continued to consolidate itself as one of the leading banks in terms of digital transformation and activity in the entrepreneurship ecosystem. The Group is actively participating in the disruption of the financial industry in order to incorporate key findings into the Bank's value proposition, both through the search for new digital business models as well as the leveraging of the FinTech ecosystem. This activity is being implemented in five key levers: i) exploring (Open Talent y Open Summit); ii) constructing (Upturn and Azlo); iii) partnering (Alipay); iv) acquiring and investing (Solaris and the increase of participation in Atom); and v) venture capital (Sinovation and Propel).

4. Optimize capital allocation

The objective of this priority is to improve the profitability and sustainability of the business while simplifying and focusing it on the most relevant activities. Throughout 2018, efforts continued to promote the correct allocation of capital and this is allowing the Group to continue improving in terms of solvency. Thus, the fully-loaded CET1 capital ratio stood at 11,3% at the end of the year, up 26 basis points on the close of 2017.

CET1 fully-loaded (Percentage)



5. Unrivaled efficiency

In an environment of lower profitability for the financial industry, efficiency has become an essential priority in BBVA's transformation plan. This priority is based on building a new organizational model that is as agile, simple and automated as possible. In 2018, the Group's efficiency ratio stood at 49,3%, which is lower than the previous year (49,5%).

Efficiency ratio (Percentage)

6. A first class workforce

BBVA Group's most important asset is its people; therefore, **a first class workforce** is one of the six Strategic Priorities, which entails attracting, selecting, training, developing and retaining top-class talent.

BBVA Group has developed new people management models and new ways of working which have enabled the Bank to keep transforming its operational model, but have also promoted cultural transformation and have favored the ability to become a purpose-driven company, or, in other words, a company where staff guide their actions according to the Values, and are genuinely inspired and motivated by the same Purpose.

Our values

BBVA is engaged in an open process to identify the Group's Values, which took on board the opinion of employees from across the global footprint and units of the Group. These Values define our identity and are the pillars for making our Purpose a reality:

1. Customer comes first

BBVA has always been customer-focused, but the customer now comes first before everything else. The Bank aspires to take a holistic customer vision, not just financial. This means working in a way which is empathetic, agile and with integrity, among other things.

- **We are empathetic**: we take the customer's viewpoint into account from the outset, putting ourselves in their shoes to better understand their needs.
- **We have integrity**: everything we do is legal, publishable and morally acceptable to society. We always put customer interests' first.
- **We meet their needs**: We are swift, agile and responsive in resolving the problems and needs of our customers, overcoming any difficulties we encounter.

2. We think big

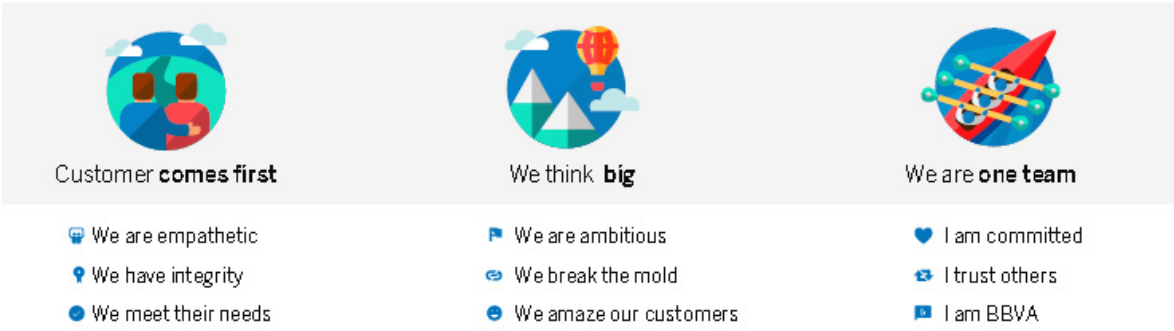
It is not about innovating for its own sake but instead to have a significant impact on the lives of people, enhancing their opportunities. BBVA Group is ambitious, constantly seeking to improve, not settling for doing things reasonably well, but instead seeking excellence as standard.

- **We are ambitious**: we set ourselves ambitious and aspirational challenges to have a real impact on people's lives.
- **We break the mold**: we question everything we do to discover new ways of doing things, innovating and testing new ideas which enables us to learn.
- **We amaze our customers**: we seek excellence in everything we do in order to amaze our customers, creating unique experiences and solutions which exceed their expectations.

3. We are one team

People are what matters most to the Group. All employees are owners and share responsibility in this endeavor. We tear down silos and trust in others as we do ourselves. We are BBVA.

- **I am committed**: I am committed to my role and my objectives and I feel empowered and fully responsible for delivering them, working with passion and enthusiasm.
- **I trust others**: I trust others from the outset and work generously, collaborating and breaking down silos between areas and hierarchical barriers.
- **I am BBVA**: I feel ownership of BBVA. The Bank's objectives are my own and I do everything in my power to achieve them and make our Purpose a reality.



The Values are reflected in the daily life of all BBVA Group employees, influencing every decision.

The implementation and adoption of these Values is supported by the entire Organization, including senior management, launching local and global initiatives which ensure these Values are adopted uniformly throughout the Group. Thus, in 2018 the core values were present in the various **people management** levers (recruitment, training, development, etc.), as well as in agile and budget management processes. Within the people management levers, a new people assessment model was launched, in which the cultural skills of 97% of employees were evaluated. In the global report it has been verified that the best rated value (4.66 out of 5) and, therefore, the most focused-on principle for the Entity is the concept of Customer comes first.

In addition, in July 2018, BBVA held its first global **Values Day**, an event that took place across its global footprint, with the objective that employees reflect on the implications of values and propose actions for their effective implementation. The main activity at this global event was workshops organized to identify improvement projects and determine opportunities has for implementing its values in the Group. In these workshops:

- more than 23,000 employees (nearly 20% of the total) from different countries and areas participated;
- they took place both at corporate headquarters around the world, as well as through activities in the branch network;
- Mexico was the country with the highest participation in the workshops, with a total of 11,475 participants (31%);
- Customer comes first value was the most cited value at a global level, 47% of the participants focused on this value, and one in four employees focused on We meet their needs behavior;
- the online and individual version of the workshop that was made available to all employees through an ad-hoc web app for this event had participation levels of 63%.

In short, Values Day helped to create listening mechanisms and transform employees' feedback into data through machine-learning algorithms; thus becoming an event specific to a data-driven organization.

In addition, in 2018 BBVA shared Our Values with other stakeholders: with customers through the actions carried out in branches during the Values Day; with shareholders in the framework of the General Shareholders' Meeting; and with society in general, with the publication of articles specialized in media of different countries. More than 500 **local initiatives** have also been launched to consolidate the relationship with customers, promote the transforming vocation of teams and collaborative work schemes and encourage the feeling of belonging to BBVA.

Materiality

BBVA performs a materiality analysis in order to become aware of and prioritize the most relevant issues, both for its key stakeholders and for its overall strategy. In other words, it is an analysis that contributes to the development of the business strategy in line with what is expected of the Group, as well as a way to determine what information should be reported.

In 2018, in addition to the data-based analysis already in use in recent years, there has been participation from the Strategy & M&A area, and the collaboration of different stakeholder teams (Client Solutions, Talent & Culture, Investor Relations, Supervisory Relations, Legal Services, and Responsible Business). This has improved the process of identifying relevant issues and led to a deeper debate on the relationship between the priorities of the stakeholders and business strategies.

The materiality **analysis** phases were as follows:

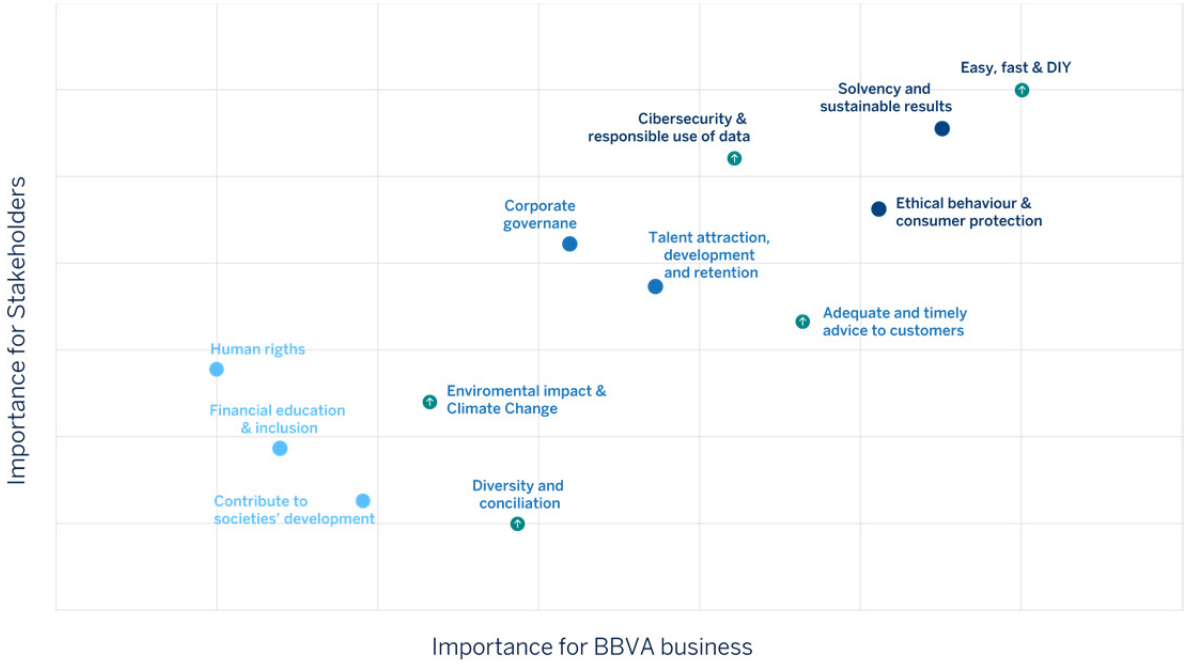
1. Identification of relevant issues for each of the stakeholders based on interviews with the teams they interact with. These, in turn, relied on information that was obtained from the usual listening and dialog tools.

2. Agregation into a single list, based on all issues identified for each of the stakeholders. BBVA made a list of twelve issues.

3. Prioritization of issues according to their importance to the stakeholders. BBVA carried out a series of surveys and interviews with various stakeholders, as well as an analysis of social media and networks. In order to complete the prioritization, an analysis on trends and sectoral data was made, based on data from Datamaran, from which the issues most relevant to their peers were obtained.

4. Subjects were prioritized according to their impact on BBVA's strategy. The strategy team assessed how each issue impacts the six Strategic Priorities. The most relevant issues for BBVA are those that help it achieve its strategy to a greater extent

The result of this analysis is contained in the Group's **materiality matrix**.



Issue whose importance is expected to increase, both for stakeholders and BBVA

Therefore, the five **most relevant issues** for BBVA's business strategy and its stakeholders are (in order of joint importance):

- **Easy, fast and DIY (do it yourself):** stakeholders expect to operate in an agile and simple way with BBVA, at any time and from anywhere, leveraging in the use of new technologies. These new technologies will allow greater efficiency in the operation, generating value for the shareholders.

- **Solvency and sustainable results:** stakeholders expect BBVA to be a robust, solvent and sustainable bank, thus contributing to the stability of the system. They demand a business model that responds to changes in the context: disruptive technologies, new competitors, geopolitical issues, etc.

- **Ethical behavior and consumer protection:** stakeholders expect BBVA to behave in a comprehensive manner and to protect clients or depositors by acting transparently, offering products that are appropriate to their risk profile and managing the ethical challenges presented by certain new technologies with integrity.

- **Adequate and timely advice to customers:** stakeholders expect BBVA to provide appropriate solutions to clients' personal needs and circumstances. It is also expected that the Bank will help them in managing their finances, proactively and with proper handling.

- **Cybersecurity and responsible use of data:** stakeholders expect their data to be secure at BBVA and to used only for agreed purposes, always complying with current law. This is critical to maintaining trust.

Information on the Group's performance in these relevant matters in 2018 is reflected in the different chapters of this Management Report.

Responsible banking model

At BBVA we have a differential banking **model** that we refer to as responsible banking, based on seeking out a return adjusted to principles, strict legal compliance, best practices and the creation of long-term value for all stakeholders. It is reflected in the **Bank's Corporate Social Responsibility or Responsible Banking Policy**. The Policy's mission is to manage the responsibility for the Bank's impact on people and society, which is key to the delivery of BBVA's Purpose.

All the Group's business and support areas integrate this policy into their operational models. The Responsible Business Unit coordinates the implementation and basically operates as a second line for defining standards and offering support.

The responsible banking model is supervised by the Board of Directors and its committees, as well as by the Bank's senior management.

The four **pillars** of BBVA's responsible banking model are as follows:

- Balanced relations with its customers, based on transparency, clarity and responsibility.
- Sustainable finance to combat climate change, respect human rights and achieve the UN Sustainable Development Goals (SDGs).
- Responsible practices with employees, suppliers and other stakeholders.
- Community investment to promote social change and create opportunities for all.

In **2018**, BBVA approved its climate change and sustainable development strategy to contribute to the achievement of the Sustainable Development Goals (SDGs) and aligned with the Paris Agreement. This strategy is described in the Sustainable finance chapter.

Customer relationship

Customer experience

One of the Group's Strategic Priorities is **a new standard in customer experience**, that is, to ensure that the customer experience is distinguished by its simplicity, transparency, and swiftness, to further the customers empowerment and to offer them personalized advice. In 2018, BBVA's value proposition with its clients evolved with focus on several value streams: DIY – Do it yourself, Open Market, Physical & Human touchpoints, Advice and Smart Interactions, for both retail and company projects. In this sense, the solutions were more aligned with the needs of the customers, which had a direct effect on the customer experience. In parallel, BBVA also wants to be prepared to face possible disruptive trends that can change the current paradigm, which is why we also work on projects that may have an impact over a time horizon of more than 5 years.

Through new ways of doing things and organizing (working in agile and applying a new operating model) the development of solutions is prioritized, a greater alignment and coordination at the Group level is created and the development of **global solutions** is motivated. All this contributes to offer better solutions in less time for customers while improving internal efficiency. In addition, BBVA works with an open banking mentality, which means working with third parties to offer customers the best solutions available in the market and also to be able to offer these solutions to the clients of these third parties.

Over the 2018, BBVA continued to build global products and capabilities. One example of this is **GloMo** (GLobal Mobile), a mobile banking platform developed globally by BBVA that is already available in Mexico and Uruguay, and is expected to be launched in Peru in 2019. This new BBVA application is the first one that has been built on a global development platform, which provides efficiency and optimizes resources, allowing for the reuse of components. This type of development allows for service modularity, making it possible to unify the customer experience in all countries with a unique design, but with a navigation logic adapted to the needs of the client in each country.

Net Promoter Score

In 2018, BBVA consolidated the quality and customer experience model that was launched in the previous year, year, placing the customer at the center of decisions, with a very clear and ambitious goal: to offer a differential service, regardless of the channel of communication they choose and to allow to be leaders in customer satisfaction in all the geographical areas in which it operates.

The internationally recognized **Net Promoter Score** (NPS or Net Recommendation Index – (IReNe, for its acronym is Spanish)) methodology calculates the level of recommendation, and hence, the level of satisfaction of BBVA customers with its different products, channels and services. This index is based on a survey that measures on a scale of 0 to 10 whether a bank's customers are positive (score of 9 or 10), neutral (score of 7 or 8) or negative (score of 0 to 6) when asked if they would recommend their bank, a specific product or a channel to a friend or family member. This is vital information for identifying their needs and drawing up improvement plans, on multidisciplinary teams work to create unique and personal experiences.

The Group's internalization and application of this methodology over the last eight years has led to a steady increase in the customers' level of trust, as they recognize BBVA to be one of the most secure and recommendable banking institutions in every country where it operates.

In **2018**, BBVA ranked first in the NPS indicator in six countries: Spain, Mexico, Turkey, Peru, Uruguay and Paraguay and second in Colombia.

TCR Communication

The Transparent, Clear and Responsible (TCR) Communication project promotes transparent, clear and responsible relations between BBVA and its customers.

- T is for transparency: providing customers with all relevant information at the right time, maintaining a balance between benefits and costs.
- C is for clarity, meaning easy to understand. It is achieved by the Group through language, structure and design.
- R is for responsibility, and means looking after the customers' interests in the short, medium and long term.

The **objectives** are to help customers make informed decisions, improve customer relations with the Bank, look out for their interests and make BBVA the most transparent and clearest bank in all the markets where it operates. It also means BBVA can attract new customers and encourage existing customers to recommend it.

In 2018, the project had **three lines of work**:

- Implement the TCR principles as they pertain to new digital solutions, with the participation of TCR experts in the global design of the BBVA mobile application, whose development, adaptation and implementation was made for Mexico and Peru, and collaboration in the development of the new Public Web in Mexico, Colombia and Peru. Work continues on a large number of global digital projects, both for mobile and for the web.
- Incorporate the TCR principles in the key content intended for customers, with the performance of maintenance works of TCR materials (files deliverable to customers, contracts, sales scripts, and claim letter responses) and the objective of continuing with all applicable updates, putting focus on improving the customer experience.
- Spread TCR principles throughout the Group, by means of training provided in workshops directed principally to digital project teams in Spain, Mexico, Argentina, Colombia and Peru. In addition, two new editions of the Clear Language in BBVA program were launched, which earned a satisfaction rating of 4.8 out of 5; the online course TCR Apply was created to help apply these principles on a day-to-day basis; and the TCR training was extended to the legal departments in Spain, Argentina, Colombia.

The project is **coordinated** by a global team working together with a network of local TCR owners located in the main countries in which the Group has a presence, and various Bank areas and individuals participate in its implementation.

TCR Indicators

BBVA uses an indicator, the Net TCR Score (NTCRS), which allows us to measure the degree to which customers perceive BBVA as a transparent and clear bank compared to its peers in the main localities.

Customer care

Complaints and claims

BBVA has an appropriate claims management and service **model** that positively transforms the customer experience. In this way, every interaction that the Group has with its customers is an opportunity to improve this model, thus ensuring that the business is customer-centric and transforming these interactions into positive experiences. This is important because one of the key moments determining customer experience is considered to be when a customer communicates dissatisfaction with a product or service, that is, when complaints and claims are received.

Following the path of **digital transformation**, any type of opinion that the customer provides by any means (NPS, digital feedback, complaints, claims, etc.) is examined, with the objective of learning more about their opinions and of having the opportunity to help them resolve any problem by offering simple, clear, agile and personalized responses.

Main indicators of claims (BBVA Group)

	2018	2017
Number of claims before the banking authority (for each 10,000 active customers)	9.40	10.02
Average time for settling claims (normal days)	7	7
Claims settled by First Contact Resolution (FCR) (% over total claims)	26	31

The various Group **claims units** are constantly evolving, optimizing processes and improving the management and care model, as a key aspect of differentiation in an increasingly competitive environment, thus reinforcing the objective of offering a unique experience to customers and the fulfillment of BBVA's aspiration: to strengthen the relationship with its customers.

These claims units focus their efforts on:

- reviewing and constantly monitoring claim metrics trends and the causes that generate these claims;
- implementing action plans focused on solving the root causes that generate these claims; and
- improving the execution of processes through their optimization or automation, finding a suitable balance of efficiency and improvement in the customer experience.

All of the registered and available information regarding claims in the Group is reviewed periodically through a global online **site**, with customized queries generated depending on the indicator or variable that is to be analyzed. The Group's senior management has a direct involvement in the follow-up of customer claims and complaints.

In short, BBVA's claim management is an opportunity to offer greater value to customers and strengthen their loyalty to the Group, to achieve its **aspiration** to strengthen the relationship with its customers. In this respect, BBVA aims to promote greater agility and simplicity in the management of complaints and claims, through the implementation of optimal processes in this management, with the focus on the elimination of the main causes that generate the claims and with resolution of alternatives upon first contact.

As a result of the improvements implemented in the claims management process in BBVA, these registered a significant decrease in **2018** (-39.0% with respect to the figure of the previous year), basically in Spain and Mexico. This last country, with the biggest active customer base of the Group, is also the country with the biggest number of claims.

Number of claims before the banking authority by country (Number for each 10,000 active customers)[1]		
	2018	**2017**
Spain	3.54	4.87
The United States	4.56	4.96
Mexico	17.94	16.12
Turkey	4.03	3.21
Argentina	1.11	2.68
Chile	-	5.55
Colombia	21.56	21.65
Peru	1.19	2.21
Venezuela	0.47	1.04
Paraguay	1.19	0.79
Uruguay	0.68	0.41
Portugal	21.92	34.84

Scope: BBVA Group

[1] The banking authority refers to the external body in which the customers can complain against BBVA.

The **average time for resolving** claims in the Group is maintained in 7 days, improving in Spain (10 days compared to 25 the previous year) and in Peru.

Average time for setting claims by countries (Normal days)		
	2018	**2017**
Spain	10	25
The United States	4	3
Mexico	5	4
Turkey	2	2
Argentina	7	7
Chile	-	5
Colombia	5	4
Peru	9	12
Venezuela	13	13
Paraguay	6	6
Uruguay	7	8
Portugal	4	5

The claims settled by the First Contact Resolution (FCR) model account for 26% of total claims, thanks to the management and handling of these claims aims to reduce resolution times and increase the service quality, thus improving the customer experience.

Claims settled by First Contact Resolution (FCR. Percentage over total claims)		
	2018	**2017**
Spain(1)	n.a.	n.a.
The United States	54	63
Mexico	30	38
Turkey (2)	38	44
Argentina	21	27
Chile	-	6
Colombia	69	73
Peru	8	4
Venezuela	0	1
Paraguay	39	28
Uruguay	14	12
Portugal (3)	n.a.	n.a.

n.a. = not applicable

(1) In Spain, is applicable a FCR type called IRR (Immediate resolution response) to credit card incidents, but not claims.

(2) In Turkey, the weighting is calculated by the total number of customers.

(3) This kind of management does not apply in Portugal.

Customer Care Service and Customer Ombudsman

In 2018, the **activities** of the Customer Care Service and Customer Ombudsman were carried out in accordance with the stipulations of article 17 of the Ministerial Order (OM) ECO/734/2004, dated March 11, of the Ministry of Economy, regarding customer care and consumer ombudsman departments at financial institutions, and in line with BBVA Group's Regulation for Customer Protection in Spain, approved in 2015 by the Bank's Board of Directors, with regard to regulation of the activities and powers of the Customer Care Service and Customer Ombudsman.

In accordance with the aforementioned regulation, the Customer Ombudsman has been made aware of and resolved, in the first instance, all **complaints and claims** submitted by the participants and beneficiaries of the pension plans, as well as those related to insurance and other financial products that BBVA Group Customer Care Service considered appropriate to escalate, based on the amount or particular complexity, as established under article 4 of the Regulation for Customer Protection.

Likewise, the Customer Ombudsman has been made aware of and resolved, in the second instance, all complaints and claims that customers opted to submit for their consideration after having obtained a dismissal resolution from the Customer Care Service.

Activity report on the Customer Care Service in Spain

The activity of the Customer Care Service takes place within the scope of the O.M ECO / 734 and in compliance with the competences and procedures established in the Regulation for the Defense of Customers in Spain of the BBVA Group. As stipulated in the Regulations, the Customer Care Service is entrusted with the task of dealing with and resolving the complaints received from customers in relation to the products and services marketed and contracted in Spanish territory by the entities of the BBVA Group.

The Customer Care Service in compliance with the European guidelines on claims established by the competent authorities ESMA (European Securities Market Authority) and EBA (European Banking Authority), works to detect the recurrent, systemic or potential problems of the Entity.

Like previous years, 2018 has been characterized by a complex environment. The main types of claims have been related to mortgage loans.

The Customer Care Service (SAC) continued the **training plan** that was launched in 2017 for the whole team. This plan has addressed, among other issues, regulations on transparency and protection of customers, as well as obligations arising from contracts for products and services. The objective of the plan is to guarantee adequate knowledge for managers in order to facilitate the continuous improvement in the claims management and the identification of the root causes thereof.

Claims of customers admitted to BBVA's Customer Care Service in Spain amounted to 84,533 cases in 2018, 51% less than in 2017, of which 81,626 were resolved by the Customer Care Service and concluded in the same year, which represents 97% of the total. 2,907 claims remained pending analysis. On the other hand, 42,688 claims were not admitted for processing as they did not meet the requirements set out in OM ECO/734. Nearly 40% of the claims received corresponded to mortgage loans, mainly mortgage arrangement expenses.

Complaints handled by Customer Care Service by complaint type (Percentage)

Type	2018	2017
Resources	29	9
Assets products/ loans	39	79
Insurances	3	1
Collection and payment services	5	2
Financial counselling and quality service	4	2
Credit cards	13	4
Securities and equity portfolios	1	1
Other	6	2
Total	**100**	**100**

Complaints handled by Customer Care Service according to resolution (Number)

	2018	2017
In favor of the person submitting the complaint	25,970	29,041
Partially in favor of the person submitting the complaint	18,563	90,047
In favor of the BBVA Group	37,093	52,058
Total	**81,626**	**171,146**

Activity report of the BBVA Group´s customer ombudsman in Spain

In 2018, the Customer Ombudsman, along with the BBVA Group, has maintained the objective of unifying criteria and fostering the protection and security of customers, making progress in compliance with transparency and customer protection regulations. In order to efficiently translate their observations and criteria on the matters submitted for their consideration, the Ombudsman promoted several meetings with the Group's areas and units: Insurance, Pension Plan Manager, Business, Legal Services, etc.

In this sense, the Customer Ombudsman has been holding a Claims Follow-up Committee on a monthly basis, with the main objective of keeping a permanent dialog with the BBVA Group Services that contribute to positioning the Group in relation to its customers. The Directors of Quality, Legal Services and the Customer Care Service attend this committee. Likewise, the Customer Ombudsman participates in the Transparency and Good Practices Committee, in which the Bank's actions are analyzed, in order to adapt them to the regulations on transparency and good banking practices and standards.

Customer **claims** managed in the Customer Ombudsman's Office for a decision during the year 2018 have amounted to 3,020 cases. Of these, 114 have not been finally admitted for processing as they did not meet the requirements of Ministerial Order (OM) ECO/734/2004, and 133 remained as pending as of 31-12-18.

Complaints handled by the Customer Ombudsman office by complaint type (Number)

Type	2018	2017
Insurance and welfare products	753	600
Assets operations	709	367
Investment services	146	133
Liabilities operations	753	257
Other banking products (credit card, ATM, etc.)	437	140
Collection and payment services	106	69
Other	116	95
Total	**3,020**	**1,661**

The **categorization** of the claims managed in the previous table follows the criteria established by the Claims Department of the Bank of Spain, in its requests for information.

Complaints handled by Customer Ombudsman office according to resolution (Number)

	2018	2017
In favor of the person submitting the complaint	-	-
Partially in favor of the person submitting the complaint	1,482	797
In favor of the BBVA Group	1,290	622
Processing suspended	1	8
Total	**2,773**	**1,427**

51.3% of customers who brought claims before the Customer Ombudsman during the course of the year obtained some type of satisfaction, total or partial, by resolution of the Customer Ombudsman in 2018. Customers unsatisfied by the Customer Ombudsman's response may appear before the official **supervisory bodies** (Bank of Spain, CNMV and General Directorate of Insurance and Pension Funds). The number of claims submitted by customers to supervisory bodies was 260 in 2018.

In 2018, the BBVA Group continued to make progress in the implementation of the different recommendations and suggestions of the Customer Ombudsman with regard to adapting products to the customer profiles and the need for transparent, clear and responsible information. All recommendations and suggestions of the Customer Ombudsman focus on raising the level of **transparency and clarity** of the information that BBVA Group provides for its customers, both in terms of commercial offers available to them for each product, and in compliance with the orders and instructions thereof, so that the following is guaranteed:

- an understanding by customers of the nature and risks of the financial products offered to them,
- the suitability of the product for the customer profile, and
- the impartiality and clarity of the information that the Entity targets at customers, including advertising information.

In addition, and with the advance in the digitalization of the products offered to customers and the increasing complexity thereof, a degree of special sensitivity is required with certain groups that, due to their profile, age or personal situation, present a certain degree of vulnerability.

Operational risk management and customer protection

The **security measures** at BBVA continued to be reinforced in 2018 through its monitoring and cyberprotection capabilities, for both employees and customers. In this respect, and alongside the strategy of using data as the main point of relationship with customers, analytical **capabilities** were developed that allow for the new threats associated with cybersecurity through data, and to combat them from a preventive viewpoint. Furthermore, a new program was created focusing on providing suitable protection of the Group's information, which is considered one of the main assets and which also allows it to adapt to any new regulations that may arise within the industry.

During the year 2018, a series of process services and security services in the field of Engineering has been introduced and improved. All this has been a direct result of the teamwork of the different technical areas that collaborated in improving the user experience and security. It is worth mentioning the improvement of the process of digital onboarding in Spain, introduced in the financial market in a pioneering manner in 2016; the improvement in the time required to

become a customer through new validation techniques that guarantee customer identity; and the set-up of our own in-house developments allowing facial biometric payment, already underway with employees and planned for implementation with customers.

Various initiatives have been taken in 2018 in the area of **business continuity**, i.e., for incidents with low probability of occurrence but very high impact, mainly with regard to the enhancement of the Continuity Plan management tools. To be specific, the business impact analysis was updated, and the technological dependences on which the critical processes are based were reviewed, informing the corresponding continuity committees of their results so that, when applicable, they are aware of them and are able to improve their responses in case of unavailability due to information system failures.

Over the course of the year, various business continuity strategies were activated within the Group, including those related to torrential rains and hurricanes in the United States, and others pertaining to one-time social conflict events, problems with electrical/water supplies, and the extraordinary monitoring of the process of monetary reconversion in Venezuela.

With regard to **personal data protection**, the project for the implementation of the General Data Protection Regulation (GDPR) was finalized in the Group companies and branches in 2018. It is a continuous and living process, which means that each new product or service must comply with privacy requirements from its design, requiring a firm commitment to ensure respect for the fundamental right to the personal data protection. In addition, the protection of personal data is being strengthened in other areas with regard to suppliers and employees, where new protocols have been adopted in accordance with aforementioned regulation.

In addition, BBVA carried out a communication process with its customers on the new requirements imposed by the GDPR and the new range of rights that the data holders hold. For that, different communication channels were used: branches, postal mail, ATM and digital channels.

Educational and awareness-raising actions were carried out in this regard, in the area of employee training, planned for all those who form part of the Group, by areas and departments, and which culminate in the incorporation of a specific course on data protection in the corporate training catalog.

The position of the data protection delegate as a guarantor of the respect of the fundamental right to the personal data protection was reinforced and strengthened in 2018. Its team has progressively equipped itself with the resources and tools necessary to undertake all tasks entrusted to it in accordance with regulations, in order to guarantee the fulfillment of its duties and functions.

Finally, work is being carried out on the internal adaptation required by the new Organic Law for the Personal Data Protection.

Staff information

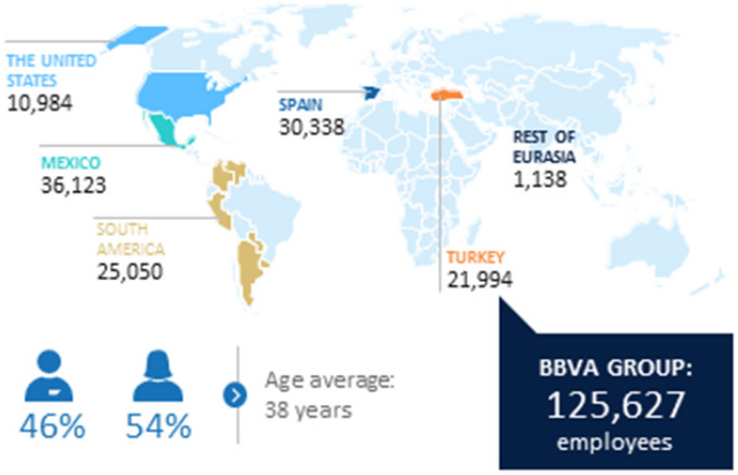
People management

BBVA's most important asset is its team, the people who make up the Group. For this reason, one of the six Strategic Priorities is having a **first-class workforce**. In this context, BBVA accompanies its transformation strategy with different initiatives in questions involving employees, such as:

- Development of a more transversal, transparent and effective **model of people management**, in such a way that each employee can occupy the most appropriate role for their profile in order to bring the greatest value to the Organization, with the greatest commitment; and, in turn, learn and grow professionally.
- Evolution in the **forms of working** towards an agile organizational model, in which teams are directly responsible for what they do, building everything from customer feedback and which are focused on the delivery of solutions that best meet current and future needs of the clients.
- Promoting a corporate culture of collaboration and entrepreneurship, which revolves around a set of values and behaviors that are shared by the individuals of the Group and which generate identity traits that differentiate it from other entities (see **Our Values** in the corresponding section of the Strategy and business model chapter).
- Incorporation of talent in a range of **capacities** not usually found in the financial sector, but which are key in the new stage in which the Group finds itself (data specialists, customer experience, etc.).

All this has enabled to become a purpose-driven company, that is, a company where staff guide their actions according to the Values, and are genuinely inspired and motivated by the same Purpose.

As of December 31, **2018**, the BBVA Group had 125,627 employees located in more than 30 countries, 54% of whom were women and 46% men. The average age of the staff was 37.6 years. The average length of service in the Organization was 10.3 years, with a turnover of 6.5% in the year.



In 2018, the number of Group employees decreased (-6,229) due, to a large extent, to perimeter variations such as the sale of BBVA Chile (-4,005), completed in the third quarter of the year.

Professional development

The new **people management** model was consolidated and rolled out in 2018, a process that culminated with the global launch of a new people assessment system. All Group employees were invited to participate in this system in a 360º review, while the group of around 1,400 people who work for projects did so through a model specially designed for them. The calibrated assessments resulting from this process are the basis for building the BBVA talent map, on which the segmentation of the workforce rests, as well as the differentiated management policies.

The combination of the above with the identification and assessment of the existing roles in the Group makes it possible to get to know the professional possibilities of the employees even better, as well as to establish individual development plans, which promote functional mobility and professional growth.

Recruitment and development

In 2018, 18,656 professionals joined the Group, with one of the focuses being the attraction, recruitment and incorporation of **new capacities** profiles needed by BBVA in its transformation process.

In this manner, in order to be a data-driven organization, in 2018 the first edition of the Young Data Professionals global program was launched. Through this program, 35 recent graduates from universities in Spain, Argentina or Colombia participated in **real projects** with empowered and multidisciplinary teams, receiving first-level training, both in their specialty as well as in transversal competencies, accompanied at all times by mentors to aid in their development.

As a result of the initiatives involving brand positioning and promotion of the professional **opportunities** available at BBVA through various channels, 204,148 candidates were attracted. In 2018, BBVA eliminated gender and age as differential fields of the candidates, to avoid discrimination in the selection for both reasons, so the distribution by gender and age of the external candidates cannot be facilitated.

For its part, BBVA reinforced its **internal mobility** model throughout the year, placing the employee at the center of the process as the protagonist of their own career. In this sense, a new in-house portal was set-up in the Group, where all employees can learn about the opportunities available in the different locations, register for those that they are interested in, and see their progress in the different recruitment processes in which they participate. New policies based on transparency, trust and flexibility are thus brought into existence.

Training

BBVA's training priority in 2018 was to develop a **continuous learning** culture, necessary to drive the Group's transformation strategy. The people management model positions the employee as the true protagonist of their own development, and for this, the necessary knowledge for the performance of their functions is made available to all employees, with quick access to the training catalog. During 2018, existing training resources were incorporated into the market from platforms, suppliers and speakers of recognized prestige, which made it possible to offer a global catalog of training which included more than 9,000 training actions.

The training contents of **2018** focused on training involving the Group's core values, on regulatory requirements, on the necessary competencies linked to the people management model and, in particular, on the new required capacities: Agile, Design Thinking, Data or Behavioral Economics, among others. This training allowed BBVA to have more than 1,000 Design Ambassadors, more than 50 Agile Coaches and 250 Data Scientists.

The legal requirements of the MiFID II Directive (Markets in Financial Instruments Directive) was another priority focus of training through the different programs designed, and which guarantee the knowledge that employees who distribute information or advise on financial products and services to clients at the European level must possess. In 2018, 14,021 professionals were officially certified in Spain, in the different forms of the European Financial Planner Advisor (DAF/EIP, EFA and EFP).

Regarding training channels, online remains the priority channel and represents 71% of the total training provided in the Group. The main new development in online training in 2018 was the B-Token launch within the Group, a new model that allows access to training through a system of tokens that puts employees in charge of their own development, as they are the ones who choose which training to undertake, as well as how and when to undertake it.

Basic training data (BBVA Group)	2018	2017
Total investment in training (millions of euros)	49.5	52.2
Investment in training per employee (euros) [1]	394	396
Hours of training per employee [2]	47.3	38.9
Employees who received training (%)	88	84
Satisfaction with the training (rating out of 10)	9.3	8,6
Amounts received from FORCEM for training in Spain (millions of euros)	3.3	3.1

[1] Ratio calculated considering the Group´s workforce at the end of each year (125,627).

[2] Ratio calculated considering the workforce of BBVA with access to the training.

Training dara by professional category and gender (BBVA Group. 2018. Number)	Number of employees with training			Training hours		
	Total	Male	Female	Total	Male	Female
Management team [1]	2,501	1,773	728	118,099	80,542	37,557
Middle men	6,599	3,947	2,652	265,789	160,147	105,643
Specialists	26,831	13,231	13,600	1,102,703	570,189	532,514
Sales force	35,794	16,665	19,129	2,198,559	1,020,344	1,178,215
Base positions	37,004	14,069	22,935	1,462,670	544,211	918,458
Total	**108,729**	**49,685**	**59,044**	**5,147,820**	**2,375,433**	**2,772,387**

[1] The management team includes the highest range of the Group´s management.

Diversity and inclusion

BBVA considers diversity in its workforce to be one of the key elements it uses to attract and retain the best talent and offer the best possible service to its customers. It is proven that teams made up of people with different ways of thinking, dealing with problems, and making decisions obtain better results.

In terms of gender **diversity**, women make up 53.9% of the Group's workforce. Women hold 48% of management positions, 30.3% of technology and engineering positions, and 58.1% of business and profit generation positions.

In 2018, initiatives were launched to **break down barriers** that prevent greater diversity, with a focus placed on facilitating access to positions of responsibility for women. The most important initiatives put in place are:

- Implementation of the Rooney Rule, which requires that 50% of all candidates for management positions be women.
- Training in unconscious biases: various programs, both physical and online, so that team supervisors at BBVA become more aware of their unconscious biases, which mainly harm women and minorities, and learn to neutralize them.
- Improvement in the way in which job offers are drafted so as to make them more attractive for women and minorities.
- Coaching programs for women with high potential to help them assume positions of maximum responsibility and, in turn, for them to support other women in their careers.

BBVA's effort in favor of diversity has led to it being included in the Bloomberg Gender Equality Index, a ranking that includes the 100 best global companies in gender diversity, and in the Equileap Global Report on Gender Equality, which selects the 200 best global companies in terms of gender equality. BBVA is also a signatory of the Diversity Charter at European level and of the United Nations Women's Empowerment Principles.

In **Spain**, in 2018, BBVA renewed its Company Equality Seal granted by the Ministry of the Presidency, Parliamentary Relations and Equality to companies that are a model for good practices in this area. Likewise, the Equal Treatment and Opportunities Plan signed with the workers' representation allowed for progress in women's access to positions of greater responsibility in the Organization.

In addition, BBVA Spain won the good practices contest for companies in the network. This contest was created by the same Ministry to analyze indicators and evaluation tools, both through the semi-annual monitoring of metrics undertaken

by the Equal Treatment and Opportunities Commission and with the participation of the Trade Union Representation, and through the creation of the Diversity Dashboard. This board gives visibility to the metrics by gender, age, training, country of origin, etc. within the Bank itself, through which you can check the degree of diversity of the teams and areas for improvement.

Additionally, BBVA renewed the Family-friendly Company certificate granted by the Más Familia Foundation for the practices and regulations in place at BBVA involving equal treatment and labor, work-family and personal life balance. It was also included in the Variable D2019 report that recognizes the 30 companies in Spain with best practices in diversity and inclusion.

In the **United States**, BBVA Compass received the highest possible score (100%) in the 2018 Corporate Equality Index, an index that assesses corporate practices and policies for LGBT employees (Lesbian, Gay, Bisexual and Transgender). This index also functions as a national comparison between the main and most influential companies in the country.

In **Mexico**, BBVA Bancomer conducted the Women Matter study at country level, in order to better understand opportunities for improvement in diversity issues. In line with this, the maternity and paternity program was continued as a supportive measure to help employees through this new stage and to have useful information to generate new initiatives.

In **Turkey**, Garanti implemented its maternity program by redesigning the process before and after maternity leave. Among other policies to support women who suffer from domestic violence, the Bank maintains a direct helpline for its employees.

Finally, at the end of 2018, all the banks of the Group's footprint, have protocols for the **prevention** of sexual harassment, in Spain and the United States for several years, and prepared during the year in the rest of countries.

In particular, in the Bank's protocol in Spain, the Entity and the trade union representatives signing the document expressly state their rejection of any behaviour with sexual nature or connotation that has the purpose or produces the effect of threatening the dignity of a person, particularly when an intimidating, degrading or offensive environment is created, and they commit themselves to the application of this agreement as a solution to prevent, detect, correct and sanction this type of conduct in the company.

Employees by countries and gender (BBVA Group)

	2018			2017		
	Number of employees	Male	Female	Number of employees	Male	Female
Spain	30,338	14,930	15,408	30,584	15,097	15,487
The United States	10,984	4,566	6,418	10,928	4,470	6,458
Mexico	36,123	16,843	19,280	37,207	17,271	19,936
Turkey	21,994	9,505	12,489	22,615	9,719	12,896
South America	25,050	11,492	13,558	29,423	13,385	16,038
Argentina	6,262	3,372	2,890	6,264	3,389	2,875
Colombia	6,803	2,819	3,984	6,769	2,765	4,004
Venezuela	3,384	1,148	2,236	4,159	1,400	2,759
Peru	6,267	3,027	3,240	5,955	2,873	3,082
Chile	923	436	487	4,852	2,244	2,608
Paraguay	430	219	211	446	228	218
Uruguay	578	314	264	592	330	262
Bolivia	396	154	242	379	153	226
Brazil	6	2	4	6	2	4
Cuba	1	1	-	1	1	-
Rest of Eurasia	1,138	637	501	1,099	611	488
France	72	46	26	72	44	28
United Kingdom	126	87	39	125	87	38
Italy	52	29	23	56	31	25
Germany	41	24	17	44	27	17
Begium	24	15	9	27	17	10
Portugal	469	235	234	472	234	238
Switzerland	122	77	45	121	76	45
Ireland	4	3	1	4	3	1
Luxembourg	-	-	-	3	2	1
Finland	83	54	29	39	29	10
Hong Kong	89	46	43	85	42	43
China	25	9	16	20	7	13
Japan	3	2	1	3	2	1
Singapore	8	1	7	8	1	7
United Arab Emirates	2	1	1	2	1	1
Russia	3	2	1	3	2	1
India	2	1	1	2	1	1
Indonesia	2	1	1	2	1	1
South Korea	2	1	1	2	1	1
Taiwan	9	3	6	9	3	6
Total	**125,627**	**57,973**	**67,654**	**131,856**	**60,553**	**71,303**

Promoted employees by gender (BBVA Group)

	2018			2017		
	Number of promoted employees	Male	Female	Number of promoted employees	Male	Female
Spain	4,827	2,172	2,655	3,878	2,066	1,812
The United States	1,049	461	588	450	292	158
Mexico	11,422	3,844	7,578	8,928	4,391	4,537
Turkey	4,284	1,749	2,535	4,082	1,822	2,260
South America	3,266	1,243	2,023	3,131	1,318	1,813
Rest of Eurasia	75	36	39	290	186	104
Total	**24,923**	**9,505**	**15,418**	**20,759**	**10,075**	**10,684**

Employees average age and distribution by stages (BBVA Group. Years and percentage)

	2018				2017			
	Average	<25	25-45	>45	Average	<25	25-45	>45
Spain	42.8	0.9	63.7	35.4	42.5	0.8	65.6	33.6
The United States	41.1	6.7	58.0	35.2	40.9	6.4	58.8	34.8
Mexico	33.8	10.8	75.1	14.1	34.2	10.3	74.6	15.1
Turkey	34.3	4.8	87.9	7.2	33.7	5.3	88.7	6.0
South America	37.8	7.3	67.3	25.4	37.8	6.7	68.7	24.6
Rest of Eurasia	43.1	1.5	56.0	42.5	43.1	0.5	57.7	41.8
Total	**37.6**	**6.2**	**71.4**	**22.4**	**37.5**	**6.0**	**72.2**	**21.8**

Average length of service by gender (BBVA Group. Years)

	2018			2017		
	Total	Male	Female	Total	Male	Female
Spain	16.3	17.0	15.5	16.1	17.1	15.1
The United States	6.6	5.3	7.5	7.2	5.8	8.1
Mexico	7.4	7.4	7.4	7.9	8.0	7.9
Turkey	8.1	8.2	7.9	7.6	7.7	7.4
South America	10.8	11.4	10.2	10.1	10.9	9.4
Rest of Eurasia	12.1	11.4	13.0	12.2	11.5	13.1
Total	**10.3**	**10.7**	**10.0**	**10.2**	**10.7**	**9.7**

Employee distribution by professional category and gender (BBVA Group. Percentage)

	2018			2017		
	Total	Male	Female	Total	Male	Female
Management team [1]	1.2	77.9	22.1	1.2	78.4	21.6
Middle men	10.6	50.8	49.2	9.4	52.8	47.2
Specialists	33.1	47.5	52.5	31.9	48.2	51.8
Sales force	35.4	45.4	54.6	37.0	44.7	55.3
Base positions	19.6	40.7	59.3	20.6	39.6	60.4
Total	**100.0**			**100.0**		

[1] The management team includes the highest range of the Group´s management.

Employee distribution by type of contract and gender (BBVA Group. Percentage)						
	2018			2017		
	Total	Male	Female	Total	Male	Female
Permanent employee. Whole day	93.1	46.7	53.3	92.8	46.5	53.5
Permanent employee. Part-time	1.5	18.3	81.7	1.7	20.2	79.8
Temporary employee	5.4	44.1	55.9	5.5	44.2	55.8
Total	**100.0**			**100.0**		

Employee distribution by type of contract and stages (BBVA Group. Percentage)								
	2018				2017			
	Total	<25	25-45	>45	Total	<25	25-45	>45
Permanent employee. Whole day	93.1	4.5	71.7	23.7	92.8	4.3	72.6	23.2
Permanent employee. Part-time	1.5	13.1	76.4	10.5	1.7	17.9	72.6	9.5
Temporary employee	5.4	33.2	64.3	2.5	5.5	32.4	65.0	2.6
Total	**100.0**				**100.0**			

Employee distribution by professional category and gender (BBVA Group. Percentage)						
	2018			2017		
	Permanent employee. Whole day	Permanent employee. Part-time	Temporary employee	Permanent employee. Whole day	Permanent employee. Part-time	Temporary employee
Management team [1]	99.6	0.4	-	99.5	0.5	-
Middle men	99.5	0.3	0.2	99.4	0.4	0.2
Specialists	95.6	1.2	3.1	94.9	0.6	4.4
Sales force	95.0	1.5	3.6	94.6	1.4	3.9
Base positions	81.4	3.0	15.6	82.9	4.3	12.7
Group average	**93.1**	**1.5**	**5.4**	**92.8**	**1.7**	**5.5**

[1] The management team includes the highest range of the Group´s management.

Different capabilities

BBVA manifests its commitment to the labor integration of people with different skills through the **Integra Plan**, which is born of the conviction that employment serves as a fundamental pillar in the promotion of equal opportunities for all people. The Integra Plan is developed through alliances with the main Spanish organizations in the disability sector and is a transversal plan that seeks to promote accessibility, labor integration and greater knowledge and awareness of the needs and potential of people with disabilities. As part of the Plan, the BBVA Integra Awards have been presented every year in Spain since 2009, recognizing the work of organizations that carry out labor integration projects and promote the development of initiatives and good practices in this field of activity.

In **Mexico**, BBVA made agreements with the Ministry of Education and the Secretariat of Public Education so that students with intellectual disabilities could carry out their professional practices in the Bank, as well as a pilot test program for the inclusion of people with disabilities in the circuit de Bancomer races.

As of December 31, **2018**, BBVA had 727 people with different capabilities in the Group's staff, of which 215 are in Spain, 192 in the United States, 28 in Mexico, 279 in Turkey and 33 in South America.

Additionally, progress is being made in the accessibility of the branches of the different banks that make up the Group. The corporate headquarters of BBVA in Madrid, BBVA Bancomer in Mexico and BBVA Francés in Argentina are all accessible. And in 2018, BBVA Spain launched a new mobile application aimed at facilitating cashier operations for blind people and those with a mild physical or intellectual disability.

Work environment

BBVA carries out, on a general and biennial basis, a survey to measure its employees' commitment and discover their opinions. In 2017, the last survey performed, 87% of the employees that BBVA has worldwide participated. One of the highlights of the results is the average of the 12 main questions of the survey, which was 4.02 out of 5, representing an increase of 11 basis points. The level of commitment of BBVA employees was maintained at 4.40, out of 5, improving due to the more than 11,000 action plans that were agreed as a result of the previous survey.

Freedom of association and representation

In accordance with the different regulations in force in the countries in which BBVA is present, the **working conditions** and the rights of the employees, such as freedom of association and union representation, are included in the rules, conventions and agreements signed, in their case, with the corresponding representations of the workers. Dialog and negotiation are part of our way of dealing with any difference or conflict in the Group, for which there are specific procedures for consultation with union representatives.

In BBVA Spain, the banking sector **collective agreement** is applied to the entire workforce, complemented by the company collective agreements which build upon and improve the provisions of sector agreement, and which are entered into on behalf of workers. Employee representatives are elected every four years by personal, free, direct and secret ballot, and are informed of the relevant changes that may occur in the organization of work in the Entity, under the terms provided in accordance with the legislation in force.

In other countries, the employees of the Group are included in any collective agreement in such a way that in Mexico 35% of the workforce is covered by an agreement, reaching 100% in Argentina, Colombia, Venezuela and Paraguay, and 6% in Peru . As an example of this type of coverage, under Colombian legislation there are two forms of representation for employees, which has led to the existence of two agreements in the Bank: the Collective Pact, which covers 77% of the staff, with representation exercised directly by the employees, and the Collective Convention, which benefits 22% of the workforce and is agreed with the trade union organizations, whose representatives are the individuals chosen by each union. On its part, the regulations in force in the United States and Turkey do not require the same application of the agreement to its staff.

Health and labor safety

BBVA considers the promotion of health and safety as one of the basic principles and fundamental objectives, which is addressed through the continuous improvement of working conditions.

In this sense, the **work risk prevention** model in BBVA Spain is legally regulated and is based on the right of workers to consult and participate in these areas, which they exercise and develop through the assistance of the employee representatives in the existing equality committees, where the consultations are discussed and matters of health and safety at work are dealt with, monitoring any and all activity related to prevention.

The Occupational Risk Prevention Service is the unit responsible for defining and carrying out the preventive policy that affects 100% of the Bank's workforce, and which is embodied in two lines of action: a) preventive-technical, including periodic workstation assessments, implementation of emergency and evacuation plans, and coordination of preventive initiatives; and b) occupational medicine, including medical examinations for employees, protection of specially sensitive employees, and the adaptation of workstations with specific ergonomic equipment, as well as carrying out preventive initiatives and campaigns to maintain and improve employee health and contribute to the development of a preventive culture and the promotion of healthy habits.

Occupational health (BBVA Spain. Number)

	2018	2017
Number of technical preventive actions	3,078	2,655
Number of preventive actions to improve working conditions	3,854	3,429
Appointments for health checks	15,590	18,471
Employees represented in health and safety committees (%)	100	100
Absenteeism rate (%)	2.8	2.6

In other geographical areas in which the Group is present, there were also advances in 2018 in the field of occupational health and safety, many of them as a result of the activity of the health and safety committees in which the employees are 100% represented in most of the countries. That is:

- In the **United States**, BBVA Compass' Wellthy for Life wellness program provides employees with a comprehensive wellness program that they can customize according to their needs and interests (physical, medical, and socioeconomic) no matter where they are. During the year, six technical-preventive actions were made and the absenteeism rate was 1.1%.

- In **Mexico**, whose workforce is 100% represented in health and safety committees, various campaigns were carried out to promote awareness and prevention in the area of health and safety at work, specifically the national campaign for the prevention of breast and prostate cancer, as well as the national campaign for the prevention and control of seasonal flu. During the year, 106 technical-preventive actions were carried out and the absenteeism rate was 2.0%.
- In **Turkey**, the Bank uses occupational health and safety (OHS) software to track various activities, including risk assessment, training programs, and corrective and preventive actions, etc. During the year, 174 technical-preventive actions were carried out, 816 preventive actions to improve working conditions, more than 40,000 appointments for health checks and an absenteeism rate of 1.1%. 100% of employees are represented on the health and safety committees.

- In **South America**, there is no uniform health and safety management model for the entire area. By country, during the year, 24 technical-preventive actions were carried out in Argentina, 2,256 in Colombia, 116 in Peru, 9 in Venezuela and 5 in Paraguay. Preventive actions to improve working conditions were 15, 5,621, 662, 6, and 10, respectively, and an absenteeism rate of 1.6%, 3.6%, 1.2%, 13.6% and 0,9%, was recorded respectively. Altogether, about 10,000 appointments for health checks were issued. 100% of employees in Colombia, Peru and Paraguay are represented in the health and safety committees, 3% in Argentina and 60% in Venezuela. Uruguay has a labor safety committees composed of union and bank representatives to oversee the working, health, and occupational safety conditions of its employees. Likewise, it offers a complete medical check-up of 100% of its staff as a benefit.

Volume and absenteeism typology of employees (BBVA Group)

	2018			2017		
	Number of employees	**Male**	**Female**	**Number of employees**	**Male**	**Female**
Number withdrawn	30,696	10,181	20,515	40,187	13,513	26,673
Total number of withdrawn hours by illness or accident during the year	4,027,728	1,335,408	2,692,320	4,826,776	1,597,272	3,229,504
Number of accidents with medical withdrawn	437	147	290	473	132	341
Frequency index	2.58	1.84	3.23	2.93	2.09	3.66
Severity index	2.24	1.62	2.79	2.30	1.38	3.09
Absenteeism rate (%)	1.2	0.9	1.5	1.5	1.1	1.9

In 2018, BBVA registered a total of 437 cases of **work-related accidents** with medical leave throughout the Group (only two out of every 100 casualties are due to accidents), most of them commuting accident which represent 7.6% less than the last year.

In Spain, no case of occupational disease was registered, while the number of work accidents was 200 in the year, a figure that represents a very low severity. Thus, the Bank's severity index stands at 0.15 (0.11 men and 0.19 women), while the frequency index stands at 3.92 (2.68 men and 5.14 women).

Organization of work

In 2018, practical ideas have been promoted to favor **work-life balance**, such as setting a deadline for leaving work that serves as a reference for the whole team, and thus avoiding presenteeism and to respect the **digital disconnection** time with the initiative of not sending emails between 8 pm and 8 am or at weekends.

Regarding the organization of working time, and with the aim of being more productive and more efficient, initiatives have been implemented such as making better use of meetings, reducing the number of meetings, their duration (by default 45 minutes) and the number of people called to attend, being more punctual and using more concise, clear and simple documentation.

Voluntary resignations (turnover) [1] and breakdown by gender (BBVA Group. Percentage)

	2018			2017		
	Total workforce turnover	Male	Female	Total workforce turnover	Male	Female
Spain	1.3	62.6	37.4	1.0	66.3	33.7
The United States	13.0	41.2	58.8	14.0	39.1	60.9
Mexico	13.3	50.7	49.3	12.9	51.3	48.7
Turkey	3.9	41.2	58.8	3.4	36.8	63.2
South America	7.7	42.7	57.3	7.6	45.6	54.4
Rest of Eurasia	4.5	46.0	54.0	5.4	63.1	36.9
Total	**7.6**	**47.1**	**52.9**	**7.3**	**47.5**	**52.5**

[1] Turnover= [Resignations (excluding early retirement)/Number of employees at start of period] x 100

Recruitment of employees by gender (BBVA Group. Number)

	2018			2017		
	Total	Male	Female	Total	Male	Female
Spain	3,242	1,494	1,748	2,714	1,175	1,539
The United States	2,657	1,184	1,473	2,987	1,373	1,614
Mexico	8,133	4,184	3,949	7,664	4,024	3,640
Turkey	2,223	987	1,236	1,931	827	1,104
South America	3,386	1,569	1,817	3,787	1,708	2,079
Rest of Eurasia	155	96	59	68	36	32
Total	**19,796**	**9,514**	**10,282**	**19,151**	**9,143**	**10,008**
Of which new hires are [1]:						
Spain	1,252	786	466	1,237	827	410
The United States	2,650	1,177	1,473	2,951	1,350	1,601
Mexico	5,951	2,997	2,954	6,468	3,314	3,154
Turkey	2,186	973	1,213	1,823	795	1,028
South America	2,521	1,213	1,308	2,765	1,427	1,338
Rest of Eurasia	142	88	54	55	30	25
Total	**14,702**	**7,234**	**7,468**	**15,299**	**7,743**	**7,556**

[1] Including hires through consolidations.

Discharge of employees by discharge type and gender (BBVA Group. Number)

	2018			2017		
	Total	Male	Female	Total	Male	Female
Retirement and early retirement	1,116	643	473	1,397	914	483
Voluntary redundancies	714	385	329	1,125	555	570
Resignations	9,963	4,696	5,267	9,826	4,664	5,162
Dismissals	3,156	1,469	1,687	2,629	1,361	1,268
Others [1]	11,076	4,902	6,174	7,110	2,968	4,142
Total	**26,025**	**12,095**	**13,930**	**22,087**	**10,462**	**11,625**

[1] Others include permanent termination and death. Including the sale of BBVA Chile in 2018.

Dismissals by category and age stages (BBVA Group. Number)

	2018				2017			
	Total	<25	25-45	>45	Total	<25	25-45	>45
Management team [1]	27	-	3	24	28	-	7	21
Middle men	54	-	19	35	146	-	79	67
Specialists	1,456	44	969	443	1,504	40	1,113	351
Sales force	1,081	53	786	242	279	13	209	57
Base positions	538	77	409	52	672	82	448	142
Total	**3,156**	**174**	**2,186**	**796**	**2,629**	**135**	**1,856**	**638**

[1] The management team includes the highest range of the Group´s management.

Volunteer work

In the **Corporate Volunteer Work Policy**, BBVA expresses its commitment to this type of activity and facilitates the conditions for its employees to carry out corporate volunteer work actions that generate social impact. This policy is applied in all countries in which the Group is present.

Corporate volunteer work activities empower the development of employees, channeling their spirit of solidarity, allowing them to make a personal contribution of their time and knowledge in order to help the people who need it most. This results in an improvement of self-esteem, increasing the sense of pride in belonging to the company, and, consequently, in the attraction and retention of talent. It also generates a positive impact in terms of the Group's level of social responsibility.

In September **2018**, BBVA celebrated its first Global Volunteer Work Week. More than 7,000 BBVA employees carried out around 325 volunteer and solidarity activities, organized by the Bank, by employees and by other non-governmental organizations in more than 15 countries, to contribute to the Agenda of the Sustainable Development Goals established by the United Nations for 2030.

Remuneration

BBVA has a **remuneration policy** designed within the framework of the specific regulations applicable to credit institutions, and geared towards the recurring generation of value for the Group, seeking also the alignment of the interests of its employees and shareholders, with prudent risk management. This policy is adapted at all times to what is established under applicable legal standards at all times, and incorporates the standards and principles of national and international best practices.

This policy is part of the elements designed by the Board of Directors as part of the BBVA corporate governance system to ensure proper management of the Group, and meets the following requirements:

- it is compatible and promotes prudent and effective risk management, not offering incentives to assume risks that exceed the level tolerated by the Group;
- it is compatible with BBVA's business strategy, objectives, values and long-term interests, and will include measures intended to avoid conflicts of interest;
- clearly distinguishes the criteria for the establishment of fixed remuneration and variable remuneration;
- promotes equal treatment for all staff, not introducing differences due to gender or personal reasons of any kind; and
- ensures that remuneration is not based exclusively or primarily on quantitative criteria and takes into account adequate qualitative criteria that reflect compliance with the applicable standards.

The **remuneration model** applicable in general to the entire staff of the BBVA Group contains two different elements:

- Fixed remuneration, which takes into account the level of responsibility, the functions carried out and the professional career of each employee, the principles of internal equity, and the value of the function in the market, constituting a relevant part of the total compensation. The concession and the amount of the fixed remuneration are based on a predetermined objective and are non-discretionary criteria.
- Variable remuneration constituted by those payments or benefits additional to the fixed remuneration, whether monetary or not, that are based on variable parameters. This remuneration must be linked, in general, to the achievement of previously specified objectives, and will take current and future risks into account.

The remuneration policy of the BBVA Group promotes equal treatment between men and women, which does not establish or encourage wage differentiation. The remuneration model rewards the level of responsibility and career pathway, ensuring internal equity and external competitiveness.

The wage gap by homogeneous professional categories in the Group as a whole is -10.6%. The differences observed in the average remunerations of some groups are derived from factors such as seniority, and its wide composition, and are not representative of the wage gap. The aforementioned is due to the fact that these average remunerations include very diverse professional categories, and therefore are influenced by aspects such as the different distribution of men and women by professional category or the greater proportion of women in countries with lower average remunerations.

In this sense, the Group has launched various initiatives to continue improving in a more balanced representation of all the groups in the different areas and levels of responsibility (see the Professional Development section).

Wage gap [1] (Percentage)

	2018	2017
BBVA Grupo	(10.6)	(10.1)

[1] Wage gap measured as a difference in average wages between women and men, expressed as a percentage of the average remuneration of men

Total average remuneration by professional category (BBVA Group. Euros)

	2018	2017
Management team [1]	110,159	106,651
Middle men	59,594	59,866
Specialists	28,384	28,194
Base Positions	20,757	19,510

[1] The management team includes the highest range of the Group´s management.

Total average remuneration by stages and gender (BBVA Group. Euros)

	2018			2017		
	Female	**Male**	**Total**	**Female**	**Male**	**Total**
<25 years	8,880	10,829	9,714	8,333	9,722	8,897
25-45 years	23,651	31,884	27,263	23,413	32,317	27,293
>45 years	44,755	66,114	56,358	42,487	63,952	54,324

The remunerations of the members of the Board are disclosed at an individual level and by remunerative concept in the Note 54 to the Consolidated Financial Statements. With regards to the members of the senior management, the total remuneration amounted to €1,965 million in the case of men and to €1,759 million in the case of women.

Pensions and other benefits

BBVA has an employee welfare system which is ordered according to the geographical areas and coverage offered to different groups of employees. In general, the social security system has a defined contribution for the retirement provision. The Group's pension policy is compatible with the Entity's business strategy, objectives and long-term interests.

Contributions to the **social security systems** of the Group's employees are made within the framework of applicable labor regulations and individual or collective agreements applicable in each entity, sector or geographical area. The bases of calculation on which the benefits revolve (commitments for retirement, death and disability) reflect fixed annual amounts, there being no temporary fluctuations derived from variable components or individual results.

Regarding the other **benefits**, the Group provides for a local framework of application, according to which each entity, depending on its activity sector and the geographical area in which it operates, has a package of benefits for employees within the entity's specific remuneration scheme.

In 2018, the Bank in Spain made a payment of 23.5 million euros by way of savings contributions to pension plans and life and accident insurance premiums, of which 13.3 million euros corresponds to contributions to men and 10.2 million to women. This payment represents more than 95% of the expenditure on pensions in Spain, excluding single policies. On average, the contribution received by each employee is 964 euros during the year (1,105 euros men and 826 euros women).

Ethical behaviour

Compliance system

Mission and scope of action

The Group's **compliance system** constitutes one of the bases on which BBVA consolidates the institutional commitment to conduct all its activities and businesses in strict compliance with current legislation at all times and in accordance with strict codes of ethical conduct. To achieve this, the cornerstone of the BBVA compliance system, the Code of Conduct, was available on the BBVA corporate website (bbva.com), the model for internal controls and Compliance requirements.

The **Code of Conduct** establishes the behavior guidelines that, according to the principles of the BBVA Group, ensure that conduct adheres to the internal values of the organization. To this end, it establishes the duty of respect for applicable laws and regulations for all its members in an integral and transparent manner, with the prudence and professionalism that correspond to the social impact of the financial activity, and to the trust that shareholders and clients have placed in BBVA.

The BBVA **internal control model**, built in accordance with the guidelines and recommendations of regulators and supervisors and with best international practices, on the existence of three different levels of control, which is commonly known as a three-lines model of defense, is intended to identify, prevent and correct the situations of risk inherent to the performances of their activity in the areas and locations in which it operates.

Compliance is a global unit integrated within the second line of defense and is entrusted, by the Board of Directors, with the function of promoting and supervising, with independence and objectivity, measures to ensure that BBVA acts with integrity, particularly in areas such as the prevention of money laundering, conduct with customers, behavior in the securities market, prevention of corruption (**compliance issues**) and others that may represent a reputational risk for BBVA.

Compliance functions include:

- promoting a culture of compliance within BBVA, as well as the knowledge by its members of the rules and regulations applicable to the above matters, through advisory, dissemination, training and awareness actions;
- defining and promoting the implementation and total ascription of the organization to the risk management frameworks and measures related to compliance issues.

For an adequate performance of its functions, Compliance maintains a configuration and systems of internal organization in accordance with the principles of internal governance established under the European guidelines for this matter and in its configuration and development of the activity is attached to the principles established by the Bank for International Settlements (BIS), as well as the reference regulations applicable to compliance issues.

To reinforce these aspects and specifically, the independence of the control areas, on December 20, 2018, the Board of Directors held a meeting where they agreed to the creation of a new area, Supervisors, Regulation & Compliance, within the framework of a new organizational structure, in which the Compliance unit is integrated, and which will have a direct report to the Board of Directors through its corresponding Committees.

Organization, internal government and management model

The Compliance function is handled globally at BBVA, and is composed of a corporate unit, with a transversal scope for the entire Group, and local units that, sharing the mission entrusted, carry out the function in the countries where BBVA carries out its activities. For this purpose, it has a global compliance manager, as well as those who are responsible for requirements in the local units.

The function carried out by the Chief Compliance Officers relies on a set of departments specialized in different activities, which, in turn, have their own designated officers. Thus, the function is addressed by individuals responsible for each discipline related to compliance issues, for the definition and articulation of the strategy, and for the management model of the function or for the execution and continuous improvement of the area's internal operational processes, among others functions.

Included among the main functions of the compliance units at BBVA are as follows:

- Review and periodic analysis of the applicable norms and regulations.
- Issue, promotion or updating of compliance-related policies and procedures.
- Advice to the organization in the interpretation of the code of conduct or compliance policies.

- Continuous supervision of activities with compliance risk.
- Management of complaint channels.
- Participation in committees that deal with issues related to compliance matters.
- Participation in independent review processes on the subject.
- Periodic reporting to the management and to governing bodies.
- Representation of the function before regulatory bodies and supervisors in matters of compliance.
- Representation of the function in national and international forums.

In 2018, the structure of the compliance units in the different countries evolved to better align with these foundations.

The scope and complexity of the activities, as well as the international presence of BBVA, give rise to a wide variety of regulatory requirements and expectations of the supervisory bodies that must be addressed in relation to risk management associated with compliance issues. This makes it necessary to have internal mechanisms that establish transversal mechanisms for managing this risk in a homogeneous and integral manner.

For this purpose, Compliance has a **global model** for estimating and managing said risk, which, with an integral and preventive approach, has evolved over time to reinforce the elements and pillars on which it is based and to anticipate the developments and initiatives that may arise in this area.

This model starts from periodic cycles of identification and assessment of **compliance risk**, upon which its management strategy is based. The aforementioned results in the revision and updating of the multi-year strategy and its corresponding annual action lines, both of which are aimed at strengthening the applicable mitigation and control measures, as well as improvement the model itself.

The basic **pillars** of the model are the following elements:

- A suitable organizational structure with a clear assignment of roles and responsibilities throughout the Organization.
- A set of policies and procedures that clearly define positions and requirements to be applied.
- Mitigation processes and controls applied to enforce these policies and procedures.
- An adequate organizational structure, with a clear assignment of roles and responsibilities throughout the Organization.
- Communication and training systems and policies implemented to raise employee awareness of the applicable requirements.
- Metrics and indicators that allow for the supervision of the global model implementation.
- Independent periodic review of effective model implementation.

Throughout 2018, work continued on strengthening the documentation and management of this model. Thus, the Compliance Unit continued with the review and update of the global typologies of compliance risks, both at a general level as well as in different geographical areas.

The effectiveness of the model and compliance risk management is subject to extensive and different annual verification processes, including the testing activity carried out by the compliance units, BBVA's internal audit activities, the reviews carried out by prestigious auditing firms and the regular or specific inspection processes carried out by the supervisory bodies in each of the geographical areas.

Additionally, during the year, the Compliance function reinforced the compliance testing framework, evolving the global methodology to adapt it to the applicable regulations and to the best industry practices regarding in compliance.

On the other hand, in recent years, one of the most relevant axes of application of the compliance model focuses on the digital transformation of BBVA. For this reason, in 2018, the Compliance Unit continued reinforcing the governance, supervision and advisory mechanisms for the activities of the areas that promote and develop business initiatives and digital projects in the Group.

Anti-money laundering and financing of terrorism

Anti-money laundering and the financing of terrorism (AML) is a constant factor in the objectives that the BBVA Group associates with its commitment to improving the various social environments in which it carries out its activities, and a requirement that is indispensable in preserving corporate integrity and one of its main assets: the trust of the people and

institutions with which it works on a daily basis (customers, employees, shareholders, suppliers, etc.) in the different jurisdictions where it operates.

In addition, the Group is exposed to the **risk of violating** the AML regulation and the restrictions imposed by national or international organizations to operate with certain jurisdictions and individuals or legal entities, which could entail sanctions and/or significant economic fines imposed by the competent authorities of the various geographical locations in which the Group operates.

As a result of the above, as a global financial group with branches and subsidiaries operating in numerous countries, BBVA applies the compliance model described above for AML **risk management** in all the entities that make up the Group. This model takes into account all regulations of the jurisdictions in which BBVA is present, the best practices of the international financial industry regarding this matter, and recommendations issued by international bodies, such as the International Financial Action Group (FATF).

This management model is constantly evolving. Thus, the risk analyses that are carried out annually allow us to tighten controls and to establish, where appropriate, additional mitigating measures to enhance it. In 2018, the regulated entities of the Group carried out this AML risk assessment exercise, under the supervision of the corporate AML area.

The BBVA Code of Conduct, in Sections 4.1 and 4.2, establishes the basic guidelines for action in this area. In line with these guidelines, BBVA has established a series of corporate procedures that are applied in each geographical area, including the Corporate Procedure of Action for the Establishment of Business Relations with Politically Exposed Persons (PEPs), the Corporate Procedure of Action for the Prevention of Money Laundering and the Financing of Terrorist Activities in the Provision of Cross-Border Correspondent Services or the Standard that establishes the Operational Restrictions with Countries, Jurisdictions and Entities designated by National or International Organizations. All applicable standards are available for consultation by employees in each zone.

During 2018, BBVA continued to roll out its **monitoring tool** in Turkey and Mexico, already implemented in Spain. Likewise, the Group continued with its strategy to apply new technologies to its AML processes (machine learning, artificial intelligence, etc.), in order to reinforce both the detection capabilities of suspicious activities of the different entities that make up the Group, as well as the efficiency of the said processes. For this reason it participated in the IIF Working Group Machine Learning Application to AML, among others. One result of the above has been the implementation, in several countries, of improvements in processes and/or systems that have allowed for increases in efficiency in AML equipment.

In 2018, the BBVA Group handled 144,576 investigation files that resulted in 66,636 suspicious transaction communications, which were then sent to the corresponding authorities in each country.

In terms of **training** related to AML, each of the BBVA Group entities offers an annual training plan for employees. In this plan, defined according to the training needs identified in each of the entities, training activities of different nature are established (face-to-face or e-learning courses, videos, brochures, etc.), both for new hires as well as for the employees on staff. Likewise, the content of each training action is adapted to the target group, including general concepts derived from the regulation of applicable AML standards, both internal and external, as well as specific issues that affect the functions developed by the target group for the training. In 2018, 69,572 attendees participated in AML training activities, of which 15,035 belonged to the most sensitive groups, from the perspective of AML.

The AML risk management model is subject to continuous **independent review**. This review is complemented by internal and external audits carried out by local supervisory bodies, both in Spain as well as in other jurisdictions. In accordance with Spanish regulations, an external expert performs a yearly review of the Group's parent. In 2018, no material deficiencies were identified. In turn, the internal control body, which BBVA maintains at the corporate level, meets periodically, and oversees the implementation and effectiveness of the AML risk management model. This supervision scheme is replicated at the local level as well.

It is important to mention BBVA's **collaboration** work with the different government agencies and international organizations in this field: attendance at the meetings of the AML & Financial Crime Committee of the European Banking Federation, member of the AML Working Group of the IIF, participation in initiatives and forums to increase and improve exchanges of information for AML purposes, as well as contributions to public consultations issued by national and international organizations (European Commission, FATF/GAFI, European Supervisory Authorities).

Conduct with customers

BBVA's Code of Conduct puts its customers at the center of its activities, with the aim of establishing lasting relations based on mutual confidence and the contribution of value.

As mentioned in the chapter on customer relationship, BBVA's main focus is to satisfy the needs of its customers, simultaneously combining innovative solutions, experience and the highest standards of conduct. Providing the best possible customer experience is one of the Group's Strategic Priorities.

In order achieve this objective, BBVA has implemented **policies and procedures** aimed at getting to know its customers better, with the purpose of being able to offer them products and services in line with their financial needs, as well as providing them with clear and accurate information, sufficiently in advance, on the risks of the products in which they invest. BBVA has also implemented processes geared towards prevention, or, when this has not been possible, management of the possible conflicts of interest that might arise in the marketing of its products.

In 2018, progress continued on a global customer compliance model, which aims to establish a minimum framework of standards of conduct to be respected in the relationship with customers, applicable in all jurisdictions of the Group aligned with the principles of the Code of Conduct. This model responds to a regulation governing customer protection that is increasingly uniform at global level, and contributes to a better customer experience at BBVA. With this in mind, the Compliance Unit focused its activity on the promotion of plans to adapt the Community regulations and internal processes to the obligations derived from new regulatory developments. Among them, the following stand out due to their importance to customer protection: the Directive on Markets in Financial Instruments (MiFID II); the Regulation on packaged products and based on insurance for the retail public (PRIIPs); and the Private Insurance Distribution Directive; and (iv) the European Union Directive on real-estate loans.

During the year, BBVA continued with the deployment of the adaptation plan to MiFID II through the implementation of policies and procedures on different areas. Procedures that help to get to know its customers better, with the purpose of being able to offer them products and services in line with their financial needs, as well as providing them with clear and accurate information on the risks of the products in which they invest, sufficiently in advance. As part of this adaptation plan, regarding the knowledge and skills of the personnel that inform or advise, BBVA continued to develop a training program that concluded with the accreditation of practically all of the employees and agents affected. In the Group, the number of certified sales representatives, following the requirements of local regulations in each country, amounts to 39,157 employees as of 12/31/18.

In addition, BBVA continues to develop processes aimed at prevention or, failing that, the management of possible conflicts of interest that may arise in the marketing of its products. In this regard, in 2018, internal communication channels and the transparency framework were strengthened in relation to the income obtained from the provision of services. Furthermore, something new for the 2018 fiscal year, the corporate policy of product governance was deployed in the different countries where the Group is present. This policy establishes the guiding principles that BBVA must follow when launching its products; and it introduces the variables to take into account when identifying the group of customers to whom to direct their products, according to their different needs and objectives.

Other measures focused on customer protection during 2018 were the following:

- Analysis of the characteristics, risks and costs of the new products, services and activities of BBVA, as well as its distribution channels, through the different Committees for new products implemented in the Group. Over the course of the year, 103 new products, services or activities in the Bank were approved within these committees.
- Close and continuous collaboration with wholesale and retail product and business development units, focusing on digital banking initiatives, with the aim of including the customers' point of view, and investor protection in its projects from the outset.
- The evolution of product classification tools, allowing a better adaptation of the same to the characteristics and needs of the customers.
- Promoting communication and training actions for the sales network and support departments, particularly on how to advise customers and how to sell products in the branch network.
- Enhancement of the compliance risk monitoring metrics and indicators to promote a proactive approach, with a particular focus on customer complaints. In this context, during 2018, BBVA, S.A. has focused on collaboration with the Customer Care Services.
- Evaluation of the internal measures in force, based on internal and external audit reviews and regulatory inspections and requirements.

Conduct on securities markets

The BBVA Code of Conduct includes the basic principles for action aimed at preserving the integrity of the markets, setting the standards to be followed aimed at preventing market abuse, and guaranteeing transparency and free competition in the professional activity carried out on the market by the BBVA collective.

These basic principles are specifically developed in the Policy on Conduct in the Field of Securities Markets, which applies to all the individuals who form a part of the BBVA Group. Specifically, this policy establishes the minimum standards that are to be respected with the activity carried out in the securities markets in terms of privileged information, market manipulation, and conflicts of interest; furthermore, it is complemented in each jurisdiction with an **internal code of conduct** (ICC) addressed to the subject group with the greatest exposure in the markets. The ICC develops the contents established in the policy, adjusting them, where appropriate, to local legal requirements.

The BBVA's policy and ICC were updated in 2017, and in 2018 in the rest of the geographical areas in which the Group operates. The degree of adhesion to the new ICC approached 100% of the individuals in question.

Furthermore, during 2018, training on Market Abuse has been reinforced for the groups affected by the ICC in order to keep them updated as to their obligations and all related new developments. Particularly noteworthy is the global and mandatory training course of the Internal Code of Conduct aimed at all persons subject to this Regulation, a collective that amounts to 6,849 people.

In relation to the **market abuse prevention** program, the process of improving the detection tools of suspicious market abuse operations continued. Thus, the training of employees in this area continues to be a priority, to the extent that, in 2018, specific internal and external training actions were carried out, highlighting courses on privileged information and market manipulation in Spain and Latin America.

In addition, in 2018, training actions have been carried out for teams dedicated to the sale of financial instruments, in light of the adhesion of BBVA in Spain and in Mexico to the Foreign Exchange (FX) global code of conduct; the swap dealer activity control program was reinforced in accordance with the American Dodd Frank regulation, both in its governance as well as in several of its elements, including the training of sales personnel (Associated Persons) who sell derivatives to customers considered as US. Persons; and the annual Volcker Rule training was given to a group of 2,417 employees in the Group, with essentially entirety being affected.

Other standards of conduct

One of the main mechanisms for managing conduct risk in the Group is its **whistleblowing channels.** As set out in the Code of Conduct, BBVA employees have the obligation not to tolerate any conduct that is contrary to the Code, or any conduct in the performance of their professional duties that may bring harm the reputation or good name of BBVA. This whistleblowing channel serves as a means for enabling employees to report any breaches they observe or are notified by their collaborators, customers, suppliers or colleagues. The channel is available 24/7, all year round, and is also open to the Group's suppliers. All reports are processed diligently and promptly. They are reviewed, and measures are taken to resolve any issues. The information is analyzed in an objective, impartial and confidential manner.

BBVA has 16 complaints channels accessible to employees in all its main countries, which can be accessed through email and telephone. In 2018, 1,649 complaints were received in the Group, whose main complaint aspects refer to the categories of behavior with our colleagues (44%), and behavior with the company (36.5%). Approximately 44% of the complaints processed during the year ended with the imposition of disciplinary penalties.

The work carried out in **2018** included ongoing advice on applying the Code of Conduct. Specifically, the Group formally received 510 different kinds of individual, written and telephone queries, such as the resolution of possible conflicts of interest, the management of personal assets, or the development of other professional activities. Over the year, BBVA continued with the work of communication and dissemination of the new Code of Conduct, as well as the training on its contents, whose online course has been carried out by a total of 115,085 employees.

In addition, since the introduction in Spain of the new criminal liability regime of the legal entity, BBVA has developed a model of **criminal risk management,** framed within its general internal control model, with the aim of specifying measures directly aimed at preventing criminal acts through a government structure suited to this purpose. This model, which is periodically subjected to independent review processes, is intended to be a dynamic process in continuous evolution, so that the experience in its application, the changes in the activity and the structure of the Entity and, in particular in its control model, as well as the legal, economic, social and technological developments that occur will facilitate their adaptation and improvement.

Among the possible crimes included in the crime prevention model are those related to **corruption and bribery**, as there are a number of risks that could arise in this respect in an entity of the nature of BBVA. Among such risks are those related to activities such as the offering, delivery and acceptance of gifts or personal benefits, promotional events, facilitation payments, donations and sponsorships, expenses, hiring of personnel, relationships with suppliers, agents, intermediaries and business partners, the processes of mergers, acquisitions and joint ventures or the accounting and recording of operations.

In order to regulate the identification and management of risks, BBVA has a body of internal regulations made up of principles, policies and other internal arrangements, including:

Principles:

- Principles applicable to the disinvestment processes for BBVA Group goods or services in favor of Group employees.
- Principles to be applied to those involved in BBVA's procurement process.

Policies:

- Anti-corruption policy.
- Policy for the prevention and management of conflicts of interest within BBVA.
- Responsible procurement policy.
- Event policy and policy for the acceptance of gifts related to major sporting events.
- Corporate travel policy.

Other internal developments:

- Management model for corporate and travel expenses for personnel.
- Management model for expenses and investment.
- Code of ethics for the recruitment of personnel.
- Code of ethics for suppliers.
- Rules relating to the acquisition of goods and services.
- Rules relating to gifts for employees from persons/entities outside the bank.
- Rules for delivery of gifts and organization of promotional events.
- Rules for authorizing the hiring of consultancy services.
- Rules on dealing with individuals of public importance in matters of finance and guarantees.
- Rules for delegating credit risk.
- Requirements for establishing and maintaining business relations with politically exposed persons (PEP).
- Manual for management of donations in the Responsible Business Department.
- Procedural manual (treatment and registration of communications in the whistleblower channel).
- Corporate rules for managing the outsourcing life cycle.
- Disciplinary regime (internal procedural rules).

The BBVA Group's **anti-corruption policy** develops the principles and guidelines contained, primarily, in section 4.3 of the Code of Conduct and conforms to the spirit of national and international standards on the subject, taking into consideration the recommendations of international organizations for the prevention of corruption and those established by the International Organization for Standardization (ISO).

The BBVA anti-corruption framework is not only composed of the aforementioned regulatory body, but also, in compliance with the crime prevention model, has a program that includes the following elements: i) a risk map, ii) a set of mitigation measures aimed at reducing these risks, iii) action procedures in the face of the emergence of risk situations, iv) training and communication programs and plans, v) indicators aimed at understanding the situation of risks and their mitigation and control framework, vi) a whistleblower channel, vii) a disciplinary regime, and viii) a specific government model.

In this context, it should be noted that the Entity takes into account the **corruption risk** present in the main jurisdictions in which it operates, based on the valuations published by the most relevant international organizations in this area. Additionally, BBVA has provided other specific instruments for the management of **basic commitments** in each functional area. The most salient of these are:

- Basic risk management principles and the risk management policy manual.
- Rules on dealing with individuals and entities of public importance in matters of finances and guarantees.

Other basic commitments taken Within the general training program in this area, there is an online course that describes matters such as the basic principles related to the Group's prevention framework on anti-corruption that reminds employees of BBVA's zero tolerance policy with respect to any form of corruption or bribery in its business activities. Finally, BBVA obtained AENOR certification, which certifies that its criminal compliance management system is in compliance with UNE 19601:2017 Standard in 2017; this certification was revised in 2018 with satisfactory results.

Other basic commitments acquired by the Group are:

- Rules of conduct in defense.
- Environmental policy.
- Responsible procurement policy.
- Commitment to human rights.

Commitment to human rights

BBVA adheres to a Commitment to Human Rights that seeks to guarantee respect for the dignity of all people and the rights that are inherent to them. This is the perspective under which the bank has decided to identify the social and labor risks that derive from its activity in the different areas and countries in which it carries out its business. Once these risks have been identified, the Group manages its possible impacts through processes specifically designed for this purpose (for example, the due diligence processes in Project finance under the Equator Principles or through existing processes that integrate the Human Rights perspective such as the supplier approval process or the diversity policy). On the other hand, the methodology for the identification, evaluation and management of BBVA's reputational risk is an essential complement to this management, since the assessment of reputational risks highlights the fact that human rights issues have the potential to affect the bank's reputation.

In order to reinforce this detection and evaluation of risks from a human rights perspective, in 2017, an external consultant carried out a **due diligence process** in all the countries and businesses in which the Group is present, mainly in order to comply with the United Nations Guiding Principles on Business and Human Rights and with the responsibility of **preventing**, **mitigating**, **and remedying the potential impacts on human rights** in all of its operating environments and in all its businesses. The procedure used to identify and evaluate these risks or impacts was based on the aforementioned Principles. In this manner, guidelines were followed that indicate that companies must activate due diligence processes through three fundamental steps:

- Identify the potential impacts of their operations on human rights;
- Design mechanisms within the company to prevent and mitigate these; and,
- Provide channels and processes that ensure that, in case of violation, there are adequate mechanisms in place to ensure that victims are compensated.

As a result of the process, the potential impacts of the operations on human rights were identified and mechanisms were designed within the Entity to prevent and mitigate them, making the adequate channels and procedures available to the affected party in order to ensure that, in case of any violation, the appropriate mechanisms remain in place to ensure all necessary repairs. In this process, certain key issues were identified that could potentially serve as levers for the improvement of the management system within the organization.

These issues are grouped into four areas that serve as the basis and foundation of the Group's **Action Plan on Human Rights** 2018-2020, which is public and is updated every year.

1. Policy and structure

The updating of the Human Rights Commitment, which was renewed in 2018, was recommended in the due diligence process. For this update, the Guiding Principles of Business and Human Rights guidelines, backed on June 16, 2011 by the United Nations Human Rights Council and, on the other hand, the results of the global process itself, were taken as reference markers for due diligence.

This commitment is articulated around the stakeholders with which BBVA is related: employees, customers, suppliers and society; and it includes the three pillars on which the aforementioned Guiding Principles are based, which are:

- state duty to protect,
- corporate responsibility to respect human rights,
- and the joint duty to implement mechanisms that ensure the remedy of possible human rights abuses.

All the individuals employed in the Group are responsible for making this commitment a reality on a day-to-day basis. Each area and employee has the duty to be familiar with all matters that pertain to them that may imply a violation of human rights, and implement the measures of due diligence to avoid it. However, BBVA has a structured governance model following the internal control model, composed of three lines of defense:

- The first line of defense consists of the Group's units directly responsible for the management of these risks.
- The second line of defense lies with the Responsible Business Department, which is also responsible for designing, implementing and improving commitment as well as acting as a second line of defense.
- The third line of defense is the Internal Audit Area.

Likewise, the CEO, with the support of senior management, decides on its definition and updating within the framework of the CSR Policy approved by the Board of Directors.

2. Training and cultural transformation

With regard to the due diligence process, it was advisable to integrate the human rights perspective into:

- Internal and external communication plan.
- Plan on diversity and conciliation.
- General and specialized training plan for employees.

Respect for the equality of people and their diversity is reflected in the corporate culture and management style, is a guiding principle of **employee** policies, especially those of selection, development and compensation, which guarantee non-discrimination based on gender, race, religion or age, and, as such, is included in the BBVA Code of Conduct.

Thus, this Code, among other matters, includes the treatment of discrimination, harassment or intimidation in labor relations, objectivity in the selection, hiring and promotion that avoids discrimination or conflicts of interest, among other issues, as well as safety and health in the workplace, employees must communicate any situation they understand that poses a risk to safety or health at work.

Within the framework of the **diversity and inclusion plan** for employees and with a focus on gender diversity, three lines of action have been strengthened during 2018: i) promoting transparency using new metrics, ii) promoting these issues in the corporate culture, iii) mitigate the glass ceiling, for example with the extension of the Rooney Rule to all Group vacancies.

In addition, BBVA's Commitment to Human Rights assumes the commitment to the application, for example, of the content of the fundamental conventions of the International Labor Organization **(ILO)** such as those related to the elimination of all forms of forced labor; the effective abolition of child labor (minimum age and worst forms of child labor); and the elimination of discrimination in employment and occupation, among other commitments.

3. Process improvement

After the analysis, the importance of strengthening the process of approval and evaluation of suppliers, and the operation and scope of the repair mechanisms was concluded.

From the point of view of **suppliers**, BBVA has a responsible purchasing policy and an ethical code of suppliers (more information on this can be found in the suppliers chapter) and, during 2018, reinforced compliance with the Commitment to Human Rights with the integration of the prism of human rights in the evaluation of suppliers in the approval process.

BBVA works to establish **remedy mechanisms** in the role of corporate lender, employer or as a company that hires services to others. As such, it is open to managing any issue raised by any of its stakeholders regarding its credit activity and in relation to performance in the field of human rights through two channels: the official listening channels of the Bank, aimed at clients, and external channels. An example of an external channel is the OECD's national contact points, whose objective is to admit and resolve claims related to losses of the OECD Guidelines for Multinational Enterprises.

In relation to employees, suppliers and society in general, the BBVA Code of Conduct includes an express mention of the commitment to human rights and provides a **whistleblower channel** to report possible breaches of the code itself.

4. Business and strategy alignment

The analysis recommended the inclusion of human rights criteria in strategic projects of the Group, such as the due diligence process in the acquisition of companies (M&A and M&A Digital) or the social and environmental framework.

A social and environmental framework was developed from the perspective of **customers**, launched in 2018, in which specific rules were developed for the financing of sensitive sectors (mining, energy, agro-industry and infrastructure). The Responsible Business Department function became part of the new products and business committees in Spain, Mexico, the United States, Colombia, Peru, Turkey and Venezuela.

In addition, as signatories to **Equator Principles**, BBVA complies with the requirement to conduct a due diligence analysis of potential human rights impacts in project finance operations. In case of detecting potential risks, the operation must include an effective form of management of these risks, as well as operational mechanisms to support claims management.

Also within the framework of the Equator Principles, BBVA actively promotes the inclusion of free prior informed consent (FPIC), not only in emerging countries, but also in projects in countries where a robust legislative system is presupposed as well, which guarantees the protection of the environment and the social rights of its inhabitants.

BBVA is also a signatory of the United Nations Global Compact Principles, maintaining a constant **dialog** and exchange of experiences with other signatory entities (companies, SMEs, third sector entities, educational institutions and professional associations). Along the same lines, BBVA promotes a dialog with NGOs concerning its fiscal responsibility, and participates in various meetings with investors and stakeholders in which it follows up on issues related to human rights.

BBVA participates in different work groups related to human rights and is in constant **dialog** with its stakeholders. At a sectoral level, BBVA makes up part of the Thun Group, a group of global banks that works to understand how to better apply the United Nations Guiding Principles on Business and Human Rights in the practices and policies of financial institutions, and across various banking businesses.

An important milestone in 2018 was the launching of the **Responsible Banking Principles** to which BBVA has adhered as one of the sponsors and founding banks for the initiative. Under the auspices of the United Nations, these Principles are put forth with the aim of providing a sustainable financing framework and supporting the sector in a manner that shows its contribution to society. In this sense, the implementation guidelines expressly mention the importance of integrating the Guiding Principles of Business and Human Rights, in the implementation of the six principles, which are: 1. Alignment, 2. Impact, 3. Clients and Customers, 4. Stakeholders, 5. Governance and target setting, and 6. Transparency and Accountability.

Finally, in addition to these initiatives, and taking the relevance of the mortgage market in Spain into account, BBVA generated a social housing policy.

Social Housing Policy in Spain

Since the beginning of the crisis, BBVA seeks to explore all of the refinancing possibilities available based on the customer's ability to pay, with the main objective of maintaining their home. This is what BBVA has done with 76,538 customers in 2018. Any situation may be brought to the attention of the Protection Committee of the Mortgage Provider, which analyzes all cases that might occur with regard to customers or their families, any circumstances involving risk of exclusion that is not covered under the Law, offering individual solutions that depend on the particular circumstances of each family (refinancing, debt cancellation, payment in kind, rent in social housing available directly from the Bank, etc.). In this sense, BBVA has made more than 29,000 dations in payments to its customers.

In February 2012, BBVA decided voluntarily to adhere to the Code of Good Practices which had the objective of granting benefits to certain families who had contracted a mortgage loan and who were at risk of exclusion. In light of the approval of Royal Decree-Law (RDL) 27/2012, of Law 1/2013 and, finally, of RDL 1/2015 and Law 9/2015, BBVA determined, in a proactive manner, to inform all of its customers currently involved in a foreclosure process of the existence of the aforementioned standards, and the extent of their effects, so that they might benefit from the benefits described therein.

In 2018, BBVA transferred its real-estate business to Cerberus Capital Management. The scope of the Social Housing Policy in Spain has adapted to this new situation accordingly as a result and is now aimed at offering solutions that are adapted to the holders of mortgage loans who are experiencing difficulties in the payment of said loans. BBVA has signed collaboration agreements with public entities for approximately 2,500 homes.

Sustainable Finance

Banks play a crucial role in the fight against climate change and in achieving the United Nations Sustainable Development Goals, due to their unique ability to mobilize capital through investments, loans, issues and advisory functions. There are very relevant ways to contribute to this challenge. On the one hand, providing innovative solutions to its customers to help them in the transition to a low-carbon economy and in promoting sustainable financing; and on the other, integrating **environmental and social risks** in decision-making in a systematic manner.

BBVA's commitment to sustainable development is reflected in its Environmental Commitment, which is global in scope. Along these lines, in 2018, BBVA presented its climate change and sustainable development Strategy to contribute to the achievement of the United Nations Sustainable Development Goals and to addressing the challenges arising from the Paris Climate Agreement. This 2025 Pledge, which will help the Bank to align its activity with the goal of keeping global warming below 2ºC and achieve a balance between sustainable energy and investments in fossil fuels, is based on three lines of action:

1. Financing: BBVA is pledging to mobilize €100 billion in green and social financing, sustainable infrastructures and agriculture, social entrepreneurship and financial inclusion.
2. Manage the environmental and social risks associated with the Bank's activity, to minimize its potential direct and indirect negative impacts.
3. Engage with all stakeholders to collectively promote the contribution of the financial sector to sustainable development.

Both the Group's Environmental Commitment and its climate change and sustainable development Strategy are approved by the CEO, with the support of senior management.

As of December 31, 2018, the accompanying Consolidated Financial Statements of the BBVA Group do not present any material item that must be included in the informational document on the environment set forth in the Order of the Ministry of Justice JUS/471/2017, of May 19, which approves the new models for the presentation of the annual accounts of the subjects required to publish them in the Mercantile Registry.

Sustainable financing

BBVA strives to contribute to mobilizing the necessary capital to stop climate change and achieve the Sustainable Development Goals. To this end, it has pledged to mobilize €100 billion in **sustainable financing** between 2018 and 2025, divided into three categories:

1. Transition to a low-carbon economy: includes green financing to companies and institutions; intermediation of green bonds; solutions for energy efficiency, water, and waste management; and investment funds and equity.
2. Sustainable infrastructures and agriculture: financing infrastructure in education, health, social housing and sustainable transport; intermediated rates subsidies; investment funds and equity; and financing to the agricultural industry under sustainability criteria.
3. Financial inclusion and entrepreneurship: loans to low-income communities, vulnerable micro-entrepreneurs and women entrepreneurs; new digital models and impact investments.

Sustainable financing products are instruments that channel funds to finance customer transactions in sectors such as renewable energy, energy efficiency, waste management and water treatment, as well as access to social goods and services, such as housing, education, health and employment. BBVA has the capacity, knowledge and experience to provide its customers with thorough advice on sustainable financing **solutions**, and in 2018 it has once again led this market.

Sustainable bonds and green loans

BBVA is one of the Spanish entities with the greatest experience in providing advice on bonds for its customers, an activity that it launched in 2007 when it was part of the issuance of the first green bond by the European Investment Bank. Since then, BBVA has structured, advised and placed **green bonds** in Europe, the United States and Latin America for companies, financial entities and public sector entities.

In 2018, BBVA became an issuer of these types of bonds, after the publication of its framework for the issuance of bonds linked to the Sustainable Development Goals. The existence of this framework is one of the characteristic elements of sustainable emissions, which will allow the Group to channel funds to finance projects in sectors aligned with its 2025 Pledge. In the year, BBVA made a green bond issue in Spain of €1 billion and BBVA Bancomer in Mexico for 7 billion Mexican pesos; while Garanti Bank in Turkey issued a social bond for women entrepreneurs, in collaboration with the International Finance Corporation, for US$75 million.

On its part, in 2018 the Group continued to promote the **green loans** market and participated in various transactions in countries such as the United States, Mexico, Peru, Spain, Italy and Turkey, through syndicated, bilateral and project finance corporate loans.

Advice and sustainable transactional banking

BBVA has a Corporate Finance (M&A) team dedicated to renewable energy transactions, which provides advice to energy companies, for their disinvestment in coal plants and the capital increase to finance and develop renewable energy projects. Along these lines, BBVA worked in 2018 on a **sustainable transactional** product framework linked to the Sustainable Development Goals of the United Nations, by virtue of which the transactional banking operations of its customers may be classified as either green, social or sustainable.

Sustainable project financing

BBVA, in its commitment to the renewable energy sector, financed projects of this type in 2018, including the financing of a 950 MW offshore wind farm in the United Kingdom, a portfolio of 130 photovoltaic plants in Italy, and seven wind farms in Spain. It also financed social infrastructure projects.

Socially responsible investment

BBVA assumed its **commitment** to Socially Responsible Investment (SRI) in 2008 when it joined the United Nations Principles for Responsible Investment (PRI) through the employee pension plan and one of the Group's major asset managers, Gestión de Previsión y Pensiones. The **goal** then was to start building BBVA's own SRI model from the ground up, whose initial application would focus on employment pension funds. Ten years later, the Group continues to work on improving its model, making it more complete and sound every day.

In **2018**, BBVA Asset Management (BBVA AM) has continued to adapt to the market and changes in it, working to extend and improve the SRI solutions offered. In this vein, it maintains various training programs, such as holding events broadcast on streaming and preparing periodic newsletters related to SRI issues, available on the BBVA AM website; but,

especially through personalized meetings with their customers to respond to the different concerns that may arise in this area.

The **strategies** implemented by the BBVA AM SRI model are the following:

- Integration of ESG criteria in the investment process.
- Exclusion: Rules of conduct in defense.
- ESG analysis of third-party funds.
- Engagement and exercise of political rights.

Retail solutions

In Spain, green solutions and products for retail customers were explored in 2018, mainly consumption, mortgages, consumer finance and the online store BBVA de Compras. The goal is for customers to have a green offer throughout all of the main products. The plan for 2019 is to continue working on the development and implementation of this type of solution.

Likewise, Garanti in Turkey continued to support the green mortgage market, under the agreement with IFC (International Finance Corporation) for the purchase of energy-efficient homes. In addition, since 2016, it has had a green loan for the purchase of hybrid and electric cars.

Financial inclusion

BBVA is aware that greater financial inclusion has a favorable **impact** on the welfare and sustained economic growth of countries. The fight against financial exclusion is therefore consistent with its ethical and social commitment, as well as its medium- and long-term business objectives. For this purpose, the Group has developed a financial inclusion (FI) business **model** to cover the low-income population in emerging countries within its global footprint. This model is based on the development of a responsible business model that is sustainable in the long term, shifting from a model that is intensive in human capital and of limited scalability to a scalable strategy that is intensive in alternative and **digital** channels with a multi-product focus. In short, this model is based on:

- the use of new digital technologies;
- an increase in products and services offered through non-branch platforms;
- innovative low-cost financial solutions designed for this segment.

At the close of 2018, BBVA had 8.4 million active customers in this segment.

In turn, the BBVA Microfinance Foundation (FMBBVA) continues its work to promote the economic, social, sustainable and inclusive development of vulnerable people through productive finance. This model seeks to foster the development of its customers and offers entrepreneurs a customized service by bringing not only a full range of financial products and services to their homes or companies, but also advice and training related to the financial planning and management of their small businesses.

Since the Foundation was set up, it has disbursed an aggregate volume of US$11,775 million to low-income entrepreneurs in Latin America for the development of their productive activities. It is now one of the largest private philanthropic initiatives in the region.

During 2018, the FMBBVA and its more than 8,000 employees, served more than two million customers, 57% of whom were women, which contributed directly to reducing gender inequality and continued working to reach the geographic areas with the greatest needs.

The activity of the FMBBVA is published annually in its social performance report, "Measuring what really matters," available on its website.

Social and environmental impact management

Social and environmental risks

As a financial institution, BBVA has an **impact** on the environment and society directly, through the use of natural resources and the relationship with its stakeholders; and indirectly, through its credit activity and the projects it finances.

Through its 2025 Pledge, the Group is committed to managing **environmental and social risks** to minimize these potential direct and indirect negative impacts linked to its activity.

In terms of environmental and social risks, BBVA's strategy aims to gradually integrate its management into the Group's Risk Management Framework, in order to mitigate them based on the principle of **prudence**. In line with this, the Bank has equipped itself with instruments that reinforce its capacity to identify and evaluate this type of risk.

New industry standards

In 2018, BBVA published its new industry norms that address specific sustainability issues in four sectors with special **environmental and social impact**: mining, energy, infrastructure and agriculture. These standards provide clear guidance on the procedures to follow when managing customers and transactions in these sectors. Steps were taken this year to evaluate the alignment with these new norms of all customers in these four sectors, which will allow us to better understand their sustainability strategies.

In line with the new sector standards, BBVA published its commitment to not finance **controversial** activities such as "exploration and production of oil sands" in the energy sector, for which the Bank does not support this kind of operation directly.

Furthermore, BBVA highly appreciates the feedback from its stakeholders about these questions and will consider it at the moment of updating and reviewing the before-mentioned sector standards.

Climate risk analysis

Within the TCFD initiative, the Group seeks to assess how risks associated with climate change may affect its customer portfolio. After the signing of the Paris agreements, the importance of **climate change** came into focus on the international agenda. Governments and institutions committed themselves to the demands of this pact, and, little by little, we are seeing an increase in regulation (soft and hard) in this regard, which involves certain transitional risks and pushes companies to reduce their emissions to be in line with the 1.5 and 2 degree scenarios.

Many sectors are affected by this trend, which limits their access to the use of certain commodities, taxes emissions, and requires the establishment of an ad-hoc strategy and the dissemination of information in this regard. There is also an opportunity as a result of the new business that will be generated around sustainable initiatives. On the other hand, physical risks derived from possible natural catastrophes must be taken into account.

Banking plays a fundamental role in the section on **transitional risks** as a funder of all the sectors involved in this change. Determining this exposure requires the level of risk to which a lender is exposed to be taken into account.

As such, BBVA developed a methodology based on the analysis of climate change scenarios in 2018. This methodology is based on the assumptions of models such as the WEO (World Energy Outlook) of the International Energy Agency and uses methodological tools developed in the pilot project carried out by the TCFD. This methodology incorporates the sectoral forecasts of the climate models and data involving BBVA's exposure into the tool. Supported by a calibration of the results, which is performed based on the Bank's knowledge of its main customers, the model provides forecasts of possible changes in the customers probability of default in the medium and long term. In this sense, BBVA analyzed the utilities, oil & gas and transport sectors, taking into consideration that they are the ones that have the greatest exposure to climate change in their portfolio.

In terms of **physical risks**, the exercise focuses on how extreme climate change events (droughts, floods, storms, fires, etc.) can affect the assets of both BBVA and its customers. Accordingly, the exercise concentrated on studying the mortgage market in Mexico and the possible variations in the probability of default of mortgage loans.

The Equator Principles

Energy, transport and social services infrastructures, which promote economic development and create employment, can have impacts on the environment and society. BBVA's **commitment** is to manage the financing of these projects to reduce and avoid negative impacts and enhance their economic, social and environmental value.

All the decisions on project finance are based on the criterion of **return adjusted to ethical principles**. Placing people at the center of the business means meeting stakeholder expectations and dealing with the social demand to fight against climate change and respect human rights.

In line with this commitment, in 2004 BBVA made a commitment to the **Equator Principles** (EP). Based on the International Finance Corporation's (IFC) Policy and Performance Standards on Social and Environmental Sustainability and the World Bank's General Environmental, Health and Safety guidelines, the Equator Principles are a set of standards for managing environmental and social risks in project finance. These principles have set the benchmark for responsible finance.

In 2018, BBVA actively contributed to the development of the fourth version of the Equator Principles, initiated in the previous year. To this end, it participated in two working groups, urging a strengthening of requirements and actively contributing to their continuous development. With this new version, the Equator Principles Association recognizes the need to update the Principles in order to keep up with the changing landscape of sustainable finance, on four key issues: social impacts and human rights, climate change, international standards applicable to the projects and the scope of the applicability of the EPs.

Eco-rating

The Eco-rating tool is used to rate BBVA's risk portfolio in Spain from an environmental point of view. To this end, each customer is assigned a level of environmental risk based on the combination of several factors, such as their location, polluting emissions, consumption of resources, potential to affect their environment or applicable legislation.

Eco-efficiency

In its commitment to reduce the direct environmental impacts of its activity, in 2018 BBVA continued to work within the framework of the **Global Eco-efficiency Plan** (GEP), whose vision is to position the Bank among the leading eco-efficiency entities worldwide. The GEP establishes the following strategic vectors and global objectives for the 2016-2020 period:

Vectors	Strategic guidelines	Global target
Environmental management and sustainable construction	% occupants in certified buildings	46%*
Energy and climate change	Consumption per occupant (kWh/occup)	-5%
	% of clean energy	48%
	CO_{2eq} emissions per occupant (tCO_{2eq}/occp)	-8%
Water	Consumption per occupant (m^3/occup)	-5%
	% occupants in buildings with alternative water sources	9%
Paper and waste	Paper consumption per occupant (kg/occup)	-5%
	% occupants in occupants in buildings with separate waste collection	30%
Extension of the commitment	Awareness campaigns for employees and supplier	

(*) updated objective after the incorporation of the data from Turkey. Objectives per person

The results of monitoring compliance with the Plan in 2018 have been very positive, resulting in savings of 5% in electricity, 12% in CO_2, 9% in water and 21% in paper (all of them per person). In addition, the percentage of consumption of renewable energy has increased to 37% and the percentage of people working in buildings built under sustainability standards reaches 43%.

In addition to the objectives set out in the GEP, the **climate change and sustainable development strategy** approved in 2018 establishes new commitments by 2025, for the reduction of BBVA's carbon footprint. On the one hand, the Bank has established a reduction target of 68% of its scope 1 and 2 emissions at that date; and, on the other hand, it is committed that 70% of the energy it contracts will be renewable in 2025, and 100% in 2030. In line with this last goal, BBVA has joined the RE100 initiative this year, through which the most influential companies in the world commit themselves to having their energy at 100% renewable before 2050. It has also been the first Spanish bank to join the "Science Based Targets" initiative. The purpose of this initiative is for companies to establish greenhouse gas emission reduction targets that are aligned with the level of decarbonization necessary to maintain the global temperature rise below 2 degrees above pre-industrial levels, as established in the Paris Agreement.

The evolution of the GEP indicators in the last year is reflected in the table below:

Main indicators of the GEP	2018 [1]	2017
People working in the certified buildings (%) [2]	43	42
Electricity usage per person (MWh)	5.7	5,9
Energy coming from renewable sources (%)	37	27
CO_2 emissions per person (T) [3]	1.9	2,2
Water consumption per person (m^3)	19.7	21,6 [4]
People working in buildings with alternative sources of water supply (%)	13	11
Paper consumption per person (T)	0.1	0,1
People working in buildings with separate waste collection certificate (%)	40	41

Note: indicators calculated based on employees and external staff.

[1] Preliminary data. Calculated by pending estimate of receipt of invoices. Can change.

[2] Including ISO 14001 and LEED certifications.

[3] Emissions calculated according to the market-based method.

[4] Data adjusted compared to the information released in 2017.

To achieve these targets, BBVA continued its efforts to minimize its **environmental footprint** through initiatives in all of the countries where the Group is present, most notably:

- Power supply agreement through a PPA (Power Purchase Agreement): in Spain, the Bank's agreement for the purchase and sale of green energy that includes the construction of a wind farm that guarantees the production of 80 gigawatts, available from 2020; in Mexico, BBVA Bancomer has a PPA agreement that covers 80% of the energy consumed by the Bank.
- Establishment and monitoring of the implementation of energy savings measures in buildings in Spain.
- Implementation of various projects for the improvement of efficiency in air conditioning systems, system monitoring, adjustment of instructions for air conditioning and lighting.
- Operational improvements and remodeling of water consumption facilities in some locations.
- Renewal of environmental management system certifications under the ISO 14001:2015 standard, with an increase in the number of buildings that have this certification to the 1,067 branches and 86 buildings in use throughout the Group.
- Measures to reduce paper consumption through digitalization processes of the documents used in offices.
- Participation in the Earth Hour campaign in 179 cities around the world.
- Actions to raise awareness against plastic pollution.
- Celebration of sustainability week in the BBVA City in Madrid, during which employees participated in initiatives, workshops and visits aimed at promoting energy savings, sustainable mobility and overall environmental awareness.

Given the characteristics of its activities, BBVA does not make direct provisions for environmental purposes. For the same reason, it neither counts with specific policies regarding resources, food waste nor records risks caused by impacts on protected areas.

Engagement with global initiatives

BBVA plays a part of the main international sustainable development initiatives such as the United Nations Global Compact, the Equator Principles, the Principles for Responsible Investment, the United Nations Environment Program Financial Initiative (UNEP FI), CDP, the Thun Group on Banks and Human Rights, the Green Bond Principles, the Social Bonds Principles, the Green Loan Principles, the RE100 initiative and the Science Based Targets. In addition, it is firmly committed to the Sustainable Development Goals (SDG) of the United Nations and the Paris Climate Agreements and, since 2017, it has been a part of the pilot group of banks that have committed to implementing the recommendations on financing and climate change published by the Financial Stability Board within the framework of the G20.

In 2018, BBVA joined the Principles for Responsible Banking, presented in Paris in November coinciding with the UNEP FI Global Roundtable; and signed a letter in December, along with other banks, addressed to world leaders and heads of state who attended the United Nations climate summit in Katowice (Poland), with a commitment to financing and designing the financial services needed to support the transition of its clients to a low-carbon economy.

Sustainable Development Goals (SDG)

On September 25, 2015, world leaders adopted **17 SDGs** in order to protect the planet, fight against poverty and work to eradicate it, and achieve a prosperous world for the next generations. These goals are framed within the 2030 sustainable development Agenda. The aim was to involve everyone: governments, companies, civil society and individuals. Each goal, stated with a specific purpose, has, in turn, a number of targets set to achieve it. Furthermore, each target has its own indicators that serve to determine the degree of achievement of each goal.

In this context, BBVA announced, in February 2018, its **climate change and sustainable development strategy** in order to contribute to the achievement of the SDGs (previously mentioned in the introduction of this chapter on Sustainable Finance), and assumes a special commitment regarding the SDG number 17 (Revitalize the Global Partnership for Sustainable Development), which assumes that alliances will be required to achieve the goals. For this reason, BBVA has pledged to engage all its stakeholders to boost the collective contribution of the financial sector to sustainable development. Due to the magnitude of this, the challenges derived from the Sustainable Development Goals and global warming can only be overcome with the determined commitment of all. This requires awareness, shared knowledge, call to action, dialog and alliances with all stakeholders, as well as participating in international and sectoral initiatives that join forces.

Overall, BBVA contributes to all SDGs, given the Group's wide range of businesses, including the activity of the Microfinance Foundation, and its global presence. In this way, it aims to respond to the commitments of the 2030 Agenda, but at the same time to take advantage of the business opportunities derived from it´s compliance.

Task Force on Climate-related Financial Disclosures (TCFD)

As part of its **commitment** to mitigating the impacts of climate change and integrating these risks into its risk management model, BBVA has committed to follow the indications set out in the TCFD. In 2017, it joined the pilot group of banks that, guided by UNEP FI, are striving to implement the recommendations of the Task Force on Climate-related Financial Disclosures, created by the Financial Stability Board (FSB).

As part of this group, during the first half of 2018, BBVA worked in creating a methodology that could help to incorporate environmental risks, both physical (directly derived from climate change) and transitional (regulatory risks to achieve the Paris Agreement goals), into BBVA´s risk management area. The result of this work were two documents, one focused on physical risks and the other on transitional risks, which were published during 2018. BBVA focused its analysis on the transport and energy sectors for transitional risks and in the mortgage market for physical risks.

Principles for Responsible Banking

BBVA is one of the 28 banks around the world that have worked on the preparation of the Principles for Responsible Banking since April 2018. This is an initiative coordinated by UNEP FI, the United Nations Environment Programme Finance Initiative, and aims to respond to the growing demand of our different stakeholders to have a comprehensive framework that covers all dimensions of sustainable banking.

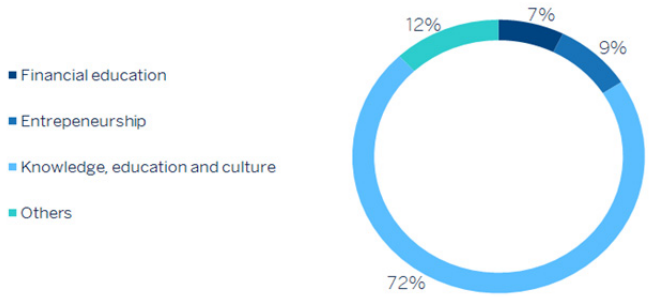
In this sense, BBVA believes that these Principles will help reaffirm its Purpose, enhance its contribution to both the United Nations Sustainable Development Goals and the commitments derived from the Paris Climate Agreements, and to align its business strategy with them.

Contribution to society

Investment in social programs

In 2018, the BBVA Group allocated €104.5 million to social initiatives that benefited more than 8 million people. This figure represented close to 2% of the Group's net attributed profit. Through social programs, BBVA acts as an engine of opportunities for people, and seeks to have a positive impact on their lives, with regard to vulnerable people in particular.

Investment in social programs by focus of actions (Percentage). 2018



Investment in social programs by geographical areas and foundations (Millions of euros)

	2018	%	2017	%
Spain and corporative areas	28.1	27	24.7	24
The United States	11.1	11	9.0	9
Mexico	25.3	24	26.8	26
Turkey	5.2	5	5.2	5
South America	3.9	4	6.0	6
BBVA Foundation	25.8	25	25.9	25
BBVA Microfinance Foundation	5.1	5	5.4	5
TOTAL	**104.5**	**100**	**103.1**	**100**

BBVA's investment in social programs is channeled through its local banks that make up the Group and its corporate foundations, thus contributing to the **development of communities** in which the Group is present. Foundations play a fundamental role in channeling a significant part of social investment initiatives: the BBVA Foundation is focused promoting knowledge, culture, and dissemination of science while the BBVA Microfinance Foundation promotes a sustainable economic and social development of the most disadvantaged people, through Responsible Productive Finance.

In 2018, BBVA continued to push forward the main **focus** of action of the Community Investment Plan for the 2016-2018 period, which include:

1. **Financial education**, aimed at promoting the acquisition of financial skills and competencies to enable people to make informed financial decisions.
2. **Social entrepreneurship**, designed to support the most vulnerable entrepreneurs and those whose companies have a positive social impact.
3. **Knowledge**, by supporting initiatives that promote development and that allow the creation of opportunities for people. **Education for society** is framed within this strategic line. It shares priority with other initiatives of the Group, such as the activities of the BBVA Foundation and the research work carried out by the BBVA Research Department.

Since 2016, BBVA's **community support** activity has been focusing on these three strategic lines; however, at a local level, the Group's banks have maintained their investment commitments in the community to face local social challenges. In this sense, the Social Entities Support Program promotes the implementation of educational and

community development projects carried out by non-governmental organizations, social entities and other non-profit associations.

Financial education

Financial education is one of the lines of action of the Community Investment Plan. The global objective of BBVA's commitment to financial education is to **promote** a concept of financial education in the broad sense, through the Global Financial Education Plan, based on three lines of action:

- Financial education for society: promoting the acquisition of knowledge, skills and attitudes in all countries where BBVA operates, through its own programs and in collaboration with third parties, in order to achieve greater knowledge of financial concepts and a change in behavior in financial decision-making.
- Promotion of financial education: promoting the importance of knowledge and financial capabilities, as a fundamental issue that has a direct impact on the well-being of people.
- Financial education in customer solutions: integrating financial capabilities in the customer's experience in order to facilitate informed decision-making, which will result in an improvement in their financial well-being and allow them to access greater opportunities.

BBVA's commitment to financial education is **long-term**, with more than €80 million invested and more than 13.4 million beneficiaries in different programs since 2008.

In 2018, investment in the development of the Global Financial Education Plan was €7.6 million and benefited almost 2 million people.

Entrepreneurship

In the 2016-2018 Community Investment Plan, entrepreneurship support programs were grouped into a single line of action that became more relevant. This has led to the development of programs and initiatives aimed at the most vulnerable entrepreneurs and those that generate a positive social impact through their companies. In 2018, BBVA allocated close to €9 million that benefited 2.2 million people.

Likewise, BBVA promotes the ecosystem of social entrepreneurship through its participation in notable organizations.

Knowledge, education and culture

Knowledge, education and culture are three areas of activity that are grouped in the third line of action of the Community Investment Plan for the period 2016-2018 and that encompasses the activities carried out by the BBVA Foundation and local education and culture initiatives. In 2018, €75.5 million were invested, benefiting 3.8 million people.

BBVA contributes to the dissemination of knowledge through the activities of BBVA Research, the BBVA Foundation and the Open Mind initiative.

- **BBVA Research** studies the evolution of the economy and offers economic studies, reports and analyses to shareholders, investors and the general public.
- **The BBVA Foundation** focuses its activity on the generation of knowledge. Expanding the frontiers of inherited knowledge is one of the most effective ways to successfully address the problems that affect society today, such as the environment, sustainable development, health, demographic changes, globalization, social integration, and innovation with the goal of creation of opportunities for the whole of society. The direct impulse towards scientific research is one of the levers on which the BBVA Foundation is supported along with the dissemination of the knowledge generated and the recognition of talent.
- The **Open Mind** initiative aims to contribute to the generation and dissemination of knowledge concerning fundamental issues of our time, in an open and free way. The project has taken shape in an online community of disclosure.

Education for society is an extremely important aspect of BBVA's social investment as it continues to support access to education, educational quality and the development of 21st century key competences as sources of opportunity. It shares space with other initiatives of the Group, such as the activities of the BBVA Foundation.

The promotion of cultural creation of excellence is another lever of support of the BBVA Foundation to generate knowledge. It focuses its support on classical music, with an emphasis on contemporary music, visual arts, video art and digital art, as well as literature and theatre.

Others

BBVA's **community support** activity includes other lines of action, such as volunteering, support for social entities, and the promotion of corporate responsibility through its participation in the main working groups.

In 2018, BBVA, in relation to contributions to foundations and non-profit entities, prepared a Donation Management Standard, which updates the existing procedure to align it with the anti-corruption policy (mentioned in the chapter on the Compliance System). This regulation will be approved in the first quarter of 2019 and, throughout next year, the technological solution for managing donations throughout the Group will be enabled in accordance with this procedure.

Fiscal transparency

Fiscal strategy

In 2015, the BBVA Board of Directors approved the **Corporate Principles in BBVA's Tax and Fiscal Strategy**.

The strategy forms part of BBVA's corporate governance system and establishes the policies, principles and values that guide the way the Group behaves with respect to taxes. This strategy has a global scope and affects everyone who is part of the Bank. Compliance with the strategy is very important, given the scale and impact that the tax contributions of large multinationals such as BBVA have on the jurisdictions where they operate.

Effective compliance with the tax strategy is duly monitored and supervised by BBVA's governing bodies.

Accordingly, BBVA's **fiscal strategy** consists of the following basic points:

- BBVA´s decisions concerning fiscal-related matters are determined by the payment of taxes, given that they contribute heavily to the economies of all the jurisdictions in which it operates. Tax payments are aligned with effective business practices and the generation of value in the different countries in which BBVA operates.
- Active adaptation to the new digital environment, also in terms of taxation, through the incorporation of virtual presence into the generation of value, and its consequent valuation.
- The establishment of reciprocal cooperative relations with tax authorities that are based on the principles of transparency, mutual trust, good faith and fairness.
- Promotion of a clear, transparent and responsible reporting strategy to stakeholders on its main fiscal-related matters.

Total tax contribution

BBVA is committed to providing full **transparency** in tax payments, which is why once more this year the Group has voluntarily disclosed all major tax payments in the countries where it has a significant presence, as it has done every year since 2011.

BBVA Group's total tax contribution (TTC), which uses a method created by PwC, includes its own and third-party payments of corporate taxes, VAT, local taxes and fees, income tax withholdings, Social Security payments, and payments made during the year arising from tax litigation in relation to the aforementioned taxes. In other words, it includes both the taxes related to the BBVA Group companies (taxes which represent a cost to them and affect their results) and taxes collected on behalf of third parties. The TTC Report gives all the stakeholders an opportunity to understand BBVA's tax payments and represents a forward-looking approach and commitment to corporate social responsibility, by which it assumes a leading position in fiscal transparency.

Global Tax contribution (BBVA Group. Millions of euros)

	2018	2017
Own taxes	4,502	4,106
Third-party taxes	5,250	5,775
Total tax contribution	**9,752**	**9,881**

Offshore financial centers

BBVA maintains a **policy** on activities in entities permanently registered in offshore financial centers, which includes a plan for reducing the number of offshore financial centers.

In this respect, in **2018** the Group closed the branch in the Cayman Islands so, as of December 31, 2018, BBVA's permanent establishments registered in offshore financial centers considered tax havens both from the perspective of the OCDE as of the Spanish regulations, are the issuers of securities: BBVA Global Finance, Ltd., Continental DPR Finance Company, Garanti Diversified Payment Rights Finance Company and RPV Company.

Branch at offshore entities (BBVA Group. Millions of euros)		
Main figures of the balance sheets	**31-12-18**	**31-12-17**
Loans and advances to customers		1,499
Deposits from customers		1,144

Issuers of securities

The BBVA Group has four **issuers** registered in Grand Cayman, two of them from the Garanti Group.

Issuances outstanding at offshore entities (BBVA Group. Millions of euros)		
Issuing entities	**31-12-18**	**31-12-17**
Subordinated debts [1]		
BBVA Global Finance LTD	175	162
Other debt securities		
Continental DPR Finance Company [2]	48	59
Garanti Diversified Payment Rights Finance Company	1,793	1,879
RPV Company	1,329	1,262
TOTAL	**3,345**	**3,362**

[1] Securities issued before the enactment of Act 19/2003 dated 4 July 2003.

[2] Securitization bond issuances in flows generated from export bills.

Supervision and control of the permanent establishments of the BBVA Group in offshore financial centers

The BBVA Group applies risk management **criteria and policies** to all its permanent establishments in offshore financial centers that are identical to those for the rest of the companies making up the Group.

During the reviews carried out annually on each and every one of the BBVA Group's permanent establishments in offshore financial centers, BBVA's **Internal Audit** Department checks the following: i) that their activities match the definition of their corporate purpose, ii) that they comply with corporate policies and procedures in matters relating to knowledge of the customers and prevention of money laundering, iii) that the information submitted to the parent company is true, iv) and that they comply with tax obligations. In addition, every year a specific review of Spanish legislation applicable to the transfer of funds between the Group's banks in Spain and its companies established in offshore centers is performed.

In 2018, BBVA's **Compliance and Internal Audit** Departments have supervised the action plans deriving from the audit reports on each one of these centers.

For 2018, as far as **external audits** are concerned, all of the BBVA Group's permanent establishments registered in offshore financial centers have the same external auditor (KPMG), except Continental DPR Finance Company.

Other tax information by countries

Tax information by countries (Millions of euros)

	2018				2017			
Country	**CIT payments cash basis**	**CIT expense consol**	**PBT consol**	**Subsidies**	**CIT payments cash basis**	**CIT expense consol**	**PBT consol**	**Subsidies**
Spain	534	383	1,295	-	454	137	(856)	-
The United States	165	188	977	-	154	274	805	-
Mexico	903	902	3,241	-	795	798	2,946	-
Turkey	422	269	1,225	-	354	426	1,902	-
Colombia	85	117	355	-	101	86	299	-
Argentina	32	116	66	-	51	89	443	-
Peru	146	163	584	-	151	142	528	-
Venezuela	-	20	2	-	3	20	12	-
Chile	365	43	205	-	99	66	317	-
Uruguay	15	6	37	-	25	10	35	-
Paraguay	9	3	35	-	6	4	35	-
Bolivia	2	2	9	-	2	2	7	-
Brasil	-	-	-	-	-	1	4	-
Curaçao	-	-	6	-	-	-	2	-
Romania	1	4	38	-	2	2	35	-
Portugal	6	27	59	-	5	31	42	
Netherlands	7	5	20	-	2	13	48	-
Switzerland	9	1	4	-	3	2	7	-
Finland	-	-	(12)	-	-	-	(8)	-
Ireland	-	2	10	-	2	-	11	-
United Kingdom	3	2	21	-	1	18	44	-
Hong Kong	-	1	14	-	-	-	16	-
France	14	12	36	-	15	9	36	-
Italy	8	8	29	-	4	15	43	-
Germany	17	1	16	-	25	13	29	-
Belgium	-	-	2	-	-	-	(1)	-
China	-	-	(1)	-	-	-	(2)	-
South Korea	-	-	-	-	-	-	(1)	-
Singapur	1	1	7	-	1	1	5	-
Japan	-	-	-	-	-	-	(4)	-
Taiwan	-	-	(2)	-	-	(1)	(4)	-
Luxembourg	-	-	-	-	2	-	(1)	-
Chipre	3	7	30	-	2	4	17	-
Malta	6	10	136	-	2	6	140	-
Poland	-	-	2	-	-	1	-	-
Total	**2,753**	**2,295**	**8,446**	**-**	**2,261**	**2,169**	**6,931**	**-**

Note: the results of this breakdown of the branches are integrated in the financial statements of the parent companies on which they depend.

During 2018, BBVA Group has not received public aid for the financial sector which has the aim of promoting the carrying out of banking activities and which is significant, as mentioned in the Appendix XIII – Annual banking report of the Consolidated Financial Statements.

Suppliers

BBVA understands that integrating ethical, social and environmental factors into its supply chain is part of its responsibility. Thus, in 2018, BBVA has reinforced the three basic **pillars** of the Group's Procurement Model with the end of the transformation of the procurement function. These pillars include:

- service orientation, maximizing the quality and experience of internal customers,
- limitation of reputational risk in contracting suppliers, and
- contribution to efficiency, through the active management of both costs and suppliers.

Essential data about suppliers (BBVA Group) [1]

	2018	2017
Number of suppliers [2]	4,620	4,563
Volume provided by suppliers (millions of euros) [2]	7,478	7,077
Average payment term to suppliers (days)	22	23
Suppliers satisfaction index [3]	n.av.	82
Number of approved suppliers	5,819	4,895

n.av.= not avaiable.

[1] Supplier´s data exclude the information about Turkey

[2] Payments to third parties. Suppliers lower than 100,000 euros are not included

[3] Bienal survey

Within the procurement process, it is necessary to correctly manage all effects that a bank such as BBVA may cause, both real and potential. BBVA has a series of **mechanisms and standards** designed to manage these impacts: Responsible Procurement Policy, Approval Process, and the Corporate Standard for the Acquisition of Goods and the Contracting of Services. These **impacts** may be environmental, produced because of poor labor practices of suppliers, arising from the lack of association freedom, against human rights, and positive or negative on society.

During 2018, the implementation of the Supplier Code of Ethics was consolidated in all purchasing units in all the countries where the Group is present, establishing minimum standards of behavior that suppliers are expected to follow in terms of ethical, social and environmental conduct when they provide products and services. Along with the ethical supplier code, BBVA maintains a responsible procurement policy.

Responsible procurement policy

The responsible procurement policy establishes, among other aspects, that it is necessary to ensure compliance with all applicable legal requirements throughout the provisioning process regarding **human, labor, association and environmental rights** by all parties involved in this process as well becoming involved in the Group's efforts aimed at preventing corruption. In the same way, it is ensured that the selection of suppliers remains in compliance with existing internal regulations at all times and, in particular, with the values of the Group's Code of Conduct, based on respect for legality, commitment to integrity, competition, objectivity, transparency, creation of value and confidentiality. The following are included among the clauses included in the specifications and in the contractual model:

- Compliance with current legislation in each locality and, in particular, with the obligations imposed on it by its personnel, Social Security or alternative provision systems, hiring of foreign workers, the Public Treasury, public records, etc.
- Compliance with current legislation on the social integration of individuals with disabilities.
- Clauses that ensure that non-discrimination policies are established for reasons of gender, as well as measures to reconcile work and family life.
- Equality clause.
- Compliance with all labor, occupational health, and safety legislation.
- Anti-corruption statement.
- Adherence to the United Nations Global Compact.

The Responsible Procurement Policy also establishes, as one of its principles, the "raising awareness, in terms of social responsibility, among staff and other interested parties involved in the procurement processes of the Group."

Supplier management

BBVA carries out an **approval process** for recurring suppliers with higher purchase volumes. The financial, legal, labor and reputational situation of the suppliers is assessed during this approval process, in order to determine whether they fulfill their legal responsibilities as well their basic technical capacities, which makes it possible to validate that they share the same values as the Group in terms of social responsibility. In this process, suppliers must comply with the following points:

- Compliance with the social and environmental principles of the UN.
- Adoption of internal measures to guarantee diversity and equal opportunities in the management of human resources.
- Adoption of measures to promote occupational health and safety and the prevention of workplace accidents and incidents.
- Support for the freedom of affiliation and collective bargaining of its workers in all the countries in which it operates.
- Possession of a code of conduct or policy to avoid forced labor, child labor and other violations of human rights, both within the company itself as well as in its subcontractors.
- Possession of a code of conduct or policy designed to avoid corruption and bribery.
- Participation or collaboration in activities related to culture, scientific knowledge, sports, the environment or disadvantaged sectors, either through direct actions or by means of donations, in collaboration with other organizations or institutions.
- Policy for hiring of persons with disabilities.
- Existence of a corporate responsibility policy within the company.

Approval is reviewed periodically and is subject to continuous monitoring. The percentage of approved suppliers is 29%, which account for 85% of the total awarded.

Security companies, especially those critical to these matters, have established compliance with current legislation with regard to specifications and contracts, with special attention provided to labor legislation and the specific laws applicable to these types of companies, as well as compliance with human rights obligations, non-discrimination and equality policies, etc.

With regard to **local** suppliers, these represent 97.7% of BBVA´s total providers in 2018 which represents 94.6% of the total turnover, which facilitates contributions to the economic and social development of the countries in which the Group is present (Uruguay is excluded from the scope, since the breakdown by local suppliers is not available). The local supplier, in this context, is one whose tax identification matches the country of the company receiving the goods or service.

On the other hand, the turnover of **special employment centers** (CEE, for its acronym is Spanish) in Spain to the Bank is estimated at more than €3.2 million for the year. The hiring of CEEs favors inclusion and diversity.

BBVA performs supplier audits in which the quality of the service provided by them is evaluated in accordance with the provisions of the contracts and the Bank's needs.

Other Non-financial risks

News related to the procurement by the Bank of services offered by companies related to the Grupo Cenyt have been recently released. Through mass media, the Bank has been aware that the aforementioned facts could be the object of an investigation by judicial authorities, without the Bank having received any formal notice for the moment.

The Bank is carrying out a forensic investigation led by PwC through the Bank's external legal counsel Garrigues, along with Uría, for the defense of its legitimate interests, collaborating with judicial authorities and supervisors within the framework of its defense.

It is not possible to predict in this moment neither the scope or duration of the Bank´s or the judicial authorities´investigation nor their possible results or implications for the Group. We cannot exclude at the moment the opening of proceeding, legal or regulatory actions against the Bank that could have a negative reputational or economic impact for the Bank of the Group.

GRI indicators

Code	Information requested under the Law 11/2018 (Non-financial Information Report)	Linking with GRI indicators (Guidance)	BBVA Management Report page
0.	**General information**		
0.1	**Business model**		
0.1.a	Brief description of the group's business model (business environment and organization)	102-2 Activities, brands, products, and services 102-7 Size of the organization	50-53
0.1.b	Geographical presence	102-3 Location of headquarters 102-4 Location of operations 102-6 Markets served	2
0.1.c	Objectives and strategies of the organization	102-14 Declaration of senior executives responsible for decision-making (vision and strategy related to the management of economic, social, and environmental impacts)	54-62
0.1.d	Main factors and trends that may affect your future evolution	102-15 Main impacts, risks, and opportunities	54
0.2	**General**		
0.2.1	Indicate the national, European or international reporting framework in the report that is used for the selection of key non-financial performance indicators included in each of the sections	102-54 Declaration of preparation of the report in accordance with GRI Standards	48
0.2.2	If the company complies with the non-financial information law by issuing a separate report, it must be expressly stated that said information is part of the management report	n.a.	
1.	**Environmental questions**		
1.1	**General information**		
1.1.a	A description of the **policies** applied by the group with respect to these issues, which will include due diligence procedures applied to the identification, evaluation, prevention and mitigation of significant risks and impacts, and to verification and control, including what measures have been adopted.	103-2 The management approach and its components	84-89
1.1.b	The **results of these policies**, including key **indicators** of relevant non-financial results that allow the monitoring and evaluation of progress and that favor the comparability between societies and sectors, in accordance with the national, European or international reference frameworks used for each subject.	103-2 The management approach and its components 103-3 Evaluation of the management approach	84-89/96-98
1.1.c	The **main risks** related to these issues involving the activities of the group, including, where relevant and proportionate, their business relationships, products or services that may have negative effects in these areas, and how the group manages such risks, explaining the **procedures used to detect and evaluate them** in accordance with national, European or international reference frameworks for each matter. Information on the **impacts** that have been detected must be included and broken down, in particular on the main **short-, medium-, and long-term risks**.	102-15 Main impacts, risks and opportunities	96-97
1.1	**Detailed information**		
1.1.1	**General detailed information**		
1.1.1.1	On current and foreseeable effects of the activities of the company on the environment and, where appropriate, health and safety	-	96
1.1.1.2	On environmental assessment or certification procedures	-	97
1.1.1.3	On the resources dedicated to the prevention of environmental risks	-	96
1.1.4	On the application of the precautionary principle	102-11 Precautionary principle or approach	96
1.1.5	About the resources dedicated to the prevention of environmental risks	-	94
1.1.2	**Contamination**		

1.1.2.1	Measures to prevent, reduce or repair emissions that seriously affect the environment; taking into account any form of air pollution specific to an activity, including noise and light pollution.	305-5 Reduction of GHG emissions 305-6 Emissions of substances that deplete the ozone layer (ODS) 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	96-98
1.1.3	**Circular economy and waste prevention and management**		
1.1.3.1	Prevention, recycling, reuse, other forms of recovery and types of waste disposal; actions to combat food waste	301-2 Recycled supplies 301-3 Reused products and packaging materials 303-3 Recycled and reused water 306-1 Water discharge according to quality and destination 306-2 Waste by type and disposal method	96-98
1.1.4	**Sustainable use of resources**		
1.1.4.1	Water consumption and water supply according to local constraints	303-1 Water extraction by source 303-2 Water sources significantly affected by water withdrawal	96-98
1.1.4.2	Use of raw materials and measures taken to improve the efficiency of their utilization	301-1 Materials used by weight or volume	96-98
1.1.4.3	Energy use, direct and indirect	302-1 Energy use within the organization 302-2 Energy use outside of the organization	96-98
1.1.4.4	Measures taken to improve energy efficiency	302-4 Reduction of energy consumption 302-5 Reduction of the energy requirements for products and services	96-98
1.1.4.5	Use of renewable energies	302-1 Energy use within the organization	96-98
1.1.5	**Climate change**		
1.1.5.1	The important elements of greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces	305-1 Direct GHG emissions (scope 1) 305-2 Indirect GHG emissions from energy generation (scope 2) 305-3 Other indirect GHG emissions (scope 3)	96-99
1.1.5.2	Measures taken to adapt to the consequences of climate change	201-2 Financial implications and other risks and opportunities arising from climate change	96-99
1.1.5.3	Reduction goals established voluntarily in the medium and long term to reduce greenhouse gas emissions and measures implemented for that purpose	305-5 Reduction of GHG emissions	96-99
1.1.16	**Protection of biodiversity**		
1.1.6.1	Measures taken to protect or restore biodiversity	304-3 Protected or restored habitats	96-98
1.1.6.2	Impacts caused by activities or operations in protected areas	304-2 Significant impacts of activities, products, and services on biodiversity	96-98
2.	**Social and personnel questions**		
2.1	**General information**		
2.1.a	A description of the **policies** applied by the group with respect to these issues, which shall include due diligence procedures applied to the identification, evaluation, prevention and mitigation of significant risks and impacts, and to verification and control, including which specific measures have been adopted.	103-2 The management approach and its components	71
2.1.b	The **results of these policies**, including key **indicators** of relevant non-financial results that allow the monitoring and evaluation of progress and that favor the comparability between societies and sectors, in accordance with the national, European or international reference frameworks used for each subject.	103-2 The management approach and its components 103-3 Evaluation of the management approach	71
2.1.c	The **main risks** related to these issues involving the activities of the group, including, where relevant and proportionate, their business relationships, products or services that may have negative effects in these areas, and how the group manages such risks, explaining the **procedures used to detect and evaluate them** in accordance with national, European or international reference frameworks for each matter. Information on the **impacts** that have been detected must be included and broken down, in particular on the main **short-, medium-, and long-term risks.**	102-15 Main impacts, risks and opportunities	78-81
2. 2	**Detailed information**		
2.2.1	**Employees**		

2.2.1.1	Total number and distribution of employees according to representative diversity criteria (gender, age, country, etc.)	102-8 Information on employees and other workers 405-1 Diversity in governing bodies and employees	72-77
2.2.1.2	Total number and distribution of work contract modalities, annual average of permanent contracts, temporary contracts and part-time contracts by sex, age, and professional classification	102-8 Information on employees and other workers	72-77
2.2.1.3	Number of dismissals by sex, age, and professional classification	401-1 New employee hiring and staff rotation	72-77
2.2.1.4	The average remunerations and their evolution disaggregated by sex, age, and professional classification or equal value	102-38 Total annual compensation ratio 102-39 Percentage increase rate for the total annual compensation	82-83
2.2.1.5	Salary gap, remuneration paid for equal work or the average salary of the company	405-2 Ratio of basic salary and remuneration of women to men	82
2.2.1.6	The average remuneration of directors and executives, including variable remuneration, allowances, and compensation	-	ACGR/83
2.2.1.7	Payment to long-term forecast savings and any other perception broken down by gender	201-3 Obligations of the defined benefit plan and other retirement plans	83
2.2.1.8	Implementation of employment termination policies	-	79
2.2.1.9	Employees with disabilities	405-1 Diversity in governing bodies and employees	77-78
2.2.2	**Work organization**		
2.2.2.1	Work schedule organization	-	78
2.2.2.2	Number of hours of absenteeism	403-2 Types and frequency of accidents, occupational illnesses, days lost, absenteeism, and number of deaths due to work-related accidents or occupational illnesses	79
2.2.2.3	Measures designed to facilitate access to mediation resources and encourage the responsible use of these by both parents	401-3 Parental leave	78-80
2.2.3	**Health and safety**		
2.2.3.1	Work health and safety conditions	403-3 Workers with high incidence or high risk of diseases related to their activity	78-80
2.2.3.2	Work accidents, in particular their frequency and severity, as well as occupational diseases; disaggregated by gender.	403-2 Types and frequency of accidents, occupational illnesses, days lost, absenteeism, and number of deaths due to work-related accidents or occupational illnesses	78-80
2.2.4	**Social relationships**		
2.2.4.1	Organization of social dialog, including procedures to inform and consult staff and negotiate with them	102-43 Approach to interest group participation 402-1 Minimum notice periods for operational changes 403-1 Representation of workers in formal worker-company health and safety committees	78-80
2.2.4.2	Percentage of employees covered by collective agreement by country	102-41 Collective bargaining agreements	78-80
2.2.4.3	The balance of collective agreements, particularly in the field of health and safety at work	403-4 Health and safety issues addressed in formal agreements with unions	78-80
2.2.5	**Training**		
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Other information

Risk exposure

The BBVA Group's risk management system and risk exposure are described in Note 7, Risk Management of the accompanying Consolidated Financial Statements. The evolution of the risk metrics appears in the Risk Management section while the non-financial risks, environmental and social, are shown in the corresponding section of Management of environmental and social impacts, both included in this Management Report.
In addition, since 2016, BBVA has a methodology for the identification, assessment and management of **reputational risk**. Through this methodology, the Bank regularly defines and reviews a map in which it prioritizes the reputational risks it faces, as well as a set of action plans to mitigate them. The prioritization is made based on two variables: the impact on stakeholders' **perceptions** and the BBVA's **strength** against risk.

This exercise is carried out annually in all the countries where the Group is present, as well as in the CIB EMEA Area. Following the result of the exercise, 32 mitigation action plans were carried out in 2018.

New measures aimed at strengthening the most outstanding reputational risk management model of 2018 are:

- Review of the risk factors subjected to analysis with the incorporation of feedback on areas of improvement carried out by Global Risk Management and Compliance areas, as well as the Responsible Business Department itself.
- Coordination of the annual review of the risk map by the reputational risk specialist at local level.
- Review of the catalog of reputational risk indicators in order to improve the handling of any potential events that may occur in any given location.
- Incorporation of local reputational risk specialists in the New Product Committees in Spain, Mexico, the United States, Colombia, Peru, Venezuela and Turkey.

Contractual obligations and off-balance sheet operations

Information on contingent risks and commitments can be found in Note 33 Commitments and guarantees given of the accompanying Consolidated Financial Statements. Information on purchase and sale commitments and future payment obligations can be found in Note 35 Purchase and sale commitments and future payment obligations of the accompanying Consolidated Financial Statements.

Innovation and technology

BBVA is engaged in a process of digital transformation, the main aim of which is to achieve its aspiration of strengthening relationships with its customers and being the best possible bank for them. **Engineering** is an essential component of this transformation. Its mission has always been to **enable a technology strategy that provides the foundation for this transformation**, thus becoming more customer-centric and establishing a more global strategy, fast to implement, digital, flexible and leveraged on the Group's data. This must be done while continuing to provide support to the Bank's core business: catering to the demand for traditional business (multi-segment, multi-product, multi-channel, etc.); and b) contributing reliability, with the necessary tools to ensure adequate internal controls, based on consistent information and data. In addition, Engineering objective is provide the group with all the tools it needs to drive profitability, new productivity paradigms and new business processes.

The area´s **responsabilities** in 2018 were focused on:

- A technology stack (first release) to offer customers services that are more suited to their needs, in terms of speed and content and begin with its full deployment, in several geographical areas, in addition to the partial deployment of certain strategic pieces, in some other geographical areas.
- Alliances with strategic partners to harness cutting-edge technology, and the necessary collaboration to speed up the transformation process.
- Productivity and reliability, i.e. securing improved performance from technology, and doing so in a manner that is fully reliable and guarantees the highest quality and security standards.

Technology stack: cloud paradigms

With customers increasingly making use of digital channels, and therefore driving an exponential increase in transaction numbers, the Group is continuing to develop its **IT model** into a more uniform and scalable system, boosting cloud technology.

During **2018**, Engineering completed the construction and deployment of the building blocks of the global technological stack for the whole of BBVA. This stack shares the cloud attributes of flexibility and stability that are demanded by the digital world, while strictly complying with regulatory requirements. As of 2019, global projects are being implemented on the technological stack, that allows a very high degree of reuse, not only global, but also local, real-time access, different handling of the data and an optimization of processing costs, which will enable a service offer as close as possible to the needs of customers .

Strategic alliances

Engineering continues to encourage the creation of a network of strategic alliances, giving traction to BBVA's digital transformation and complement its technology stack. Establishing an **ecosystem of strategic alliances** with some of the leading businesses in the market ensures the adoption of innovative technologies, digitalization of the business, speed in activation, as well as global deployment of solutions. Furthermore, by building a network of technological alliances with strategic partners, BBVA will work in close cooperation with some of the foremost companies in their respective fields.

In **2018** BBVA continued with its strategy of alliances with relevant companies that will be responsible, on the one hand, for operating and optimizing BBVA's current technology and, on the other hand, for managing the communications infrastructure in a global manner, of providing new technological capabilities and assist in the use of the most advanced technologies.

Productivity and reliability

Productivity is a key part of the transformation process. Greater productivity is needed to provide our customers with the best possible service while being profitable. The area is therefore working on the following:

- Technological shift at the level of:
  - *Hardware*: creating lower-cost infrastructure components based on the cloud paradigm. Spain processes half of its volume with this technology in 2018, while Mexico made significant progress. Other countries are expected to join in 2019 and 2020.
  - *Software*: multiple global functionalities have been constructed, reused by various of the Group's geographic areas, and construction continues on the technological stack with a high level of automation. In 2018, Engineering has worked with the business areas to align their plans with the deployment of new technological capabilities that enables the Bank to begin to materialize the objectives of the strategy.

- Transformation of operations: Engineering has continued with the operations optimization exercise in several geographical areas, with good results, applying the working methodology, created in a global way to implement it throughout the whole Group, and already including robotics activities in several geographical areas .

Reliability remains another key factor for the Engineering function and digital transformation. It is crucial to obtain the best possible performance from infrastructures, architectures, operations and internal processes, and to do so in a way that is fully reliable.

In this sense, BBVA continues to implement programs to strengthen security and **control technological risk**, in all areas, and keeps working on continuous improvement to guarantee service levels.

Patents, licenses or similar

At the time of preparing the accompanying Consolidated Financial Statements, the BBVA Group is not materially dependent on the issuance of patents, licenses and industrial, mercantile or financial contracts or on new manufacturing processes in carrying out its business purpose.

Subsequent events

On January 15, 2019, BBVA announced its irrevocable decision to early redeem, on February 19, 2019, the issuance of preferred securities contingently convertible (additional tier 1 instrument) carried out by the Bank on February 19, 2014, for an amount of €1.5 billion on the First Reset Date of the issuance and once the prior consent from the Regulator was obtained (see Note 22.4 of the accompanying Consolidated Financial Statements).

The Board of Directors, in their meeting on January 31, 2019, agreed on carrying out an issuance of bonds convertible into ordinary shares of BBVA with exclusion of pre-emptive subscription rights, under the power delegated by the General Shareholders' Meeting of the Company held on March 17, 2017 under the fifth item on the agenda which is pending to be executed.

On February 1, 2019 it was announced that it was foreseen to submit to the consideration of the corresponding government bodies the proposal of cash payment in a gross amount of euro 0.16 per share to be paid in April as final dividend for 2018 (see Note 4 of the accompanying Consolidated Financial Statements).

From January 1, 2019 to the date of preparation of these Consolidated Financial Statements, no other subsequent events not mentioned above in these financial statements have taken place that could significantly affect the Group's earnings or its equity position.

Alternative Performance Measures (APMs)

BBVA 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 given below. 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 in order 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).

Constant exchange rates

When comparing two dates or periods in this management report, the impact of changes in the exchange rates against the euro of the currencies of the countries in which BBVA operates is sometimes excluded, assuming that exchange rates remain constant. This is done for the amounts in the income statement by using the average exchange rate against the euro in the most recent period for each currency of the geographies where the Group operates, and applying it to both periods; for amounts in the balance sheet and activity, the closing exchange rates in the most recent period are used.

Book value per share

The book value per share determines the value of a company on its books for each share held. It is calculated as follows:

$$\frac{\text{Shareholders' funds} + \text{Accumulated other comprehensive income}}{\text{Number of shares outstanding} - \text{Treasury shares}}$$

Explanation of the formula: The figures for both ''shareholders' funds'' and ''accumulated other comprehensive income'' are taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results. The denominator includes the final number of outstanding shares excluding own shares (treasury shares). The denominator is also adjusted to include the capital increase resulting from the execution of the "dividend options" explained above. Both the numerator and the denominator take into account period-end balances.

Relevance of its use: It shows the company's book value for each share issued. It is a generally used ratio, not only in the banking sector but also in others.

Book value per share

			IFRS 9		IAS 39	
			31-12-18	01-01-18	31-12-17	31-12-16
Numerator (million euros)	+	Shareholders' funds	54,326	52,432	53,283	50,986
	+	Dividend-option adjustment	-	-	-	-
	+	Accumulated other comprehensive income	(7,215)	(7,036)	(6,939)	(3,622)
Denominator (million euros)	+	Number of shares outstanding	6,668	6,668	6,668	6,567
	+	Dividend-option	-	-	-	-
	-	Treasury shares	47	13	13	7
=		Book value per share (euros / share)	7.12	6.82	6.96	7.22

Tangible book value per share

The tangible book value per share determines the value of the company on its books for each share held by shareholders in the event of liquidation. It is calculated as follows:

$$\frac{\text{Shareholders' funds} + \text{Accumulated other comprehensive income} - \text{Intangible assets}}{\text{Number of shares outstanding} - \text{Treasury shares}}$$

Explanation of the formula: The figures for ''shareholders' funds'', ''accumulated other comprehensive income'' and ''intangible assets'' are all taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results. The denominator includes the final number of shares outstanding excluding own shares (treasury shares). The denominator is also adjusted to include the result of the capital increase resulting from the execution of the "dividend options" explained above. Both the numerator and the denominator take into account period-end balances.

Relevance of its use: It shows the company's book value for each share issued, after deducting intangible assets. It is a generally used ratio, not only in the banking sector but also in others.

Tangible book value per share

			IFRS 9		IAS 39	
			31-12-18	01-01-18	31-12-17	31-12-16
Numerator (million euros)	+	Shareholders' funds	54,326	52,432	53,283	50,986
	+	Dividend-option adjustment	-	-	-	-
	+	Accumulated other comprehensive income	(7,215)	(7,036)	(6,939)	(3,622)
	-	Intangible assets	8,314	8,464	8,464	9,786
Denominator (million euros)	+	Number of shares outstanding	6,668	6,668	6,668	6,567
	+	Dividend-option	-	-	-	-
	-	Treasury shares	47	13	13	7
=		Tangible book value per share (euros / share)	5.86	5.55	5.69	5.73

Dividend yield

This is the remuneration given to the shareholders in the last twelve calendar months, divided by the closing price for the period. It is calculated as follows:

$$\frac{\sum \text{Dividend per share over the last twelve months}}{\text{Closing price}}$$

Explanation of the formula: The remuneration per share takes into account the gross amounts per share paid out over the last twelve months, both in cash and through the flexible remuneration system called "dividend option".

Relevance of its use: This ratio is generally used by analysts, shareholders and investors for companies that are traded on the stock market. It compares the dividend paid out by a company every year with its market price at a specific date.

Dividend yield

		31-12-18	31-12-17	31-12-16
Numerator (euros)	∑ Dividends	0.25	0.30	0.37
Denominator (euros)	Closing price	4.64	7.11	6.41
=	Dividend yield	5.4%	4.2%	5.8%

Non-performing loan (NPL) ratio

This is the ratio between the risks classified for accounting purposes as non-performing loans and the total credit risk balance for customers and contingent risks. It is calculated as follows:

$$\frac{\text{Non} - \text{performing loans}}{\text{Total credit risk}}$$

Explanation of the formula: ''Non-performing loans'' include those related to loans and advances to customers (gross) and those related to contingent risk, excluding the non-performing loans of credit institutions and securities. ''Total credit risk'' includes both pending and contingent risk. Their calculation is based on the headings in the first table on page 14 of this report.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the current situation and changes in credit risk quality, and specifically the relationship between risks classified in the accounts as non-performing loans and the total balance of credit risk, with respect to customers and contingent liabilities.

Change of criteria, due to IFRS 9, which entered into force on January 1, 2018, certain wholesale customer repos that until December 31, 2017 were presented in the total credit risk have not been taken into account in the calculation of this metric.

Non-Performing Loans (NPLs) ratio

		31-12-18	31-12-17	31-12-16
Numerator (million euros)	NPLs	17,087	20,492	23,595
Denominator (million euros)	Credit Risk	433,799	450,045	474,150
=	Non-Performing Loans (NPLs) ratio	3.9%	4.6%	5.0%

NPL coverage ratio

This ratio reflects the degree to which the impairment of non-performing loans has been covered in the accounts via loan-loss provisions. It is calculated as follows:.

$$\frac{\text{Provisions}}{\text{Non} - \text{performing loans}}$$

Explanation of the formula: ''Non-performing loans'' include those related to lending activity and those related to contingent risk, excluding non-performing loans from credit institutions and securities. ''Provisions'' are loan-loss provisions, for both customer loans and contingent risk. Their calculation is based on the headings in the first table on page 14 of this report.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk, reflecting the degree to which the impairment of non-performing loans has been covered in the accounts via loan-loss provisions.

NPL coverage ratio

		31-12-18	31-12-17	31-12-16
Numerator (million euros)	Provisions	12,493	13,319	16,573
Denominator (million euros)	NPLs	17,087	20,492	23,595
=	NPL coverage ratio	73%	65%	70%

Cost of risk

This ratio indicates the current situation and changes in credit-risk quality through the annual cost in terms of impairment losses (accounting loan-loss provisions, included in the "impairment on financial assets not measured at fair value through profit or loss" line) of each unit of loans and advances to customers (gross). It is calculated as follows:

$$\frac{\text{Annualized loan} - \text{loss provisions}}{\text{Average loans and advances to customers (gross)}}$$

Explanation of the formula: ''Annualized loan-loss provisions'' are calculated by accumulating and annualizing the loan-loss provisions of each month of the period under analysis, to standardize the comparison between different periods. For example, loan-loss provisions for six months (180 days)are divided by 180 to obtain daily loan-loss provisions and multiplied by 365 to obtain the annualized figure. This calculation uses the calendar days of the period under consideration.

''Loans and advances to customers (gross)'' refers to the portfolio of financial assets at amortized cost of the Group's consolidated balance sheet. The average of loans and advances to customers (gross) is calculated by using the average of the period-end balances of each month of the period analyzed plus the previous month.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk through the cost over the year.

Cost of risk

		31-12-18	31-12-17	31-12-16
Numerator (million euros)	Annualized loan-loss provisions	3,964	3,674	3,585
Denominator (million euros)	Average loans and advances to customers (gross)	392,037	414,448	423,306
=	Cost of risk	1.01%	0.89%	0.85%

Efficiency ratio

This measures the percentage of gross income consumed by an entity's operating expenses. It is calculated as follows:

$$\frac{\text{Operating expenses}}{\text{Gross income}}$$

Explanation of the formula: Both ''operating expenses'' and ''gross income'' are taken from the Group's consolidated income statement. Operating expenses are the sum of the administration costs (personnel expenses plus other administrative expenses) plus depreciation. Gross income is the sum of net interest income, net fees and commissions, net trading income dividend income, share of profit or loss of entities accounted for using the equity method, and other operating income and expenses. For a more detailed calculation of this ratio, the table on page 7 of this report should be

consulted, whose figures are at current exchange rates, and also the graphs on page 8, one of them with calculations with figures at current exchange rates and another with the data at constant exchange rates.

Relevance of its use: This ratio is generally used in the banking sector. It is also a ratio linked to one of the Group's six Strategic Priorities.

Efficiency ratio

			2018	2017	2016
Numerator (million euros)		Operating expenses	(11,702)	(12,500)	(12,791)
Denominator (million euros)		Gross income	23,747	25,270	24,653
=		Efficiency ratio	49.3%	49.5%	51.9%

ROE

The ROE (return on equity) ratio measures the return obtained on an entity's shareholders' funds plus accumulated other comprehensive income. It is calculated as follows:

$$\frac{\text{Annualized net attributable profit}}{\text{Average shareholders' funds} + \text{Average accumulated other comprehensive income}}$$

Explanation of the formula: "Annualized net attributable profit" is taken directly from the Group's consolidated income statement. If the metric is presented on a date before the close of the fiscal year, the numerator must be annualized. If extraordinary items (results from corporate operations) are included in the net attributable profit for the months covered, they are eliminated from the figure before it is annualized, and then added to the metric once it has been annualized.

''Average shareholders' funds'' are the weighted moving average of the shareholders' funds at the end of each month of the period analyzed, adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results.

''Average accumulated other comprehensive income'' is the moving weighted average of accumulated other comprehensive income, which is part of the equity on the Entity's balance sheet and is calculated in the same way as average shareholders' funds (above).

Relevance of its use: This ratio is very commonly used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds.

Change of criteria: As of 2018, accumulated other comprehensive income has been included in the denominator to align with the usual practice of the sector and to be more consistent with the calculation of the tangible book value per share explained above.

ROE

			2018	2017	2016
Numerator (million euros)		Annualized net attributable profit	5,324	3,519	3,475
Denominator (million euros)	+	Average shareholder's funds	52,841	52,801	50,190
	+	Average accumulated other comprehensive income	(6,796)	(5,167)	(2,735)
=		ROE	11.6%	7.4%	7.3%

ROTE

The ROTE (return on tangible equity) ratio measures the return on an entity's shareholders' funds, plus accumulated other comprehensive income, and excluding intangible assets. It is calculated as follows:

$$\frac{\text{Annualized net attributable profit}}{\text{Average shareholders' funds} + \text{Average accumulated other comprehensive income} - \text{Average intangible assets}}$$

Explanation of the formula: The numerator (annualized net attributable profit) and the items in the denominator ''average intangible assets'' and ''average accumulated other comprehensive income'' are the same items and are calculated in the same way as explained for ROE.

''Average intangible assets'' are the intangible assets on the balance sheet, including goodwill and other intangible assets. The average balance is calculated in the same way as explained for shareholders' funds in ROE.

Relevance of its use: This metric is generally used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds, not including intangible assets.

Change of criteria: As of 2018, the accumulated other comprehensive income has been included in the denominator to align it with the usual practice of the sector and with the calculation of the tangible book value per share explained above.

ROTE

			2018	2017	2016
Numerator (million euros)		Annualized net attributable profit	5,324	4,762	3,475
Denominator (million euros)	+	Average shareholder's funds	52,841	52,801	50,190
	+	Average accumulated other comprehensive income	(6,796)	(5,167)	(2,735)
	-	Average intangible assets	8,294	9,073	9,819
=		ROTE	14.1%	9.1%	9.2%

ROA

The ROA (return on assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Annualized profit for the year}}{\text{Average total assets}}$$

Explanation of the formula: ''Annualized profit for the year'' is taken directly from the Group's consolidated income statement. If the metric is presented on a date before the close of the fiscal year, the numerator must be annualized. If extraordinary items (results from corporate operations) are included in the net attributable profit for the months covered, they are eliminated from the figure before it is annualized and then added to the metric once it has been annualized.

''Average total assets'' are taken from the Group's consolidated balance sheet. The average balance is calculated in the same way as explained for shareholders' funds in ROE.

Relevance of its use: This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

ROA

		2018	2017	2016
Numerator (million euros)	Annualized profit for the year	6,151	4,762	4,693
Denominator (million euros)	Average total assets	678,865	702,508	735,636
=	ROA	0.91%	0.68%	0.64%

RORWA

The RORWA (return on risk-weighted assets) ratio measures the accounting return obtained on average risk-weighted assets. It is calculated as follows:

$$\frac{\text{Annualized profit for the year}}{\text{Average risk} - \text{weighted assets}}$$

Explanation of the formula: ''Annualized profit for the year'' is the same figure as explained for ROA.

''Average risk-weighted assets''(RWA) is the moving weighted average of the risk-weighted assets at the end of each month of the period under analysis and is calculated in the same way as explained for shareholders' funds in ROE..

Relevance of its use: This ratio is generally used in the banking sector to measure the return obtained on RWA.

RORWA

		2018	2017	2016
Numerator (million euros)	Annualized profit for the year	6,151	4,762	4,693
Denominator (million euros)	Average RWA	353,188	375,589	394,356
=	RORWA	1.74%	1.27%	1.19%

Other customer funds

This includes off-balance sheet funds (mutual funds, pension funds and other off-balance sheet funds) and customer portfolios.

Explanation of the formula: It is the period-end sum on a given date of the mutual funds, pension funds, other off-balance sheet funds and customer portfolios; as displayed in the table on page 15 of this report.

Relevance of its use: This metric is generally used in the banking sector, as apart from on-balance sheet funds, financial institutions manage other types of customer funds, such as mutual funds, pension funds, other off-balance sheet funds, customer portfolios, etc.

Other customer funds

Million euros		31-12-18	31-12-17	31-12-16
+	Mutual funds	61,393	60,939	55,037
+	Pension Funds	33,807	33,985	33,418
+	Other off-balance sheet funds	2,949	3,081	2,831
+	Customer portfolios	29,953	36,901	40,805
=	Other customer funds	128,103	134,906	132,092

Annual Corporate Governance Report

In accordance with the provisions established by Article 540 of the Spanish Corporate Act, the BBVA Group prepared the Annual Corporate Governance Report for 2018 (which is an integral part of the Management Report for that year) following the content guidelines set down in Order ECC/461/2013, dated March 20, and in Circular 5/2013, dated June 12, of Comisión Nacional del Mercado de Valores (CNMV), in the wording provided by Circular 2/2018, dated June 12, of CNMV. It is also included a section detailing the degree to which the Bank is compliant with existing corporate governance recommendations in Spain. In addition, all the information required by Article 539 of the Spanish Corporate Act can be accessed on BBVA's website www.bbva.com.

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

ISSUER IDENTIFICATION

YEAR-END DATE	31/12/2018

Tax Identification No.
[C.I.F.] A48265169

Company Name: Banco Bilbao Vizcaya Argentaria, S.A.

Registered Office: 4 Plaza de San Nicolás, 48005 Bilbao (Biscay)

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A. OWNERSHIP STRUCTURE

A.1 Fill in the following table on the company's share capital:

Date of last modification	Share capital (EUR)	Number of shares	Number of voting rights
24/04/2017	EUR 3,267,264,424.20	6,667,886,580	6,667,886,580

Indicate if there are different share classes with different rights associated with them:

NO

A.2 Detail the direct and indirect holders of significant shareholdings in your company at financial year-end, excluding directors:

Name or corporate name of the shareholder	% of voting rights attached to shares		% of voting rights through financial instruments		Total % of voting rights
	Direct	Indirect	Direct	Indirect	
Blackrock Inc.		5.71%	0.23%		5.94%

Details of indirect participation:

Name or corporate name of indirect shareholder	Name or corporate name of direct shareholder	% of voting rights attached to shares	% of voting rights through financial instruments	Total % of voting rights

Remarks
State Street Bank and Trust Co., The Bank of New York Mellon S.A.N.V. and Chase Nominees Ltd., as international custodian/depositary banks, hold, as of 31 December 2018, 10.69%, 2.31% and 6.33% of BBVA's share capital, 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 the BBVA share capital. Communication of significant holdings to the CNMV (Spanish National Securities Market Commission): On 18 October 2017, Blackrock Inc. informed the CNMV that it now had an indirect holding of 5.708% of BBVA's share capital, through the company Blackrock Investment Management.

Indicate the most significant changes in the shareholder structure during the financial year:

Name or corporate name of the shareholder	Date of transaction	Description of transaction

A.3 Fill in the following tables with the members of the company's Board of Directors with voting rights on company shares:

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Name or corporate name of the director	% of voting rights attached to shares		% of voting rights through financial instruments		Total % of voting rights	% of voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Carlos Torres Vila	0.00	0.00	0.00	0.00	0.01	0.00	0.00
Onur Genç	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tomás Alfaro Drake	0.00	0.00	0.00	0.00	0.00	0.00	0.00
José Miguel Andrés Torrecillas	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Jaime Félix Caruana Lacorte	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Belén Garijo López	0.00	0.00	0.00	0.00	0.00	0.00	0.00
José Manuel González-Páramo Martínez-Murillo	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sunir Kumar Kapoor	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Carlos Loring Martínez de Irujo	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Lourdes Máiz Carro	0.00	0.00	0.00	0.00	0.00	0.00	0.00
José Maldonado Ramos	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ana Cristina Peralta Moreno	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Juan Pi Llorens	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Susana Rodríguez Vidarte	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Jan Paul Marie Francis Verplancke	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total % of voting rights held by the Board of Directors	**0.02%**

Details of indirect participation:

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Name or corporate name of the director	Name or corporate name of direct shareholder	% of voting rights attached to shares	% of voting rights through financial instruments	Total % of voting rights	% of voting rights that can be transferred through financial instruments

A.4 Where applicable, indicate any family, commercial, contractual or corporate relationships between holders of significant shareholdings, insofar as the company is aware of them, unless they are of little relevance or due to ordinary trading or exchange activities, except those described in section A.6:

Name of related person or company	Type of relationship	Brief description

A.5 Where applicable, indicate any commercial, contractual or corporate relationships between holders of significant shareholdings and the company and/or its group, unless they are of little relevance or due to ordinary trading or exchange activities:

Name of related person or company	Type of relationship	Brief description

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders or who were linked to significant shareholders and/or their group companies, and specify the nature of the relationships. In particular, indicate, where applicable, the existence, identity and position of board members—or their representatives—of the listed company who are members—or representatives of members—of the management body of companies that hold significant shareholdings in the listed company or of companies of said significant shareholders' groups.

Name or corporate name of linked director or representative	Name or corporate name of linked holder of significant shareholdings	Name of the company of the significant shareholder's group	Description of relationship/ position

A.7 Indicate whether the company has been informed of any shareholder agreements that may affect it, as set out under articles 530 and 531 of the Corporate Enterprises Act. Where applicable, briefly describe them and list the shareholders bound by such agreement:

NO

Indicate whether the company is aware of the existence of concerted actions by its shareholders. If so, describe them briefly:

NO

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If there has been any amendment or breaking-off of said pacts or agreements or concerted actions in the financial year, indicate this expressly:

A.8 Indicate whether any legal or natural person exercises or may exercise control over the company pursuant to article 5 of the Securities Exchange Act. If so, identify them:

NO

A.9 Fill in the following tables regarding the company's treasury shares:

At financial year-end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
0	47,257,691	0.71%

(*) Through:

Name or corporate name of direct holder of shareholding	Number of direct shares
Corporación General Financiera, S.A.	47,257,691
Total:	**47,257,691**

Give details of any significant changes that have occurred during the financial year:

Explain the significant changes
In 2018, four communications regarding treasury shares were sent, as the acquisitions had exceeded the threshold by 1%. The communications were as follows: • Communication date: 14/03/2018. A total of 3,277,798 direct shares and 17,977,118 indirect shares, representing a total of 0.319% of the share capital. This communication was made after acquisitions passed the 1% threshold. • Communication date: 14/06/2018. A total of 1,962,965 direct shares and 28,559,431 indirect shares, representing a total of 0.458% of the share capital. This communication was made after acquisitions passed the 1% threshold. • Communication date: 10/09/2018. The total number was 501,533 direct shares and 38,898,178 indirect shares acquired for a total of 0.591% of the share capital. This communication was made after acquisitions passed the 1% threshold. • Communication date: 05/11/2018. A total of 2,810,414 direct shares and 37,904,924 indirect shares, representing a total of 0.611% of the share capital. This communication was made after acquisitions passed the 1% threshold.

A.10 Describe the conditions and term of the current mandate of the General Meeting for the Board of Directors to issue, buy back and transfer treasury shares.

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- The Annual General Meeting of Shareholders of BBVA held on 17 March 2017, under item three of the agenda, passed a resolution to delegate to the Board of Directors the power to increase share capital for a period of five years up to a maximum amount corresponding to 50% of BBVA's share capital on the date of such authorisation. This can be done on one or several occasions, to the amount that the Board resolves, by issuing new shares of any kind allowed by law, with or without an issue premium, the counter-value of said shares comprising cash considerations. The authorisation includes the setting out of the terms and conditions of the share capital increase in any respect not provided for in the resolution, and delegation to the Board of a power to wholly or partly exclude pre-emptive subscription rights in relation to any share capital increase carried out by virtue of the resolution when so demanded by the corporate interest and in compliance with the applicable legal requirements. However, this power was limited insofar as the nominal amount of the capital increases resolved upon or actually carried out with an exclusion of the pre-emptive subscription right by virtue of the above delegation or resolved upon or executed to accommodate the conversion of ordinarily convertible issues that are also carried out with an exclusion of the pre-emptive subscription right in the exercise of the delegated power to issue convertible securities granted by the General Shareholders' Meeting itself, under item five of the agenda, may not exceed the maximum nominal amount, taken as a whole, of 20% of BBVA's share capital at the time of delegation. This limit does not apply to issues of contingently convertible securities.

  To date, BBVA has not adopted any resolution using this delegated power.

- The BBVA Annual General Meeting of Shareholders of 17 March 2017, under the fifth item on the agenda, delegated to the Board of Directors the power to issue securities that are convertible into newly issued BBVA shares, on one or more occasions within a maximum term of five years, up to a total combined maximum amount of EUR 8,000,000,000 or its equivalent in any other currency; the Board may likewise resolve upon, set and determine each and every one of the terms and conditions of the issues carried out by virtue of that delegated power, determine the basis and mode of conversion, and resolve upon, set and determine the conversion ratio, which may be fixed or variable. Moreover, the General Meeting resolved to delegate to the Board the power to totally or partially exclude pre-emptive subscription rights over any issue of convertible securities that may be made hereunder, when the corporate interest so requires, in compliance with any legal requirements established to this end. However, this power was limited in so far as the normal amount of the capital increases resolved upon or actually carried out to accommodate the conversion of ordinarily convertible issues executed by virtue of that delegated power with an exclusion of the pre-emptive subscription right, and those resolved upon or executed also with an exclusion of the pre-emptive subscription right in the exercise of the delegated power to increase share capital granted by the General Meeting itself, under item four of the Agenda, may not exceed the maximum nominal amount, taken as a whole, of 20% of BBVA's share capital at the time of delegation. This limit does not apply to issues of contingently convertible securities.

  Through the aforementioned delegation, during the 2017 financial year, BBVA made two issuances of contingently convertible perpetual securities (Additional Tier 1 capital instruments), without pre-emptive subscription rights, for amounts of EUR 500 million and USD 1 billion, respectively, and, during the 2018 financial year, an issuance of contingently convertible perpetual securities (Additional Tier 1 capital instruments), without pre-emptive subscription rights, for an amount of EUR 1 billion.

- Under the third item of the Agenda of the BBVA Ordinary General Shareholders' Meeting of 16 March 2018, it was resolved to grant BBVA the authority, whether directly or through any of its subsidiaries, and for a period of no more than five years, at any time and on as many occasions as it deems necessary, to derivatively acquire BBVA shares by any means permitted by law, including charging the acquisition to the profits for the financial year and/or to freely available reserves, as well as to later divest the acquired shares by any means permitted by law. The derivative acquisition of shares is to be carried out, in all cases, in accordance with the conditions established by the applicable legislation or by the competent authorities and, in particular, with the following conditions: (i) the

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nominal value of the treasury stock acquired, whether directly or indirectly, by means of this authorisation, when added to that already held by BBVA and its subsidiaries, may not exceed 10% of the subscribed share capital of BBVA or, where appropriate, the maximum amount permitted under the applicable legislation; and (ii) the acquisition price per share may not be lower than the nominal value of the share, and must be under 10% higher than the share price or any other price associated with the shares at the time that they are acquired. The aforementioned General Shareholders' Meeting also expressly authorised that the shares acquired by BBVA or any of its subsidiaries may, through the foregoing authorisation, be partially or totally set aside for workers or directors of BBVA or its subsidiaries, either directly or as a result of them exercising any option rights that they may hold.

A.11 Estimated floating capital:

	%
Estimated floating capital	93.33%

Remarks
The BBVA's estimated floating capital, has been obtained by removing from the share capital, the capital held by the direct and indirect holders of significant shareholdings (Section A.2), the members of the Board of Directors (Section A.3) and the treasury shares (Section A.9), on December 31, 2018, in accordance with the provisions of the instructions established in order to complete the Annual Corporate Governance Report.

A.12 Indicate whether there is any restriction (statutory, legislative or of any other kind) on the transferability of securities and/or any restriction on voting rights. In particular, report the existence of any restrictions that might hinder the takeover of the company through the purchase of its shares on the market, as well as any authorisation or prior communication regimes that are applicable to the purchase or transfer of the company's financial instruments in accordance with sector legislation.

NO

A.13 Indicate whether the General Meeting has agreed to adopt measures to neutralise a public takeover bid, pursuant to Act 6/2007.

NO

If so, explain the measures approved and the terms under which the restrictions would be rendered effective:

A.14 Indicate whether the company has issued securities that are not traded on a regulated market in the EU.

YES

Where applicable, indicate the different share classes, and what rights and obligations each share class confers.

Indicate the different share classes
All the shares in BBVA's share capital have the same class and series, and confer the same voting and economic rights. There are no different voting rights for any shareholder. There are no shares that do not represent capital. The Bank's shares are admitted for trading on the Securities Exchanges in Madrid, Barcelona, Bilbao and Valencia, through the Spanish electronic trading platform (Continuous Market), and the stock markets in London and Mexico. BBVA American Depositary Shares (ADS) are traded on the New York Stock Exchange. Additionally, as of 31 December 2018, shares of BBVA Banco Continental, S.A., Banco Provincial S.A., BBVA Colombia, S.A. and BBVA Banco Francés, S.A. were traded on their respective local securities markets and, for the latter entity, on the New York Stock Exchange and in the Latin American securities exchange (LATIBEX) on the Stock Market of Madrid.

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B GENERAL SHAREHOLDERS' MEETING

B.1 Indicate, giving details where applicable, whether there are any deviations from the minimum standards established under the Corporate Enterprises Act (CEA) with respect to the quorum for holding the General Meeting.

YES

	% required for quorum if different to that set out in art. 193 of the CEA for general circumstances	% required for quorum if different to that set out in art. 194 of the CEA for special circumstances
Quorum on first call	0.00%	66.66%
Quorum on second call	0.00%	60.00%

Description of the differences
Article 194 of the Corporate Enterprises Act establishes that in order for a General Meeting (whether ordinary or extraordinary) to validly resolve to increase or reduce capital or make any other amendment to the Bylaws, bond issuance, the suppression or limitation of pre-emptive subscription rights over new shares, or the transformation, merger or spin-off of the company or global assignment of assets and liabilities or the offshoring of domicile, the shareholders present and represented on first calling must own at least fifty percent of the subscribed capital with voting rights. On second calling, twenty-five percent of said capital will be sufficient. Notwithstanding the foregoing, Article 25 of the BBVA Bylaws requires a super quorum of members representing two thirds of the subscribed capital with voting rights on first calling, and 60% of the subscribed capital on second calling, for the valid adoption of resolutions on the following matters: re-definition of the corporate purpose; the transformation, total spin-off or winding up of the Company; and the modification of the statutory article defining this super quorum.

B.2 Indicate, giving details where applicable, whether there are any deviations from the minimum standards established under the Corporate Enterprises Act (CEA) for the adoption of corporate resolutions:

NO

B.3 Indicate the rules applicable to amendments to the company bylaws. In particular, report the majorities established to amend the bylaws, and the rules, if any, to safeguard shareholders' rights when amending the bylaws.

Article 30 of the BBVA Company Bylaws establishes that the General Shareholders' Meeting is empowered to amend the Company Bylaws and to confirm or rectify the manner in which they are interpreted by the Board of Directors.

To such end, the rules established under Articles 285 et seq. of the Corporate Enterprises Act shall apply.

The above paragraph notwithstanding, Article 25 of the BBVA Bylaws establishes that in order to validly adopt resolutions regarding any change to the corporate purpose, transformation, total spin-off or winding up of the Company and amendment of the second paragraph of said Article 25, two-thirds of the subscribed capital with voting rights must attend the General Meeting on first calling, and 60% of said capital on second calling.

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As regards the procedure for amending the Bylaws, Article 4.2 c) of Spanish Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, establishes that the Bank of Spain shall be responsible for authorising the amendments to the bylaws of credit institutions as set out by regulations.

Hence, article 10 of Royal Decree 84/2015, of 13 February, implementing Act 10/2014, stipulates that the Bank of Spain shall have two months to make a decision following receipt of the request for amendment of the Bylaws and that the request must be accompanied by certified minutes recording the agreement, a report substantiating the proposal drawn up by the board of directors and draft new bylaws, identifying the cited amendments.

Notwithstanding the foregoing, Article 10 of Royal Decree 84/2015 also establishes that no prior authorisation from the Bank of Spain is required, though the latter must be notified for the purposes of entry in the Registro de Entidades de Crédito (Spanish register of credit institutions), for amendments with the following purposes:

- Change of the registered office within the national territory.

- Share capital increase.

- Verbatim incorporation into the bylaws of legal or regulatory precepts of a mandatory or prohibitive nature, or for the purpose of complying with legal or administrative decisions.

- Those amendments for which the Bank of Spain, in response to a prior enquiry made by the affected bank, deems that authorisation is not required due to their little relevance.

This communication must be made within fifteen working days following the adoption of the statute amendment resolution.

Finally, to indicate that as a significant entity, BBVA is under the direct supervision of the European Central Bank (ECB) in co-operation with the Bank of Spain under the Single Supervisory Mechanism, so the authorisation of the Bank of Spain mentioned above will be submitted to the ECB, prior to its resolution by the Bank of Spain.

B.4 Give details of attendance at General Shareholders' Meetings held during the financial year of this report and the previous two financial years:

	Attendance data				
Date of General Meeting	**% physically present**	**% present by proxy**	**% distance voting**		**Total**
			Electronic vote	**Other**	
16/03/2018	1.71%	40.47%	0.23%	22.13%	64.54%
Of which is floating capital:	1.62%	34.53%	0.23%	22.13%	58.51%
17/03/2017	1.89%	38.68%	0.19%	22.95%	63.71%
Of which is floating capital:	1.81%	33.07%	0.19%	22.95%	58.02%
11/03/2016	1.83%	38.34%	0.26%	22.08%	62.51%
Of which is floating capital:	1.76%	33.31%	0.26%	22.08%	57.41%

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B.5 Indicate whether there were any items on the agenda that were not approved by shareholders for any reason, for all general meetings that took place in the financial year.

NO

B.6 Indicate if there is any statutory restriction that sets out a minimum number of shares required to attend the General Meeting or vote remotely:

YES

Number of shares required to attend the General Meeting	500
Number of shares required to vote remotely	1

Remarks
Article 23 of the BBVA Bylaws establishes that holders of 500 shares or more may attend ordinary and extraordinary General Shareholders' Meetings, provided that their shares are registered, at least five days prior to such a meeting, in the corresponding Accounting Register in accordance with the Securities Exchange Act and other applicable provisions. Holders of fewer shares may group together until they have at least that number, and name a representative. However, there is no minimum number of shares required to vote remotely. Pursuant to the provisions of Article 8 of BBVA's Regulations of the General Shareholders' Meeting, shareholders may vote by proxy, by post, electronically or by any other means of remote communication, provided that the shareholder confirms the identity of the person exercising his or her right to vote. In terms of the constitution of the General Shareholders' Meeting, shareholders who vote remotely will be counted as present.

B.7 Indicate whether it has been established that certain decisions, other than those set out by law, involving an acquisition, disposal, the allocation of essential assets to another company or a similar corporate transaction, must be submitted to the General Shareholders' Meeting for approval.

NO

B.8 Indicate the address and means of access through the company website to information on corporate governance and other information on the general meetings that must be made available to shareholders on the company's website.

Information relating to corporate governance and to the most recent General Shareholders' Meetings can be accessed via the Banco Bilbao Vizcaya Argentaria, S.A. company website, www.bbva.com, in the Shareholders and Investors – Corporate Governance and Remuneration Policy section.

C COMPANY MANAGEMENT STRUCTURE

C.1 Board of directors

C.1.1 Maximum and minimum number of directors established in the bylaws and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	5
Number of directors set by the general meeting	15

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Remarks
In accordance with the provisions of Article 34, Paragraph 2 of the Bylaws, the General Shareholders' Meeting, held on 16 March 2018, resolved to set the total number of directors on the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. at 15.

C.1.2 Fill in the following table on the board members:

Name or corporate name of the director	Representative	Directorship type	Position on the Board	Date of first appointment	Date of most recent appointment	Election procedure
Carlos Torres Vila	-	Executive	Group Executive Chairman	04/05/2015	11/03/2016	Resolution of the General Shareholders' Meeting
Onur Genç	-	Executive	Chief Executive Officer	20/12/2018	-	Co-option
Tomás Alfaro Drake	-	Other external	Director	18/03/2006	17/03/2017	Resolution of the General Shareholders' Meeting
José Miguel Andrés Torrecillas	-	Independent	Lead Director	13/03/2015	16/03/2018	Resolution of the General Shareholders' Meeting
Jaime Félix Caruana Lacorte	-	Independent	Director	16/03/2018	-	Resolution of the General Shareholders' Meeting
Belén Garijo López	-	Independent	Director	16/03/2012	16/03/2018	Resolution of the General Shareholders' Meeting
José Manuel González-Páramo Martínez-Murillo	-	Executive	Director	03/06/2013	17/03/2017	Resolution of the General Shareholders' Meeting
Sunir Kumar Kapoor	-	Independent	Director	11/03/2016	-	Resolution of the General Shareholders' Meeting
Carlos Loring Martínez de Irujo	-	Other external	Director	28/02/2004	17/03/2017	Resolution of the General Shareholders' Meeting
Lourdes Máiz Carro	-	Independent	Director	14/03/2014	17/03/2017	Resolution of the General Shareholders' Meeting
José Maldonado Ramos	-	Other external	Director	28/01/2000	16/03/2018	Resolution of the General Shareholders' Meeting

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Ana Cristina Peralta Moreno	-	Independent	Director	16/03/2018	-	Resolution of the General Shareholders' Meeting
Juan Pi Llorens	-	Independent	Director	27/07/2011	16/03/2018	Resolution of the General Shareholders' Meeting
Susana Rodríguez Vidarte	-	Other external	Director	28/05/2002	17/03/2017	Resolution of the General Shareholders' Meeting
Jan Paul Marie Francis Verplancke	-	Independent	Director	16/03/2018	-	Resolution of the General Shareholders' Meeting

Total number of directors	15

Indicate any appointment terminations, as a result of resignation, dismissal or any other reason, that have occurred on the Board of Directors during the reporting period:

Name or corporate name of the director	Directorship type at the time of termination	Date of most recent appointment	Termination date	Specialist committees of which the director was a member	Indicate whether the termination occurred before the end of the mandate
José Antonio Fernández Rivero	Other external	13/03/2015	16/03/2018	Executive Committee, Remunerations Committee, Technology and Cybersecurity Committee	No
Francisco González Rodríguez	Executive	11/03/2016	21/12/2018	Executive Committee	Yes

Cause of the termination and other remarks
José Antonio Fernández Rivero stepped down from his position as member of the Board of Directors and from his membership of the Executive Committee and of the other Committees, following the General Shareholders' Meeting held on 16 March 2018, in which his mandate to serve as a director of the Bank expired. In implementation of the Succession Plan for the Chairman, as approved by the Board of Directors, Francisco González Rodríguez stepped down from his position as Chairman of the Board of Directors and of the Executive Committee on 21 December 2018, date on which the necessary administrative authorisations were received.

C.1.3 Fill in the following tables on the board members and their directorship type:

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EXECUTIVE DIRECTORS

Name or corporate name of the director	Position within the company's organisation structure	Profile
Carlos Torres Vila	Group Executive Chairman	Chairman of the Board of Directors and the Executive Committee since December 2018 and Chairman of the BBVA Technology and Cybersecurity Committee. Chief Executive Officer of BBVA from May 2015 to December 2018. Head of Digital Banking from 2014 to 2015 and Head of Strategy and Corporate Development from 2008 to 2014. In addition, he previously held positions of responsibility in other companies, with his roles as Chief Financial Officer, Corporate Director of Strategy and member of the Executive Committee of Endesa, as well as his elected partnership at McKinsey & Company. He completed his studies in Electrical Engineering (Bachelor of Sciences) at the Massachusetts Institute of Technology (MIT), where he also received a degree in Business Administration. He holds Master's degree in Management (MSc) from the MIT Sloan School of Management and also a Law degree from the National Distance Education University (UNED).
Onur Genç	Chief Executive Officer	CEO of BBVA and member of the Bank's Executive Committee. Chairman and CEO of BBVA Compass, and BBVA's Country Manager in the USA, from 2017 to December 2018. He previously performed the roles of Deputy CEO and Executive Vice-President (EVP) of Garanti Bank (BBVA Group). He has also held positions of responsibility at McKinsey & Company (in the Turkey, Canada, Netherlands and United Kingdom offices), having held the positions of Senior Partner and Manager of its Turkish office. He holds a Bachelor of Sciences in Electrical Engineering from the University of Bogaziçi (Turkey) and a Master's degree in Business Administration (MSIA/MBA) at Carnegie Mellon University (USA).
José Manuel González-Páramo Martínez-Murillo	Head of Global Economics and Public Affairs	Executive Director and Head of Global Economics and Public Affairs of BBVA. Chairman for Europe of the Trans-Atlantic Business Council, Deputy Chairman of the Fundación Consejo España-EE.UU., Chairman of European DataWarehouse GmbH and Professor at IESE Business School. Has been a member of various organisations, including of particular note the Committee on the Global Financial System of the Bank for International Settlements; the Executive Board and Governing Council of the European Central Bank (ECB); and member of the Executive Committee and Governing Council of the Bank of Spain. He has a Ph.D., M.Phil. and M.A. in Economics from Columbia University in New York and a Ph.D. in Economics from Complutense University of Madrid. He is also a Professor of Public Finance and Tax System at Complutense University of Madrid.

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Total number of executive directors	3
% of all directors	20%

EXTERNAL PROPRIETARY DIRECTORS

EXTERNAL INDEPENDENT DIRECTORS

Name or corporate name of the director	Profile
José Miguel Andrés Torrecillas	Chairman of the Audit and Compliance Committee and of the Appointments Committee and Lead Director of BBVA. He has developed his professional career at Ernst & Young as General Managing Partner of Audit and Advisory Services and Chairman of Ernst & Young Spain until 2014. He has been a member of various organisations such as the ROAC (Registro Oficial de Auditores de Cuentas – official registry of auditors), the REA (Registro de Economistas Auditores – registry of accounting auditors), the ICJCE (Instituto de Censores Jurados de Cuentas de España – Spanish institute of chartered accountants) and the Advisory Board of the IIA (Institute of Internal Auditors). He is a graduate in Economic and Business Sciences from Complutense University of Madrid.
Jaime Félix Caruana Lacorte	He has been General Manager of the Bank of International Settlements (BIS); Director of the Monetary and Capital Markets Department and Financial Counsellor and General Manager of the International Monetary Fund (IMF); Chair of the Basel Committee on Banking Supervision; Governor of the Bank of Spain; and member of the Governing Council of the ECB. Member of the Group of Thirty (G30). He holds a degree in Telecommunications Engineering from the Escuela Técnica Superior de Ingenieros de Telecomunicación (ETSIT) of the Universidad Politécnica de Madrid and is a Commercial Technician and State Economist.
Belén Garijo López	Chair of the BBVA Remunerations Committee. Member of the Executive Board of the Merck Group and CEO of Merck Healthcare. Member of the Board of Directors of L'Oréal and Chair of the International Senior Executive Committee (ISEC) of Pharmaceutical Research and Manufacturers of America (PhRMA). She has also been President of Commercial Operations for Europe and Canada at Sanofi Aventis. She is a graduate in Medicine from the University of Alcalá de Henares in Madrid and a specialist in Clinical Pharmacology at Hospital de la Paz, Autonomous University of Madrid.
Sunir Kumar Kapoor	Partner at Atlantic Bridge Capital, independent director at Stratio Big Data and consultant at MCloud. He has been Manager of Business Enterprise EMEA for Microsoft Europe and Director of Worldwide Business Strategy for the Microsoft Corporation. Was previously EVP and Chief Marketing Officer (CMO) of Cassatt Corporation and President and CEO of UBmatrix Incorporated. He holds a Bachelor's in Physics from the University of Birmingham and a Master's in Computer Systems from Cranfield Institute of Technology.
Lourdes Máiz Carro	She was Secretary of the Board of Directors and Director of Legal Services at Iberia, Líneas Aéreas de España until April 2016. She is a graduate and Doctor of Philosophy, and was a member of the Research Personnel at Complutense University of Madrid, where she taught classes in Metaphysics for five years. Graduated in Law, she

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	became an Attorney for the State and held various positions of responsibility in Public Administration, including General Director of Administrative Organisation, Job Positions and I.T. (Ministry of Public Administrations); General Director of Sociedad Estatal de Participaciones Patrimoniales (SEPPA) at the Ministry of Economy and Finance; and Technical General Secretary of the Ministry of Agriculture. She has also been a director at a number of companies, including Renfe, ADIF (previously GIF), ICO (Instituto de Crédito Oficial), Aldeasa and Banco Hipotecario.
Ana Cristina Peralta Moreno	Independent Director at Grenergy Renovables and Chair of its Audit and Control Committee. She was previously Chief Risk Officer and member of the Management Committee of Bankinter and Chief Risk Officer and member of the Management Committee of Banco Pastor. She has also held various positions in a number of financial organisations, in particular serving as Independent Director of Deutsche Bank SAE, as well as Chair of the Audit and Risk Committee and of the Appointments Committee of that entity; Independent Director at Banco Etcheverría, Chair of the Risk Committee and member of the Audit and Regulatory Compliance Committee; and Senior Advisor at Oliver Wyman Financial Services. She is a graduate in Economic and Business Sciences from the Complutense University of Madrid. Master's degree in Economic-Financial Management at the Centro de Estudios Financieros (CEF); Program for Management Development (PMD) at Harvard Business School; and PADE (Programa de Alta Dirección de Empresas – senior management programme) at IESE.
Juan Pi Llorens	Chairman of the BBVA Risk Committee. He has had a professional career at IBM holding various senior positions at a national and international level, including Vice President of Sales at IBM Europe, Vice President of Technology & Systems at IBM Europe and Vice President of the Financial Services Sector in the Growth Markets Units (GMU) in China. He was also Executive Chairman of IBM Spain. He holds a degree in Industrial Engineering at the Universidad Politécnica de Barcelona and completed the PDG (Programa en Dirección General – general management programme) at IESE.
Jan Paul Marie Francis Verplancke	His roles have included Chief Information Officer (CIO) and Group Head of Technology and Operations at Standard Chartered Bank; Vice President of Technology and CIO for EMEA at Dell; as well as Vice President and Chief of Architecture and Vice President of Information of the Youth Category at Levi Strauss. He holds a Bachelor's degree in Science, specialising in Computer Science, from the Programming Centre of the North Atlantic Treaty Organization (NATO) in Belgium.

Total number of independent directors	**8**
% of all directors	**53.33%**

Indicate whether any director considered an independent director is receiving from the company or from its group any amount or benefit under any item that is not the remuneration for his/her directorship, or maintains or has maintained over the last financial year a business relationship with the company or any company in its group, whether in his/her own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

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Where applicable, include a reasoned statement from the board with the reasons why it deems that this director can perform his/her duties as an independent director.

Name or corporate name of the director	Description of the relationship	Reasoned statement

OTHER EXTERNAL DIRECTORS

Identify all other external directors and explain why these cannot be considered proprietary or independent directors, and detail their relationships with the company, its executives or shareholders:

Name or corporate name of the director	Reasons	Company, executive or shareholder to which related	Profile
Tomás Alfaro Drake	Tomás Alfaro Drake has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.	Director of Internal Development and Professor of the Finance Area at Universidad Francisco de Vitoria. He has been Director of the Bachelor's degree in Business Management and Administration, Director of the Diploma in Business Sciences and of the degrees in Marketing and in Business Management and Administration at the Universidad Francisco de Vitoria. He studied Engineering at the ICAI School of Engineering and received a Master's in Economics and Business Administration (MBA) at IESE.
Carlos Loring Martínez de Irujo	Carlos Loring Martínez de Irujo has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.	He has been a partner and member of the Management Committee of Garrigues law firm, where he successively performed the roles of Director of Mergers and Acquisitions and of Banking and Capital Markets, and was responsible for advising large listed companies. He holds a Law degree from Complutense University of Madrid.
José Maldonado Ramos	José Maldonado Ramos has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.	Over the course of his professional career, he has held the positions of Secretary of the Board of Directors at a number of companies, most notably as Corporate Secretary of Argentaria, before taking up the position of Corporate Secretary of BBVA. He took early retirement as a Bank executive in December 2009. He holds a Law degree from Complutense University of Madrid. In 1978, he passed State exams became an Attorney for the State.
Susana Rodríguez Vidarte	Susana Rodríguez Vidarte has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.	Professor of Strategy at the Faculty of Economics and Business Administration at the University of Deusto; non-practicing member of the Institute of Accounting and Accounts Auditing; Doctorate in Economics and Business Administration at the University of Deusto. She was Dean of the Faculty of Economics and Business Administration at the University of Deusto, Director of the Postgraduate Area and Director of the Instituto Internacional de Dirección de Empresas (INSIDE).

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Total number of other external directors	4
% of all directors	26.67%

Indicate any changes that may have occurred during the period in the directorship type of each director:

Name or corporate name of the director	Date of change	Previous type	Current type
Tomás Alfaro Drake	18/03/2018	Independent	Other external

Remarks
Article 1 of the BBVA's Regulations of the Board of Directors and Article 529 duodecies of the Spanish Corporate Enterprises Act state that board members that have held their position for a continuous period of more than 12 years may not be considered as independent directors. Tomás Alfaro Drake was appointed as a member and independent director of the Bank's Board of Directors at the General Shareholders' Meeting held in 2006. Therefore, having performed the role of director for a continuous period of more than 12 years, the directorship type for Tomás Alfaro Drake has changed this financial year from independent director to external director.

C.1.4 Fill in the following table with information regarding the number of female directors over the last four financial years and their directorship types:

	Number of female directors				% of all directors of each type			
	Financial year 2018	Financial year 2017	Financial year 2016	Financial year 2015	Financial year 2018	Financial year 2017	Financial year 2016	Financial year 2015
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	3	2	2	2	37.5%	33.33%	25%	25%
Other external	1	1	1	1	25%	25%	25%	25%
Total:	4	3	3	3	26.67%	23.08%	20%	20%

C.1.5 Indicate whether the company has diversity policies for the company's board of directors with regard to issues such as age, gender, disabilities, or professional training and experience. In accordance with the definition given in the Spanish Account Auditing Act, small and medium-sized companies will have to report, at a minimum, the policy that they have agreed in regard to gender diversity.

YES

If yes, please outline these diversity policies, their objectives, their measures, the way in which they have been applied and the results thereof in this financial year. Any specific measures adopted by the board of directors and the appointments committee to attain a balanced and diverse representation of directors must also be indicated.

In case the company does not apply a diversity policy, explain the reasons for this

Outline of the policies, their objectives, their measures, the way in which they have been applied and the results thereof
The composition of the Board of Directors is a key element of BBVA's Corporate Governance System. As such, it must help the Corporate Bodies to adequately perform their management and supervisory functions, providing different viewpoints and opinions, fostering debate, analysis and critical review of the proposals

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submitted for its consideration, and favouring the consensus required for decision-making.

For this purpose, the BBVA's Regulations of the Board of Directors establishes as a general principle that directors must meet the suitability requirements to perform their role and they must therefore display a recognised business and professional reputation, have the adequate knowledge and experience to carry out their duties and be in a position to exercise good governance of the Company; that the number of non-executive directors on the Board is greater than the number of executive directors; and that the number of independent directors represents at least a third of the total number of board members.

Similarly, as part of the provisions of the Regulations of the Board of Directors, BBVA has a Policy on the selection, appointment, rotation and diversity of its Board members (hereinafter, the "Policy"), which has been approved by the Board of Directors and details the principles and the specific procedure for selecting, appointing and rotating the Bank's directors and the requirements for performing the role of BBVA director. The Policy states that the selection, appointment and rotation procedures for the Board of Directors will aim to attain a composition of the Company's Corporate Bodies that enables the duties assigned by law, Company Bylaws and its own Regulations to be properly carried out in the Company's best interest.

To this effect, the Policy establishes that the Board of Directors will ensure that these procedures allow the most suitable candidates to be identified at all times, based on the requirements of the Corporate Bodies, and that they favour diversity of experience, knowledge, skills and gender, and, in general, that they do not suffer from implicit biases that may involve any kind of discrimination.

In particular, the Policy states that it will ensure that the selection procedures do not involve discrimination in selecting female directors and that the number of female directors in 2020 will represent at least 30% of the total number of members of the Board of Directors.

Additionally, it sets out that the composition of the Board of Directors will seek to ensure a suitable balance between the different categories of directors, and that the number of non-executive directors is greater than the number of executive directors, and that the number of independent directors accounts for at least 50% of all directors.

The candidates to be put forward as BBVA directors must have suitable skills, experience and qualifications, meet the suitability requirements needed to hold the position and possess the required availability and dedication to carry out their duties. They must also be able to comply with the requirements set out in the Regulations of the Board of Directors in terms of suitable performance of director duties, in particular those related to due diligence and loyalty, avoiding conflicts of interest and complying with the required rules for position incompatibility and limitations for BBVA directors.

To ensure suitable composition of the Board at all times, in accordance with the provisions of the Regulations of the Board and the Policy, and in order to achieve the targets established in the Policy regarding the needs of the Corporate Bodies and the most suitable people for membership of such at all times, the Bank undertakes an ordered rotation process of its Corporate Bodies, based on suitable planning of member rotation.

This process begins with a periodic analysis by the BBVA Appointments Committee of: (i) the structure, size and composition of the Board; (ii) its adaptation to the needs of the Corporate Bodies; and (iii) the existing knowledge, skills and experience. This allows the Committee to identify and assess possible changes deemed necessary or advisable to the composition of the Corporate Bodies and to begin, when it deems appropriate, the identification and selection processes of candidates to be proposed to the General Shareholders' Meeting as new members of the Bank's Board of Directors. During this rotation process of the Board composition, the Appointments Committee also ensures the promotion of diversity—both in gender (with the target of having 30% female directors in 2020) and experience, knowledge and skills—in the director selection process, in line with the Policy.

Continue in section H of this Report.

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C.1.6 Explain the measures, if any, agreed by the appointments committee to ensure that the selection procedures are not implicitly biased in such a way that hinders the selection of female directors, and that the company is making a conscious effort to include women who match the professional profile sought among potential candidates, in order to provide for a balanced representation of men and women:

Explanation of the measures
The General Shareholders' Meeting is responsible for appointing members of the Board of Directors, in accordance with Article 2 of the Regulations of the Board; however, if a seat falls vacant, the Board has the authority to co-opt members. Thus, the Appointments Committee's focus is to assist the Board of Directors in matters relating to the selection and appointment of directors and, in particular, to submit to the Board of Directors proposals for the appointment, re-appointment or removal of independent directors and to report on the proposals for the appointment, re-appointment or removal of all other directors. To this end, Article 33 of the Regulations of the Board of Directors establishes that the Appointments Committee will evaluate the balance of knowledge, skills and experience on the Board of Directors, as well as the conditions that the candidates must meet to cover the vacancies that arise, evaluating the dedication of time considered necessary so that they can adequately carry out their duties, based on the needs that the Company's governing bodies have at all times. The Committee will ensure that, in line with the principles set out in BBVA's Regulations of the Board of Directors, when filling new vacancies, the selection procedures are not implicitly biased in such a way that involves any kind of discrimination or, in particular, hinders the selection of female directors, trying to ensure that women who match the professional profile sought are included among potential candidates. Furthermore, BBVA has established a selection policy for directors that states that selection, appointment and rotation procedures for the Board of Directors will aim to attain a composition of the Company's Corporate Bodies that enables the duties assigned by law, Company Bylaws and its own Regulations to be properly carried out in the Company's best interest. To this effect, the Board of Directors will ensure that these procedures allow the most suitable candidates to be identified at all times, based on the requirements of the Corporate Bodies, and that they favour diversity of experience, knowledge, skills and gender, and, in general, that they do not suffer from implicit biases that may involve any kind of discrimination. In particular, it will ensure that the selection procedures do not involve discrimination in selecting female directors and that the number of female directors in 2020 will represent at least 30% of the total number of members of the Board of Directors. Additionally, it sets out that the composition of the Board will seek to ensure a suitable balance between the different categories of directors, and that the number of non-executive directors is greater than the number of executive directors. In order to ensure the suitable composition of the Board of Directors at all times, its structure, size and composition is periodically analysed, setting out the corresponding candidate identification and selection processes to be put forward, where applicable, as new members of the Board of Directors, where deemed necessary or advisable. This analysis process also considers the composition of the different Board Committees that assist this Corporate Body in the performance of its duties and which constitute an essential element of BBVA's corporate governance. In these selection processes carried out by the Appointments Committee, it has the support of prestigious consultants in selecting independent directors internationally, who carry out an independent search for potential candidates that meet the profile defined in each case by the Appointments Committee. During these processes, the external expert was expressly requested to include women with the suitable profile among the candidates to be presented, and the Committee analysed the personal and professional profiles of all candidates presented on the basis of the information provided by the consultancy firm used, based on the needs of the Bank's Corporate Bodies at all times. The skills, knowledge and expertise needed to be a Bank director were assessed and the rules on incompatibilities and conflicts of interest were taken into account, as well as the dedication deemed necessary to be able to carry out the duties.

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Thus, following the selection process undertaken by the Appointments Committee and the resolutions adopted by the 2018 General Shareholders' Meeting, a woman was appointed to the Board of Directors during the 2018 financial year, as an independent director.

BBVA therefore currently has four women in its Board of Directors, accounting for 26.67% of its members. One of these is also a member of the Bank's Executive Committee.

When, despite the measures, if any, that have been adopted, there are few or no female directors, explain the reasons:

C.1.7 Explain the conclusions of the appointments committee regarding verification of compliance with the board member selection policy. In particular, explain how this policy is promoting the goal for 2020 of having at least 30% of total number of board places occupied by female directors.

Over the course of the financial year, the Appointments Committee has continuously analysed the structure, size and composition of the Board of Directors and the principles and targets established by the Bank's director selection policy, which are set out in sections C.1.5 and C.1.6 above, all this in line with the needs of the Corporate Bodies at all times, as well as the reality of the Group's structure and businesses, regulatory requirements and market best practices.

With regard to the suitability requirements needed to hold the position, specifically those for business and professional reputation, suitable knowledge and experience to perform the duties and ability to exercise good governance of the Company, all of which are set out in the selection policy, the Appointments Committee considered that the Board of Directors, as a whole, has a suitable balance in its composition and suitable knowledge of the Bank's and the Group's environment, activities, strategies and risks, helping it to better perform its functions.

It also considered that Bank directors have the required reputation to fulfil the role, the skills required and the availability to dedicate the time required to perform the duties assigned to them.

Regarding the selection, appointment and rotation procedures for the Board of Directors, which aim to attain a composition of the Company's Corporate Bodies that enables the duties assigned to them to be properly carried out in the Company's best interest, the Appointments Committee has deemed it appropriate, over the course of the financial year, to continue the continuous rotation process of the Board of Directors, aimed at achieving a composition that integrates directors with experience and knowledge of the financial and banking sector and of the Group's culture and businesses, thus gradually recruiting people with different professional profiles and experience to improve the diversity of its Corporate Bodies.

The Committee therefore endeavours to ensure that the selection, appointment and rotation procedures allow the most suitable candidates to be identified at all times, based on the needs of the Corporate Bodies, that they favour diversity of experience, knowledge, skills and gender and that, in general, do not suffer from implicit biases that may involve any kind of discrimination, for which purpose it has had help selecting directors from a leading international independent consultancy firm.

The Committee also encourages the recruitment of new members to the Board who are able to fulfil or maintain the targets set out in the selection policy, while ensuring that the selection processes are carried out to the highest degree of professionalism and independence.

In addition, the Committee has analysed and considered, prior to the proposals for the appointment and re-appointment of directors, which were submitted to the 2018 General Shareholders' Meeting, the terms of the selection policy requiring that, by 2020, the number of female directors represents at least 30% of the total number of members of the Board of Directors, that the number of non-executive directors is greater than the number of executive directors, and also requiring that the number of independent directors accounts for at least 50% of all directors.

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Thus, following the resolutions approved by the 2018 General Shareholders' Meeting, the number of female directors has increased to a total of 4, which is 26.67% of all directors (15) and close to the target set by the selection policy for this number to reach at least 30% by 2020; the number of non-executive directors represents a majority on the Board (80%); and the number of independent directors remains at least 50% of the total, in line with the provisions set out in the aforementioned selection policy.

Similarly, for the purposes of the proposals for the appointment and re-appointment of directors that will be submitted to the 2019 General Shareholders' Meeting, the Committee has again analysed the size, structure and composition of the Board, keeping in mind the succession plans approved by the Board, and the appointment of a new Group Executive Chairman and Chief Executive Officer, the provisions of the Regulations of the Board of Directors and the Bank's selection policy, to ensure that these are the most suitable at all times, considering the circumstances and changes that may arise within the Bank, its Corporate Bodies and its environment.

The 2019 General Shareholders' Meeting is therefore expected to approve the corresponding proposals for the appointment and re-appointment of directors, which would ensure that the number of non-executive directors would continue to represent a majority on the Board (80%), the percentage of female directors—26% of the total Board members (15)—would remain close to the target of 30% for 2020 and the number of independent directors would remain at at least 50%, in line with the selection policy, as well as with the international profile of the Bank's Corporate Bodies.

Thus, in accordance with the conclusions reached by the Appointments Committee, BBVA's Corporate Bodies maintain a structure, size and composition according to their needs and that enable optimal performance of the Bank's duties and, as in recent financial years, with a structure in which non-executive directors represent an ample majority on the Board and at least half of its directors are independent directors, in line with the Regulations of the Board of Directors and the Board of Directors' Policy on selection, appointment, rotation and diversity.

C.1.8 Where applicable, explain why proprietary directors have been appointed at the behest of a shareholder whose holding is less than 3% of the capital:

Name or corporate name of the shareholder	Justification

Indicate whether formal petitions have been ignored for presence on the board from shareholders whose holding is equal to or greater than that of others at whose behest proprietary directors were appointed. Where applicable, explain why these petitions were ignored:

NO

C.1.9 Where applicable, indicate the powers and faculties delegated by the board of directors to directors or to board committees:

Name or corporate name of the director or committee	Brief description
Carlos Torres Vila	Holds wide-ranging powers of representation and administration in line with his duties as Group Executive Chairman of the Company.
Onur Genç	Holds wide-ranging powers of representation and administration in line with his duties as Chief Executive Officer of the Company.

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José Manuel González-Páramo Martínez-Murillo	Holds powers of representation and administration in line with his duties as Head of Global Economics & Public Affairs.
Executive Committee	Pursuant to Article 27 of BBVA's Regulations of the Board of Directors, the Executive Committee will be made aware of matters delegated by the Board of Directors, in accordance with the legislation currently in force, the Bylaws or the Regulations of the Board.

C.1.10 Where applicable, identify any members of the board holding positions as directors, representatives of directors or executives in other companies that belong to the listed company's group:

Name or corporate name of the director	Corporate name of the group's entity	Position	Does the director have executive duties?
Carlos Torres Vila	BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer	Director	No
Carlos Torres Vila	Grupo Financiero BBVA Bancomer, S.A. de C.V.	Director	No
Onur Genç	BBVA Compass Bancshares	Director	No

C.1.11 Where applicable, provide details of the directors (or of the representatives of juridical persons) of the company who are members of the board of directors (or representatives of juridical persons) of other entities that are publicly listed on the Spanish stock markets that are external to the company's group, of which the company has been informed:

Name or corporate name of the director	Corporate name of the listed entity	Position
José Miguel Andrés Torrecillas	Zardoya Otis, S.A.	Director
Belén Garijo López	L'Oréal Société Anonyme	Director
Ana Cristina Peralta Moreno	Grenergy Renovables, S.A.	Director
Juan Pi Llorens	Ecolumber, S.A.	Chairman

C.1.12 Indicate and, where applicable, explain whether the company has any agreed rules on the maximum number of company boards on which its directors may sit, detailing, where applicable, where such rules have been set out:

YES

Explanation of the rules and where they are set out
Article 11 of the Regulations of the Board of Directors establishes that, in the performance of their duties, directors will be subject to the rules on limitations and incompatibilities established under the applicable regulations at any time, and in particular, to the provisions of Act 10/2014 on the regulation, supervision and solvency of credit institutions. Article 26 of Act 10/2014 stipulates that the directors of credit institutions may not simultaneously hold more positions than those provided for in the following combinations: (i) one executive position in addition

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to two non-executive positions; or (ii) four non-executive positions. Executive positions are understood as those performing management duties irrespective of the legal bond attributed by those duties. The following will count as a single position: 1) executive or non-executive positions held within the same group; 2) executive or non-executive positions held within: (i) entities that form part of the same institutional protection system or (ii) trading companies in which the entity holds a significant shareholding. The positions held in non-profit organisations or entities, or those pursuing non-commercial purposes will not count when determining the maximum number of positions. Nevertheless, the Bank of Spain may authorise members of the Board of Directors to hold an additional non-executive position if it deems that this would not interfere with the correct performance of the activities thereof in the credit institution.

In addition, pursuant to the provisions of Article 11 of BBVA's Regulations of the Board of Directors, directors may not:

- Provide professional services to companies competing with the Bank or with any of its Group companies, or agree to be an employee, manager or director of such companies, unless they have received express prior authorisation from the Board of Directors or from the General Shareholders' Meeting, as appropriate, or unless these activities had been provided or conducted before they joined the Bank's Board, they pose no effective competition and they had informed the Bank of such at that time.

- Have direct or indirect shareholdings in businesses or enterprises in which the Bank or its Group companies hold an interest, unless such shareholding was held prior to joining the Board of Directors or to the time when the Group acquired its holding in such businesses or enterprises, or unless such companies are listed on national or international securities markets, or unless authorised to do so by the Board of Directors.

- Hold director roles in any companies in which the Bank holds an interest or in any company within its Group. As an exception and when proposed by the Bank, executive directors are able to hold positions in companies directly or indirectly controlled by the Bank with the approval of the Executive Committee, and in other companies in which the Bank holds an interest with the approval of the Board of Directors. In the event of removal of an executive director, that director is obliged to resign from any director position in subsidiary companies or companies in which the Bank holds an interest that is held due to that directorship.

  Non-executive directors may hold director positions in the companies in which the Bank or any of its Group companies hold an interest provided that the position is not related to the Group's holding in such companies and with prior approval from the Bank's Board of Directors. For these purposes, the shareholdings of the Bank or its Group of companies resulting from its ordinary activities of business management, asset management, treasury, derivative hedging and other transactions will not be taken into account.

- Hold political positions or perform any other activities that might have a public significance or may affect the Company's image in any way, unless this is with prior authorisation from the Bank's Board of Directors.

C.1.13 Indicate the amounts of the following headings relating to the total remuneration of the board of directors:

Remuneration of the board of directors accrued during the financial year (thousands of euro)	15,664
Amount of accrued entitlements by current directors in regard to pensions (thousands of euro)	19,648

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Amount of accrued entitlements by former directors in regard to pensions (thousands of euro)	79,009

Remarks
The remuneration included under "Remuneration of the board of directors accrued during the financial year" includes, among others, the Initial Portion of the Annual Variable Remuneration for the year 2018, in cash and in shares, and the Deferred Part of the Annual Variable Remuneration for 2015, both in cash and in shares, together with its update, of the executive directors, whose amounts have been determined in 2019. As of the date of this report, none of these remunerations have been paid.

C.1.14 Identify members of senior management who are not in turn executive directors, and indicate the total remuneration accrued to them throughout the financial year:

Name or corporate name	Position(s)
Luisa Gómez Bravo	Global Head of Corporate & Investment Banking
Jorge Sáenz-Azcúnaga Carranza	Country Monitoring
Cristina De Parias Halcón	Country Manager Spain
Eduardo Osuna Osuna	Country Manager Mexico
Derek Jensen White	Global Head of Client Solutions
Jaime Sáenz de Tejada Pulido	Global Head of Finance & Accounting
Rafael Salinas Martínez De Lecea	Head of Global Risk Management
Ricardo Forcano García	Global Head of Engineering & Organization
Carlos Casas Moreno	Global Head of Talent & Culture
David Puente Vicente	Global Head of Data
Victoria del Castillo Marchese	Global Head of Strategy & M&A
María Jesús Arribas de Paz	Global Head of Legal
Domingo Armengol Calvo	General Secretary
Eduardo Arbizu Lostao	Global Head of Supervisors, Regulation & Compliance
Joaquín Manuel Gortari Díez	Global Head of Internal Audit

Total remuneration of senior management (thousands of euro)	25,305

C.1.15 Indicate whether there have been any amendments to the board regulations throughout the financial year:

NO

C.1.16 Indicate the procedures for the selection, appointment, re-appointment and removal of directors. Provide details of the competent bodies, the procedures to be followed and the criteria to be used in each procedure.

Selection, appointment and re-appointment procedure:

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

BBVA has established a policy on the selection, appointment, rotation and diversity of its Board members, which was approved by the Board itself and which establishes the general principles applicable to the selection and appointment of directors, as previously set out in section C.1.5 of this report. Additionally, Articles 2 and 3 of the Regulations of the Board of Directors establish that the General Shareholders' Meeting is responsible for appointing members of the Board, notwithstanding the Board's capacity to co-opt members in the event of any vacancy. In any event, persons proposed to be appointed as directors must meet the requirements set out in current legislation, in the specific regulations applicable to credit institutions and in the Bylaws. In particular, directors must meet the suitability requirements needed to hold the position and must display a recognised business and professional reputation, have the adequate knowledge and experience to carry out their duties and be in a position to exercise good governance of the Company.

The Board will ensure that the director selection procedures favour the diversity of experience, knowledge, skills and gender and, in general, do not suffer from implicit biases that may involve any kind of discrimination. The Board will also file its proposals with the General Shareholders' Meeting, ensuring that the number of non-executive directors is greater than the number of executive directors in its composition. The proposals for appointment or re-appointment of directors submitted by the Board of Directors to the General Shareholders' Meeting, as well as the appointments made directly to fill vacancies under its co-opting powers, will be approved at the proposal of the Appointments Committee for independent directors and subject to a report from this Committee for all other directors. In each case, the proposal must be accompanied by an explanatory report by the Board detailing the skills, experience and merits of the candidate proposed, which will be added to the minutes of the General Shareholders' Meeting or the Board of Directors meeting. The Board's resolutions and deliberations on these matters will take place in the absence of the director whose re-appointment is proposed.

To this end, the Regulations of the Board establishes that the Appointments Committee will evaluate the balance of knowledge, skills and experience on the Board of Directors, as well as the conditions that the candidates must meet to cover the vacancies that arise, evaluating the dedication of time considered necessary so that they can adequately carry out their duties, based on the needs that the Company's governing bodies have at all times. The Committee will ensure that, when filling new vacancies, the selection procedures are not implicitly biased in such a way that involves any kind of discrimination or, in particular, hinders the selection of female directors, trying to ensure that women who match the professional profile sought are included among potential candidates.

The directors will hold their position for the period of time set out in the Bylaws or, when they have been co-opted, until the first General Shareholders' Meeting.

Duration of mandate and termination:

Directors will resign from their post when the term for which they were appointed has expired, unless they are re-elected.

Directors must also inform the Board of any circumstances that may affect them and harm the company's standing and reputation, and any circumstances that may have an impact on their suitability to perform their role. Directors must offer their resignation to the Board and accept the Board's decision regarding their continuity in office. Should the Board decide against their continuity, they are required to tender their resignation, in the circumstances listed in section C.1.19 below. In any event, directors will resign from their posts upon reaching 75 years of age, and must submit their resignation at the first meeting of the Bank's Board of Directors to be held after the General Shareholders' Meeting approving the accounts for the financial year in which they reach said age.

C.1.17 Explain the extent to which the annual evaluation of the board has led to significant changes in its internal organisation and in the procedures applicable to its activities:

Description of the amendments

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

Article 17 of the Regulations of the Board of Directors states that the Board will assess the quality and efficiency of operation of the Board of Directors, based on the report submitted by the Appointments Committee in 2018. Several changes (indicated below) were made as a result of this report, similar to in previous years, as part of the ongoing process of adapting BBVA's corporate governance system within the environment in which it carries on its activities to regulatory requirements and best practices.

The Bank has therefore been analysing areas for improvement, and implemented various measures over the course of the 2018 financial year to continue developing its corporate governance system and practices, which include: (i) appointing three new directors, which directly contributed to achieving the targets established in the Board of Directors selection, appointment, rotation and diversity policy, whilst maintaining a number of independent directors to make up at least 50% of the total number of directors, as well as increasing the percentage of women on the Board, and increasing the number of directors who have knowledge and experience of matters relating to banking and regulation and supervision of the financial sector, knowledge of the technology field, and of the international profile of Corporate Bodies; (ii) the Board of Directors' approval of the succession plans for the Chairman of the Board of Directors and the Chief Executive Officer, thereby allowing an orderly and well-prepared transition in order to facilitate the Bank's transformation process, and the subsequent appointment of Carlos Torres Vila as Chairman of the Board of Directors and Onur Genç as Chief Executive Officer; (iii) reinforcing the separation of roles and responsibilities of the Chairman of the Board of Directors and the Chief Executive Officer, and the independence of some of the Group's control functions, in addition to the Board of Directors' approval of a new organisational structure as a result of such changes; (iv) evaluating the Bank's corporate governance system in greater depth, through a specific analysis conducted by a leading international independent expert; (v) improving the decision-making process of the Corporate Bodies, which examines the involvement of the Board's Committees and the interactions between the various Corporate Bodies, providing a process of analysis and review of relevant matters for consideration by the Corporate Bodies for the financial year, and an analysis and critical review by directors of the proposals submitted for their consideration; and (vi) continuously improving the Corporate Bodies' informational model, allowing decisions to be made on the basis of sufficient, complete, adequate and consistent information, whilst also facilitating adequate supervision by management.

Describe the evaluation process and the evaluated areas conducted by the board of directors assisted, where applicable, by an external consultant, regarding the functioning and composition of the board, its committees and any other area or aspect that was evaluated.

Description of the evaluation process and the areas evaluated
In accordance with article 17 of the Regulations of the Board of Directors the Board assesses the quality and efficiency of operation of the Board of Directors, based on the report submitted by the Appointments Committee. Also, the Board assesses the operation of its Committees, based on the report submitted by them. During the evaluation process conducted for the 2018 financial year, the Board of Directors evaluated: (i) the quality and efficiency of operation of the Board of Directors and the Executive Committee; (ii) the performance of the different roles of the Board of Directors; and (iii) the operation of the Committees of the Board of Directors; as detailed below. The procedure for conducting these evaluations was as follows: • The Board of Directors carried out, as part of the succession plans for the Group Executive Chairman and the Chief Executive Officer, various actions to update and review the effectiveness of its corporate governance system. These actions were intended to ensure the Bank's continued adequate operation and effectiveness during significant changes to both its structure and organisation as well as to the environment in which it operates, thereby allowing the Bank to constantly evolve and adapt to the needs of the Corporate Bodies at all times.

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In addition, with regard to the 2018 financial year, the Appointments Committee deemed it appropriate that the evaluation process be aided by an independent expert of international prestige, complying with Recommendation 36 of the Good Governance Code of Listed Companies an in-depth analysis and evaluation of the Bank's corporate governance structures, thereby identifying potential areas for improvement to the Bank's corporate governance and, where appropriate, specific measures that may be implemented in order to better perform its functions. This task was entrusted to and performed by US firm, Promontory Financial Group, which presented its findings report to the Appointments Committee and the Board of Directors.

- Furthermore, in 2018, the Bank's Appointments Committee conducted an ongoing analysis of the structure, size and composition of the Board, which included gender diversity as well as the knowledge, competency and experience required by its members; the results of the evaluation on the status of the directors, their independence and suitability, as well as the level of dedication of the Board members, particularly the Chairmen for each Committee, which are required by the Bank for the proper performance of the role of director and for the Corporate Bodies; all of this in accordance with the needs of Corporate Bodies at any time and taking into consideration the Board of Directors' Policy on selection, appointment, rotation and diversity, submitting its findings report to the Board of Directors.

- Similarly, the activity and operation of the Executive Committee was also evaluated, considering its composition and operation, as well as its activity over the course of the financial year, including its duty to supervise and monitor activity and results, strategic planning information, and certain projects, operations and policies of the Group, among other matters.

- Moreover, the operation of the Board's Committees was evaluated, detailed in Section H of this Report, as well as the different roles of the Board of Directors.

Continue in section H of this Report.

C.1.18 Provide a breakdown of any business relations that the consultant or any company of the group still has with the company or any group company, for those financial years in which an external consultant provided assistance for the evaluation.

The external consultant who has assisted in the evaluation process of the Board of Directors has intervened throughout the year in the provision of other consulting services for the Company, without any knowledge of significant business relationships between the Company and the external consultant or any other company of its group.

C.1.19 Indicate the circumstances under which directors are obliged to resign.

In addition to the circumstances established in applicable law, directors will resign from their post when the term for which they were appointed expires, unless they are re-appointed.

Accordingly, as set forth in Article 12 of the Regulations of the Board of Directors, directors must offer their resignation to the Board of Directors and accept the Board's decision regarding their continuity in office. Should the Board decide against their continuity, they are required to tender their resignation, in the following circumstances:

- When they are affected by circumstances incompatibility or prohibition as defined under current legislation, in the Bylaws or in the Regulations of the Board of Directors.

- When significant changes occur in their personal or professional situation that may affect the status under which they were appointed to the Board.

- When they are in serious dereliction of their duties as directors.

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- When, for reasons attributable to the directors in their condition as such, serious damage has been done to the Company's net worth, standing or reputation.

- When they are no longer suitable to hold the status of director at the Bank.

C.1.20 Are supermajorities, other than those provided for in law, required for any type of decision?

NO

Where applicable, describe the differences.

C.1.21 Explain whether there are specific requirements, other than those relating to directors, to be appointed chair of the board of directors.

NO

C.1.22 Indicate whether the bylaws or the board regulations establish an age limit for directors:

YES

Age limit for the chair	Age limit for the chief executive officer	Age limit for the directors
0	0	75

Remarks
As stipulated in BBVA's Regulations of the Board of Directors, directors will resign from their posts, in any event, upon reaching 75 years of age, and must submit their resignation at the first meeting of the Bank's Board of Directors to be held after the General Shareholders' Meeting approving the accounts for the year in which they reach said age.

C.1.23 Indicate whether the bylaws or board regulations establish a limited mandate or other stricter requirements, in addition to those provided for in law, for independent directors:

NO

C.1.24 Indicate whether the bylaws or the regulations of the board of directors establish specific rules for proxy voting within the board of directors, how this is carried out and, in particular, the maximum number of proxies that a director may have and whether there are any limits on the types that may be delegated, beyond the limitations provided for in law. Where applicable, provide a brief description of these rules.

Article 6 of the BBVA Regulations of the Board of Directors establishes that directors are required to attend meetings of the Corporate Bodies and meetings of the Board Committees on which they sit, except for a justifiable reason. Directors will participate in the deliberations, discussions and debates on matters submitted for their consideration.

However, as set forth in Article 21 of the Regulations of the Board of Directors, should it not be possible for directors to attend any of the meetings of the Board of Directors, they may grant proxy to another director to represent and vote in their place. This may be done by a letter or email sent to the Company with the information required for the proxy director to be able to follow the absent director's instructions. Applicable legislation states, however, that non-executive directors may only grant proxy to another non-executive director.

C.1.25 Indicate the number of meetings that the board of directors has held during the financial year. Where applicable, indicate how many times the board has met without the chair in attendance. In calculating this number, proxies granted with specific instructions will be counted as attendances.

Number of board meetings	13

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Number of board meetings without the chair in attendance	0

Indicate how many meetings were held by the lead director with the other board members, without any executive director being in attendance or represented:

Number of meetings	55

Remarks
BBVA's Board of Directors has a Lead Director who performs the duties set forth in applicable legislation, as well as those stipulated by Article 5 ter of the Regulations of the Board of Directors. With regards to the assigned duties, over the course of the financial year, the Lead Director has maintained ongoing contact, meetings and conversations with other directors at the Bank in order to seek their opinions on corporate governance and operation of the Bank's Corporate Bodies, for the purpose of facilitating their evolution and the proper performance of their duties, for which he has maintained during the financial year 2018 a total of 12 meetings. Moreover, the Lead Director holds the role of Chairman of the Board's Audit and Compliance Committee and Appointments Committee, as well as is member of the Risk Committee, all of which are composed of non-executive directors and, in the case of the Audit and Compliance Committee, of independent directors. Thus, performing these roles allowed him, in compliance with the assigned duties, to maintain 43 periodic meetings with the Bank's non-executive directors on occasion of the meetings of these Committees.

Indicate how many meetings of the board's different committees were held during the financial year:

Number of meetings of the Executive Committee	19
Number of meetings of the Audit and Compliance Committee	12
Number of meetings of the Appointments Committee	10
Number of meetings of the Remunerations Committee	5
Number of meetings of the Risk Committee	21
Number of meetings of the Technology and Cybersecurity Committee	7

C.1.26 Indicate how many meetings were held by the board of directors throughout the financial year and provide details on the attendance of its members:

Number of meetings attended by at least 80% of the directors	13
% of in-person attendance of the total number of votes cast during the financial year	98.90%
Number of meetings where all directors, or proxies granted with specific instructions, attended in person	13
% of votes cast, with directors attending in person and with proxies granted with specific instructions, of the total number of votes cast throughout the financial year	100%

Remarks
The Board of Directors holds monthly ordinary meetings in accordance with the annual meeting schedule drawn up before the beginning of the financial year, and extraordinary meetings as often as deemed necessary. The Board of Directors therefore held 13 meetings throughout the 2018 financial year. The directors either attended or were represented at all of the Board's meetings.

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C.1.27 Indicate whether the individual or consolidated annual financial statements that are presented to the board for approval are certified beforehand:

NO

Where appropriate, identify the person(s) who has/have certified the company's individual and consolidated annual financial statements for board approval:

C.1.28 Explain the mechanisms, if any, established by the board of directors to prevent the individual and consolidated statements from being presented at the general meeting with a qualified auditors' report.

Article 29 of BBVA's Regulations of the Board of Directors establishes that the Audit and Compliance Committee will exclusively comprise independent directors tasked with assisting the Board of Directors in overseeing the Group's financial information and discharge of its control function. Accordingly, the following duties are within its remit: to oversee the effectiveness of the Company's internal control system, internal audit area and risk management systems in the process of preparing and reporting financial information, including tax-related risks, and to discuss with the external auditor any significant weaknesses detected in the internal control system during the audit, without undermining its independence, and to oversee the process of preparing and reporting financial information. To this end, the Audit and Compliance Committee may submit recommendations or proposals to the Board of Directors.

Moreover, Article 3 of the Audit and Compliance Committee Regulations establishes that the Committee will check at appropriate intervals that the external audit schedule is being conducted under the agreed conditions, and that it meets the requirements of the competent authorities and of the Bank's governing bodies. The Committee will also periodically—at least once a year—request from the external auditor an evaluation of the quality of the internal control procedures regarding the preparation and reporting of Group financial information.

The Committee shall be apprised of any relevant infringements, situations requiring adjustments, or anomalies that may be detected during the course of the external audit. Relevant in this context signifies those issues that, in isolation or as a whole, may give rise to a significant and substantive impact or harm to assets, earnings or the reputation of the Group; discernment of such matters shall be at the discretion of the auditor who, if in doubt, must opt to report on them.

In the performance of these duties, the Audit and Compliance Committee maintains direct and ongoing contact with the heads of the external auditor through monthly meetings it has attended without the presence of executives. At these meetings, the Committee provides detailed information on its activity and the corresponding results to the heads of the external auditor, which has enabled the Committee to continuously monitor its work, ensuring that this is performed under the best conditions and without interference from management.

C.1.29 Is the secretary of the board a director?

NO

If the secretary is not a director, complete the following table:

Name or corporate name of the secretary	Representative
Domingo Armengol Calvo	-

C.1.30 Indicate the specific mechanisms established by the company to preserve the independence of the external auditors, and, if any, the mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how legal measures have been implemented in practice.

As set forth in BBVA's Audit and Compliance Committee Regulations, one of the Committee's duties, described in section C.2.1, is to ensure the independence of the external auditor through a dual approach:

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- Ensuring that the external auditor's warnings, opinions or recommendations cannot be adversely influenced. To this end, the Committee must ensure that compensation for the external auditor's work does not compromise either its quality or independence, in compliance with the account auditing legislation in force at any given moment.

- Establishing incompatibility between the provision of audit and consulting services, unless they are tasks required by supervisors or whose provision by the external auditor is permitted by applicable legislation, and there are no alternatives on the market that are equal in terms of content, quality or efficiency to those provided by the external auditor; in this case, approval by the Committee will be required, but this decision may be delegated in advance to its Chair. The external auditor will be prohibited from providing unauthorised services outside the scope of the audit, in compliance with the account auditing legislation in force at any given moment.

This matter comes under particular focus at the Audit and Compliance Committee's monthly meetings with representatives of the external auditor. These meetings take place without the presence of Bank executives, to check the progress and quality of the external auditor's work in detail and confirm its independence in the performance of its tasks. The Committee also oversees the engagement of additional services to ensure compliance with the provisions of the Committee Regulations and applicable legislation and thus the independence of the auditor.

Moreover, in accordance with the provisions of point f), section 4 of Article 529 quaterdecies of the Spanish Corporate Enterprises Act and Article 30 of the BBVA Regulations of the Board of Directors, the Audit and Compliance Committee must issue, each year, before the audit report is issued, a report expressing its opinion regarding the independence of the external auditor.

This report must, under all circumstances, contain a reasoned assessment of any kind of additional services provided by the auditors to the Group's entities, considered individually and as a whole, over and above the legal audit and in relation to the regime of independence or the rules governing account auditing. Each year, the external auditor must issue a report confirming its independence via-à-vis BBVA or entities linked to BBVA, either directly or indirectly, with detailed and itemised information on any kind of additional services provided to these entities by the external auditor, or by the individuals or entities linked to it, as set out in the consolidated text of the Spanish Account Auditing Act.

In compliance with the legislation in force, the relevant reports from the external auditor and the Audit and Compliance Committee confirming the external auditor's independence were issued in 2018.

In addition, as BBVA's shares are listed on the New York Stock Exchange, it is subject to compliance with the Sarbanes Oxley Act and its implementing regulations.

BBVA has in place a policy for communication and interaction with shareholders and investors that has been adopted by the Board of Directors. The policy is guided by the principle of equal treatment for all shareholders and investors, who are in the same position as to information, involvement and the exercise of their rights as shareholders and investors, inter alia.

Moreover, the principles and channels set out in the policy for communication and interaction with shareholders and investors govern, where applicable, BBVA relations with other stakeholders, such as financial analysts, Bank share management firms and depository institutions, and proxy advisors, among others.

C.1.31 Indicate whether the company has changed its external auditor during the financial year. If so, identify the incoming and outgoing auditors:

NO

If there were any disagreements with the outgoing auditor, explain these disagreements:

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NO

C.1.32 Indicate whether the auditing firm does any other work for the company and/or its group other than the audit. If so, declare the amount of fees received for such work and the percentage that these fees represent of the total fees billed to the company and/or its group:

YES

	Company	Group companies	Total
Amount of non-audit work (thousands of euro)	121	207	328
Amount of non-audit work/total amount billed by the auditing firm (%)	0.89%	1.44%	1.18%

C.1.33 Indicate whether the audit report of the annual financial statements for the previous financial year contained reservations or qualifications. If so, indicate the reasons given by the chair of the audit committee to the shareholders at the general meeting to explain the content and scope of such reservations or qualifications.

NO

C.1.34 Indicate the number of consecutive financial years during which the current audit firm has been auditing the annual financial statements for the company and/or its group. Likewise, indicate the total number of financial years audited by the current audit firm as a percentage of the total number of years in which the annual financial statements have been audited:

	Individual	Consolidated
Number of consecutive financial years	2	2
Number of financial years audited by the current audit firm/number of years the company has been audited (%)	11.11%	11.11%

C.1.35 Indicate and, where applicable, provide details of a procedure for directors to obtain the information they need to prepare meetings of the management bodies with sufficient time:

YES

Details of the procedure
As set forth in Article 6 of the Regulations of the Board of Directors, directors will be provided in advance with the information needed to form an opinion with respect to the matters within the remit of the Bank's Corporate Bodies, and may ask for any additional information and advice required to perform their duties. They may also ask the Board of Directors for external expert help for any matters put to their consideration whose special complexity or importance so requires. These rights will be exercised through the Chairman or Secretary of the Board of Directors, who will attend to requests by providing the information directly or by establishing suitable arrangements within the organisation for this purpose, unless a specific procedure has been established in the regulations governing the Board Committees. Furthermore, as set forth in Article 24 of the Regulations of the Board of Directors, the directors will be provided with such information or clarifications as deemed necessary or appropriate with regard to the matters to be discussed at the meeting, either before or after the meetings are held.

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Similarly, BBVA has in place an informational model to allow decisions to be made on the basis of sufficient, complete and consistent information, and, also, to facilitate appropriate oversight of performance. Thus, the Bank's Corporate Bodies have a procedure for verifying the information that is submitted to them for consideration, co-ordinated by the Board Secretariat with the areas responsible for information, through the Governing Bodies' Information Department, in order to provide directors with sufficient, adequate and complete information in time for the meetings of the Bank's various Corporate Bodies in order to enable directors to best perform their duties. Prior to such meetings, information is made available to the Bank's Corporate Bodies via an online system, to which all members of the Board of Directors have access, thereby ensuring its availability.

C.1.36 Indicate and, where applicable, provide details of whether the company has set out rules that require directors to inform and, where applicable, resign under circumstances that may prejudice the company's standing and reputation:

YES

Explanation of the rules
As set forth in Article 12 of the Regulations of the Board of Directors, directors must also inform the Board of Directors of any circumstances that may affect them and harm the company's standing and reputation, and any circumstances that may have an impact on their suitability to perform their role. Directors must offer their resignation to the Board of Directors and accept its decision regarding their continuity in office. Should the Board decide against their continuity, they are required to tender their resignation when, for reasons attributable to the directors in their condition as such, serious damage has been done to the Company's net worth, standing or reputation or when they are no longer suitable to hold the status of director at the Bank.

C.1.37 Indicate whether any member of the board of directors has informed the company that he/she has been accused or ordered to stand trial for any offences stated in Article 213 of the Spanish Corporate Enterprises Act:

NO

Indicate whether the board of directors has examined the case. If so, explain the grounds for the decision taken as to whether or not the director should retain his/her directorship or, where applicable, describe the actions taken or that are intended to be taken by the board of directors on the date of this report.

C.1.38 Detail any significant agreements reached by the company that come into force, are amended or concluded in the event of a change in the control of the company stemming from a public takeover bid, and its effects.

The company has not reached significant agreements that come into force, are amended or concluded in the event of a change in the control of the company stemming from a public takeover bid.

C.1.39 Identify on an individual basis, when referring to directors, and in aggregate form for all other cases, and indicate in detail any agreements between the company and its directors, managers or employees that have guarantee or ring-fencing severance clauses for when such persons resign or are wrongfully dismissed or if the contractual relationship comes to an end owing to a public takeover bid or other kinds of transactions.

Number of beneficiaries	78
Beneficiary type	**Description of the agreement**
78 managers and	The Bank has no commitments to provide severance pay to directors.

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employees	As at 31 December 2018, 78 managers and employees are entitled to receive severance pay in the event of dismissal on grounds other than their own will, retirement, disability or serious dereliction of duties. Its amount will be calculated by factoring in the fixed elements of the Bank employee's remuneration and length of service and which under no circumstances are paid in the event of lawful dismissal for misconduct at the employer's decision on grounds of the employee's serious dereliction of duties.

Indicate whether, in addition to the circumstances provided for in law, the bodies of the company or of its group must be notified of and/or approve these contracts. If so, specify the procedures, the circumstances provided for and the nature of the bodies responsible for approval or notification:

	Board of directors	**General meeting**
Body that authorises the clauses	**Yes**	**No**

	YES	**NO**
Is the general meeting informed of these clauses?	**X**	

Remarks
The Board of Directors adopts the resolutions relating to the basic contractual conditions for members of Senior Management, pursuant to the provisions of Article 17 of the Regulations of the Board of Directors, hereby notified to the General Shareholders' Meeting through this Report and through the information contained in the Annual Financial Statements, but does not approve the conditions applicable to other employees.

C.2 Committees of the board of directors

C.2.1 Detail all of the committees of the Board of Directors, their members and the proportion of executive, proprietary, independent and other external directors sitting thereon:

EXECUTIVE COMMITTEE

Name	**Position**	**Category**
Carlos Torres Vila	Chairman	Executive
Onur Genç	Member	Executive
Jaime Félix Caruana Lacorte	Member	Independent
Carlos Loring Martínez de Irujo	Member	Other external
José Maldonado Ramos	Member	Other external
Susana Rodríguez Vidarte	Member	Other external

% of executive directors	33.33%
% of proprietary directors	0%
% of independent directors	16.67%
% of other external directors	50%

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Explain the duties that have been delegated or assigned to this committee, other than those that have already been described in section C.1.10, and describe both the procedures and organisational and operational rules of the committee. For each of these duties, indicate its most significant actions during the financial year and how it has, in practice, exercised each of the duties attributed to it, whether in law, in the bylaws or in other corporate resolutions.

Pursuant to Article 27 of BBVA's Regulations of the Board of Directors, the Executive Committee shall be made aware of matters delegated by the Board of Directors, in accordance with the legislation currently in force, the Bylaws or the Regulations of the Board.

The functions of the Executive Committee include assisting the Board of Directors in its general supervisory role, in particular, in supervising the progress of the business and monitoring the risks to which the Bank is, or may be, exposed, as well as in decision-making on matters that fall within the scope of powers attributed to the Board of Directors, provided that they do not constitute non-delegable powers under current legislation, Bylaws or Regulations of the Board.

Accordingly, prior to it being presented to the Board of Directors, the Committee was granted powers for monitoring the Group's activities and results; the strategic plan, budget, and investment policy and financing; general policies to be adopted by the Board; as well as analysing and monitoring the evolution of the Group's main risks, among other matters.

Similarly, it has been granted decision-making powers for investments and divestments, except for their amount and strategic nature, which are within the Board's remit; powers to approve corporate policies and determine exposure limits for each type of risk; appoint and/or re-appoint administrators in investee companies, as well as the authority to grant powers.

With respect to the Committee's most significant actions during the 2018 financial year, particularly noteworthy were: the analysis and monitoring of the annual, half-yearly and quarterly results of the Bank and its Group, the monthly performance of the Group's activities and results, as well as its business areas; the monitoring and analysis of the proposals submitted by the Bank's executive areas prior to their submission for the Board's consideration, in order for it to consider the various strategic and prospective documents prepared annually by the Group, including: the Risk Appetite Framework, annual budget, self-assessment reports on the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) and recovery plan, with due monitoring of any changes to these types of documents and to the Group's strategic plan and annual budget for the financial year.

In the same vein, the Committee oversaw the management of the main risks affecting the Group, in particular, aspects related to changes in the macroeconomic environment and other factors that impacted the Group's management and activities over the course of the financial year; the results of main competitors, as well as any developments in BBVA share prices.

It also analysed corporate transactions within its remit, as well as other matters or projects arising from the day-to-day management of the businesses; supervised and approved new corporate policies on various subjects and modifications to them, as applicable, mainly in relation to risks.

Lastly, particularly noteworthy is the information received over the course of the financial year about the most salient aspects of the engagement policy that BBVA has in place in relation to corporate governance with institutional investors and its road show results over the course of the financial year; about the most relevant aspects of legislative and regulatory developments affecting financial institutions, as well as the Group's authorisation to appoint administrators in subsidiaries or investee companies, and the granting of powers vested in it.

With regards to the Committee's rules of organisation and operation, Article 28 of the Regulations of the Board of Directors establishes that the Executive Committee will meet on the dates indicated in the annual meeting schedule and at the request of the Chair or acting Chair.

All other aspects of its organisation and operation will be subject to the provisions established for the Board of Directors by the Regulations of the Board of Directors. Once the Executive Committee meeting minutes have been approved, they will be signed by the meeting's secretary and countersigned by whoever chaired the meeting.

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AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Category
José Miguel Andrés Torrecillas	Chairman	Independent
Belén Garijo López	Member	Independent
Lourdes Máiz Carro	Member	Independent
Ana Cristina Peralta Moreno	Member	Independent
Juan Pi Llorens	Member	Independent

% of proprietary directors	0%
% of independent directors	100%
% of other external directors	0%

Explain the duties assigned to this committee, including, where appropriate, any that are in addition to those provided for by law, and describe both the procedures and organisational and operational rules of the committee. For each of these duties, indicate its most significant actions during the financial year and how it has, in practice, exercised each of the duties attributed to it, whether in law, in the bylaws or in other corporate resolutions.

As set forth in Article 30 of the Regulations of the Board of Directors, the duties entrusted to the Audit and Compliance Committee include the following:

- To apprise the General Shareholders' Meeting on matters raised in relation to issues within the Committee's remit.
- To oversee the effectiveness of the Company's internal control system, internal auditing and risk management systems in the process of preparing and reporting financial information, including tax-related risks, and to discuss with the external auditor any significant weaknesses detected in the internal control system during the audit, without undermining its independence.
- To oversee the process of preparing and reporting financial information and to submit recommendations or proposals to the Board for safeguarding data integrity.
- To submit to the Board of Directors proposals for the selection, appointment, re-appointment and replacement of the external auditor, taking responsibility for the selection process in accordance with applicable regulations, as well as the conditions for its engagement, and to obtain periodically from the external auditor information on the audit plan and its execution, in addition to preserving its independence in the discharge of its duties.
- To establish appropriate relations with the external auditor in order to receive information on any matters that may jeopardise its independence, for examination by the Committee, and any other matters in connection with the account auditing process, as well as those other communications provided for by law and in auditing standards.
- Each year, before the audit report is issued, to submit a report expressing an opinion on whether the external auditor's independence has been compromised. This report must contain a reasoned assessment of each of the additional services provided, regardless of nature, considered individually and as a whole, over and above the legal audit and in relation to the independence requirements or to the rules governing the account auditing process.
- To report on all matters provided for in law, in the Bylaws and in the Regulations of the Board of Directors prior to any decisions that the Board may be required to adopt, and in particular on: (i) financial information that the Company is required to publish periodically; (ii) the creation or acquisition of shares in special purpose entities or in entities domiciled in tax havens or territories considered to be tax havens; and (iii) related-party transactions.
- To oversee compliance with applicable national and international regulations on matters related to money laundering, conduct on the securities markets, data protection and the scope of Group activities with respect to competition, as well as to ensure that any requests for action or information made by official authorities on these matters are dealt with in due time and in an appropriate manner.
- To ensure that the internal ethics and conduct codes and those relating to securities markets, applicable to the Group's personnel, are adequate and comply with regulatory requirements.
- To enforce strict compliance with the provisions applicable to directors contained in the Regulations of the Board, and ensure that directors comply with applicable regulations regarding their conduct on securities markets.

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With regards to organisational and operational rules, Article 31 of the Regulations of the Board of Directors states that the Audit and Compliance Committee will meet as often as required to fulfil its functions, although an annual meeting schedule will be drawn up in line with its duties.

The meetings may also be attended by the executives to whom the Accounting, Internal Audit and Compliance departments report, and at the proposal of these executives, by such other employees in those areas with knowledge of or responsibility for the matters on the agenda. However, only the Committee members and the Secretary will be present when the results and conclusions of the meeting are assessed.

The Committee may engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence. The usual channel for a request of this nature will be through the reporting lines of the Company. However, in exceptional cases the request may be notified directly to the person in question.

For all other matters, the system for convening meetings, setting quorums, passing resolutions, drafting minutes and other details of its operation will be in accordance with the provisions established in the Regulations of the Board of Directors for the Board of Directors insofar as they are applicable, and with that established in the specific Regulations of this Committee.

The most important actions carried out by the Audit and Compliance Committee in the 2018 financial year are detailed in section H of this Report.

Identify the directors who are members of the audit committee and have been appointed on the basis of knowledge and experience of accounting or auditing, or both, and give the appointment date of the chair of this committee to the post.

Name of the directors with experience	José Miguel Andrés Torrecillas Belén Garijo López Lourdes Máiz Carro Ana Cristina Peralta Moreno Juan Pi Llorens
Date of appointment of the chair to the post	04 May 2015

APPOINTMENTS COMMITTEE

Name	Position	Category
José Miguel Andrés Torrecillas	Chairman	Independent
Belén Garijo López	Member	Independent
Lourdes Máiz Carro	Member	Independent
José Maldonado Ramos	Member	Other external
Susana Rodríguez Vidarte	Member	Other external

% of proprietary directors	0%
% of independent directors	60%
% of other external directors	40%

Explain the duties assigned to this committee, including, where appropriate, any that are in addition to those provided for by law, and describe both the procedures and organisational and operational rules of the committee. For each of these duties, indicate its most significant actions during the financial year and how it has, in practice, exercised each of the duties attributed to it, whether in law, in the bylaws or in other corporate resolutions.

Pursuant to the provisions of Article 33 of the Regulations of the Board of Directors, the Appointments Committee's primary focus is to assist the Board of Directors in matters relating to the selection and appointment of members of the Board of Directors, and also to perform the following duties:

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- To submit proposals for the appointment, re-appointment or removal of independent directors to the Board of Directors and to report on proposals for the appointment, re-appointment or removal of the remaining directors.

  To this end, the Committee will evaluate the balance of knowledge, skills and experience on the Board of Directors, as well as the conditions that the candidates must meet to cover the vacancies that arise, evaluating the dedication of time considered necessary so that they can adequately carry out their duties, based on the needs that the Company's governing bodies have at all times.

  The Committee will ensure that, when filling new vacancies, the selection procedures are not implicitly biased in such a way that involves any kind of discrimination or, in particular, hinders the selection of female directors, trying to ensure that women who match the professional profile sought are included among potential candidates.

  Also, when formulating its proposals for the appointment of directors, the Committee will take into consideration, if it considers them to be suitable, any requests that may be made by any member of the Board of Directors of potential candidates to fill the vacancies that have arisen.

- Propose to the Board of Directors the selection and diversity policies for members of the Board of Directors.

- Establish a target for representation of the underrepresented gender on the Board of Directors and draw up guidelines on how to reach that target.

- Analyse the structure, size and composition of the Board of Directors, at least once per year, when evaluating its operation.

- Analyse the suitability of the various members of the Board of Directors.

- Review the status of each director each year, so that this may be reflected in the Annual Corporate Governance Report.

- Report on the proposals for the appointment of the Chairman and Secretary and, if applicable, the Deputy Chairman and Deputy Secretary.

- Report on the performance of the Chairman of the Board, such that the Board of Directors can make its periodic assessment under the terms established in the Regulations of the Board of Directors.

- Examine and organise the succession of the Chairman in conjunction with the Lead Director and, where appropriate, file proposals with the Board of Directors so that such a succession takes place in an orderly and well-planned way.

- Review the Board of Directors' policy on the selection and appointment of members of Senior Management, and file recommendations with the Board when applicable.

- Report on proposals for the appointment and removal of senior managers.

Article 34 of the Regulations of the Board of Directors regulates the organisational and operational rules of Appointments Committee, establishing that it will meet as often as necessary to fulfil its duties, convened by its Chairman or by whomever stands in therefor, pursuant to the provisions of Article 32 of the Regulations of the Board.

The Committee may request that persons with tasks within the Group organisation that are related to the Committee's duties attend its sessions. It may also obtain advice as necessary to form opinions within its remit, which will be done through the Secretary of the Board.

For all other matters, the system for calling meetings, setting quorums, passing resolutions, drafting minutes and other details of its operation will be in accordance with the provisions established in the Regulations of the Board of Directors for the Board of Directors insofar as they are applicable.

The most important actions carried out by the Appointments Committee in the 2018 financial year are detailed in section H of this Report.

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REMUNERATIONS COMMITTEE

Name	Position	Category
Belén Garijo López	Chair	Independent
Tomás Alfaro Drake	Member	Other external
Carlos Loring Martínez de Irujo	Member	Other external
Lourdes Máiz Carro	Member	Independent
Ana Cristina Peralta Moreno	Member	Independent

% of proprietary directors	0%
% of independent directors	60%
% of other external directors	40%

Explain the duties assigned to this committee, including, where appropriate, any that are in addition to those provided for by law, and describe both the procedures and organisational and operational rules of the committee. For each of these duties, indicate its most significant actions during the financial year and how it has, in practice, exercised each of the duties attributed to it, whether in law, in the bylaws or in other corporate resolutions.

The Remunerations Committee's focus is to assist the Board of Directors in matters relating to the remuneration policy for directors, senior managers and any employees whose professional activities have a significant impact on the Bank's risk profile ("Identified Staff"), ensuring that the established remuneration policy is observed. Thus, as provided for under Article 36 of the Regulations of the Board of Directors, it will perform the following functions:

- Propose the Remuneration Policy for BBVA Directors to the Board of Directors, for submission to the General Shareholders' Meeting, regarding both its concepts and amounts, the parameters used to calculate the remuneration and the system through which the directors receive it, and submit the corresponding report, all in accordance with the terms established by the applicable law at any given time.
- Determine the extent and amount of individual remunerations, rights and other economic rewards, as well as other contractual conditions for executive directors, so that they can be contractually agreed, by submitting the relevant proposals to the Board of Directors.
- Present an annual report on the remuneration of the Bank's directors to the Board of Directors, which will be submitted to the Ordinary General Shareholders' Meeting, in accordance with the provisions of the applicable law.
- Propose the remuneration policy to the Board of Directors for senior managers and any employees whose professional activities have a significant impact on the Company's risk profile.
- Propose the basic contractual conditions for senior managers to the Board of Directors and directly oversee the remuneration of senior managers tasked with risk management and compliance functions within the Company.
- Ensure observance of the remuneration policy established by the Company and periodically review the remuneration policy applied to directors, senior management and any employees whose professional activities may have a significant impact on the Company's risk profile.
- Verify the information on the remuneration of directors and senior managers contained in the various corporate documents, including the annual report on the remuneration of directors.

Moreover, Article 37 of the Regulations of the Board of Directors establishes that the Remunerations Committee will meet as often as necessary to fulfil its duties, convened by its Chairman or by whomever stands in therefor, pursuant to the provisions of Article 35 of the Regulations of the Board. The Committee may request that persons with tasks within the Group organisation that are related to the Committee's duties attend its sessions. It may also obtain advice as necessary to form opinions within its remit, which will be done through the Secretary of the Board. For all other matters, the system for calling meetings, setting quorums, passing resolutions, drafting minutes and other details of its operation will be in accordance with the provisions established in the Regulations of the Board of Directors for the Board of Directors insofar as they are applicable.

The most important actions carried out by the Remunerations Committee in the 2018 financial year are detailed in section H of this Report.

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RISK COMMITTEE

Name	Position	Category
Juan Pi Llorens	Chairman	Independent
José Miguel Andrés Torrecillas	Member	Independent
Jaime Félix Caruana Lacorte	Member	Independent
Carlos Loring Martínez de Irujo	Member	Other external
Susana Rodríguez Vidarte	Member	Other external

% of proprietary directors	0%
% of independent directors	60%
% of other external directors	40%

Explain the duties assigned to this committee and describe both the procedures and organisational and operational rules of the committee. For each of these duties, indicate its most significant actions during the financial year and how it has, in practice, exercised each of the duties attributed to it, whether in law, in the bylaws or in other corporate resolutions.

The functions of the Risk Committee are listed below, along with an explanation of the actions taken by the Committee in the 2018 financial year to fulfil each one:

- To analyse and assess proposals on the Group's risk management and control strategy, which will include, in particular: (i) the risk appetite statement; (ii) the core metrics; and (iii) the basic structure of limits.

  This function has been carried out by the Risk Committee with the necessary scope and detail for verifying their accuracy and appropriateness. This process took into account all of the necessary information, with the appropriate level of detail, and received support from the Head of Global Risk Management, Senior Management and the various areas of the Group participating in these processes, particularly the Risk area.

  In particular, the Committee conducted an in-depth analysis of the various proposals made by the Risk Area to establish a new Risk Appetite Framework for the Group. This entailed evaluating the statements, metrics and limits that the framework comprises, taking into account the behaviour of the current appetite framework, the macroeconomic prospects of the respective regions and many other factors. This analysis was conducted before being submitted for the consideration of the Executive Committee and, if applicable, the approval of the Board.

- To analyse and assess proposals on specific corporate policies for each type of risk and on the establishment of maximum exposure limits for certain risks and transactions, with the level of detail established at any given moment.

  The Risk Committee analysed the corporate policies proposed by the Risk Area for each type of risk, prior to submitting them to the Executive Committee. In 2018, it played a role in the processes to modify the corporate policies for retail risk, wholesale risk, liquidity and funding risk, structural interest-rate risk, structural exchange-rate risk, structural equities risk, market risk in market and insurance activities, model risk and operational risk. Together, these form the strategy and allow the Group's risk culture to be strengthened. For this, it had the information necessary to adequately analyse the proposed modifications.

- To analyse and assess the measures in place to mitigate the impact of the risks identified, should they materialise.

  When the Risk Committee was informed that the determined risk limits had been exceeded while it conducted its monitoring, supervision and control work, it specifically monitored the reasons for this and the proposals regarding the action plans made for their recovery. If these action plans approved by the Corporate Bodies were implemented, the Risk Committee monitored them until the limits exceeded had recovered.

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- To monitor the development of the risks faced by the Group and their compatibility with the strategies and policies defined by the Group, and with its risk appetite.

  Throughout the 2018 financial year, the Risk Committee monitored the evolution of the different risks to which the Group is exposed—both financial (credit risk, structural risks, market risk, insurance risk etc.) and non-financial (operational risks)—as part of the BBVA Group General Risk Management and Control Model and in accordance with the Risk Appetite Framework approved by the Corporate Bodies.

  The Committee therefore received and analysed information from the Risk Area suitably frequently, received the support of the Group's Head of Global Risk Management, those in charge of each type of risk in the corporate field and the risk directors of the Group's main entities, and spoke directly with each one to discuss this topic.

  All of this afforded the Committee direct knowledge of the Group's risks, both globally and locally, allowing it to perform its duty of monitoring the evaluation of the Group's risks, regardless of the type of risk, the business area in which it originates and even the sector or portfolio to which it belongs.

  As part of this important duty, the Risk Committee also regularly monitored compliance with the metrics and limits established for the 2018 financial year, with the necessary detail and frequency to ensure adequate control of said indicators. To complete its control of the Risk Appetite Framework, the Committee received information about the key internal and external variables that affect the compliance of the Risk Appetite Framework, even if they are not directly part of it. This was received prior to being monitored by the Executive Committee and the Board of Directors.

  In addition to the above, each month, the committees of the Corporate Risk Area informed the Risk Committee of the main credit risk operations in their respective areas of competency, enabling the Committee to monitor the Group's most significant cases of exposure. Each month, the Risk Committee also had access to information about the qualitative risk operations authorised by the Risk Area.

Continue in section H of this Report.

TECHNOLOGY AND CYBERSECURITY COMMITTEE

Name	Position	Category
Carlos Torres Vila	Chairman	Executive
Tomás Alfaro Drake	Member	Other external
Jaime Félix Caruana Lacorte	Member	Independent
Sunir Kumar Kapoor	Member	Independent
Juan Pi Llorens	Member	Independent
Jan Paul Marie Francis Verplancke	Member	Independent

% of executive directors	16.67%
% of proprietary directors	0%
% of independent directors	66.66%
% of other external directors	16.67%

Explain the duties assigned to this committee and describe both the procedures and organisational and operational rules of the committee. For each of these duties, indicate its most significant actions during the financial year and how it has, in practice, exercised each of the duties attributed to it, whether in law, in the bylaws or in other corporate resolutions.

The functions of the Board's Technology and Cybersecurity Committee, which fall into two categories, are listed below, along with an explanation of the actions taken by the Committee in the 2018 financial year to fulfil its relevant functions:

- Duties relating to monitoring technological risk and managing cybersecurity, such as:

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- Reviewing the Bank's main technological risks, including the risks related to information security and cybersecurity, as well as the procedures adopted by the executive area for monitoring and control of these exposures.
- Reviewing the policies and systems for assessment, control and management of the Group's technological infrastructures and risks, including the response and recovery plans in the event of cyberattacks.
- Being informed of business continuity plans regarding technology and technological infrastructure matters.
- Being informed, as appropriate, about: (i) compliance risks associated with information technology; (ii) the procedures established for identifying, assessing, overseeing, managing and mitigating these risks.
- Being informed about any relevant events that may have occurred with regard to cybersecurity, i.e. events that, either in isolation or as a whole, may cause significant impact or harm to the net equity, results or reputation.

To ensure compliance with these duties, the Technology and Cybersecurity Committee has performed the following actions:

- Review of the Group's exposure to technological risk: The Committee has reviewed the Bank's and the Group's exposure to the main technological risks, including risks relating to information security and cybersecurity, ensuring that the executive area is equipped with procedures for monitoring and controlling said exposures.

- Evaluation, control and management of risks: The Committee monitors the Group's technological infrastructures and risks, and is informed of the cyberattack response and recovery plans, as well as the business continuity plans that affect the Group's main technological infrastructures.

  Furthermore, the Committee has been informed of the compliance risks associated with information technology, such as those derived from managing data with regard to the regulation on personal data protection and the new regulation on payment services, as well as the procedures established to identify, manage, control and, if necessary, mitigate these types of risks.

- Cybersecurity: The Committee has been informed of the Group's cybersecurity strategy and of the systems and tools that the Group possesses in this regard.

  Likewise, the Committee has been informed of any significant events that have occurred in relation to cybersecurity, including those that have directly affected the Bank or the Group's companies, as well as those that have affected important (national or international) entities or companies, in order that the Committee is aware of the threats to which the Group is exposed (or may be exposed) and of the technological defences BBVA possesses at any time to combat possible attacks.

- Duties relating to the Technology Strategy, such as:

  - Being informed, as appropriate, of the technology strategy and trends that may affect the Bank's strategic plans, including through monitoring general trends in the sector.
  - Being informed, as appropriate, of the metrics established by the Group for management and control in the technological area, including the Group's developments and investments in this area.
  - Being informed, as appropriate, of issues related to new technologies, applications, information systems and best practices that may affect the Group's technological plans or strategy.
  - Being informed, as appropriate, of the main policies, strategic projects and plans defined by the Engineering Area.
  - Reporting to the Board of Directors and, where appropriate, to the Executive Committee, on matters related to information technologies falling within its remit.

  To ensure compliance with these duties, the Technology and Cybersecurity Committee has performed the following duties:

  - Technology strategy: The Committee has been informed by the Engineering & Organization area of the Group's and the state's technology strategy, as well as the evolution of the different projects, systems, tools and developments integrated with the strategy, and receives a periodic

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report on the key performance indicators (KPIs) in this regard. The Committee has also been informed of the number of employees and level of investment required to effectively implement this strategy.

- Development of new products and services: The Committee has been informed of the main projects that the Engineering area, together with the Group's business areas and the Client Solutions area, has implemented or is planning to implement, in developing new products and digital services targeted at the Group's wholesale and retail customers.

- Trend information: The Committee has received information regarding the main technological trends in the industry, and even in other important sectors, especially with regard to trends that may affect the Bank's strategic plans.

The rules and procedures on the organization and operation of the Technology and Cybersecurity Committee are detailed in section H of this Report.

C.2.2 Fill in the following table with information on the number of female directors sitting on the committees of the board of directors at the close of the last four financial years:

	Number of female directors							
	Financial year 2018		Financial year 2017		Financial year 2016		Financial year 2015	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	1	16.66%	1	16.66%	1	16.66%	1	20%
Audit and Compliance Committee	3	60%	2	40%	2	40%	2	40%
Appointments Committee	3	60%	2	40%	2	40%	1	20%
Remunerations Committee	3	60%	2	40%	1	20%	-	-
Risk Committee	1	20%	1	20%	1	20%	1	16.66%
Technology and Cybersecurity Committee	-	-	-	-	-	-	-	-

C.2.3 Indicate, where applicable, if there are regulations for the board committees, where they can be consulted and any amendments made to them during the financial year. Indicate whether an annual report on the activities of each committee has been prepared voluntarily.

The Regulations of the Board of Directors, available on the Company's website, www.bbva.com, regulate the composition, duties and rules of the organisation and operation of all of the Board Committees that are regulatory in nature. The Regulations of the Board of Directors also regulate the composition, duties and rules of the organisation and operation of the Executive Committee. As part of the annual process to evaluate their operation, all of the Board Committees have prepared and submitted a report to the Board of Directors detailing the main activity and operation of performing their delegated duties over the course of the 2018 financial year.

AUDIT AND COMPLIANCE COMMITTEE: The Audit and Compliance Committee also has specific Regulations approved by the Board, which are available on the Company's website, that govern its operation and powers, among other matters.

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Furthermore, as part of the self-assessment process, the Chairman of the Audit and Compliance Committee submitted a report to the Board of Directors regarding this Committee's activities over the course of the 2018 financial year, which is explained in greater detail in section C.1.17 above.

APPOINTMENTS COMMITTEE: As part of the self-assessment process, the Chairman of the Appointments Committee presented a report to the Board of Directors regarding the activities conducted by this Committee over the course of the 2018 financial year, which is explained in greater detail in section C.1.17 above.

REMUNERATIONS COMMITTEE: As part of the self-assessment process, the Chair of the Remunerations Committee presented a report to the Board of Directors regarding the activities conducted by this Committee over the course of the 2018 financial year, which is explained in greater detail in section C.1.17 above.

RISK COMMITTEE: The Risk Committee also has specific Regulations approved by the Board, which are available on the Company's website, that govern its duties and procedural standards, among other matters.

Furthermore, as part of the self-assessment process, the Chairman of the Risk Committee submitted a report to the Board of Directors regarding this Committee's activities over the course of the 2018 financial year, which is explained in greater detail in section C.1.17 above.

TECHNOLOGY AND CYBERSECURITY COMMITTEE: The Technology and Cybersecurity Committee has specific Regulations approved by the Board, which are available on the Company's website, that govern its duties and organisational and operational standards, among other matters.

Furthermore, as part of the self-assessment process, the Chairman of the Technology and Cybersecurity Committee submitted a report to the Board of Directors regarding this Committee's activities over the course of the 2018 financial year, which is explained in greater detail in section C.1.17 above.

D RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Explain the procedure and competent bodies, if any, for approving related-party and intra-group transactions.

Procedure for approving related-party transactions
Article 17 v) of the Regulations of the Board of Directors establishes that the Board of Directors is responsible for approving, as applicable, the transactions that the Company, or its Group companies may make with Directors or with shareholders who, individually or in concert, hold a significant interest. This includes shareholders represented on the Company's Board of Directors or the boards of other Group companies, and parties related to them, with the exceptions established by law. Moreover, Article 8 of the Regulations of the Board of Directors establishes that approval of the transactions conducted by the Company or by Group companies with directors, the approval of which is the responsibility of the Board of Directors, will be granted subject to a prior report by the Audit and Compliance Committee where appropriate. The only exceptions to this approval will be transactions that simultaneously meet the three following specifications: (i) they are carried out under contracts with standard terms and are applied en masse to a large number of customers; (ii) they go through at market rates or prices set in general by the party acting as supplier of the goods or services; and (iii) they are worth less than 1% of the Company's annual revenues.

D.2 Detail transactions deemed to be significant for their amount or content between the company or its group companies, and the company's significant shareholders:

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

Name or corporate name of the significant shareholder	Name or corporate name of the company or group company	Nature of the relationship	Type of transaction	Amount (thousands of euro)

D.3 Detail any transactions deemed to be significant for their amount or content between the company or its group companies, and the directors or executives of the company:

Name or corporate name of the directors or executives	Name or corporate name of the related party	Relationship	Nature of the transaction	Amount (thousands of euro)

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any event, provide information on any intra-group transactions with companies established in countries or territories considered tax havens:

Corporate name of the Group Company	Brief description of the transaction	Amount (thousands of euro)
BBVA Global Finance LTD.	Current account deposits	2,080
BBVA Global Finance LTD.	Term account deposits	5,939
BBVA Global Finance LTD.	Issue-linked subordinated liabilities	173,597

D.5 Detail any significant transactions between the company or its group companies and other related parties, which have not been listed in the previous entries.

Corporate name of the related party	Brief description of the transaction	Amount (thousands of euro)

D.6 Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, executives or significant shareholders.

Articles 7 and 8 of the Regulations of the Board of Directors regulate issues relating to possible conflicts of interest as follows:

Article 7

Directors must adopt necessary measures to avoid finding themselves in situations where their interests, whether for their own account or for that of others, may enter into conflict with the corporate interest and with

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their duties with respect to the Company, unless the Company has granted its consent under the terms established in applicable legislation and in these Regulations of the Board of Directors.

Likewise, they must refrain from participating in deliberations and votes on resolutions or decisions in which they or a related party may have a direct or indirect conflict of interest, unless these are decisions relating to appointment to or severance from positions on the governing body.

Directors must notify the Board of Directors of any situation of direct or indirect conflict that they or parties related to them may have with respect to the Company's interests.

Article 8

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

- Carrying out transactions with the Company, unless these are ordinary business, performed under standard conditions for the customers and of insignificant quantity. Such transactions are deemed to be those whose information is not necessary to provide a true picture of the net worth, financial situation and performance of the Company.

- Using the name of the Company or invoking their position as director to unduly influence the performance of private transactions.

- Making use of corporate assets, including the Company's confidential information, for private ends.

- Taking advantage of the Company's business opportunities.

- Obtaining advantages or remuneration from third parties other than the Company and its Group, associated to the performance of their position, unless they are mere tokens of courtesy.

- Engaging in activities for their own account or on behalf of third parties that involve effective actual or potential competition with the Company or that, in any other way, bring them into permanent conflict with the Company's interests.

The above provisions will also apply should the beneficiary of the prohibited acts or activities described in the previous subsections be a related party to the director. However, the Company may dispense with the aforementioned prohibitions in specific cases, authorising a director or a related party to carry out a certain transaction with the Company, to use certain corporate assets, to take advantage of a specific business opportunity or to obtain an advantage or remuneration from a third party.

When the authorisation is intended to dispense with the prohibition against obtaining an advantage or remuneration from third parties, or affects a transaction whose value is over 10% of the corporate assets, it must necessarily be agreed by a General Meeting resolution.

The obligation not to compete with the Company may only be dispensed with when no damage is expected to the Company or when any damage that is expected is compensated by the 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 authorisation may also be resolved by the Board of Directors, provided that 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 authorised 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.

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Approval of the transactions of the Company or its Group companies with directors, needing to be approved by the Board of Directors, will be granted after receiving a report from the Audit and Compliance Committee. The only exceptions to this approval will be transactions that simultaneously 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 1% of the Company's annual revenues.

Since BBVA is a credit institution, it is subject to the provisions of Spanish Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, whereby the directors and general managers or similar may not obtain credits, bonds or guarantees from the Bank on whose board or management they work, above the limit and under the terms established in article 35 of Royal Decree 84/2015, implementing Act 10/2014, unless expressly authorised by the Bank of Spain.

Furthermore, all members of the BBVA Board of Directors and Senior Management are subject to the Company's Internal Standards of Conduct in the Securities Markets. These Standards are intended to control possible Conflicts of Interest. It establishes that everyone subject to it must notify the head of their area or the Compliance Unit of situations that could potentially and under specific circumstances may entail Conflicts of Interest that might be vulnerable to compromising their impartiality, before they engage in any transaction or conclude any business in the securities market in which such may arise.

D.7 Are more than one of the Group's companies listed in Spain?

NO

Identify the other companies listed in Spain and their relationship with the company:

Identity and relationship with other listed Group companies

Indicate whether the respective areas of business and any potential relations between them, as well as any potential business relations between the other listed company and other group companies, have been publicly defined:

NO

Define any potential business relations between the parent company and the listed subsidiary company, and between the listed subsidiary company and other group companies

Identify the mechanisms established to resolve any potential conflicts of interest between the listed company and other group companies:

Mechanisms to resolve potential conflicts of interest

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risk Control and Management System, including risks of a tax-related nature.

The BBVA Group has a general Risk Control and Management model (hereafter the "Model") adapted to its business model, its organisation and the geographical areas where it operates. This Model allows the BBVA Group to operate within the framework of the strategy and the risk control and management policy defined by the Bank's corporate bodies and to adapt to an ever-changing economic and regulatory environment,

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addressing risk management on a global level adapted to the circumstances at any moment. The Model establishes a risk management system that is adapted to the Bank's risk profile and strategy.

This Model is applied comprehensively in the Group and is made up of the basic elements set out below:

I. Governance and organisation

The risk governance model in BBVA is characterised by the strong involvement of its corporate bodies, both in establishing the risk strategy and in the continuous monitoring and supervision of its implementation. Thus, it is the corporate bodies that approve the risk strategy and the corporate policies for the different types of risks. The risk function is responsible within the scope of its management for implementing and developing the risk strategy, being accountable for it to the corporate bodies. The responsibility for the day-to-day management of risks corresponds to the businesses, which engage in their business following the policies, rules, procedures, infrastructures and controls that are based on the framework set by the Corporate Bodies and defined by the risk function. To carry out this work adequately, the risk function in the BBVA Group has been set up as a single, global function that is independent of the commercial areas.

II. Risk Appetite Framework

The Group's Risk Appetite Framework is approved by the BBVA's Corporate Bodies and determines the risks and the associated risk levels that the Group is prepared to assume to achieve its objectives, considering the organic development pattern of the business. These are expressed in terms of solvency, liquidity and funding, profitability and recurrence of results, which are reviewed periodically or if there are any substantial changes in the Bank's business or relevant corporate operations. The determination of the Risk Appetite Framework has the following objectives:

- Set out the maximum risk levels that the Group is willing to accept.
- Establish a set of guidelines for action and a management framework for the medium-long term that prevent actions that may compromise the future viability of the Group.
- Establish a framework for relations with the geographical and/or business areas, that preserves their decision-making autonomy while ensuring their consistent performance.
- Establish a common language across the whole organisation and develop a risk culture geared toward compliance with it.
- Ensure alignment with the new regulatory requirements, facilitating communication with regulators, investors and other stakeholders.

III. Decisions and processes

The transfer of the Risk Appetite Framework to ordinary management is underpinned by three basic elements:

- A standardised body of regulations
- Risk planning which allow to ensure the integrity in the management of the Risk Appetite Framework
- Integrated risk management throughout their life cycle

IV. Evaluation, monitoring and reporting

Risk's evaluation, monitoring and reporting is a cross-cutting element that allows the Model to have a dynamic and anticipatory vision, enabling compliance with the Risk Appetite Framework approved by the corporate bodies, even under unfavourable scenarios. The realization of this process is integrated into the activity of the risk units, both corporate and geographical and/or business, and is developed in the following phases:

- Identification of the risk factors that could compromise compliance with the defined risk appetite thresholds.
- Assessment of the impact of the materialisation of the risk factors on the metrics that define the Risk Appetite Framework based on different scenarios, including stress scenarios.
- Response to undesired situations and proposal of rechannelling measures to allow a dynamic management of the situation, even before it occurs.
- Monitoring of the Group's risk profile and of the identified risk factors, through internal, competitor and market indicators, among others, to anticipate their future development.

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- Reporting: Providing complete and reliable information on the risks to the corporate bodies and Senior Management, with a frequency and completeness appropriate to the nature, significance and complexity of the reported risks. The principle of transparency governs all risk information reporting.

Continue in Section H of this Report.

E.2 Identify the corporate bodies responsible for drawing up and enforcing the Risk Control and Management System, including tax-related risks.

The Board of Directors (hereinafter referred to as the "Board") approves the risk strategy and oversees internal management and control systems. Specifically, in relation to the risk strategy, the Board approves the Group's Risk Appetite statement, the core metrics and the main metrics by type of risk, as well as the General Risk Management and Control Model.

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

To ensure the integration of the Risk Appetite Framework into the management process, on the basis established by the Board of Directors, the Executive Committee approves the metrics for each type of risk relating to profitability, recurrence of results and the Group's basic limit structure for the different geographical areas, risk types, asset classes and portfolios. This Committee also approves specific corporate policies for each type of risk.

Lastly, the Board of Directors has a committee specialising in risks, the Risk Committee, which assists the Board and the Executive Committee in determining the Group's risk strategy and the risk limits and policies, respectively, analysing and assessing the proposals submitted to those bodies in advance. The amendment of the Group's risk strategy and the elements composing it, including the Risk Appetite Framework metrics within its remit, is the exclusive power of the Board, while the Executive Committee is responsible for amending the metrics by type of risk within its scope of decision and the Group's basic structure of limits (core limits), when applicable. In both cases, the same aforementioned decision-making process is applicable to the amendments; amendment proposals are submitted by the executive area (specifically, by the Group's Chief Risk Officer) and are analysed by the Risk Committee and later submitted to the Board of Directors and/or to the Executive Committee, as appropriate.

Moreover, the Risk Committee, the Executive Committee and the Board itself monitor, to the necessary degree, the implementation of the risk strategy and the Group's risk profile. For this, the risk function regularly reports on the development of the Group's Risk Appetite Framework metrics to the Board and to the Executive Committee, after their analysis by the Risk Committee, whose role in this monitoring and control work is particularly important.

The head of the risk function in the executive line, the Group's Chief Risk Officer (CRO), carries out his/her work with the independence, authority, rank, experience, knowledge and resources required. This Officer is appointed by the Bank's Board of Directors, as a member of its Senior Management, and has direct access to the corporate bodies (Board of Directors, Executive Committee and Risk Committee), to which it reports on a regular basis on the situation of the risks in the Group.

For optimal performance, the Chief Risk Officer is supported by a structure consisting of cross-cutting risk units in the corporate area and specific risk units in the Group's geographical areas and/or business areas. Each of these units is headed by a Chief Risk Officer for the geographical and/or business area who, within his/her area of responsibility, carries out risk control and management functions and is responsible for applying the corporate policies and rules approved at Group level in a consistent manner, adapting them if necessary to local requirements and reporting to the local Corporate Bodies.

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

The risk function has a decision-making process supported by a structure of committees. The Global Risk Management Committee (GRMC) is the highest-level body in the risk area and, among other duties,

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proposes, examines and, where applicable, approves the internal regulatory risk framework and the procedures and infrastructures needed to identify, assess, measure and manage the risks that the Group faces in its business activity. The GRMC also approves portfolio risk limits.

For tax-related risk, the Tax Department establishes the control mechanisms and internal rules necessary to ensure compliance with the tax laws in force and the tax strategy approved by the Board of Directors, which must inspire the Group's fiscal decisions and integrate the results of the BEPS project from OECD as well as the guidelines of Chapter XI, Part of the "OECD Guidelines for Multinational Enterprises". This function is subject to supervision by the Audit and Compliance Committee of the BBVA Group, and is evidenced by the appearances made before the same by the Head of the Tax Function of the BBVA Group.

E.3 Indicate the primary risks, including tax-related risks and, where significant, risk derived from corruption (the latter can be understood to be within the scope of Royal Decree Law 18/2017) that could prevent business targets from being met.

BBVA has processes to identify risks and analyse scenarios, enabling dynamic and advance risk management. These risk-identification processes are forward-looking to ensure the identification of emerging risks, and take into account the concerns of both the business and corporate areas as well as those of Senior Management.

Risks are identified and measured in a consistent manner and in line with approved methodologies. Their measurement includes the design and application of scenario analyses and stress testing, and considers the controls to which the risks are subject.

Likewise, a forward projection is performed for the Risk Appetite Framework variables in stress scenarios, with the aim of identifying possible deviations from the established thresholds. If such deviations are detected, the appropriate measures are adopted to keep those variables within the target risk profile.

In this regard, there are a number of emerging risks that could impact the Group's business performance. These risks are organised into the following large blocks:

- Macroeconomic and geopolitical risks

World economic growth remained strong during the 2018 financial year, although it slowed more than was expected in the second half of the year, due to worse performance than anticipated in trade and in the industrial sector, and to significantly heightened financial tensions, particularly in developed economies, caused by increased uncertainty. The worsening economic performance in Europe and China was accompanied by a slowdown in Asian countries and the deceleration of the expansionary cycle in the United States. Given the situation, both the Federal Reserve (Fed) and the ECB have been more cautious and patient in terms of standardising monetary policy, and their decisions moving forwards will depend on the performance of the economy. Protectionism remains the main short-term risk, not only due to its direct impact on the commercial channel, but also due to its indirect impact on confidence and financial volatility. There are also concerns regarding the intensity of activity adjustment in the US and China in the coming quarters and increased political uncertainty in Europe.

In summary, uncertainty surrounding the economic outlook remains high, mainly due to the fear of increased protectionism and the increased perception of risk in terms of global growth.

- Regulatory and reputational risks

Financial institutions are exposed to a complex regulatory environment that is changing at the hands of governments and regulators, which may impact their growth capacity and the performance of certain business activities due to higher liquidity and capital requirements and lower profitability ratios. The Group monitors changes in the regulatory framework on an ongoing basis to enable it to anticipate and adapt to those changes sufficiently in advance, adopt the best practices and the most efficient and rigorous criteria for their implementation.

The financial sector is currently subject to a heightening level of scrutiny from regulators, governments and society itself. Negative news or inappropriate conduct can seriously damage an institution's reputation and affect its ability to conduct a sustainable business. The attitudes and conduct of the Group and of its members are governed by the principles of integrity, honesty, long-term vision and best practices, thanks to the Internal Control Model, the Code of Conduct, tax strategy and the Group's Responsible Business strategy, among others.

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Continue in Section H of this Report.

E.4 Identify whether the company has a risk tolerance level, including tax-related risks.

The BBVA Group's Risk Appetite Framework, approved by the Corporate Bodies, determines the risks and the associated risk levels that the Group is prepared to assume to achieve its objectives, considering the organic development pattern of the business. These are expressed in terms of solvency, liquidity and funding, profitability and recurrence of results, which are reviewed periodically or if there are any substantial changes in the Bank's business or relevant corporate operations.

The Risk Appetite Framework is expressed through the following elements:

- Risk Appetite Statement: This contains the general principles of the Group's risk strategy and the target risk profile.
- Statements and core metrics: Derived from the Risk Appetite statement, these statements set out the general risk management principles in terms of solvency, liquidity, funding, profitability and results recurrence. Moreover, the core metrics reflect, in quantitative terms, the principles and the target risk profile set out in the Risk Appetite statement and are aligned with the Group's strategy.
- Statement and metrics by type of risk: Taking the core metrics as a basis, a corresponding statement is established for each type of risk, setting out the general principles for managing the risk in question. A series of metrics is also calibrated, adherence to which ensures compliance with the core metrics and the Group's Risk Appetite statement.
- The core limits structure is designed to shape the Risk Appetite Framework by geographical area, risk type, asset type and portfolio, ensuring that management is within the metrics by type of risk.

In addition to this Framework, there is a level of management limits that is defined and managed by the risks function when developing the basic structure of limits, with the aim of ensuring that advance management of risks by risk subcategory within each type or by sub-portfolio is in line with those core limits and in general with the established Risk Appetite Framework.

The corporate risk area works with the various geographies and/or business areas to define their Risk Appetite Framework, so that it is co-ordinated with, and integrated into the Group's Risk Appetite, making sure that its profile is in line with the one defined.

The Risk Appetite Framework is integrated within management, and the processes for defining the Risk Appetite Framework proposals are co-ordinated with strategic and budgetary planning at Group level.

As stated previously, the core metrics in BBVA's Risk Appetite Framework measure the Group's performance in terms of solvency, liquidity, funding, profitability and results recurrence. Most of the core metrics are accounting and/or regulation-based; they are therefore disclosed to the market regularly in BBVA Group's annual and quarterly financial reports. The Group's risk profile evolved over the 2018 financial year in line with the metrics forming part of the approved Risk Appetite Framework.

E.5 State what risks, including tax-related risks, have occurred during the financial year.

Risk is inherent to financial activity, and the occurrence of minor and major risks is therefore an inseparable part of the Group's activities. BBVA thus provides detailed information in its annual financial statements (note 7 in the Report and note 19 in the consolidated accounts covering tax-related risks) regarding the developments of such risks, since their very nature can permanently affect the Group in undertaking its activities.

E.6 Explain the response and supervision plans for the primary risks faced by the company, including tax-related risks, and the procedures followed by the company to ensure that the Board of Directors responds to any new challenges.

The BBVA Group's internal control system takes its inspiration from the best practices developed both in the COSO (Committee of Sponsoring Organizations of the Treadway Commission) "Enterprise Risk Management – Integrated Framework" and in the "Framework for Internal Control Systems in Banking Organisations" drawn up by the Basel Bank for International Settlements (BIS).

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The control model has a system comprising three lines of defence:

- The Group's business units constitute the first line of defence. They are responsible for managing current and emerging risks and implementing control procedures. They are also responsible for reporting to their business/support unit.

- The second line comprises specialist control units: Supervisors, Regulation & Compliance (in legal and compliance subject), Finance & Accounting (in financial subject), Global Risk Management (in risk subject) and Engineering & Organization (in operations subject and technology and cybersecurity systems). This line collaborates in identifying current and emerging risks, defines the control policies across areas, ensures that they are implemented correctly, and provides training and advice to the first line. In addition, one of its main functions is to monitor and question the control activity carried out by the first line of defence.

  The control activity of the first and second lines of defence for operational risks will be coordinated by the Non Financial Risks unit, which will also be responsible for providing these units with a common internal control methodology and global tools. The Group's Head of Non Financial Risks is responsible for the function and reports his/her activities to the CRO and to the Board's Risk Committee, assisting it in any matters where requested.

- The third line of defence is made up of the Internal Audit unit, for which the Group assumes the guidelines of the Basel Committee on Banking Supervision and of the Institute of Internal Auditors. Its function is that of providing independent and objective assurance and consulting, designed to add value and improve the Organisation's operations.

Furthermore, the Group has specific Internal Risk Control and Internal Validation units within the corporate risk area. These units are independent from the areas that develop models, manage processes and run controls.

Its scope of action is global, in terms of both geography and type of risk, reaching all areas of the organization.

The main function of Internal Risk Control is to ensure the existence of a sufficient regulatory framework, a process and measures defined for each type of risk identified in the Group, and for those other types of risk that may potentially affect the Group, to control its application and operation, and to ensure that the risk strategy is integrated into the Group's management. In this sense, the Internal Risk Control unit contrasts the development of the functions of the units that develop the risk models, manage the processes and implement the controls.

The Group's Head of Internal Risk Control is responsible for the function and reports its activities and work plans to CRO and to the Board's Risk Committee, assisting it in any matters where requested.

To perform its duties, the area has a team structure at both the corporate level and in the most important geographies where the Group operates. As in the case of the corporate area, local units are independent of the business areas that execute the processes, and of the units that execute the controls. They report functionally to the Internal Risk Control unit. The unit's lines of action are established at Group level and it is then responsible for their local-level adaptation and implementation, and for reporting on the most relevant aspects.

Internal Validation is responsible, among other duties, for the independent review and validation, internally, of the models used for the management and control of the Group's risks.

With regard to tax risks, the Tax Department establishes the policies and control processes for guaranteeing compliance with the tax laws currently in force and the tax strategy approved by the Board of Directors.

Lastly, and in order to face the new challenges of the industry, the BBVA Group has a governance system that allows the Board of Directors to be informed of the real and potential risks that affect or may affect the Group at any time. Thus, to the work carried out by the different control areas (risks, compliance and internal audit) and the corresponding committees of the Board (Risk Committee and Audit and Compliance Committee, respectively), it is necessary to add the prospective monitoring and supervision that performs the Technology and Cybersecurity Committee of the Board of Directors. The important work carried out by this Committee allows the Board of Directors to be permanently informed of the main technological risks to which the Group is exposed to (including those related to risks on information security and

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cybersecurity), as well as to the strategies and current technological trends, and relevant events in cybersecurity subject that affect the Group or that may affect it in the future, among other functions.

F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the risk management and control systems for financial reporting (ICFR) in your entity.

F.1 The entity's control environment

Give information on the key features of at least:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation and (iii) its supervision.

Pursuant to Article 17 of its Regulations, the Board of Directors approves the financial information that BBVA is required to publish periodically as a listed company. The Board of Directors has an Audit and Compliance Committee, whose mission is to help the Board to oversee financial information and exercise control over the BBVA Group.

In this respect, the BBVA Audit and Compliance Committee Regulations establish that the Committee's duties include monitoring the sufficiency, suitability and effective operation of the internal control systems in the process of drawing up and preparing financial information, so as to rest assured of the correctness, accuracy, sufficiency and clarity of the financial information of the Bank and its consolidated Group.

The BBVA Group complies with the requirements imposed by the Sarbanes Oxley Act ("SOX") for each financial year's consolidated annual accounts due to its status as a publicly traded company listed with the United States Securities Exchange Commission ("SEC"). The main Group executives are involved in the design, compliance and maintenance of an effective internal control model that guarantees the quality and veracity of the financial information. The Finance & Accounting ("F&A") area has been responsible during 2018 for producing the consolidated annual financial statements and maintaining the control model for financial information generation. Specifically, this function is performed by the Financial Internal Control area, which is integrated within the Group's general internal control model, which is outlined below.

BBVA Group established an internal control model comprising two key elements. It has maintained this model throughout 2018. The first element is the control structure, organised into three lines of defence (3LD); the second is a governance scheme known as Corporate Assurance.

In accordance with the most advanced standards of internal control, the three-lines-of-defence model is configured as follows:

- The first line of defence rests with the various areas and/or business units of the Group. They are responsible for managing the risks relating to their operations and carrying out the controls required to mitigate them.

- The second line of defence is formed of areas/units specialising in control, including: Compliance, Internal Financial Control, Internal Risk Control, Internal Operations Control and Internal Engineering Control. This second line of defence co-operates with the first line of defence to identify current and emerging risks in connection with operations, specifies control policies and models across areas, monitors progress, and regularly assesses the proper design and effectiveness of implemented controls.

- The third line of defence is the Internal Audit area, for which the Group Executive Chairman is directly responsible. It is completely independent from the functions being audited and is not part of any other activity that may be subject to audit. Its remit is global, meaning it covers each and every one of BBVA Group activities and entities.

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Furthermore, to reinforce the internal control environment, the Group employs a governance scheme named Corporate Assurance, which establishes a framework for monitoring the internal control model and for escalating the main issues relating to internal control within the Group to Senior Management. The Corporate Assurance model (in which the business areas, support areas and the areas specialising in internal control participate) is organised into a system of committees that analyse the most relevant issues related to internal control in each geographical area, with the participation of the country's top managers. These committees report to the Group's Global Committee, chaired by the Chief Executive Officer with the assistance of the main global executives responsible for the business and control areas.

The effectiveness of this internal control system is assessed periodically for those risks that may affect the correct compilation of the Group's financial statements. The assessment is co-ordinated by the Internal Financial Control area and involves control specialists from business and support areas. The Group's Internal Audit area also performs its own assessment of the internal control system with regard to the generation of financial information. In addition, the external auditor of the BBVA Group issues an opinion every year on the effectiveness of internal control over financial reporting based on criteria established by COSO (Committee of Sponsoring Organizations of the Treadway Commission) and in accordance with PCAOB (the US Public Company Accounting Oversight Board) standards. This opinion appears in Form 20-F, which is filed every year with the SEC.

The result of the annual internal assessment of the System of Internal Control over Financial Reporting is reported to the Group's Audit and Compliance Committee by the heads of Internal Control and Internal Financial Control.

F.1.2. Whether, especially in the process of drawing up financial information, the following elements exist:

• Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) the clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures exist for their correct dissemination within the entity.

The financial information is drafted by the local Financial Management areas for each country and the related consolidation work was done in 2018 by the F&A Area, which has overall responsibility for the drafting and reporting of accounting and regulatory information of the Group for 2018.

BBVA's organisational structure clearly defines lines of action and responsibility for the areas involved in the generation of financial information, both at the individual entity level and consolidated group level, and also provides the channels and circuits necessary for the proper communication thereof. The units responsible for drawing up these financial statements have a suitable distribution of tasks and the necessary segregation of functions to draw up these statements in an appropriate operational and control framework.

Additionally, there is an accountability model aimed at extending the culture of, and commitment to internal control. Those in charge of the design and operation of the processes that have an impact on financial reporting certify that all the controls associated with its operation under their responsibility are sufficient and have worked correctly.

• Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether there are specific mentions of recording transactions and drawing up financial information), body in charge of analysing non-compliance and proposing corrective measures and sanctions.

BBVA has a Code of Conduct that is approved by the Board of Directors and reflects BBVA's concrete commitments with regard to one of the principles of its Corporate Culture: Integrity in the consideration and undertaking of its business. This Code likewise establishes the corresponding channel for whistleblowers regarding possible infringements of the Code. It is the subject of ongoing training and refresher programmes that include key personnel in the financial function.

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Following the update to the Code in 2015, communication campaigns to share its new content have been in place since 2016, making use of new formats and digital channels. In addition, a training plan has been developed at a global level, reaching the entire workforce of the Group.

The Code of Conduct can be accessed on the Bank's website (www.bbva.com) and on the employees' website (Intranet). Additionally, Group members undertake personally and individually to observe its principles and rules in an express declaration of awareness and adhesion.

The duties of the Audit and Compliance Committee include ensuring that internal codes of ethics and conduct, and those relating to conduct in securities markets, applicable to all Group personnel are compliant with regulatory requirements and are appropriate for the Bank.

Additionally, BBVA has adopted a structure of Corporate Integrity Management Committees (with individual powers at jurisdiction or Group entity levels, as applicable). Their joint scope of action covers all the Group businesses and activities and their main duty is to ensure effective application of the Code of Conduct. There is also a Corporate Integrity Management Committee, whose scope of responsibility extends throughout BBVA. The main mission of this committee entails ensuring uniform application of the Code in BBVA.

The Compliance Unit in turn independently and objectively promotes and supervises to ensure that BBVA acts with integrity, particularly in areas such as money-laundering prevention, conduct with clients, security market conduct, corruption prevention, and other areas that could entail a reputational risk for BBVA. The unit's duties include fostering the knowledge and application of the Code of Conduct, promoting the drafting and distribution of its implementing standards, assisting in the resolution of any concern that may arise regarding the interpretation of the Code, and managing the Whistleblowing Channel.

• Whistleblowing channel, which allows financial and accounting irregularities to be communicated to the audit committee, as well as possible non-compliances with the code of conduct and irregular activities in the organisation, reporting where applicable if this is confidential in nature.

Preservation of the Corporate Integrity of BBVA transcends merely personal accountability for individual actions, it calls for all employees to have zero tolerance for activities that do not comply with the Code of Conduct or that could harm the reputation or good name of BBVA. This attitude is reflected in everyone's commitment to whistle-blowing, by timely communication, of situations that, even when unrelated to their activity or area of responsibility, could be infringe regulations or contradict the values and guidelines of the Code.

The Code of Conduct itself establishes the communication guidelines to follow and contemplates a Whistleblowing Channel, simultaneously guaranteeing the duty of discretion of reporting parties, the confidentiality of the investigations and the prohibition of retaliation or adverse consequences in light of communications made in good faith.

Telephone lines and email inboxes have been set up in each jurisdiction for these communications. A list of these appears on the Group Intranet.

As described in the previous section, BBVA has adopted a structure of Corporate Integrity Management Committees (with individual powers at jurisdiction or Group entity levels, as applicable), whose joint scope of action covers all the Group businesses and activities and whose functions and responsibilities (explained in greater detail in their corresponding regulations) include:

- Driving and monitoring global initiatives to foster and promote a culture of ethics and integrity among members of the Group.
- Ensuring the uniform application of the Code.
- Promoting and monitoring the functioning and effectiveness of the Whistleblowing Channel.

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- In exceptional cases where they are not already included among the members of the Committee, informing Senior Management and/or the person responsible for preparing the financial statements of any events and circumstances from which significant risks might arise for BBVA.

In addition, periodic reports are made to the Audit and Compliance Committee, which supervises and controls their proper functioning (independently managed by the Compliance area).

• Periodic training and refresher courses for employees involved in preparing and revising financial information, and in ICFR assessment, covering at least accounting standards, audit, internal control and risk management.

Specific training and periodic refresher courses are given on accounting and tax regulations, internal control and risk management for areas involved in preparing and reviewing the financial and tax-related information and in evaluating the internal control system, to help them perform their functions correctly.

There is an annual training programme for all members of the F&A area on aspects related to the generation of financial information and to new regulations concerning accounting, financial and tax matters. This programme also includes other courses tailored to the needs of the area. These courses are taught by professionals from the area and renowned external providers.

In addition to the area-specific training, general Group training is also provided, and includes courses on finance and technology, among other topics.

Additionally, the BBVA Group has a personal development plan for all employees, which forms the basis of a personalised training programme to deal with the areas of knowledge necessary to perform their functions.

F.2 Financial reporting risk assessment

Give information on at least:

F.2.1. The key features of the risk identification process, including error and fraud risks, with respect to:

• Whether the process exists and is documented.

The ICFR was developed by the Group Management in accordance with international standards set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), which establishes five components on which the effectiveness and efficiency of internal control systems must be based:

- Establishing an adequate control environment for monitoring all these activities.
- Assessing the risks that may be incurred by an entity in drawing up its financial information.
- Designing the necessary controls to mitigate the most critical risks.
- Establishing the adequate information circuits to detect and communicate the system's weaknesses or inefficiencies.
- Monitoring such controls to ensure that they are operational and to guarantee their effectiveness over time.

In order to identify the risks with a greater potential impact in the generation of financial information, the processes through which such information is generated are analysed and documented, and an analysis of the risk situation that may arise in each is later conducted.

Based on the corporate internal control and operational risk methodology, the risks are categorised by type, including error and fraud (internal/external), and their probability of occurrence and possible impact are analysed.

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The process of identifying risks in the generation of Financial Statements, including risks of error, falsity and omission, is conducted by the parties responsible for each of the processes involved in the generation of financial information, in collaboration with the Internal Financial Control area which, in turn, manages mitigation plans. The scope of the annual/quarterly or monthly assessment of their controls is determined based on the significance of the risks, thus ensuring coverage of the risks considered critical for the financial statements.

The assessment of the aforementioned risks and the design and effectiveness of their controls begins with the management's understanding of and insight into the business and the analysed operating process, considering criteria of quantitative materiality, likelihood of occurrence and economic impact, in addition to qualitative criteria associated with the type, complexity and nature of the risks or of the business structure itself.

The system for identifying and assessing the risks of internal control over financial reporting is dynamic. It evolves continuously, always reflecting the reality of the Group's business, changes in operating processes, the risks affecting them and the controls that mitigate them.

All this is documented in a corporate management tool developed and managed by Operational Risk (STORM). This tool documents all the risks and controls, by process, that are managed by the different control specialists, including the Financial Internal Control unit.

• Whether the process covers all of the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), whether the information is updated and how frequently.

Each of the processes identified in the BBVA Group for drawing up financial information aim to record all financial transactions, value the assets and liabilities in accordance with applicable accounting regulations and provide a breakdown of the information in accordance with regulator requirements and market needs.

The financial reporting control model analyses each of the aforementioned processes to ensure that identified risks are properly covered by efficient controls. The control model is updated when changes arise in the relevant processes for producing financial information.

• The existence of a process for identifying the consolidation perimeter, taking into account aspects including the possible existence of complex corporate structures, or instrumental or special purpose vehicles.

The F&A organisation includes a Consolidation department that carries out a monthly process of identification, analysis and updating of the Group's consolidation perimeter.

In addition, the information from the consolidation department on new companies set up by the Group's different units and the changes made to existing companies is compared with the data analysed by two specific committees whose function is to analyse and document the changes in the composition of the corporate group (Holding Structure Committee and Investments in Non-Banking Companies Committee, both corporate).

In addition, as part of special purpose vehicle control, the Internal Audit and Compliance areas of the Bank submit a periodic report of the Group's structure to the Audit and Compliance Committee.

• Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax-related, reputational, environmental etc.) insofar as they impact the financial statements.

The model of internal control over financial reporting applies to processes for directly drawing up such financial information and to all operational or technical processes that could have a relevant impact on the financial, accounting, tax-related or management information.

As explained above, all the specialist control areas apply a standard methodology and use a common tool (STORM) to document the identification of the risks, of the controls that mitigate those risks and of the assessment of their effectiveness.

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There are control specialists in all the operational or support areas, and therefore any type of risk that may affect the Group's operations is analysed under that methodology (market, credit, operational, technological, financial, legal, tax-related, reputational or any other type of risk) and is included in the ICFR insofar as it may have an impact on the financial information.

• Which of the entity's governing bodies supervises the process.

The process for identifying risks and assessing the design, effectiveness and suitability of the controls is documented at least once a year, and is overseen by the Internal Audit area.

Moreover, the Group's Head of Internal Audit and head of Internal Financial Control report annually to the Audit and Compliance Committee on analysis work that has been carried out, on the conclusions of the assessment of the control model relating to the generation of financial information, and on the process for downstream certification of the effectiveness of the control model. This process is undertaken by the financial officers of the main entities and holding control specialists. This work follows the SOX methodology in compliance with the legal requirements, under the regulation, on systems of internal control over financial reporting, and is included in Form 20-F, submitted annually to the SEC, as indicated in first point of control environment.

F.3 Control activities

Give information on the main features, if at least the following exist:

F.3.1. Procedures for review and authorisation of financial information and the description of the ICFR, to be published on the stock markets, indicating who is responsible for it, and the documentation describing the activity flows and controls (including those concerning risk of fraud) for the different types of transactions that may materially impact the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgements, estimates, valuations and projections.

All of the processes relating to the generation of financial information are documented, as is the corresponding control model, including potential risks associated with each process and the controls put in place to mitigate them. As explained in point F.2.1, the aforementioned risks and controls are recorded in the corporate tool STORM, which also includes the result of the assessment of the operation of the controls and the degree of risk mitigation.

In particular, the main processes relating to the generation of financial information are: accounting, consolidation, financial reporting, financial planning and monitoring, and financial and tax management. The analysis of these processes, their risks and their controls is also supplemented by that of all other critical risks that may have a financial impact from business areas or other support areas.

Likewise, there are review procedures for the areas responsible for generating the financial and tax-related information disseminated to the securities markets, including the specific review of relevant judgements, estimates and projections.

As noted in the annual financial statements themselves, it is occasionally necessary to make estimates to determine the amount at which some assets, liabilities, income, expenses and commitments should be recorded. These estimates are mainly related to:

- Impairment losses on certain financial assets.
- The assumptions used to quantify certain provisions and in the actuarial calculation of liabilities and commitments for post-employment and other obligations.
- The useful life and impairment losses of tangible and intangible assets.
- The appraisal of goodwill and price assignments in business combinations.
- The fair value of certain unlisted assets and liabilities.
- The recoverability of deferred tax assets.

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- The exchange rate and inflation index in certain countries.

These estimates are made based on the best information available on the financial statement closing date and, together with the other relevant issues for the closing of the annual and six-monthly financial statements, are analysed and authorised by an F&A Technical Committee and submitted to the Audit and Compliance Committee before being filed by the Board of Directors.

F.3.2. Internal control procedures and policies for information systems (among others, access security, change control, their operation, operational continuity and segregation of functions) that support the relevant processes in the entity with respect to drawing up and publishing financial information.

The internal control models include procedures and controls regarding the operation of information and access security systems, the segregation of functions, and the development and modification of computer applications used to generate financial information.

The existing internal control and operational risk methodology comprises a set of controls by category, which include, among others, two categories relating to this matter: access control and segregation of functions. Both categories of controls are identified in the model of internal control of financial information and are analysed and assessed periodically, in order to guarantee the integrity and reliability of the information drawn up.

Furthermore, there is a corporate-level procedure for managing system access profiles. This procedure is overseen by the Group's Internal Engineering & Organization Control unit. This unit is also in charge of reviewing control processes in change management (development in test environments and putting changes into production), incident management, operation management, media and backup copy management, and management of business continuity, among other things.

With all these mechanisms, the BBVA Group can confirm that adequate management of access control is maintained, the correct and necessary steps are taken to put applications into production as well as ensuring their subsequent support, the creation of backup copies, and assurance of continuity in the processing and recording of operations.

In summary, the entire process of preparing and publishing financial information has established and documented the procedures and control models necessary to provide reasonable assurance of the correctness of the BBVA Group's public financial information.

F.3.3. Internal control procedures and policies designed to supervise the management of activities subcontracted to third parties and those aspects of evaluation, calculation and assessment outsourced to independent experts which may materially impact the financial statements.

The internal control model includes considers controls and procedures for the management of subcontracted activities or those aspects of evaluation, calculation and assessment of assets or liabilities outsourced to independent experts.

There is a set of standards and an Outsourcing Committee that establishes and oversees the requirements that must be met at Group level with regard to the activities to be subcontracted. There are procedural manuals for the outsourced financial processes that identify the procedures to be followed and the controls to be applied by the service provider units and outsourcing units. The controls established in the outsourced processes concerning the generation of financial information are also tested by the Internal Financial Control area.

The valuations from independent experts used for matters relevant for generating financial information are included within the standard circuit of review procedures executed by internal control, internal auditing and external auditing.

F.4 Information and communication

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

Give information on the main features, if at least the following exist:

F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policy department or area) and resolving queries or conflicts stemming from their interpretation, ensuring fluent communication with those in charge of operations in the organisation, and an up-to-date manual of accounting policies, communicated to the units through which the entity operates.

The organisation has two Technical Committees for Accounting (the Accounting Working Group) and Solvency. The purpose of these committees is to analyse, study and issue standards that may affect the compilation of the Group's financial and regulatory information, to determine the accounting and solvency criteria required to ensure that transactions are booked correctly, and to calculate capital requirements within the framework of the applicable standards.

The Group also has an accounting policies Manual, which is updated and made available to all Group units by means of the Intranet. This manual is the tool that guarantees that all the decisions related to accounting policies or specific accounting criteria to be applied in the Group are supported and are standardised. The Accounting Policies Manual is approved in the Accounting Working Group and is documented and updated for use and analysis by all the Group's entities.

F.4.2. Mechanisms to capture and prepare financial reporting in standardised formats, for application and use by all of the units of the entity or the group, that support the main financial statements and the notes, and the detailed information on ICFR.

The Group's F&A area and the countries' financial management units are responsible for the processes for preparing financial statements in accordance with the current accounting and consolidation manuals. There is also a consolidation computer application that collects the accounting information of the various companies within the Group and performs the consolidation processes, including the standardisation of accounting criteria, aggregation of balances and consolidation adjustments.

Control measures have also been implemented in each of the aforementioned processes, both locally and at consolidated level, to ensure that all the data underpinning the financial information is collected in a comprehensive, exact and timely manner. There is also a single and standardised financial reporting system that is applicable to and used by all the Group units and supports the main financial statements and the explanatory notes. There are also control measures and procedures to ensure that the information disclosed to the markets includes a sufficient level of detail to enable investors and other users of the financial information to understand and interpret it.

F.5 Supervision of the system's operation

Give information on the key features of at least:

F.5.1. The ICFR supervision activities carried out by the audit committee and whether the entity has an internal audit function with powers that include providing support to the audit committee in its task of supervising the internal control system, including the ICFR. Likewise, information will be given on the scope of the ICFR assessment carried out during the financial year and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan listing the possible corrective measures, and whether its impact on financial reporting has been considered.

The internal control units of the business areas and of the support areas conduct a preliminary assessment of the internal control model, assess the risks identified in the processes, the effectiveness of controls, and the degree of mitigation of the risks, as well as identifying weaknesses, and designing, implementing and monitoring the mitigation measures and action plans.

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BBVA also has an Internal Audit unit that supports the Audit and Compliance Committee with regard to the independent supervision of the internal financial information control system. The Internal Audit function is entirely independent of the units that draw up the financial information.

All the weaknesses in controls, mitigation measures and specific action plans are documented in the corporate tool STORM and submitted to the internal control and operational risk committees of the areas, as well as to the local or global Corporate Assurance Committees, based on the significance of the detected issues.

In summary: both the weaknesses identified by the internal control units and those detected by the internal or external auditor have an action plan in place to correct or mitigate the risks.

During the 2018 financial year, internal control areas conducted a full assessment of the financial information internal control system, and, to date, no material or significant weakness have been revealed therein. The assessment was reported to the Audit and Compliance Committee.

Additionally, in compliance with the SOX, the Group annually assesses the effectiveness of the model of internal control over financial reporting on a group of risks (within the perimeter of SOX companies and critical risks) that could affect the drawing up of financial statements at local and consolidated levels. This perimeter includes risks and controls of other specialties that are not directly financial (regulatory compliance, technology, risks, operational, human resources, procurement, legal, etc.).

F.5.2. Whether there is a discussion procedure via which the auditor (in line with the auditing technical standards), the internal audit function and other experts can inform senior management and the audit committee or the entity's directors of significant weaknesses in the internal control encountered during the review processes for the annual financial statements or any others within their remit. Also provide information on whether there is an action plan to try to correct or mitigate the weaknesses observed.

As mentioned in the preceding section (F.5.1) of this Annual Corporate Governance Report, the Group does have a procedure in place whereby the internal auditor, the external auditor and the heads of Internal Financial Control report to the Audit and Compliance Committee any significant internal control weaknesses detected in the course of their work. Any significant or material weaknesses, if present, will likewise be reported. Thus, a plan of action is prepared for all detected weaknesses, which is presented to the Audit and Compliance Committee.

Since BBVA is listed with the SEC, the BBVA Group's auditor annually issues its opinion on the effectiveness of the internal control over financial reporting contained in the Group's consolidated annual financial statements on 31 December each year, under PCAOB (Public Company Accounting Oversight Board) standards, with a view to filing the financial information with the SEC on Form 20-F. The latest report issued on the financial information for the 2017 financial year is available on www.sec.gov.

The internal control oversight carried out by the Audit and Compliance Committee, described in the Audit and Compliance Committee Regulations published on the Group website, includes the following activities:

- Analyse, prior to their submission to the Board of Directors and in enough detail to guarantee their accuracy, reliability, sufficiency and clarity, the financial statements of the Bank and of its consolidated Group contained in the annual, six-monthly and quarterly reports, as well as all other required financial information, having also all the information necessary available with the level of aggregation deemed appropriate. For this purpose, the Committee will have the support it needs from the Group's Senior Management, especially that of the area responsible for Accounting functions, and from the Company and Group auditor.

- Review the necessary consolidation perimeter, the correct application of accounting criteria, and all the relevant changes relating to the accounting principles used and the presentation of the financial statements.

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- Oversee the effectiveness of the company's internal control, internal audit and risk management systems in the process of drawing up and reporting the mandatory financial information, including fiscal risks, as well as discuss with the auditor any significant weaknesses in the internal control systems detected during the audit, without undermining its independence. For such purposes, and where appropriate, recommendations or proposals may be submitted to the Board of Directors, along with the deadline for their follow-up.

- Analyse, and approve where appropriate, the Annual Internal Audit Plan, monitoring it and being apprised of the degree to which the audited units are complying with the corrective measures recommended.

The external auditor and the Head of Internal Audit regularly attend all meetings of the Audit and Compliance Committee and are properly informed of the matters addressed therein.

F.6 Other relevant information

F.7 External auditor report

Report on:

F.7.1. Whether the ICFR information disclosed to the markets has been submitted by the external auditor for review, in which case the entity must attach the corresponding report as an annex. Otherwise, explain the reasons why it was not.

The information related to the BBVA Group's internal control over financial information described in this report is reviewed by the external auditor, which issues its opinion on the control system and on its effectiveness in relation to the statements published at the close of each financial year.

On 5 April 2018, the BBVA Group, as a private foreign issuer in the United States, filed the Annual Report (Form 20-F) for the financial year ending on 31 December 2017, which was published on the SEC website on that same date.

In accordance with the requirements set out in Section 404 of the Sarbanes-Oxley Act of 2002 by the Securities and Exchange Commission (SEC), the aforementioned Annual Report (Form 20-F) included certification of the Group's executive principles with regard to the establishment, maintenance and assessment of the Group's system of internal control over financial reporting. Form 20-F report also included the opinion of the external auditor regarding the effectiveness of the Bank's system of internal control over financial reporting at year-end 2017.

G EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of monitoring carried out by the company with regard to the recommendations of the Good Governance Code of Listed Companies.

If any recommendations are not being followed or are only being followed in part, a detailed explanation of the reasons for this should be given so that shareholders, investors and the market in general have sufficient information to assess the actions of the company. General explanations will not be acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

COMPLIANT

2. When a dominant and subsidiary company are both listed, they should provide detailed disclosure on:

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a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.

b) The mechanisms in place to resolve possible conflicts of interest.

NOT APPLICABLE

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

a) Changes taking place since the previous annual general meeting.

b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

COMPLIANT

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

COMPLIANT

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

PARTIALLY COMPLIANT

The General Shareholders' Meeting on 17 March 2017 delegated to the Board of Directors a power to increase share capital and issue convertible securities, along with the 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, the conversion of which is intended to satisfy regulatory solvency requirements as to eligibility as capital instruments in accordance with applicable regulations, because such instruments are not dilutive for shareholders.

6. That listed companies which draft the reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

a) Report on auditor independence.

b) Reviews of the operation of the audit committee and the nomination and remuneration committee.

c) Audit committee report on third-party transactions.

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d) Report on corporate social responsibility policy.

COMPLIANT

7. The company should broadcast its general meetings live on the corporate website.

COMPLIANT

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

COMPLIANT

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

COMPLIANT

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

a) Immediately circulate the supplementary items and new proposals.

b) Disclose the attendance card template and proxy or remote voting form, duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.

c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.

d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

NOT APPLICABLE

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

NOT APPLICABLE

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

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COMPLIANT

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

COMPLIANT

14. The board of directors should approve a director selection policy that:

a) Is concrete and verifiable;

b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs; and

c) Favours a diversity of knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-appointment of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

COMPLIANT

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

COMPLIANT

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
b) In companies with a plurality of shareholders represented on the board but not otherwise related.

COMPLIANT

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, 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.

COMPLIANT

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18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

a) Background and professional experience.

b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.

d) Dates of their first appointment as a board member and subsequent re-elections.

e) Shares held in the company, and any options on the same.

COMPLIANT

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship

NOT APPLICABLE

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latters' number should be reduced accordingly.

NOT APPLICABLE

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the appointments committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

COMPLIANT

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

COMPLIANT

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23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

COMPLIANT

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

COMPLIANT

25. The appointments committee should ensure that non-executive directors have sufficient time available to fulfil their responsibilities effectively.

The regulations of the board of directors should lay down the maximum number of company boards on which directors can serve.

COMPLIANT

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

COMPLIANT

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

COMPLIANT

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

COMPLIANT

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

COMPLIANT

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

COMPLIANT

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31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

COMPLIANT

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

COMPLIANT

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and co-ordinate regular evaluations of the board and, where appropriate, the company's first executive; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

COMPLIANT

34. When a lead independent director has been appointed, the Bylaws or Regulations of the Board of Directors should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen; give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and co-ordinate the chairman's succession plan.

COMPLIANT

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

COMPLIANT

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

a) The quality and efficiency of the board's operation.

b) The performance and membership of its committees

c) The diversity of board membership and competences.

d) The performance of the chairman of the board of directors and the company's first executive.

e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the appointments committee.

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Every three years, the board of directors should engage an external consultant to aid in the evaluation process. This consultant's independence should be verified by the appointments committee.

Any business dealings that the consultant or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

COMPLIANT

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

PARTIALLY COMPLIANT

The current composition of the Executive Committee of BBVA was agreed by the Board of Directors at its meeting on 27 June 2018, and it was considered that it had the most suitable composition for the performance of its functions.

Thus, in accordance with Article 26 of the BBVA Regulations of the Board of Directors, which establishes that there should be a majority of non-executive directors over executive directors, the Executive Committee of the Board of Directors, as of 31 December 2018, partially reflects the participation of the different categories of director on the Board of Directors; the Chairman and Secretary of the Executive Committee hold the same positions on the Board of Directors, and it is composed of two executive directors and four non-executive directors, of whom one is an independent director and three are external directors, giving a majority of non-executive directors in accordance with the Regulations of the Board of Directors.

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee, and all board members should receive a copy of the committee's minutes.

COMPLIANT

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

COMPLIANT

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and internal control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

COMPLIANT

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

COMPLIANT

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

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a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any potentially significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

COMPLIANT

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

COMPLIANT

44. The audit committee should be informed of any structural or corporate changes the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, in particular and when applicable, the exchange ratio proposed.

COMPLIANT

45. Risk control and management policy should identify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.

b) The determination of the risk level the company sees as acceptable.

c) The measures in place to mitigate the impact of identified risk events should they occur.

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d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

COMPLIANT

46. Companies should establish an internal risk control and management function in the charge of one of the company's internal departments or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

COMPLIANT

47. Appointees to the appointments and remuneration committee – or of the appointments committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

COMPLIANT

48. Large cap companies should operate separately constituted appointments and remuneration committees.

COMPLIANT

49. The appointments committee should consult with the company's chairman and first executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the appointments committee to propose candidates that it might consider suitable.

COMPLIANT

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the board the standard conditions for senior officer contracts.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.

d) Ensure that potential conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration report.

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COMPLIANT

51. The remuneration committee should consult with the company's chairman and first executive, especially on matters relating to executive directors and senior officers.

COMPLIANT

52. The rules of composition and operation 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.

COMPLIANT

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.

b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.

c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.

f) Monitor and evaluate the company's interaction with its stakeholder groups.

g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

COMPLIANT

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54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

a) The goals of its corporate social responsibility policy and the support instruments to be deployed.

b) The corporate strategy with regard to sustainability, the environment and social issues.

c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.

d) The methods or systems for monitoring the results of the practices referred to above, related risks and their management.

e) The mechanisms for supervising non-financial risk, ethics and business conduct.

f) Channels for stakeholder communication, participation and dialogue.

g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

COMPLIANT

55. The company should report on corporate social responsibility developments in its management's report or in a separate document, using an internationally accepted methodology.

COMPLIANT

56. Director remuneration should be sufficient to attract and retain individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

COMPLIANT

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension and retirement plans and other social insurance should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

COMPLIANT

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.

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b) Promote the long-term sustainability of the company and include non-financial criteria that are sufficient for long-term value creation, such as compliance with the company's internal rules and procedures and its risk control and management policies.

c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

COMPLIANT

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

COMPLIANT

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

COMPLIANT

61. A relevant percentage of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

COMPLIANT

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

COMPLIANT

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

COMPLIANT

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

COMPLIANT

H OTHER INFORMATION OF INTEREST

1. If there is any other aspect relevant to the corporate governance in the company or in the group entities that has not been addressed in the rest of the sections of this report, but is necessary to include to provide more comprehensive and well-grounded information on the corporate governance structure and practices in the entity or its group, give a brief description of them.

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2. This section may also include any other relevant information, clarification or detail related to previous sections of the report if they are relevant and not reiterative.

In particular, indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the mandatory information to be provided, if different from that required by this report.

3. The company may also indicate if it has voluntarily signed up to other international, industry-wide or any other codes of ethical principles or best practices. Where applicable, identify the code in question and the date of signing. In particular, indicate whether it has adhered to the Código de Buenas Prácticas Tributarias (Spanish code of best tax practices) of 20 July 2010.

The data in this report refers to the financial year ending 31 December 2018, except in those cases when another reference date is specifically stated.

As an explanation to section A.3, the percentage of direct voting rights held by non-executive directors through financial instruments corresponds to number of "theoretical shares" accumulated as a result of the remuneration system with deferred delivery of shares approved by resolution of the General Shareholders' Meeting. In application of this resolution and in accordance with the Remuneration Policy for BBVA Directors, the Board of Directors annually allocates a number of "theoretical shares" to each non-executive director, corresponding to 20% of the annual cash remuneration received the previous financial year. These will be delivered, where applicable, on the date on which they leave their positions as directors for reasons other than serious dereliction of their duties. Details of the annual allocation carried out by the Board can be found in Note 54 of the Annual Report on the Bank's consolidated annual financial statements for the 2018 financial year, regarding remuneration and other benefits received by the Board of Directors and members of the Bank's Senior Management.

For executive directors, the percentage of direct voting rights through financial instruments corresponds to the number of Annual Variable Remuneration (AVR) shares received for previous financial years, which was deferred and is yet to be paid out as of the date of this report, provided that the conditions for such are met. Thus, this includes the percentage corresponding to the deferred 50% of the 2015 AVR, which will be received in 2019, the deferred 50% of the 2016 AVR, which will be received in 2020, and 60% of the deferred 2017 AVR, which will correspond to 60% delivered in 2021, 20% in 2022 and the remaining 20% in 2023. The final amount is subject to the applicable multi-year indicators, which may reduce the deferred amount, or even forfeit it, but never increase it. The final amount is also subject to the malus and clawback clauses set out in the remuneration policy applicable in each financial year.

Further to Section A.9, relating to income from treasury-share trading, Rule 21 of Circular 4/2017 and IAS 32, Paragraph 33, expressly prohibit the recognition, in the profit and loss account, of gains or losses made through transactions carried out with its own capital instruments, including their issuance and redemption. Said profits and losses are directly booked against the company's net equity. In the table of significant variations, the date of entry of CNMV Model IV in the registries of that organism, model corresponding to the communications with treasury shares and the reason for such communication.

Further to Section A.12, there are no legal or statutory restrictions on the exercise of voting rights. Thus, in accordance with article 31 of Company Bylaws, each voting share will confer the right to one vote on the holder present or represented at the General Meeting.

Moreover, there are no statutory restrictions on the acquisition or transfer of share capital holdings.

However, as for the legal restrictions on the acquisition or transfer of shares in the company's share capital, Spanish Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions establishes that the direct or indirect acquisition of a significant holding (as defined in article 16 of that Act) is subject to assessment by the Bank of Spain as set out in Articles 16 et seq. of that Act. Additionally, Article 25 of Royal Decree 84/2015, implementing Act 10/2014, establishes that the Bank of Spain shall evaluate proposals for

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acquisitions of significant shares and submit a proposal to the European Central Bank regarding whether to oppose this acquisition or not. This same article establishes the criteria that should be considered during said evaluation and the applicable timelines.

Further to Section C.1.5, the periodic analysis process carried out by the Appointments Committee, will also consider the composition of the different Board Committees that assist this Corporate Body in the performance of its duties and which constitute an essential element of BBVA's corporate governance. The Corporate Bodies will also be assessed to ensure they have a suitable and diverse composition, combining individuals who have experience and knowledge of the Group, its businesses and the financial sector in general with others who have training, skills, knowledge and experience in other areas and sectors that enable the right balance to be attained in the composition of Corporate Bodies to improve operation and performance of their duties.

This allows the Board of Directors and its Committees to have suitable compositions that are always adapted to their needs, so they can therefore perform their functions effectively. In this sense, both the Board's composition and the rotation process are aligned with the Bank's strategy, which enables the Group to continue taking steps forward in its current digital transformation process.

Within the framework of the continuous Board rotation process, the Appointments Committee, in performing its duties, has in recent financial years put in place different selection processes for directors; these are aimed at identifying the most suitable candidates at all times, based on the needs of the Corporate Bodies, which favour diversity in experience, knowledge, skills and gender, as well as a level of independence of the Board.

In the last financial year, as part of the ordered rotation process for Corporate Bodies, the selection processes agreed upon by the Appointments Committee led to appointment proposals for three new directors, with the aim of selecting candidates that would (i) supplement the existing knowledge and experience of the Corporate Bodies, particularly in the financial (banking activity, risks, regulation and supervision of the financial sector) and technological fields, and (ii) increase diversity in terms of gender and international experience, while always considering the dedication of time deemed necessary for directors to perform their duties and respect for the rules on limitations and incompatibilities and on conflicts of interest, as established in the Regulations of the Board and applicable regulations.

The appointment proposals for three new directors, which were approved at the General Shareholders' Meeting in 2018, directly contributed to achieving the targets established in the Policy, with at least 50% of the total number of directors being independent directors, increasing the proportion of women on the Board, to bring this closer to the target percentage included in the Policy; this also reinforced the knowledge of the Corporate Bodies regarding financial (in particular, relating to banking activity, risks, regulation and supervision of the financial sector) and technological fields, and adding to the international profile of the Corporate Bodies.

In addition, the Bank's Corporate Bodies have made very important decisions regarding its executive directors, with a new Group Executive Chairman and a new Chief Executive Officer being appointed by the Board of Directors at the end of the financial year, following the Board's approval of the succession plans for these two positions proposed by the Appointments Committee.

In this regard, and in relation to the Succession Plans for both the Group Executive Chairman and the Chief Executive Officer, in compliance with the principles established by the aforementioned Regulations of the Board and the Policy, the Appointments Committee analysed and determined the required profile and established the conditions for performing the role that the candidate must meet with regard to status of the director, expected dedication, knowledge, skills and experience, as well as business and professional reputation and other conditions deemed important by the Committee to ensure continuity of the decision-making process of the Corporate Bodies, in particular continuing to drive the transformation process that the Group is currently undergoing.

The Board of Directors therefore has a diverse composition, combining people with extensive financial and banking experience and knowledge with profiles that have experience and knowledge in various areas that are of interest to the Bank and its Group, such as auditing, legal and academic fields, multinational business, digital

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businesses and technology, both nationally and internationally. This enables the Board overall to have a suitable balance in its composition and suitable knowledge of the Bank's and the Group's environment, activities, strategies and risks, helping it to better perform its functions.

Moreover, in accordance with the provisions of Article 540 of the Corporate Enterprises Act, which stipulates that a brief description of the diversity policy, with regard to directors and to members of management, must be provided, BBVA employs a selection and appointment policy for members of BBVA's Senior Management. Said policy is designed to ensure that individuals in Senior Management positions at BBVA have the capacity to properly exercise the responsibilities conferred upon them. Thus, members of BBVA Senior Management must have top-level academic and technical qualifications, professional skills—underpinned by their professional careers to date—applicable to the responsibilities associated with the role to be fulfilled, a recognised honourable professional reputation, and commitment to BBVA's values.

Thus, pursuant to the provisions of the Policy on the assessment of internal talent, performance is assessed in terms of the achievement of objectives, potential to assume greater responsibilities in the future, and individuals' professional capabilities and skills. These assessments may be supported by means of review sessions during which members of Senior Management analyse the profiles of certain employees and share their opinions on the achievements and strengths of each individual. Moreover, for the selection of external candidates for Senior Management positions, references and top-level executive search firms are used. The Talent & Culture area ensures that external candidates possess top-level academic and technical qualifications, that their professional careers to date adequately encompass the responsibilities associated with the roles to be fulfilled, that they have recognised professional reputations, and that, during their careers at other organisations, they have demonstrated a high level of alignment with BBVA's values. The candidates identified through the company's external selection process are considered alongside internal candidates, in order to select the individual that best fits the role to be fulfilled.

Moreover, in accordance with the BBVA Board Regulations, the duties of the Board of Directors include appointing members of Senior Management, following a report from the Bank's Appointments Committee. Prior to the proposal and appointment of members of Senior Management, the Bank follows a selection process that is governed by the aforementioned principles and criteria, and that comprises the following stages: (i) review and analysis of the duties to be performed in the position, and the profiles of the candidates best suited to assume the position – this process ends with the selection of a final candidate to assume the position; (ii) assessment by the Suitability Committee of the suitability of the proposed candidate, in accordance with the specific procedure established by the Bank in that regard; (iii) presentation, if the candidate is considered suitable, of the proposed appointment to the Appointments Committee in order for the latter to prepare its report to the Board of Directors; and (iv) submission of the proposal to the Board of Directors for approval, with said proposal accompanied by the report of the Appointments Committee.

Further to Section C.1.9, the supervision and control Board Committees, with regulatory nature, also have certain duties delegated by the Board of Directors, the most notable of which are as follows:

- The duties delegated to the Audit and Compliance Committee include making proposals to the Board as regards the selection, appointment, re-appointment and replacement of the external auditor, in addition to the conditions of their recruitment; reporting, prior to decisions under consideration by the Board, on any matter provided for by Law or in the Bylaws, in particular those relating to financial information that the Company must periodically make public, to the creation or acquisition of shareholdings in special-purpose vehicles or entities domiciled in tax havens, or territories considered to be tax havens, and to operations with related parties; and assess the selection, appointment, separation and, where applicable, reelection initiatives of the head of the internal audit department.
- The duties delegated to the Appointments Committee include making proposals to the Board as regards the appointment, re-appointment or removal of independent directors, and reporting on proposals for the appointment, re-appointment or removal of other directors; proposing policies to the Board with regard to the selection and diversity of directors; analysing the suitability of directors; and reporting on proposals for the appointment of the Chairman and Secretary, as well as for the appointment or removal of members of Senior Management.

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- The duties delegated to the Remunerations Committee include making proposals to the Board—for them to be subsequently proposed at the General Shareholders' Meeting—regarding the remuneration policy for directors, and presenting the annual report on directors' remuneration to the Board.
- The duties delegated to the Risk Committee include analysing risk operations that will subsequently be submitted to the Board or Executive Committee for consideration.

In order to complete the information included in Section C.1.13, it is indicated that:

The amount indicated under the heading "Remuneration of the Board of Directors accrued during the financial year", corresponds, according to the instructions of this Report, with the amount declared as total remuneration accrued according to table c) "Summary of Remunerations" of the Section C.1. of the Annual Report on the Remuneration of BBVA's directors, which includes: fixed remuneration and remuneration in kind of executive and non-executive directors received in 2018; the Initial Portion (40%) of the Annual Variable Remuneration ("AVR") for the year 2018 of the executive directors, in cash and in monetized shares, which will be received in 2019, if conditions are met; as well as 50% of the deferred AVR for the year 2015, in cash and in shares, including its update, whose delivery corresponds in 2019 if conditions are met. Likewise, the same remuneration concepts are included for the directors who stepped down from their position during 2018.

An individual breakdown of these amounts for each director can be found in Note 54 of the Bank's consolidated Annual Report for the 2018 financial year.

At the time of drafting this report, both the Initial Portion (40%) of the AVR for the 2018 financial year and the Deferred Portion of the 2015 deferred AVR have not been paid.

In order to calculate the cash value of the shares corresponding to the Initial Portion of 2018 AVR for executive directors has been calculated based on the average closing price of BBVA shares according to the trading sessions that took place between 15 December 2018 and 15 January 2019, inclusive, which in accordance with the Remuneration Policy for BBVA Directors it is used to determine the portion in shares for the 2018 AVR. This price stood at €4.77 per share. Similarly, in order to calculate the cash value of the shares corresponding to the deferred part of 2015 AVR, the reference price used is based on the average closing price of BBVA shares according to the trading sessions that took place between 15 December 2015 and 15 December 2016, both inclusive, which in accordance with the Policy applicable in 2015 it was the criterion that served to determine the part in shares of the AVR 2015. This price stood at €6.63 per share

The total amount indicated does not include the remuneration of BBVA Chief Executive Officer (CEO) Onur Genç, who was appointed by resolution of the Board of Directors on 20 December 2018, since no remuneration was accrued due to his condition as CEO or as member of the Board during 2018.Therefore, his remuneration linked to his previous position as Chairman and CEO of BBVA Compass can be found in Note 54 of the Annual Report on the Bank's consolidated Annual Report for the 2018 financial year.

With regard to the "Amount of accrued entitlements by current directors in regard to pensions" indicated in Section C.1.13 of this Report, as at 31 December 2018, the Bank had undertaken pension commitments in favour of Carlos Torres Vila and José Manuel González-Páramo Martínez-Murillo to cover contingencies of retirement, disability and death in accordance with the provisions of the Bylaws, the Remuneration Policy for BBVA Directors and the directors' respective employment contracts with the Bank. The main characteristics of the pension systems are detailed in the Remuneration Policy for BBVA Directors and in Note 54 of the Annual Report for the financial year 2018, which includes the amounts of the rights accrued by said directors.

The balance of the item "Provisions — Funds for pensions and similar obligations" on the Group's consolidated balance sheet at 31 December 2018 includes EUR 79 million as post-employment provision commitments maintained with former members of the Board of Directors.
In order to complete the information included in Section C.1.14, it is indicated that:

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The item "Total remuneration of Senior Management" includes the remuneration of members of Senior Management listed as such as at 20 December 2018 (15 members), comprising: fixed remuneration and remuneration in kind received during the 2018 financial year; the Initial Portion (40%) of the AVR for the year 2018, the portion in cash (50%) and in shares (50%), which will be received in 2019, if conditions are met; as well as 50% of the deferred AVR for the year 2015, in cash (50%) and in monetized shares (50%), including its update, whose delivery corresponds in 2019 if conditions are met.

This concepts can be found in Note 54 of the Bank's consolidated Annual Report for the 2018 financial year.

At the time of drafting this Report, both the Initial Portion (40%) of the AVR for the 2018 financial year and the Deferred Part of the 2015 AVR have not been paid.

In order to calculate the cash value of the shares corresponding to the deferred part of 2015 AVR, the reference price used is based on the average closing price of BBVA shares according to the trading sessions that took place between 15 December 2015 and 15 January 2016, both inclusive, which in accordance with the Policy applicable in 2015 it was the criterion that served to determine the part in shares of the AVR 2015. This price stood at €6.63 per share.

The total amount indicated does not include the remuneration of the 5 members of Senior Management, who were appointed on December 20, 2018 by agreement of the Board since no remuneration was accrued due to the performance of their duties as senior manager during 2018. However, its remuneration associated with its previous positions is reported in Note 54 of the Bank's consolidated Annual Report for the 2018 financial year. The main characteristics of the forecast systems are: defined contribution systems; the possibility of receiving the retirement pension in advance is not foreseen; and it has been established that 15% of the contributions agreed upon have the status of "discretionary pension benefits", in accordance with the requirements of the applicable regulations. These amounts are detailed in Note 54 of the Bank's consolidated Annual Report for the financial year 2018.

The balance of the item "Provisions - Funds for pensions and similar obligations" in the consolidated balance sheet of the Group as of December 31, 2018 includes EUR 253 million as post-employment provision commitments maintained with former members of Senior Management from the Bank.

With regard Section C.1.17, regarding the evaluation process and the evaluated areas carried out by the Board of Directors, the quality and efficiency of operation of the Audit and Compliance, Risk, Appointments, Remunerations, and Technology and Cybersecurity Committees, has been realized based on the reports submitted by their respective Chairmen:

- The Audit and Compliance Committee periodically submitted reports to the Board on a quarterly basis. These reports contained information on the Committee's various activities, including is role of overseeing the preparation of financial statements and the application of accounting criteria, of the sufficient, the adequate and effective operation of internal control systems in the preparation of financial data, or the planning, progression and depth of external auditor tasks. The evaluation was concluded at the Board of Directors' meeting held on 11 February 2019, in which the Chairman of the Committee presented the main activities undertaken throughout the financial year.

- Moreover, during its meeting on 20 December 2018, the Board of Directors received the report by the Chairman of the Risk Committee on its activities throughout the 2018 financial year, reporting on the tasks executed by the Committee in its ongoing monitoring and oversight of changes in the risks faced by the Group and the extent to which consistency is maintained with certain strategies and policies.

- Likewise, at its meeting held on 31 January 2019, the Committee received the report by the Chairman of the Appointments Committee on the activities undertaken by the Committee throughout the 2018 financial year in terms of its assigned duties, including its tasks relating to the appointment and re-appointment of directors, evaluation of the Board of Directors, or to the

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succession plans for the Group Executive Chairman and the Chief Executive Officer, among other matters.

- Furthermore, at its meeting held on 31 January 2019, the Board received the report by the Chair of the Remunerations Committee on the activities undertaken by the Committee throughout the 2018 financial year, reporting, among other matters, on the tasks performed by the Committee relating to the preparation and implementation of the proposed resolutions submitted to the Board regarding remuneration matters, particularly those relating to the remuneration of executive directors and Senior Management, as well as other tasks that were undertaken with regard to remuneration policies for directors, identified staff and the BBVA Group.

- Lastly, at its meeting held on 28 November 2018, the Board received the report by the Chairman of the Technology and Cybersecurity Committee on its activity for the 2018 financial year in terms of the various areas within its remit, such as the technology and cybersecurity strategy, the plans, policies and management of cybersecurity, or the monitoring and control of technological risks, among other matters.

All of the above has been reflected in the Reports for evaluation by the Board of Directors and the Executive Committee of Banco Bilbao Vizcaya Argentaria, S.A. for the 2018 financial year, prepared by the Appointments Committee and submitted to the Board of Directors for its consideration, where, in addition to that stipulated in preceding paragraphs, the composition of the Board and its Committees, the Bank's Corporate Governance System, the operation of the Corporate Bodies, the activity of the Board of Directors over the 2018 financial year, and the structure and organisation of the Committees, are taken into consideration.

With regard to Section C.1.27, as BBVA shares are listed on the New York Stock Exchange, it is subject to the supervision of the Securities & Exchange Commission (SEC) and, thus, to compliance with the Sarbanes Oxley Act and its implementing regulations, and for this reason each year the Group Executive Chairman, the Chief Executive Officer and the executive tasked with preparing the Accounts sign and submit the certifications described in sections 302 and 906 of this Act, related to the content of the Annual Financial Statements. These certificates are contained in the annual registration statement (Form 20-F) which the Company files with this authority for the official record.

Further to Section C.2.1, we provide brief indications regarding what the regulations establish about the composition of each of the Board Committees:

- Executive Committee: Article 26 of the Regulations of the Board establishes that the Board of Directors may, in accordance with the Bylaws and with the favourable vote of two-thirds of its members, appoint an Executive Committee, ensuring that there is a majority of non-executive directors over executive directors. The Executive Committee will be chaired by the Chairman of the Board of Directors, or when this is not possible, by the person designated in the Bylaws. The Secretary of the Board of Directors will hold the same position on the Committee. If absent, the meeting attendees will appoint a person to assume this role.

- Audit and Compliance Committee: Article 29 of the Regulations of the Board establishes that the Audit and Compliance Committee will exclusively comprise independent directors and will be tasked with assisting the Board of Directors in supervising the financial information and the activity of the Group's control function. When appointing members of the Audit and Compliance Committee, and particularly its Chair, their knowledge and background in accounting, auditing and risk management will be taken into account. It will be made up of four members appointed by the Board, one of whom will be appointed taking into account his/her knowledge of accounting, auditing or both. The Board will also appoint the Chair of this Committee, who must be replaced every four years and may be re-elected one year after the end of his/her term of office. When the Chair cannot be present, his/her duties will be performed by the longest-serving independent director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Committee will appoint a Secretary who may or may not be a member of the Committee.

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- Appointments Committee: Article 32 of the Regulations of the Board establishes that the Appointments Committee will comprise a minimum of three members who will be appointed by the Board of Directors, which will also appoint its Chair. All the members of this Committee must be non-executive directors, with its Chair and a majority of members being independent directors. When the Chair cannot be present, meetings will be chaired by the longest-serving independent director on the Committee, and, where multiple directors have equal length of service, by the eldest.

- Remunerations Committee: Article 35 of the Regulations of the Board establishes that the Remunerations Committee will comprise a minimum of three members who will be appointed by the Board of Directors, which will also appoint its Chair. All the members of this Committee must be non-executive directors, with its Chair and a majority of members being independent directors. When the Chair cannot be present, meetings will be chaired by the longest-serving independent director on the Committee, and, where multiple directors have equal length of service, by the eldest.

- Risk Committee: Article 38 of the Regulations of the Board establishes that the Risk Committee will comprise a minimum of three members who will be appointed by the Board of Directors, which will also appoint its Chair. All the members of this Committee must be non-executive directors and at least one third, and in any event the Chair, must be independent. When the Chair cannot be present, meetings will be chaired by the longest-serving independent director on the Committee, and, where multiple directors have equal length of service, by the eldest.

- Technology and Cybersecurity Committee: The Technology and Cybersecurity Committee Regulations establish that it will comprise a minimum of three members who will be Board members, appointed by the Board of Directors, which will also appoint its Chair. For these purposes, the Board of Directors will consider their knowledge and experience in technology, information systems and cybersecurity. When the Chair cannot be present, meetings will be chaired by the longest-serving director on the Committee, and, where multiple directors have equal length of service, by the eldest.

Moreover, as a continuation of the most significant actions of the Board Committees and its organizational and operational rules included in Section C.2.1

- Audit and Compliance Committee: in terms of the most significant actions carried out by the Committee during the 2018 financial year, it analysed and oversaw the process of preparing and reporting Bank and consolidated Group financial information from the annual, half-yearly and quarterly reports, in order to determine its accuracy, reliability, adequacy and clarity, prior to its submission to the Board. To this end, it focused particularly on the accounting policies and criteria used, and on any changes that may have been made to them (for example, those resulting from the entry into force of IFRS 9), as well as from accounting regulations and changes to the Group's scope of consolidation.

  In particular, prior to their approval by the Board, the Committee oversaw the preparation of the individual and consolidated annual financial statements for the financial year, the half-yearly and quarterly financial statements, as well as other relevant financial information, including the CNMV (Comisión Nacional del Mercado de Valores – Spanish National Securities Market Commission) Registration Document, US SEC Form 20-F, and the Prudential Relevance Report.

  In addition, within the financial information monitoring process, the Committee monitored the adequacy, appropriateness and effective operation of the internal control systems used in the preparation of financial information, including the tax systems, along with both internal reports and those of the external auditor on the effectiveness of the internal financial control.

  With regards to activities related to the external auditor, the Committee has maintained appropriate relationships with the heads of the external auditor, during each of the monthly meetings it has held, in order to ascertain the planning, stage and progress of the work in connection with the audit of the Bank and Group annual financial statements, of the interim financial statements, and of other financial

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information subject to review during the account auditing. It has also received and analysed the opinion reports and communications required by account auditing legislation, from the auditor, among which the following are of note: the work carried out on the Group's financial information, the external auditor's additional report for the Audit and Compliance Committee, and the confirmations of its independence with regards to the Bank.

Similarly, in relation to the independence of the external auditor, the Committee has ensured that internal procedures are implemented to safeguard against situations that may give rise to independence conflicts. It has also opposed declarations made by the external auditor concerning confirmation of its independence with regard to BBVA and its Group, and issued the corresponding reports in accordance with applicable legislation.

With regards to Internal Audit tasks, the Committee approved the Internal Audit Annual Work Plan for the financial year, overseeing the organisational measures set out in the Area for the performance of its functions; provided ongoing monitoring and supervised the Area's activities and reports, ascertained the results of its most relevant work, identified any weaknesses and opportunities for improvement; and considered the recommendations proposed by the Internal Audit as a result of its review work. The Committee also resolved to carry out an external evaluation of the Internal Audit function, overseeing the conclusions of the work carried out by the external consultant in order to identify opportunities for improvement and best practices in the field.

With regards to the Compliance Area, the Committee has repeatedly reviewed the Area's activities over the course of the financial year, overseeing the results of its examinations and the degree of progress in the implementation of planned measures, proposals for the approval and review of policies related to compliance, data protection or anti-corruption, monitoring of issues concerning MiFID regulations, and any other issues which may have arisen in this area of the Group's activities. Moreover, the Committee approved the Compliance Area activities' Annual Plan, carrying out a repeated review of its degree of progress and achievement.

The Committee also reviewed the changes to the structure of the Group companies, provided ongoing monitoring of the main issues relating to the Group's legal and tax risks, and supervised the Group's tax management along with the results of the inspection processes carried out on the matter.

Similarly, the Committee was made aware of the major communications and inspections carried out by the Group's main supervisors, both domestic and foreign, in relation to matters within their remit.

Lastly, during the Bank's General Shareholders' Meeting held in 2018, the Committee informed shareholders of the main issues related to the matters within its remit, including overseeing the process of preparing Bank and Group financial information, which had been provided to shareholders for their approval, the result of the account auditing and of the function that it had carried out in this matter, as well as the main issues related to the matters described in this section and other issues that were handled.

- Appointments Committee: with respect to the Appointments Committee's most significant actions during the 2018 financial year, in performing the duties assigned to it, the following were particularly noteworthy: the Committee's continuous analysis of the structure, size and composition of the Board of Directors, ensuring that they are suitable for the Corporate Bodies to best perform their duties; the analysis of the directors' compliance with the independence and suitability criteria and the absence of any conflicts of interest for the performance of their duties; the review performed on the Board's selection, appointment, rotation and diversity policy, which, together with the analysis of structure, size and composition, led to corresponding proposals for the re-appointment, ratification and appointment of directors to be submitted to the Company's next General Shareholders' Meeting. It also conducted an assessment of how the Board, the Executive Committee and the different roles of the Board operate, counting in this exercise, within the framework of the self-evaluation process, with the help of an external expert of international prestige.

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The Committee considered it advisable to perform succession planning for the Group Executive Chairman of the Bank.

As a result, the Committee launched the succession plan for the Group Executive Chairman, analysing the Bank's Corporate Governance System, and also analysed the required profile of the candidate for Chairman.

Following this, the Committee selected Carlos Torres Vila as the most suitable candidate for the role, and agreed to submit a favourable opinion to the Board of Directors regarding its approval of the succession plan and appointment of Carlos Torres Vila as successor to the former Group Executive Chairman when he resigns from his post.

Also, given that the CEO of the Bank was selected to succeed the Chairman of the Board, the Committee considered a successor for the CEO role in preparation for the current CEO becoming Group Executive Chairman, in order for this succession to be carried out in an orderly manner.

In connection with this, the Committee drafted and adopted the skills profile needed for the position, which would serve as the basis for analysing the candidates, after which the Committee selected Onur Genç as the most suitable candidate for the position of Chief Executive Officer.

As a result of this, the Committee agreed to submit a favourable opinion to the Board of Directors regarding its approval of the succession plan for the Chief Executive Officer and the appointment of Onur Genç to this role.

The Committee also analysed the proposed appointments and removals of senior managers as a result of the new organisational structure, in accordance with the provisions established at the selection and appointment Policy of senior managers.

The Committee reviewed and verified the suitability of the proposed new senior managers, as reflected in its reports submitted to the Board.

- Remunerations Committee: in regards to the most important activities carried out by the Remunerations Committee during the 2018 financial year, the Chair of the Remunerations Committee has submitted a report on these to the Board, giving an account of Committee projects related to the functions attributed to it by the Regulations of the Board, as well as the development of the framework established in the Remuneration Policy for BBVA Directors and the Remuneration Policy for the BBVA Group, which includes the Remuneration Policy for the Identified Staff.

  Firstly, in implementation of the remuneration policies adopted, the Committee has analysed the following matters and, where appropriate, submitted the corresponding proposals to the Board:

  With regard to non-executive directors, the Committee has analysed the remunerations established for performance of the role of director and for membership to the various Committees, and proposed to the Board that the amounts agreed by this body in previous sessions—which have not been updated since 2007—not be updated in 2018.

  With regard to executives directors, the Committee has submitted to the Board the necessary proposals for: settling and paying the Annual Variable Remuneration for 2017; updating the deferred last third of the variable remuneration for the 2014 financial year, which was paid in the first quarter of 2018; reviewing the remuneration conditions (target fixed and variable) of the executive directors for the 2018 financial year, proposing to the Board that the amounts not be updated; scales of achievement of the multi-year performance indicators regarding the Annual Variable Remuneration for the 2017 financial year, as well as the related peer group and Total Shareholder Return (TSR) indicator; determining the annual and multi-year indicators for calculating the Annual Variable Remuneration for

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the 2018 financial year and their corresponding weightings; the targets and scales of achievement for calculating the 2018 Annual Variable Remuneration; and the minimum thresholds for Attributable Profit and Capital Ratio set for the generation of variable remuneration.

With regard to those matters relating to the policy applicable to Senior Management, the Committee has revised the basic contractual conditions and received information on their annual performance indicators for the 2018 financial year and on the settlement of the Annual Variable Remuneration for the 2017 financial year for each member of Senior Management.

In terms of matters relating to the remunerations policy applicable to the Identified Staff, including Senior Management, the Committee has determined that the multi-year performance indicators used to calculate the Annual Variable Remuneration for the 2018 financial year, and their achievement scales used to calculate the deferred Annual Variable Remuneration for the 2017 financial year, should be the same as those established for executive directors.

As regards its function of ensuring compliance with the remuneration policy established by the Bank, the Committee has reviewed the implementation of such by the Group over the course of the 2017 financial year, including the Remuneration Policy for the Identified Staff and the procedure for identifying said group, and has also received information on the result of the process for identifying the Identified Staff within the BBVA Group during the 2018 financial year.

Finally, among its other functions, the Committee has submitted the Annual Report on the Remuneration of Directors to the Board for its approval and subsequent submission to the General Shareholders' Meeting for a vote, and it has also proposed to the Board a resolution to increase the maximum variable remuneration level of up to 200% of the fixed component applicable to a specific number of members of the Identified Staff.

Detailed information on the activities of the Remunerations Committee is available on the Company's website (www.bbva.com).

- Risk Committee: as a continuation of what is indicated in section C.2.1, the rest of the functions of the Risk Committee are detailed, as well as the main activities carried out in 2018 for each one of them and their organization and operation regime:

    - To analyse the internal control and information systems and guarantee the adequate functioning of the risk management and control model and the suitability of the risk management structure and functionality throughout the Group, as well as the availability of sufficient information for adequate decision making and for detailed knowledge of risk exposure.

      The Committee confirmed that the Group's risk management and control model is adequate and that the Group has a structured Risk Area both at corporate level and in each geographical area and/or business area, adding that it functions correctly and that it provides the Committee with the information required to understand the Group's risk exposure at any time, which enables the Committee to fulfil its monitoring, supervision and control functions.

    - To conduct a preliminary analysis of risk operations that must be submitted for the consideration of the Board of Directors or the Executive Committee.

      The Risk Committee previously analysed the credit risk proposals that, due to the nature of the requestor (members of the BBVA Board of Directors or Senior Management), had been submitted to the Board of Directors for consideration.

    - To ensure that the pricing policy for the assets and liabilities offered to customers fully takes into account the Bank's business model and risk strategy and, if this is not the case, present a plan to the Board of Directors aimed at rectifying the situation.

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In 2018, the Committee received recurring information on the evolution of metrics and analysis in terms of profitability and capital, which evaluate the resulting pricing alignment in financing and credit activity against the risk strategy and risk transfer in the Group. Additionally, the Committee monitored the profitability of portfolios and businesses and the performance of the profitability indicators incorporated into the Risk Appetite Framework. All of this enabled the Committee to confirm that the prices of the assets and liabilities offered to customers were aligned with the Bank's business model and risk strategy.

- To participate in the process of establishing the remunerations policy, checking that it is compatible with an adequate and effective risk management strategy and that it does not offer incentives to assume risks that exceed the level tolerated by the Bank.

  The Committee checked that the variable remuneration proposed in line with the Group's Remuneration Policy is compatible with an adequate and effective risk management strategy and that it does not offer incentives to assume risks that exceed the level tolerated by the Group.

- To check that the Company and the Group have means, systems, structures, organisation and resources that are consistent with best practices and enable them to implement their risk management strategy, ensuring that the Bank's management mechanisms are adequate in relation thereto.

  The Committee was informed of the Risk Area's structure, resources and incentive scheme as well as its means, systems and tools (including those in development stage), having verified that the Group has adequate resources for its strategy.

- To analyse and assess the system for valuing assets and classifying and estimating the risks faced by the bank, as well as the use of external credit ratings.

  The Committee receives regular information about the asset valuation and risk classification systems from both the model development and validation perspectives. This information is accompanied by a recurring report of the status of the different tools and projects developed at corporate level and for each geographical area and/or business area, as well as their existing levels of classification. In addition, with regard to the asset valuation system, the Committee receives information about the cost of risk and the hedging cost, as well as the trends of the portfolios of risk in market activities.

- To drive the development of the risk management process within the Group using an advanced model to achieve a risk profile that is in line with the established strategy. To that end, the Risk Committee will monitor the requirements and recommendations of the risk supervisors and regulators, as well as the implementation thereof in the Group's risk management and control model.

  The Committee received one-off information about issues relating to the risk models and to the supervisory activity performed as part of the process for reviewing the Group's internal models and the Internal Validation area.

- Any other duties that have been assigned to it by decision of the Board or on the basis of applicable law.

  During the 2018 financial year, the Risk Committee reviewed the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) Reports to monitor the drafting of the stress scenarios and confirm that they were aligned with the Risk Appetite Framework. To do so, the Committee received the help of the Risk and

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Finance Areas among others, which enabled it to ensure that they accurately reflected the Group's situation in the analysed fields.

In addition, the Risk Committee participated in the review of the Group's Recuperation Plan with the aim of evaluating its alignment with the Risk Appetite Framework, again with the help of the Risk and Finance Areas, among others.

This was all done prior to being considered and, where applicable, approved by the Executive Committee and the Board of Directors.

The previous functions are carried out by the Risk Committee within the context of a culture that maintains the consistency of the Group's General Risk Control and Management Model and ensures the implementation thereof at all levels of the organisation.

During the 2018 financial year, the Committee verified the progress and effectiveness of the various actions drawn up by the Risk Area to strengthen the risk culture in the Group, to enable employees to perform their functions in a secure environment, and to encourage the mitigation of risks to which their activities are exposed.

Finally, with regard to the Risk Committee's organisational and operational rules and procedures, and in accordance with the provisions of the Regulations of the Board of Directors and of its own Regulations, this Committee meets as often as necessary to fulfil its duties, establishing a meeting schedule in accordance with the tasks to be carried out.

The Committee regularly receives help at its sessions from the Group's Head of Global Risk Management, those in charge of each type of risk in the corporate field and the risk directors of the Group's main entities, as well as the help of those people who, within the Group's organisation, carry out tasks related to the Committee's functions. It also conducts both internal and external assessments that it considers necessary to form opinions within its remit.

- Technology and Cybersecurity Committee: with regard to the rules and procedures on the organisation and operation of the Technology and Cybersecurity Committee, this Committee meets as often as necessary to fulfil its duties, and is convened by its Chairman.

  The Committee may request that persons with tasks within the Group organisation that are related to the Committee's duties attend its meetings. In particular, the Committee maintains direct and ongoing contact with the executives responsible for the Group's Engineering and Cybersecurity areas, from which it receives the information required to perform its duties, which is analysed during the Committee's sessions.

  The Committee can also conduct external assessments deemed necessary to form opinions on matters within its remit.

With respect to Section D (Related-party and Intragroup Transactions), see Note 53 of the BBVA Consolidated Annual Financial Statements for the 2018 financial year. Section D.4 details the transactions conducted by Banco Bilbao Vizcaya Argentaria, S.A. at the close of the financial year, with the company issuing securities on international markets, carried out as part of ordinary trading related to the management of outstanding issuances, guaranteed by BBVA. Moreover, with respect to Section D.4, please refer to the section entitled "Offshore financial centres" in the BBVA Consolidated Management Report for the 2018 financial year.

Likewise, in relation to Section D.7, BBVA holds significant holdings in three listed companies, which are not considered as subsidiaries and are not part of the BBVA Group. Additionally, as part of its ordinary operations, BBVA holds stakes in other listed companies, the participation in them is insignificant and these companies cannot be considered as subsidiaries belonging to the BBVA Group.

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As a complement to the provisions of Section E.1, the information related to the Infrastructure of the General Risk Control and Management Model is detailed below: the Group has the human and technological resources needed to effectively manage and monitor risks in order to carry out the functions set out in the Group's risk Model and achieve its goals. With respect to human resources, the Group's risk function has an adequate workforce in terms of number, skills, knowledge and experience. With respect to technology, the Group's risk function assures the integrity of the measurement techniques, management information systems and the provision of the infrastructure required to support risk management, using the tools appropriate to the needs derived from the different types of risks in their admission, management, valuation and monitoring. Likewise, the Group promotes the development of a risk culture that ensures consistent application of the Risk Control and Management model in the Group, and that guarantees that the risk function is understood and internalised at all levels of the organisation.

Regarding taxation, BBVA has defined a tax-risk management policy based on a suitable control environment, a system for identifying risks and a monitoring process including continuous improvement of the effectiveness of the established controls. This management model was evaluated and approved by an independent expert.

As a complement to the information indicated in Section E.3, the information related to business, operational and legal risks is detailed below:

- New technologies and means of customer interaction: The development of the digital world and information technologies poses major challenges for financial institutions, and brings threats (new competitors, disintermediation etc.) but also opportunities (new customer-relations frameworks, greater ability to adapt to customers' needs, and new products and distribution channels etc.). In this regard, digital transformation is one of the priorities for the Group, which aims to lead the digital banking of the future.

- Technology risks and security breaches: Financial institutions are exposed to new threats such as cyber-attacks, internal and customer database theft, payment system fraud, etc. that require major investments in security from both a technological and a human stand point. The Group attaches a great deal of importance to active management and control of operational and technological risk. One example is the early adoption of advanced models for managing these risks (AMA – Advanced Measurement Approach).

- Litigation is becoming increasingly common in the financial sector, with institutions facing a large number of proceedings of all kinds—civil, criminal, administrative, judicial—as well as supervisory investigations, in many jurisdictions, the outcome of which is difficult to predict (including proceedings involving an indeterminate number of claimants, those for which damages claimed are difficult to estimate, those in which claims are made for exaggerated amounts, those involving unprecedented legal issues as a result of anecdotal and creative legal arguments, and those that are at a very early stage).

Many current proceedings in Spain involve plaintiffs demanding, both in Spanish courts and through preliminary rulings at the Court of Justice of the European Union, that certain clauses commonly appearing in mortgage loan agreements with financial institutions be declared as unfair (clauses relating to mortgage expenses or early maturity, the use of certain benchmark interest rates, starting fees etc.). The resolutions from these types of proceedings brought against other banking institutions may affect the Group indirectly.

The Group is involved in investigations by competition authorities in several countries which may result in sanctions and claims for damages by third parties.

As explained in the Other Non-Financial Risks section of the Non-Financial Information State in the management report, the Group could be similarly immersed in investigations by the judicial authorities without, up to now, receiving any formal notification to that effect, in relation to the contracting of allegedly irregular activities that, if confirmed, could have a negative reputational impact for the Bank. The Bank is conducting an internal

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investigation, and it is not possible to predict at this time the scope or duration of such investigations or their possible outcome or implications for the Group.

The Group manages and continuously monitors such proceedings in defence of its interests, and makes the necessary provisions to cover itself based on the amount of disputes and judicial pronouncements, and the stage that proceedings are at. However, is difficult to predict the outcome of the aforementioned actions and proceedings—both those that the Bank is currently involved in and those that may arise in the future—and of rulings involving other banking institutions. As such, in the event that jurisprudential criteria are amended or disputes have unexpected outcomes, the provisions in place may be rendered insufficient.

The main risks derived from the corruption and bribery offenses are specified in the Compliance System section, section other behavioral standards of the Ethical Behavior Chapter of the Non-Financial Information State of the Management Report.

As to adherence to codes of ethics or good practice, it is to be noted that during the 2011 financial year the BBVA Board of Directors approved the Bank's adhesion to the Code of Good Tax Practices approved by Large Corporations Forum according to the wording proposed by the Spanish Tax Agency (AEAT). During this financial year, it has been compliant with the contents of this Code. Moreover, BBVA is committed to applying the provisions of the Universal Declaration of Human Rights, the Principles of United Nations Global Compact (to which BBVA has formally adhered), the Equator Principles (to which BBVA has formally adhered since 2004), the United Nations Principles for Responsible Investment, the Green Bond Principles, the Green Loan Principles, those of the RE100, Science Based Targets and Grupo Español para el Crecimiento Verde (Spanish Green Growth Group) initiatives, and those of other conventions and treaties of international organisations such as the Organization for Economic Co-operation and Development and the International Labour Organization. In addition, BBVA is a member of the United Nations Environment Programme – Finance Initiative and the Thun Group of Banks on Human Rights, and follows the United Nations Principles for Responsible Banking. Moreover, BBVA is firmly committed to the United Nations Sustainable Development Goals and the Paris Agreement on Climate Change, and, since 2017, the Bank has been part of the pilot group of banks committed to implementing the recommendations regarding financing and climate change published in July by the Financial Stability Board of the G20.

This annual corporate governance report was approved by the company's Board of Directors on 11 February 2019.

List whether any directors voted against or abstained from voting on the approval of this report.

NO

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KPMG Asesores, S.L.
Pº de la Castellana, 259 C
28046 Madrid

Independent Assurance Report on the Non-Financial Information Statement of Banco Bilbao Vizcaya Argentaria, S.A. and its subsidiaries for the year ended 31 December 2018

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

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

Pursuant to article 49 of the Spanish Code of Commerce, we have provided limited assurance on the Non-Financial Information Statement (hereinafter NFIS) for the year ended 31 December 2018, of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter the "Bank") and its subsidiaries (hereinafter the "Group") which forms part of the Group's 2018 consolidated Directors' Report.

The contents of the consolidated Directors' Report includes additional information to that required by prevailing mercantile legislation on non-financial information which it is not possible to provide assurance. In this regard, our assurance work was limited only to providing assurance on the information contained in table "GRI Indicators" of the accompanying NFIS.

The Bank's Directors' responsibilities

The Bank's Board of Directors is responsible for the preparation and presentation of the NFIS included in the Group's Consolidated Directors' Report. The NFIS has been prepared in accordance with prevailing mercantile legislation and selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards), in accordance with that mentioned for each subject area in table "GRI Indicators" of said Consolidated Directors' Report.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the NFIS is free from material misstatement, whether due to fraud or error.

The Bank's directors are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for preparing the NFIS was obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

KPMG Asesores S.L., sociedad española de responsabilidad limitada y firma miembro de la red KPMG de firmas independientes afiliadas a KPMG International Cooperative ("KPMG International"), sociedad suiza.
Paseo de la Castellana, 259C – Torre de Cristal – 28046 Madrid

Reg. Mer Madrid, T. 14.972, F. 53, Sec. 8 , H. M -249.480, Inscrip. 1.ª
N.I.F. B-82498650

Our firm applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialised in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed that refers exclusively to the year 2018. The data for previous years were not subject to the assurance foreseen in the mercantile legislation in force.

We conducted our review engagement in accordance with International Standard on Assurance Engagements, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of management, as well as of the different units and responsible areas of the Group that participated in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS and in the application of certain analytical procedures and sample review testing described below:

- Meetings with the Group's personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these questions and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the NFIS based on the materiality analysis performed by the Group and considering the content required in prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the Non-Financial Information Statement for 2018.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the NFIS.
- Corroboration, through sample testing, of the information relative to the content of the NFIS for 2018 and whether it has been adequately compiled based on data provided by internal and external information sources or third party reports.
- Procurement of a representation letter from the Bank's Directors and management.

Conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the NFIS of Banco Bilbao Vizcaya Argentaria, S.A. and its subsidiaries for the year ended 31 December 2018 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and the content of the selected GRI Standards, in accordance with that mentioned for each subject area in the table "GRI Indicators" included in the Consolidated Directors' Report.

Use and distribution

This report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Asesores, S.L.

(Signed)

Ramón Pueyo Viñuales

12 February 2019

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

BBVA

Creating Opportunities

Condensed Interim Consolidated Financial Statements and Interim Consolidated Management Report for the three month period ended March 31, 2019

Banco Bilbao Vizcaya Argentaria, S.A. and Subsidiaries

Condensed Interim Consolidated Financial Statements
March 31, 2019

Interim Consolidated Management Report
First Quarter 2019

(With Limited Review Report Thereon)

(*Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.*)

KPMG Auditores, S.L.
Pº. de la Castellana 259 C
28046 Madrid

Limited Review on the Condensed Interim Consolidated Financial Statements

(*Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.*)

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

REPORT ON THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Introduction

We have carried out a limited review of the accompanying condensed interim consolidated financial statements (the "interim financial statements") of Banco Bilbao Vizcaya Argentaria, S.A. (the "Bank") and subsidiaries which, along with the Bank, form the Banco Bilbao Vizcaya Argentaria Group (the "Group"), which comprise the condensed consolidated balance sheet as of March 31, 2019, the condensed consolidated income statement, the consolidated statement of recognized income and expense, the consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the accompanying notes to the condensed interim consolidated financial statements corresponding to the three-month period then ended. Pursuant to article 12 of Royal Decree 1362/2007 the Directors of the Bank are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

KPMG Auditores S.L., sociedad española de responsabilidad limitada y firma miembro de la red KPMG de firmas independientes afiliadas a KPMG International Cooperative ("KPMG International"), sociedad suiza.
Document classification: KPMG Confidential

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N.I.F. B-78510153

Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the three-month period ended March 31, 2019 have not been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, pursuant to article 12 of Royal Decree 1362/2007.

Emphasis of Matter

We draw your attention to the accompanying note 1, which states that these interim financial statements do not include all the information required in complete consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended December 31, 2018. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying interim consolidated management report for the three-month period ended March 31, 2019 contains such explanations as the Directors of the Bank consider relevant with respect to the significant events that have taken place in this period and their effect on the interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The interim consolidated management report is not an integral part of the interim financial statements. We have verified that the accounting information contained therein is consistent with the interim financial statements for the three-month period ended March 31, 2019. Our work is limited to the verification of the interim consolidated management report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries.

Paragraph on Other Matters

This report has been prepared at the request of the Bank's Board of Directors in relation to the publication of the quarterly financial report voluntarily prepared within the framework of article 120 of Royal Legislative Decree 4/2015 of October 23, 2015, which approves the Revised Securities Market Law, enacted by Royal Decree 1362/2007 of October 19, 2007.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Luis Martín Riaño

April 30, 2019

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INTERIM CONSOLIDATED MANAGEMENT REPORT

BBVA Group

Condensed Consolidated balance sheets as of March 31, 2019 and December 31, 2018

Condensed Consolidated balance sheets (Millions of Euros)

ASSETS	Notes	March 2019	December 2018 (*)
Cash, cash balances at central banks and other demand deposits	8	50,059	58,196
Financial assets held for trading	9	92,366	90,117
Non-trading financial assets mandatorily at fair value through profit or loss	10	5,535	5,135
Financial assets designated at fair value through profit or loss	11	1,311	1,313
Financial assets at fair value through other comprehensive income	12	60,204	56,337
Financial assets at amortized cost	13	433,008	419,660
Hedging derivatives		3,128	2,892
Fair value changes of the hedged items in portfolio hedges of interest rate risk		13	(21)
Joint ventures, associates and unconsolidated subsidiaries	14	1,587	1,578
Insurance and reinsurance assets		383	366
Tangible assets	15	10,408	7,229
Intangible assets	16	8,383	8,314
Tax assets	17	17,695	18,100
Other assets	18	5,153	5,472
Non-current assets and disposal groups held for sale	19	1,967	2,001
TOTAL ASSETS		**691,200**	**676,689**

LIABILITIES AND EQUITY	Notes	March 2019	December 2018 (*)
Financial liabilities held for trading	9	80,818	80,774
Financial liabilities designated at fair value through profit or loss	11	7,846	6,993
Financial liabilities at amortized cost	20	520,464	509,185
Hedging derivatives		3,171	2,680
Fair value changes of the hedged items in portfolio hedges of interest rate risk		-	-
Liabilities under insurance and reinsurance contracts	21	10,577	9,834
Provisions	22	6,497	6,772
Tax liabilities	17	3,661	3,276
Other liabilities	18	4,618	4,301
Liabilities included in disposal groups classified as held for sale		-	-
TOTAL LIABILITIES		**637,653**	**623,814**
SHAREHOLDERS' FUNDS		54,485	54,326
Capital	24	3,267	3,267
Share premium		23,992	23,992
Equity instruments issued other than capital		-	-
Other equity		57	50
Retained earnings	25	26,345	23,018
Revaluation reserves	25	8	3
Other reserves	25	(94)	(58)
Less: Treasury shares		(178)	(296)
Profit or loss attributable to owners of the parent		1,164	5,324
Less: Interim dividend		(77)	(975)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	26	(6,656)	(7,215)
MINORITY INTERESTS (NON-CONTROLLING INTEREST)	27	5,718	5,764
TOTAL EQUITY		**53,547**	**52,874**
TOTAL EQUITY AND TOTAL LIABILITIES		**691,200**	**676,689**

MEMORANDUM: OFF BALANCE SHEET EXPOSURES	Notes	March 2019	December 2018 (*)
Loan commitments given	28	118,570	118,959
Financial guarantees given	28	16,149	16,454
Contingent commitments given	28	36,832	35,098

(*) Presented solely and exclusively for comparison purposes (see Note 1).

The accompanying Notes 1 to 44 and Appendix I are an integral part of the condensed interim consolidated financial statements as of and for the three months ended March 31, 2019.

BBVA Group

Condensed Consolidated income statements for the three months period ended March 31, 2019 and 2018

CONDENSED CONSOLIDATED INCOME STATEMENTS (Millions of Euros)

	Notes	March 2019	March 2018 (*)
Interest and other income	30.1	7,766	7,199
Interest expense	30.2	(3,346)	(2,911)
NET INTEREST INCOME		**4,420**	**4,287**
Dividend income	31	10	12
Share of profit or loss of entities accounted for using the equity method	32	(4)	8
Fee and commission income	33	1,780	1,771
Fee and commission expense	33	(566)	(535)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	34	46	78
Gains (losses) on financial assets and liabilities held for trading, net	34	117	464
Gains (losses) on on-trading financial assets mandatorily at fair value through profit or loss	34	103	(3)
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	34	50	41
Gains (losses) from hedge accounting, net	34	33	17
Exchange differences, net	34	78	(186)
Other operating income	35	204	372
Other operating expense	35	(476)	(553)
Income from insurance and reinsurance contracts	36	839	832
Expense from insurance and reinsurance contracts	36	(566)	(578)
GROSS INCOME		**6,069**	**6,026**
Administration costs	37	(2,530)	(2,671)
Depreciation and amortization	38	(392)	(304)
Provisions or reversal of provisions	39	(144)	(99)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	40	(1,023)	(823)
NET OPERATING INCOME		**1,980**	**2,131**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates		-	-
Impairment or reversal of impairment on non-financial assets	41	(32)	8
Gains (losses) on derecognition of non-financial assets, net	42	2	10
Negative goodwill recognized in profit or loss		-	-
Profit (loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	43	7	24
OPERATING PROFIT BEFORE TAX		**1,957**	**2,170**
Tax expense or income related to profit or loss from continuing operations		(559)	(617)
PROFIT FROM CONTINUING OPERATIONS		**1,398**	**1,553**
Profit from discontinued operations (net)		-	-
PROFIT		**1,398**	**1,553**
Attributable to minority interest [non-controlling interests]	27	234	262
Attributable to owners of the parent		1,164	1,290

Earnings per share (Euros)

	March 2019	March 2018 (*)
EARNINGS PER SHARE	**0.16**	**0.18**
Basic earnings per share from continued operations	0.16	0.18
Diluted earnings per share from continued operations	0.16	0.18
Basic earnings per share from discontinued operations	-	-
Diluted earnings per share from discontinued operations	-	-

(*) Presented solely and exclusively for comparison purposes (see Note 1).

The accompanying Notes 1 to 44 and Appendix I are an integral part of the condensed interim consolidated financial statements as of and for the three months ended March 31, 2019.

BBVA Group

Consolidated statements of recognized income and expenses for the three months period ended March 31, 2019 and 2018

Consolidated Statements of recognized income and expenses (Millions of euros)	March 2019	March 2018 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	**1,398**	**1,626**
OTHER RECOGNIZED INCOME (EXPENSES)	**405**	**(833)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(1)**	**(39)**
Actuarial gains and losses from defined benefit pension plans	(29)	(37)
Non-current assets available for sale	-	-
Share of other recognized income and expense of entities accounted for using the equity method	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	64	2
Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	(55)	14
Income tax related to items not subject to reclassification to income statement	19	(18)
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**406**	**(793)**
Hedge of net investments in foreign operations [effective portion]	**(211)**	**(130)**
Valuation gains or (losses) taken to equity	(211)	(181)
Transferred to profit or loss	-	-
Other reclassifications	-	52
Foreign currency translation	**349**	**(836)**
Valuation gains or (losses) taken to equity	349	(743)
Transferred to profit or loss	-	-
Other reclassifications	-	(93)
Cash flow hedges [effective portion]	**45**	**21**
Valuation gains or (losses) taken to equity	49	15
Transferred to profit or loss	(5)	5
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Hedging instruments	**-**	**-**
Valuation gains or (losses) taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Debt securities at fair value through other comprehensive income	**304**	**145**
Valuation gains/(losses)	317	210
Amounts reclassified to income statement	(12)	(66)
Reclassifications (other)	-	-
Non-current assets held for sale	**(1)**	**40**
Valuation gains or (losses) taken to equity	(1)	(2)
Transferred to profit or loss	-	-
Other reclassifications	-	42
Entities accounted for using the equity method	**7**	**-**
Income tax	**(86)**	**(32)**
TOTAL RECOGNIZED INCOME/EXPENSES	**1,803**	**793**
Attributable to minority interest [non-controlling interests]	79	(156)
Attributable to the parent company	1,724	950

(*) Presented solely and exclusively for comparison purposes (see Note 1).

The accompanying Notes 1 to 44 and Appendix I are an integral part of the condensed interim consolidated financial statements as of and for the three months ended March 31, 2019.

BBVA Group

Consolidated statements of changes in equity for the three months period ended March 31, 2019

Consolidated statements of changes in equity (Millions of Euros)

March 2019	Capital (Note 24)	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 25)	Revaluation reserves (Note 25)	Other reserves (Note 25)	(-) Treasury shares	Profit or loss attributable to owners of the parent (Note 5)	Interim dividends (Note 4)	Accumulated other comprehensive income (Note 26)	Non-controlling interest		Total
												Valuation adjustments (Note 27)	Rest (Note 27)	
Balances as of December 31, 2018	**3,267**	**23,992**	**-**	**50**	**23,018**	**3**	**(57)**	**(296)**	**5,324**	**(975)**	**(7,215)**	**(3,236)**	**9,000**	**52,874**
Total income/expense recognized	**-**	**-**	**-**	-	-	-	-	-	1,164	-	560	(155)	234	1,803
Other changes in equity	**-**	**-**	**-**	7	3,328	6	(37)	118	(5,324)	898	-	-	(125)	(1,130)
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(1,060)	-	(3)	-	-	(77)	-	-	(120)	(1,259)
Purchase of treasury shares	-	-	-	-	-	-	-	(555)	-	-	-	-	-	(555)
Sale or cancellation of treasury shares	-	-	-	-	30	-	-	673	-	-	-	-	-	703
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	-	-	4,379	6	(36)	-	(5,324)	975	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(1)	-	-	-	-	-	-	-	-	-	(1)
Other increases or (-) decreases in equity	-	-	-	8	(21)	-	1	-	-	-	-	-	(6)	(18)
Balances as of March 31, 2019	**3,267**	**23,992**	**-**	**57**	**26,345**	**8**	**(94)**	**(178)**	**1,164**	**(77)**	**(6,656)**	**(3,391)**	**9,108**	**53,547**

The accompanying Notes 1 to 44 Appendix I are an integral part of the condensed interim consolidated financial statements as of and for the three months ended March 31, 2019.

Consolidated statements of changes in equity for the three months ended March 31, 2018

Consolidated statements of changes in equity (Millions of Euros)

March 2018 (*)	Capital (Note 24)	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 25)	Revaluation reserves (Note 25)	Other reserves (Note 25)	(-) Treasury shares	Profit or loss attributable to owners of the parent (Note 5)	Interim dividends (Note 4)	Accumulated other comprehensive income (Note 26)	Non-controlling interest: Valuation adjustments (Note 27)	Non-controlling interest: Rest (Note 27)	Total
Balances as of December 31, 2017	**3,267**	**23,992**	**-**	**54**	**25,474**	**12**	**(44)**	**(96)**	**3,519**	**(1,043)**	**(8,792)**	**(3,378)**	**10,358**	**53,323**
Effect of changes in accounting policies	-	-	-	-	(2,713)	-	9	-	-	-	1,756	850	(822)	(919)
Balances as of January 1, 2018	**3,267**	**23,992**	**-**	**54**	**22,761**	**12**	**(34)**	**(96)**	**3,519**	**(1,043)**	**(7,036)**	**(2,528)**	**9,536**	**52,404**
Total income/expense recognized	-	-	-	-	-	-	**-**	-	**1,340**	**-**	**(312)**	**(404)**	**286**	**910**
Other changes in equity	**-**	**-**	**-**	**5**	**333**	**(1)**	**(35)**	**(88)**	**(3,519)**	**959**	**1,153**	**560**	**(859)**	**(1,491)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(994)	-	(3)	-	-	(85)	-	-	(306)	(1,387)
Purchase of treasury shares	-	-	-	-	-	-	-	(443)	-	-	-	-	-	(443)
Sale or cancellation of treasury shares	-	-	-	-	(10)	-	-	355	-	-	-	-	-	345
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	-	-	1,412	(1)	(32)	-	(3,519)	1,043	1,096	540	(540)	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(1)	-	-	-	-	-	-	-	-	-	(1)
Other increases or (-) decreases in equity	-	-	-	6	(76)	-	(1)	-	-	-	57	21	(13)	(6)
Balances as of March 31, 2018	**3,267**	**23,992**	**-**	**59**	**23,094**	**11**	**(69)**	**(184)**	**1,340**	**(85)**	**(6,195)**	**(2,372)**	**8,964**	**51,823**

(*) Presented solely and exclusively for comparison purposes (see Note 1).

The accompanying Notes 1 to 44 and Appendix I are an integral part of the condensed interim consolidated financial statements as of and for the three months ended March 31, 2019.

BBVA Group

Condensed Consolidated statements of cash flows for the three months period ended March 31, 2019 and 2018

Condensed Consolidated statements of cash flows (millions of euros)

	March 2019	March 2018 (*)
CASH FLOW FROM OPERATING ACTIVITIES (1)	**(9,916)**	**1,239**
Profit for the period	**1,398**	**1,626**
Adjustments to obtain the cash flow from operating activities:	**2,156**	**2,028**
Depreciation and amortization	392	307
Other adjustments	1,764	1,721
Net increase/decrease in operating assets/liabilities	**(13,772)**	**(2,430)**
Financial assets/liabilities held for trading	(2,058)	3,202
Non-trading financial assets mandatorily at fair value through profit or loss	(333)	51
Other financial assets/liabilities designated at fair value through profit or loss	1,059	218
Financial assets at fair value through other comprehensive income	(3,662)	1,614
Loans and receivables	(9,371)	(5,731)
Other operating assets/liabilities	593	(1,784)
Collection/Payments for income tax	**302**	**15**
CASH FLOWS FROM INVESTING ACTIVITIES (2)	**(160)**	**(129)**
Tangible assets	(93)	(167)
Intangible assets	(187)	(217)
Investments	46	10
Subsidiaries and other business units	-	(5)
Non-current assets/liabilities held for sale	-	56
Other settlements/collections related to investing activities	74	194
CASH FLOWS FROM FINANCING ACTIVITIES (3)	**355**	**(35)**
Dividends	(109)	(121)
Subordinated liabilities	506	494
Common stock amortization/increase	-	-
Treasury stock acquisition/disposal	161	(102)
Other items relating to financing activities	(203)	(306)
EFFECT OF EXCHANGE RATE CHANGES (4)	**2,452**	**(879)**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)	**(7,265)**	**196**
CASH OR CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**54,138**	**45,549**
CASH OR CASH EQUIVALENTS AT END OF THE PERIOD	**46,873**	**45,745**

	March 2019	March 2018
Cash	5,268	5,848
Balance of cash equivalent in central banks	41,605	39,897
Other financial assets	-	-
Less: Bank overdraft refundable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**46,873**	**45,745**

(*) Presented solely and exclusively for comparison purposes (see Note 1)

The accompanying Notes 1 to 44 and Appendix I are an integral part of the condensed interim consolidated financial statements as of and for the three months ended March 31, 2019.

BBVA Group

Notes to the condensed interim consolidated financial statements as of and for the three month period ended March 31, 2019

1. Introduction, basis for the presentation of the condensed interim consolidated financial statements and other information

1.1 Introduction

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

The Bylaws and other public information are available for inspection at the Bank's registered address (Plaza San Nicolás, 4, Bilbao) as noted on its web site (www.bbva.com).

In addition to the activities it carries out directly, the Bank heads a group of subsidiaries, joint ventures and associates which perform a wide range of activities and which together with the Bank constitute the Banco Bilbao Vizcaya Argentaria Group (hereinafter, "the Group" or "the BBVA Group"). In addition to its own separate financial statements, the Bank is required to prepare consolidated financial statements comprising all consolidated subsidiaries of the Group.

The consolidated financial statements of the BBVA Group for the year ended December 31, 2018 were approved by the shareholders at the Annual General Meeting ("AGM") on March 15, 2019.

1.2 Basis for the presentation of the condensed interim consolidated financial statements

The BBVA Group's condensed interim consolidated financial statements (hereinafter, the "consolidated financial statements") are presented in accordance with the International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") and have been presented to the Board of Directors at its meeting held on April 29, 2019. In accordance with IAS 34, the interim financial information is prepared solely for the purpose of updating the last annual consolidated financial statements, focusing on new activities, events and circumstances that occurred during the period without duplicating the information previously published in those financial statements.

Therefore, the accompanying consolidated financial statements do not include all information required by a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards endorsed by the European Union (hereinafter, "EU-IFRS"), consequently for an appropriate understanding of the information included in them, they should be read together with the consolidated financial statements of the Group as of and for the year ended December 31, 2018.

The aforementioned annual consolidated financial statements were presented in accordance with the EU-IFRS applicable as of December 31, 2018 respectively, considering the Bank of Spain Circular 4/2017, and any other legislation governing financial reporting applicable to the Group in Spain.

The accompanying consolidated financial statements were prepared applying principles of consolidation, accounting policies and valuation criteria, which, as described in Note 2, are the same as those applied in the consolidated financial statements of the Group as of and for the year ended December 31, 2018, taking into

consideration the new Standards and Interpretations that became effective on January 1, 2019 (see Note 2.1), so that they present fairly the Group's consolidated equity and financial position as of March 31, 2019, together with the consolidated results of its operations and the consolidated cash flows generated by the Group during the three months ended March 31, 2019.

The consolidated financial statements and explanatory notes were prepared on the basis of the accounting records kept by the Bank and each of the other entities in the Group. They include the adjustments and reclassifications required to harmonize the accounting policies and valuation criteria used by the entities in the Group.

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

The amounts reflected in the accompanying consolidated financial statements are presented in millions of euros, unless it is more appropriate to use smaller units. Therefore, some items that appear without a balance in these consolidated financial statements are due to how the units are expressed. Also, in presenting amounts in millions of euros, the accounting balances have been rounded up or down. It is therefore possible that the totals appearing in some tables are not the exact arithmetical sum of their component figures.

When determining the information to disclose about various items of the financial statements, the Group, in accordance with IAS 34, has taken into account their materiality in relation to the consolidated financial statements.

1.3 Comparative information

The information included in the accompanying consolidated financial statements and the explanatory notes relating to December 31, 2018 and March 31, 2018 that was prepared with the standards for the year 2018 is presented for the purpose of comparison with the information for March 31, 2019.

As of January 1, 2019, IFRS 16 "Leases" replaced IAS 17 "Leases" and includes changes in the lessee accounting model (see Note 2.1).

The information as of March 31, 2018 has been restated for comparative purposes taking into account the change in accounting policies for hyperinflationary economies made by the Group in 2018 in accordance with IAS 29 "Financial information in hyperinflationary economies".

In the first quarter of 2019, the BBVA Group business segments have been changed with regard to the existing structure in 2018 (See Note 5). The information related to business segments as of December 31, 2018 and as of March 31, 2018 have been restated in order to make them comparable, as required by IFRS 8 "Information by business segments".

1.4 Responsibility for the information and for the estimates made

The information contained in the BBVA Group's consolidated financial statements is the responsibility of the Group's Directors.

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

- Impairment losses on certain financial assets (see Notes 6, 12, 13 and 14).

- The assumptions used to quantify certain provisions and for the actuarial calculation of post-employment benefit liabilities and commitments (see Notes 22 and 23).
- The useful life and impairment losses of tangible and intangible assets (see Notes 15 and 16).
- The valuation of goodwill and price allocation of business combinations (see Note 16).
- The fair value of certain unlisted financial assets and liabilities (see Note 7).
- The recoverability of deferred tax assets (see Note 17).

Although these estimates were made on the basis of the best information available as of March 31, 2019, future events may make it necessary to modify them (either up or down) over the coming years. This would be done prospectively in accordance with applicable standards, recognizing the effects of changes in the estimates in the corresponding consolidated income statement.

During the three months ended March 31, 2019 there were no significant changes to the assumptions made as of December 31, 2018, except as indicated in these consolidated financial statements.

1.5 Related-party transactions

The information related to these transactions is presented in Note 53 of the consolidated financial statements of the Group for the year ended December 31, 2018.

As financial institutions, BBVA and other entities in the Group engage in transactions with related parties in the regular course of their business. None of these transactions are considered significant and the transactions are carried out under normal market conditions.

1.6 Separate financial statements

The separate financial statements of the parent company of the Group (Banco Bilbao Vizcaya Argentaria, S.A.) are prepared under Spanish regulations (Circular 4/2017 of the Bank of Spain and following other regulatory requirements of financial information applicable to the Bank).

Appendix I shows BBVA's financial statements as of and for the three-months ended March 31, 2019.

2. Principles of consolidation, accounting policies, measurement bases applied and recent IFRS pronouncements

The accounting policies and methods applied for the preparation of the accompanying consolidated financial statements do not differ significantly to those applied in the consolidated financial statements of the Group for the year ended December 31, 2018 (Note 2).

2.1 Standards and interpretations that became effective in the first three months of 2019

The following amendments to the IFRS standards or their interpretations (hereinafter "IFRIC") became effective on or after January 1, 2019, and have therefore been implemented for the BBVA Group's consolidated financial statements corresponding to the period ended March 31, 2019.

IFRS 16 – "Leases"

On January 1, 2019, IFRS 16 replaced IAS 17 "Leases" for financial statements. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases. The standard provides two exceptions that can be applied in the case of short-term contracts and those in which the underlying assets have low value. A lessee is required to recognize a right-of-use asset representing its

right to use the underlying leased asset, which is recorded under the headings "Tangible assets – Property ,plants and equipment'' and "Tangible assets - Investments properties" of the condensed consolidated balance sheet (see Note 15) and a lease liability representing its obligation to make lease payments which are recorded under the heading "Financial liabilities at amortized cost - Other financial liabilities" in the condensed consolidated balance sheet (see Note 20.5). For the condensed Consolidated Income Statement, the amortization of the right to use must be recorded in the heading "Depreciation and amortization – tangible assets" (see Note 38) and the financial cost associated with the lease liability recorded in the heading "Interest expense – financial liabilities at amortized cost" (see Note 30.2).

With regard to lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor will continue to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

At the transition date, the Group decided to apply the modified retrospective approach which requires recognition of a lease liability equal to the present value of the future payments committed on January 1, 2019. Regarding the measurement of the right-of-use asset, the Group elected to record an amount equal to the lease liability, adjusted for the amount of any advance or accrued lease payment related to that lease recognized in the financial statements immediately before the date of initial application.

As of January 1, 2019, the Group recognized assets for the right-of-use and lease liabilities for an amount of €3,419 and €3,472 million, respectively. The impact in terms of capital (CET1) of the Group amounted to -11 basis points.

IFRIC 23 - Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

If the entity considers that it is probable that the taxation authority will accept an uncertain tax treatment, the Interpretation requires the entity to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings.

If the entity considers that it is not probable that the taxation authority will accept an uncertain tax treatment, the Interpretation requires the entity to use the most likely amount or the expected value (sum of the probability weighted amounts in a range of possible outcomes) in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The method used should be the method that the entity expects to provide the better prediction of the resolution of the uncertainty.

This standard has not had a significant impact on the Group's Consolidated Financial Statements.

Amended IAS 28 – Long-term Interests in Associates and Joint Ventures

The amendments to IAS 28 clarify that an entity is required to apply IFRS 9 to long term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture but to which the equity method is not applied.

This standard has not had a significant impact on the Group's Consolidated Financial Statements.

Annual improvements cycle to IFRSs 2015-2017

The annual improvements cycle to IFRSs 2015-2017 includes minor changes and clarifications to IFRS 3-Business Combinations, IFRS 11 – Joint Arrangements, IAS 12 – Income Taxes and IAS 23 – Borrowing Costs.

The implementation of these standards as of January 1, 2019 has not had a significant impact on the Group's Consolidated Financial Statements.

Amended IAS 19 – Plan Amendment, Curtailment or Settlement

The minor amendments in IAS 19 concern the cases if a plan is amended, curtailed or settled during the period. In these cases, an entity should ensure that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions applied for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The implementation of this standard as of January 1, 2019 has not had a significant impact on the Group's Consolidated Financial Statements.

2.2 Standards and interpretations issued but not yet effective as of March 31, 2019

The following new International Financial Reporting Standards together with their Interpretations had been published at the date of preparation of the accompanying consolidated financial statements, but are not mandatory as of March 31, 2019. Although in some cases the International Accounting Standards Board ("IASB") allows early adoption before their effective date, the BBVA Group has not proceeded with this option for any such new standards.

IFRS 17 – Insurance Contracts

This Standard will be applied to the accounting years starting on or after January 1, 2021.

IAS 1 and IAS 8 – Definition of Material

This Standard will be applied to the accounting years starting on or after January 1, 2020.

IFRS 3 – Definition of a business

This Standard will be applied to the accounting years starting on or after January 1, 2020.

3. BBVA Group

The BBVA Group is an international diversified financial group with a significant presence in retail banking, wholesale banking, asset management and private banking. The Group also operates in other sectors such as insurance, real estate, leasing, etc.

The following information is detailed in the Consolidated Financial Statements of the Group for the year ended December 31, 2018:

- Appendix I shows relevant information related to the consolidated subsidiaries and structured entities.
- Appendix II shows relevant information related to investments in subsidiaries, joint ventures and associates accounted for using the equity method.
- Appendix III shows the main changes and notification of investments and divestments in the BBVA Group.
- Appendix IV shows fully consolidated subsidiaries with more than 10% owned by non-Group shareholders.

The BBVA Group's activities are mainly located in Spain, Mexico, South America, the United States and Turkey, with an active presence in other areas of Europe and Asia. There have been no significant variations in the Group during the first three months of 2019 (see Note 5).

Significant transactions in the first three months of 2019

There were no relevant transactions during the first three months of 2019.

Significant transactions in 2018

Note 3 of the Consolidated Financial Statements for 2018.

- Sale of BBVA's stake in BBVA Chile
- Agreement for the creation of a "joint-venture" and transfer of the real estate business in Spain

4. Shareholder remuneration system

The Board of Directors, at the Annual General Meeting of March 15, 2019, approved the payment in cash of €0.16 (€0.1296 net of withholding tax) per BBVA share as final dividend for 2018. The dividend was paid on April 10, 2019.

5. Operating segment reporting

Operating segment reporting is presented in accordance with IFRS 8 "Operating segment ". Operating segment reporting represents a basic tool in the oversight and management of the BBVA Group's various activities. The BBVA Group compiles reporting information on disaggregated business activities. These business activities are then aggregated in accordance with the organizational structure determined by the BBVA Group and, ultimately, into the reportable operating segments themselves.

During the three months period ended March 31, 2019, the reporting structure of the BBVA Group's business areas differs from the one presented at the end of the year 2018, as a result of the integration of the Non-Core Real Estate business area into Banking Activity in Spain, changed to Spain. In order to make the information for 2019 comparable to 2018, the figures for both areas have been restated. The BBVA Group's business areas are summarized below:

- Spain

  Includes mainly includes the banking and insurance businesses that the Group carries out in Spain.

- The United States

  Includes the Group's business activity in the country through the BBVA Compass group and the BBVA New York branch.

- Mexico

  Includes the Group's banking and insurance businesses in this country as well as the activity of the BBVA Bancomer branch in Houston.

- Turkey

  Reports the activity of the Garanti group that is mainly carried out in this country and, to a lesser extent, in Romania and the Netherlands.

- South America

  Includes basically the Group's banking and insurance businesses in the region.

- Rest of Eurasia

  Includes the banking business activity carried out by the Group in Europe, excluding Spain, and in Asia.

Lastly, Corporate Center contains the Group's holding function, including: the costs of the head offices with a corporate function; management of structural exchange rate positions; some equity instruments issuances to ensure an adequate management of the Group's global solvency. It also includes portfolios whose management is not linked to customer relationships, such as industrial holdings, certain tax assets and liabilities; funds due to commitments to employees; goodwill and other intangible assets.

The accompanying Interim Consolidated Management Report presents the condensed consolidated income statements and the balance sheets by operating segments.

6. Risk management

The principles and risk management policies, as well as tools and procedures established and implemented in the Group as of March 31, 2019 do not differ significantly from those included in the Consolidated Financial Statements of the Group for the year ended December 31, 2018 (see Note 7 of such financial statements).

BBVA Group's credit risk, not including its impairment losses, by headings in the balance sheets as of March 31, 2019 and December 31, 2018, is provided below. It does not consider the availability of collateral or other credit enhancements to guarantee compliance with payment obligations. The details are broken down by financial instruments and counterparties:

Maximum Credit Risk Exposure (Millions of Euros)

	Notes	March 2019	Stage 1	Stage 2	Stage 3
Financial assets held for trading		**62,344**			
Debt securities	9	27,018			
Equity instruments	9	5,844			
Loans and advances to customers	9	29,482			
Non-trading financial assets mandatorily at fair value through profit or loss	**10**	**5,535**			
Loans and advances to customers		1,807			
Debt securities		220			
Equity instruments		3,508			
Financial assets designated at fair value through profit or loss	**11**	**1,311**			
Derivatives (trading and hedging)		**39,674**			
Financial assets at fair value through other comprehensive income		**60,236**	**60,236**	**-**	**-**
Debt securities	12	57,529	57,529	-	-
Equity instruments	12	2,674	2,674	-	-
Loans and advance to credit institutions	12	33	33		
Financial assets at amortized cost		**445,610**	**397,679**	**31,320**	**16,612**
Loans and advances to central banks		4,983	4,983	-	-
Loans and advances to credit institutions		10,827	10,756	59	12
Loans and advances to customers		393,321	345,654	31,109	16,559
Debt securities		36,479	36,287	152	40
Total financial assets risk		**614,709**	**457,915**	**31,320**	**16,612**
Total loan commitments and financial guarantees	**28**	**171,551**	**161,593**	**8,990**	**969**
Total maximum credit exposure		**786,261**			

Maximum Credit Risk Exposure (Millions of Euros)

	Notes	December 2018	Stage 1	Stage 2	Stage 3
Financial assets held for trading		**59,581**			
Debt securities	9	25,577			
Equity instruments	9	5,254			
Loans and advances to customers	9	28,750			
Non-trading financial assets mandatorily at fair value through profit or loss	**10**	**5,135**			
Loans and advances to customers		1,803			
Debt securities		237			
Equity instruments		3,095			
Financial assets designated at fair value through profit or loss	**11**	**1,313**			
Derivatives (trading and hedging)		**38,249**			
Financial assets at fair value through other comprehensive income		**56,332**	**56,329**	**3**	**-**
Debt securities	12	53,737	53,734	3	-
Equity instruments	12	2,595	2,595	-	-
Loans and advances to credit institutions	12	33	33	-	-
Financial assets at amortized cost		**431,927**	**384,632**	**30,902**	**16,394**
Loans and advances to central banks		3,947	3,947	-	-
Loans and advances to credit institutions		9,175	9,131	34	10
Loans and advances to customers		386,225	339,204	30,673	16,348
Debt securities		32,580	32,350	195	35
Total financial assets risk		**592,538**	**440,960**	**30,905**	**16,394**
Total loan commitments and financial guarantees	**28**	**170,511**	**161,404**	**8,120**	**987**
Total maximum credit exposure		**763,049**			

The table below presents the change in the impaired financial assets and guarantees given during the period of three months ended March 31, 2019:

Changes in Impaired Financial Assets and Contingent Risks (Millions of Euros)

	March 2019	December 2018
Beginning balance	**17,134**	**20,590**
Additions	2,349	9,792
Decreases (*)	(1,408)	(6,909)
Amounts written off	(769)	(5,076)
Exchange differences and other	45	(1,264)
Ending balance	**17,350**	**17,134**

(*) It reflects the total amount of impaired loans derecognized from the consolidated balance sheet during the period as a result of mortgage foreclosures and real estate assets received in lieu of payment as well as monetary recoveries.

Below are the changes during the period of three months ended March 31, 2019 in the accumulated impairment losses on financial assets:

Changes in the accumulated impairment losses (Millions of euros)

	March 2019	December 2018
Balance as of January 1,	**12,295**	**14,004**
Acquisition of subsidiaries in the period	-	-
Increase in impairment losses charged to income	3,608	9,070
Stage 1	*690*	*1,411*
Stage 2	*833*	*1,071*
Stage 3	*2,085*	*6,589*
Decrease in impairment losses charged to income	(2,548)	(4,547)
Stage 1	*(587)*	*(1,469)*
Stage 2	*(572)*	*(799)*
Stage 3	*(1,389)*	*(2,279)*
Transfer to written-off loans, exchange differences and other	*(722)*	*(6,231)*
Closing balance	**12,633**	**12,295**

7. Fair Value

The criteria and valuation methods used to calculate the fair value of financial assets as of March 31, 2019 do not differ significantly from those included in Note 8 from the Consolidated Financial Statements for the year ended December 31, 2018.

During the three months ended March 31, 2019, there has been no significant transfer of financial instruments between the different levels, and the changes in measurement are due to the variations in the fair value of the financial instruments, with the exception of the 615 and 321 million euros transfer from Level 2 to Level 3 in trading and hedging derivatives in Turkiye Garanti Bankasi, A.S. recorded in the headings of the condensed consolidated balance sheets "Financial Assets Held for Trading" and "Financial Liabilities Held for Trading", respectively.

8. Cash, cash balances at central banks and other demand deposits

Cash, cash balances at central banks and other demand deposits (Millions of Euros)

	March 2019	December 2018
Cash on hand	5,268	6,346
Cash balances at Central Banks	36,663	43,880
Other demand deposits	8,129	7,970
Total	**50,059**	**58,196**

The change is mainly due to the decrease in deposits in Central Banks, particularly the Bank of Spain.

9. Financial assets and liabilities held for trading

Financial Assets and Liabilities Held-for-Trading (Millions of Euros)

	Notes	March 2019	December 2018
Derivatives		30,022	30,536
Debt securities	6	27,018	25,577
Loans and advances to customers	6	29,482	28,750
Equity instruments	6	5,844	5,254
Total Assets		**92,366**	**90,117**
Derivatives		31,403	31,815
Short positions		11,261	11,025
Deposits		38,154	37,934
Total Liabilities		**80,818**	**80,774**

10. Non-trading financial assets mandatorily at fair value through profit or loss

Non-trading financial assets mandatorily at fair value through profit or loss (Millions of Euros)

	Notes	March 2019	December 2018
Equity instruments		3,508	3,095
Debt securities		220	237
Loans and advances to customers		1,807	1,803
Total	**6**	**5,535**	**5,135**

11. Financial assets and liabilities designated at fair value through profit or loss

Financial assets and liabilities designated at fair value through profit or loss (Millions of Euros)

	Notes	March 2019	December 2018
Debt securities		1,311	1,313
Loans and advances to credit institutions		-	-
Total Assets	**6**	**1,311**	**1,313**
Deposits		993	976
Debt securities		3,195	2,858
Other financial liabilities		3,658	3,159
Unit-linked products		3,658	3,159
Total Liabilities		**7,846**	**6,993**

12. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (Millions of Euros)

	Notes	March 2019	December 2018
Debt securities	6	57,529	53,737
Impairment losses		(31)	(28)
Subtotal		**57,498**	**53,709**
Equity instruments	6	2,674	2,595
Subtotal		**2,674**	**2,595**
Loans and advances to credit institutions	6	33	33
Total		**60,204**	**56,337**

13. Financial assets at amortized cost

Financial assets at amortized cost (Millions of Euros)

	March 2019	December 2018
Debt securities	**36,421**	**32,530**
Of which: Impairment losses	*(58)*	(51)
Loans and advances to central banks	**4,974**	**3,941**
Of which: Impairment losses	***(8)***	(6)
Loans and advances to credit institutions	**10,813**	**9,163**
Of which: Impairment losses	*(14)*	(12)
Loans and advances to customers	**380,799**	**374,027**
Government	29,154	28,114
Other financial corporations	10,522	9,468
Non-financial corporations	167,350	163,922
Other	173,774	172,522
Of which: Impairment losses	*(12,522)*	(12,199)
Total	**433,008**	**419,660**

14. Investments in joint ventures, associates and unconsolidated subsidiaries

Joint ventures and associates (Millions of Euros)	March 2019	December 2018
Joint ventures	175	173
Associates	1,412	1,405
Total	**1,587**	**1,578**

15. Tangible assets

Tangible Assets (Millions of Euros)	March 2019	December 2018
Property plant and equipment		
For own use		
Land and Buildings	6,059	5,939
Work in Progress	72	70
Furniture, Fixtures and Vehicles	6,230	6,314
Right to use	3,389	
Accumulated depreciation	(5,518)	(5,350)
Impairment	(337)	(217)
Subtotal	**9,895**	**6,756**
Leased out under an operating lease	-	-
Assets leased out under an operating lease	365	386
Accumulated depreciation	(77)	(76)
Impairment	-	-
Subtotal	**288**	**310**
Subtotal	**10,183**	**7,066**
Investment property		
Building rental	205	195
Other	5	5
Right to use	56	
Accumulated depreciation	(13)	(11)
Impairment	(27)	(27)
Subtotal	**226**	**163**
Total	**10,408**	**7,229**

The change is mainly due to the implementation of IFRS 16 on January 1, 2019 (see Note 2.1).

The right to use asset consists mainly in the rental of commercial real estate premises for the network branches located in the countries where the Group operates. The clauses of the rental contracts correspond to a large extent to rental contracts under normal market conditions in the country where the property is rented.

From January 1 to March 31, 2019, there have been no significant changes in the "right to use" asset for leases.

16. Intangible assets

Intangible Assets (Millions of Euros)

	March 2019	December 2018
Goodwill	6,287	6,180
Other intangible assets	2,096	2,134
Total	**8,383**	**8,314**

17. Tax assets and liabilities

Tax assets and liabilities (Millions of Euros)

	March 2019	December 2018
Tax assets		
Current tax assets	2,379	2,784
Deferred	15,316	15,316
Tax assets	**17,695**	**18,100**
Tax Liabilities		
Current tax liabilities	1,563	1,230
Deferred tax liabilities	2,097	2,046
Tax Liabilities	**3,661**	**3,276**

In accordance with IAS 34, income tax expense is recognized in each interim period based on the Group's best estimate of the weighted average annual income tax rate expected for the full financial year.

18. Other assets and liabilities

Other assets and liabilities (Millions of Euros)	March 2019	December 2018
Other assets		
Inventories	607	635
Real estate	606	633
Others	1	2
Transactions in progress	223	249
Accruals	969	702
Prepaid expenses	586	465
Other prepayments and accrued income	383	237
Insurance contracts linked to pensions	-	-
Other items	3,354	3,886
Total Other Assets	**5,153**	**5,472**
Other liabilities		
Transactions in progress	152	39
Accruals	2,265	2,558
Accrued expenses	1,706	2,119
Other accrued expenses and deferred income	559	439
Other items	2,201	1,704
Total Other liabilities	**4,618**	**4,301**

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

Non-current assets and disposal groups classified as held for sale (Millions of Euros)	March 2019	December 2018
Foreclosures and recoveries (*)	2,177	2,211
Other assets from tangible assets	419	433
Business assets	29	29
Accumulated amortization (**)	(43)	(44)
Impairment losses	(615)	(628)
Total	**1,967**	**2,001**

(*) Corresponds mainly to the joint-venture agreement with Cerberus to transfer the "Real Estate" business in Spain (see Note 3).

(**) Accumulated amortization until related asset reclassified as “non-current assets and disposal groups held for sale”.

20. Financial liabilities at amortized cost

Financial liabilities measured at amortized cost (Millions of Euros)

	Notes	March 2019	December 2018
Deposits		442,955	435,229
Deposits from Central Banks	20.1	30,746	27,281
Deposits from Credit Institutions	20.2	33,682	31,978
Customer deposits	20.3	378,527	375,970
Debt securities issued	20.4	62,365	61,112
Other financial liabilities	20.5	15,144	12,844
Total		**520,464**	**509,185**

20.1 Deposits from central banks

Deposits from central banks (Millions of Euros)

	March 2019	December 2018
Demand deposits	11	20
Term deposits	27,360	26,886
Repurchase agreements (*)	3,375	375
Total	**30,746**	**27,281**

(*) The change is mainly as a result of an increase recorded in Bancomer.

20.2 Deposits from credit institutions

Deposits from credit institutions (Millions of Euros)

	March 2019	December 2018
Term deposits	18,212	17,658
Demand deposits	8,418	8,370
Repurchase agreements	4,496	4,593
Subordinated deposits	198	191
Other deposits	2,358	1,166
Total	**33,682**	**31,978**

20.3 Customer deposits

Customer deposits (Millions of Euros)

	March 2019	December 2018
Current accounts	267,614	260,574
Time deposits	103,087	106,385
Repurchase agreements	460	1,209
Subordinated deposits	216	220
Other deposits	7,150	7,582
Total	**378,527**	**375,970**

20.4 Debt securities issued

Debt securities issued (Millions of Euros)

	March 2019	December 2018
In Euros	**37,692**	**37,436**
Promissory bills and notes	247	267
Non-convertible bonds and debentures	9,696	9,638
Mortgage Covered bonds	15,787	15,809
Hybrid financial instruments	659	814
Securitization bonds issued	1,868	1,630
Wholesale funding	17	142
Subordinated liabilities	9,418	9,136
Convertible	4,996	5,490
Convertible perpetual securities	4,996	5,490
Non-convertible	4,422	3,647
Preferred Stock	87	107
Other subordinated liabilities	4,335	3,540
In Foreign Currencies	**24,673**	**23,676**
Promissory bills and notes	3,065	3,237
Non-convertible bonds and debentures	9,767	9,335
Mortgage Covered bonds	570	569
Hybrid financial instruments	1,763	1,455
Securitization bonds issued	36	38
Wholesale funding	690	544
Subordinated liabilities	8,784	8,499
Convertible	892	873
Convertible perpetual securities	892	873
Non-convertible	7,892	7,626
Preferred Stock	77	74
Other subordinated liabilities	7,815	7,552
Total	**62,365**	**61,112**

20.5 Other financial liabilities

Other financial liabilities (Millions of Euros)	March 2019	December 2018
Lease liabilities	3,433	
Creditors for other financial liabilities	3,171	2,891
Collection accounts	2,392	4,305
Creditors for other payment obligations	6,148	5,648
Total	**15,144**	**12,844**

Lease liabilities are recognized after the implementation of IFRS 16 on January 1, 2019 (see Note 2.1).

21. Liabilities under insurance and reinsurance contracts

Liabilities under Insurance and Reinsurance Contracts. Technical Reserves and Provisions (Millions of Euros)	March 2019	December 2018
Technical reserves	9,164	8,504
Provision for unpaid claims reported	668	662
Provisions for unexpired risks and other provisions	745	668
Total	**10,577**	**9,834**

22. Provisions

Provisions. Breakdown by concepts (Millions of Euros)	March 2019	December 2018
Pensions and other post-employment defined benefit obligations	4,566	4,787
Other long term employee benefits	52	62
Pending legal issues and tax litigation	729	686
Commitments and guarantees given	649	636
Other provisions (*)	501	601
Total	**6,497**	**6,772**

(*) Individually insignificant provisions or contingencies, for various concepts in different geographies.

23. Pension and other post-employment commitments

Employees are covered by defined contribution for the majority of active employees, with the plans in Spain and Mexico being the most significant. Most of the defined benefit plans are for individuals already retired, and are closed to new employees, the most significant being those in Spain, Mexico, the United States and Turkey. In Mexico, the Group provides post-retirement medical benefits to a closed group of employees and their family members.

The amounts relating to post-employment benefits charged to the profit and loss account and other comprehensive income for the three month periods ended March 31, 2019 and 2018 are as follows:

Consolidated Income Statement Impact (Millions of Euros)

	Notes	March 2019	March 2018
Interest income and expenses		19	19
Personnel expenses		42	41
Defined contribution plan expense	37.1	28	26
Defined benefit plan expense	37.1	14	16
Provisions (net)	39	53	46
Total impact on Income Statement: Expense (Income)		**114**	**107**

24. Capital

As of March 31, 2019 and December 31, 2018, BBVA's share capital amounted to €3,267,264,424.20 divided into 6,667,886,580 shares 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´s shares carry the same voting and dividend rights, and no single stockholder enjoys special voting rights. Each and every share is part of the Bank's capital.

25. Retained earnings, revaluation reserves and other reserves

Retained earnings, revaluation reserves and other reserves (Millions of Euros)

	March 2019	December 2018
Retained earnings	26,345	23,018
Revaluation reserves	8	3
Other reserves	(94)	(58)
Total	**26,259**	**22,963**

26. Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) (Millions of Euros)

	March 2019	December 2018
Items that will not be reclassified to profit or loss:	**(1,289)**	**(1,284)**
Actuarial gains (losses) on defined benefit pension plans	(1,265)	(1,245)
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	(101)	(155)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	78	116
Items that may be reclassified to profit or loss:	**(5,367)**	**(5,932)**
Hedge of net investments in foreign operations (effective portion)	(426)	(218)
Foreign currency translation	(6,140)	(6,643)
Hedging derivatives. Cash flow hedges (effective portion)	22	(6)
Fair value changes of debt instruments measured at fair value through other comprehensive income	1,179	943
Hedging instruments (non-designated items)	-	-
Non-current assets and disposal groups classified as held for sale	-	1
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates	(2)	(9)
Total	**(6,656)**	**(7,215)**

27. Minority interest (non-controlling interest)

Minority interest (non-controlling interests). Breakdown by Subsidiaries (Millions of Euros)

	March 2019	December 2018
BBVA Colombia Group	68	67
BBVA Banco Continental Group	1,147	1,167
BBVA Banco Provincial Group	68	67
BBVA Banco Francés Group	377	352
Garanti Group	4,005	4,058
Other entities	53	53
Total	**5,718**	**5,764**

Attributable to minority interest (non-controlling interests). Breakdown by Subsidiaries (Millions of Euros)

	March 2019	March 2018
BBVA Colombia Group	2	3
BBVA Chile Group	-	12
BBVA Banco Continental Group	51	43
BBVA Banco Provincial Group	-	(2)
BBVA Banco Francés Group	32	-
Garanti Group	147	206
Other entities	1	1
Total	**234**	**262**

28. Guarantees and contingent commitments given

Guarantees and contingents commitments given (Millions of Euros)

	Notes	March 2019	December 2018
Loan commitments given		118,570	118,959
Financial guarantees given		16,149	16,454
Contingent commitments given		36,832	35,098
Total	**6**	**171,551**	**170,511**

29. Off-balance sheet customer funds

Off-Balance Sheet Customer Funds (Millions of Euros)

	March 2019	December 2018
Mutual funds	64,928	61,393
Pension funds	35,071	33,807
Other resources	3,228	2,949
Total	**103,227**	**98,149**

30. Net Interest income

30.1 Interest income

Interest Income (Millions of Euros)

	March 2019	March 2018
Financial assets held for trading	523	378
Non-trading financial assets mandatorily at fair value through profit or loss	-	-
Financial assets designated at fair value through profit or loss	48	35
Financial assets at fair value through other comprehensive income	461	378
Financial assets at amortized cost	6,443	5,938
Adjustments of income as a result of hedging transactions	(22)	84
Insurance activity	258	292
Other income	56	94
Total	**7,766**	**7,199**

30.2 Interest expenses

Interest Expenses (Millions of Euros)

	March 2019	March 2018
Financial liabilities held for trading	365	64
Financial liabilities designated at fair value through profit or loss	29	1
Financial liabilities at amortized cost (*)	2,793	2,405
Adjustments of expenses as a result of hedging transactions	(75)	168
Insurance activity	183	214
Other expenses	50	59
Total	**3,346**	**2,911**

(*) Includes €29 million corresponding to interest expenses on leases (see Note 20.5)

31. Dividend income

Dividend Income (Millions of Euros)

	March 2019	March 2018
Dividends from:		
Non-trading financial assets mandatorily at fair value through profit or loss	-	3
Financial assets at fair value through other comprehensive income	10	9
Total	**10**	**12**

32. Share of profit (loss) of investments in entities accounted for using the equity method

"Net income from investments in entities accounted for using the equity method" resulted in a negative impact of €4 million for the three months ended March 31, 2019 compared with the positive impact of €8 million recorded for the three months ended March 31, 2018.

33. Fee and commissions income and expenses

Fee and Commission Income (Millions of Euros)

	March 2019	March 2018
Bills receivables	10	12
Demand accounts	116	131
Credit and debit cards	735	672
Checks	46	46
Transfers and others payment orders	158	139
Insurance product commissions	42	46
Commitment fees	50	54
Contingent risks	96	98
Asset Management fees	247	262
Securities fees	81	99
Custody securities	30	32
Other fees and commissions	168	181
Total	**1,780**	**1,771**

Fee and Commission Expense (Millions of Euros)

	March 2019	March 2018
Credit and debit cards	380	350
Transfers and others payment orders	26	22
Commissions for selling insurance	13	13
Other fees and commissions	147	150
Total	**566**	**535**

34. Gains (losses) on financial assets and liabilities and Exchange differences

Gains (losses) on financial assets and liabilities and exchange differences
Breakdown by Balance Sheet Heading (Millions of Euros)

	March 2019	March 2018
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	46	78
Financial assets at amortized cost	8	7
Other financial assets and liabilities	38	70
Gains (losses) on financial assets and liabilities held for trading, net	117	464
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification of financial assets from amortized cost	-	-
Other gains or (-) losses	117	464
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	103	(3)
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification of financial assets from amortized cost	-	-
Other gains or (-) losses	103	(3)
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	50	41
Gains (losses) from hedge accounting, net	33	17
Subtotal Gains (losses) on financial assets and liabilities	**348**	**597**
Exchange Differences	78	(186)
Total	**426**	**410**

Gains (losses) on financial assets and liabilities
Breakdown by nature (Millions of Euros)

	March 2019	March 2018
Debt instruments	202	107
Equity instruments	728	(166)
Loans and advances to customers	32	88
Trading derivatives and hedge accounting	(593)	512
Customer deposits	82	53
Other	(103)	2
Total	**348**	**597**

35. Other operating income and expenses

Other operating income (Millions of Euros)	March 2019	March 2018
Gains from sales of non-financial assets	79	129
Of which: Real estate	32	75
Rest of other operating income	125	243
Of which: net profit from building leases	8	8
Total	**204**	**372**

Other operating expense (Millions of Euros)	March 2019	March 2018
Change in inventories	40	80
Of Which: Real estate	30	69
Rest of other operating expenses	436	473
Total	**476**	**553**

36. Income and expense on insurance and reinsurance contracts

Income and expense on insurance and reinsurance contracts (Millions of Euros)	March 2019	March 2018
Income from insurance and reinsurance contracts	839	832
Expense from insurance and reinsurance contracts	(566)	(578)
Total	**273**	**254**

37. Administration costs

37.1 Personnel expenses

Personnel expenses (Millions of Euros)	Notes	March 2019	March 2018
Wages and salaries		1,206	1,220
Social security costs		198	193
Defined contribution plan expense	23	28	26
Defined benefit plan expense	23	14	16
Other personnel expenses		107	111
Total		**1,553**	**1,565**

37.2 Other administrative expenses

Other Administrative Expenses (Millions of Euros)

	March 2019	March 2018
Technology and systems	313	283
Communications	54	61
Advertising	77	83
Property, fixtures and materials	133	249
Of which: Rent expenses (*)	27	142
Taxes other than income tax	103	120
Other expenses	297	310
Total	**977**	**1,106**

(*) The change is mainly due to the implementation of IFRS 16 on January 1, 2019 (see Note 2.1).

38. Depreciation and amortization

Depreciation and amortization (Millions of Euros)

	March 2019	March 2018
Tangible assets	242	153
For own use	147	150
Investment properties	1	2
Right-of-use assets (*)	95	
Other Intangible assets	150	152
Total	**392**	**304**

(*) The change is mainly due to the implementation of IFRS 16 on January 1, 2019 (see Note 2.1).

39. Provisions or (reversal) of provisions

Provisions or (reversal) of provisions (Millions of Euros)

	Notes	March 2019	March 2018
Pensions and other post-employment defined benefit obligations	23	53	46
Other long term employee benefits		-	-
Commitments and guarantees given		10	(91)
Pending legal issues and tax litigation		44	72
Other Provisions		37	71
Total		**144**	**99**

40. Impairment or (reversal) of impairment on financial assets not measured at fair value through profit or loss

Impairment or (reversal) of impairment on financial assets not measured at fair value through profit or loss or net gains by modification (Millions of Euros)

	March 2019	March 2018
Financial assets at fair value through other comprehensive income - debt securities	4	(16)
Financial assets at amortized cost	1,020	839
Of which: Recovery of written-off assets	(146)	(182)
Total	**1,023**	**823**

41. Impairment or (reversal) of impairment on non-financial assets

Impairment or (reversal) of impairment on non-financial assets (Millions of Euros)

	March 2019	March 2018
Tangible assets	25	17
Intangible assets	-	2
Others	7	(26)
Total	**32**	**(8)**

42. Gains (losses) on derecognition of non-financial assets and subsidiaries, net

Gains (losses) on derecognition of non-financial assets and subsidiaries, net (Millions of Euros)

	March 2019	March 2018
Gains		
Disposal of investments in non-consolidated subsidiaries	-	24
Disposal of tangible assets and other	4	17
Losses:		
Disposal of investments in non-consolidated subsidiaries	-	-
Disposal of tangible assets and other	(2)	(30)
Total	**2**	**10**

43. Profit (loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

Profit (loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (Millions of Euros)

	March 2019	March 2018
Gains on sale of real estate	17	47
Impairment of non-current assets held for sale	(10)	(23)
Total	**7**	**24**

44. Subsequent events

From April 1, 2019 to the date of preparation of these consolidated financial statements, no subsequent events requiring disclosure in these consolidated financial statements have taken place that significantly affect the Group's earnings or its equity position, except the one mentioned in Note 4 concerning the Dividend.

APPENDIX I Condensed balance sheets and income statements of Banco Bilbao Vizcaya Argentaria, S.A.

BBVA, S.A. - Condensed interim balance sheets

ASSETS	March 2019	December 2018 (*)
Cash, cash balances at central banks and other demand deposits	20,591	30,922
Financial assets held for trading	75,932	75,210
Non-trading financial assets mandatorily at fair value through profit or loss	1,640	1,727
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	23,330	19,273
Financial assets at amortized cost	223,843	219,127
Hedging derivatives	1,128	1,090
Fair value changes of the hedged items in portfolio hedges of interest rate risk	13	(21)
Joint ventures, associates and unconsolidated subsidiaries	30,937	30,733
Insurance and reinsurance assets	-	-
Tangible assets	4,715	1,739
Intangible assets	888	898
Tax assets	13,484	13,990
Other assets	3,392	4,187
Non-current assets and disposal groups held for sale	1,066	1,065
TOTAL ASSETS	**400,960**	**399,940**
LIABILITIES AND EQUITY	**March 2019**	**December 2018 (*)**
Financial liabilities held for trading	66,732	68,242
Financial liabilities designated at fair value through profit or loss	2,101	1,746
Financial liabilities at amortized cost	285,426	283,157
Hedging derivatives	1,403	1,068
Fair value changes of the hedged items in portfolio hedges of interest rate risk	-	-
Liabilities under insurance and reinsurance contracts	-	-
Provisions	4,734	5,125
Tax liabilities	1,187	1,197
Share capital repayable on demand	-	-
Other liabilities	2,382	1,996
Liabilities included in disposal groups classified as held for sale	-	-
TOTAL LIABILITIES	**363,965**	**362,531**
SHAREHOLDERS' FUNDS	37,001	37,417
Capital	3,267	3,267
Share premium	23,992	23,992
Equity instruments issued other than capital	50	46
Other equity	-	-
Retained earnings	-	-
Revaluation reserves	8	3
Other reserves	9,105	8,797
Less: Treasury shares	(43)	(23)
Profit or loss	697	2,316
Less: Interim dividends	(77)	(980)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	(5)	(8)
TOTAL EQUITY	**36,995**	**37,409**
TOTAL EQUITY AND TOTAL LIABILITIES	**400,960**	**399,940**
MEMORANDUM	**March 2019**	**December 2018 (*)**
Loan commitments given	63,569	69,513
Financial guarantees given	9,340	9,197
Other commitments and financial guarantees given	30,144	27,202

(*) Presented solely and exclusively for comparison purposes (see Note 1).

APPENDIX I Condensed balance sheets and income statements of Banco Bilbao Vizcaya Argentaria, S.A. (continuation)

BBVA, S.A. - Condensed income statements

	March 2019	March 2018 (*)
Interest income	1,224	1,203
Interest expense	(407)	(346)
NET INTEREST INCOME	**817**	**857**
Dividend income	779	792
Share of profit or loss of entities accounted for using the equity method	-	-
Fee and commission income	500	509
Fee and commission expense	(102)	(96)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	12	21
Gains (losses) on financial assets and liabilities held for trading, net	137	111
Gains (losses) on on-trading financial assets mandatorily at fair value through profit or loss	5	(3)
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(44)	-
Gains (losses) from hedge accounting, net	29	15
Exchange differences (net)	(38)	31
Other operating income	31	32
Other operating expense	(46)	(46)
Income from insurance and reinsurance contracts	-	-
Expense from insurance and reinsurance contracts	-	-
GROSS INCOME	**2,081**	**2,223**
Administration costs	(968)	(1,012)
Depreciation and amortization	(165)	(115)
Provisions or reversal of provisions	(120)	(452)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(85)	(81)
NET OPERATING INCOME	**742**	**563**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	(8)	35
Impairment or reversal of impairment on non-financial assets	(26)	(17)
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	-	(17)
Negative goodwill recognized in profit or loss	-	-
Profit (Loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	1	178
OPERATING PROFIT BEFORE TAX	**709**	**742**
Tax expense or income related to profit or loss from continuing operations	(12)	(66)
PROFIT FROM CONTINUING OPERATIONS	**697**	**676**
Profit from discontinued operations (net)	-	-
PROFIT	**697**	**676**

(*) Presented solely and exclusively for comparison purposes (see Note 1).

This appendix is an integral part of the condensed interim consolidated financial statements corresponding to the three month period ended March 31, 2019.

BBVA
Creating Opportunities

Management Report
1Q19

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BBVA Group highlights

BBVA Group highlights (Consolidated figures)

	31-03-19	Δ %	31-03-18	31-12-18
Balance sheet (millions of euros)				
Total assets	691,200	0.8	685,688	676,689
Loans and advances to customers (gross)	393,321	3.0	381,683	386,225
Deposits from customers	378,527	5.1	360,213	375,970
Total customer funds	481,754	4.9	459,113	474,120
Total equity	53,547	2.9	52,043	52,874
Income statement (millions of euros)				
Net interest income	4,420	3.1	4,287	17,591
Gross income	6,069	0.7	6,026	23,747
Operating income	3,147	3.2	3,050	12,045
Net attributable profit	1,164	(9.8)	1,290	5,324
The BBVA share and share performance ratios				
Number of shares (million)	6,668	-	6,668	6,668
Share price (euros)	5.09	(20.8)	6.43	4.64
Earning per share (euros) (1)	0.16	(9.7)	0.18	0.76
Book value per share (euros)	7.20	5.4	6.83	7.12
Tangible book value per share (euros)	5.94	6.1	5.60	5.86
Market capitalization (millions of euros)	33,960	(20.8)	42,868	30,909
Yield (dividend/price; %)	4.9		3.4	5.4
Significant ratios (%)				
ROE (net attributable profit/average shareholders' funds +/- average accumulated other comprehensive income) (2)	9.9		11.5	11.5
ROTE (net attributable profit/average shareholders' funds excluding average intangible assets +/- average accumulated other comprehensive income) (2)	11.9		14.0	14.1
ROA (Profit or loss for the year/average total assets)	0.84		0.93	0.91
RORWA (Profit or loss for the year/average risk-weighted assets - RWA)	1.60		1.75	1.74
Efficiency ratio	48.1		49.4	49.3
Cost of risk	1.06		0.85	1.01
NPL ratio	3.9		4.4	3.9
NPL coverage ratio	74		73	73
Capital adequacy ratios (%)				
CET1 fully-loaded	11.3		10.9	11.3
CET1 phased-in (3)	11.6		11.1	11.6
Total ratio phased-in (3)	15.2		15.4	15.7
Other information				
Number of clients (million)	75.7	2.9	73.6	74.8
Number of shareholders	892,316	0.2	890,146	902,708
Number of employees	125,749	(4.6)	131,745	125,627
Number of branches	7,844	(4.3)	8,200	7,963
Number of ATMs	31,922	1.0	31,602	32,029

General note: the application of accounting for hyperinflation in Argentina was performed for the first time in September 2018 with accounting effects on January 1, 2018, recording the impact of the nine months in the third quarter. In order to make the 2019 information comparable to 2018, the income statements and balance sheets of the first three quarters of 2018 have been reexpressed to reflect these impacts.

(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 the item called "Accumulated other comprehensive income", which forms part of the equity. Excluding this item, the ROE would stand at 8.6%, in the first quarter of 2019; 10.1%, in 2018; and 10.1%, in the first quarter of 2018; and the ROTE at 10.2%, 11.9% and 12.0%, respectively.

(3) As of March 31, 2019, phased-in ratios include the temporary treatment on the impact of IFRS 9, calculated in accordance with Article 473 bis of the Capital Requirements Regulation (CRR).

Group information

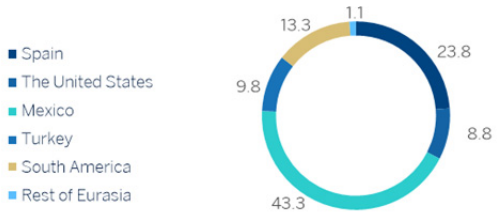
Relevant events

Results

- In the first quarter of 2019, the overall growth of **recurring income** is maintained, with a positive evolution in terms of net interest income in most business areas.
- The trend of containing **operating expenses** and improving the efficiency ratio compared to the same period of the previous year continues.
- Higher **impairment on financial assets** (up 24.4% year-on-year), mainly as a result of the higher reserve requirements due to the impairment of specific portfolios and the updating of the macroeconomic scenarios in the United States and Turkey, were not offset by the lower needs in Spain. Nevertheless, the impairment on financial assets decreased by 24.3% compared to the last quarter of 2018.
- As a result, the net attributable **profit** was €1,164 million, 9.8% less than in the same period of the previous year.

Net attributable profit
(Millions of Euros)

Net attributable profit breakdown [1]
(Percentage. 1Q19)



(1) Excludes the Corporate Center.

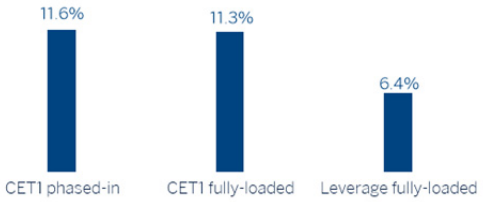
Balance sheet and business activity

- As of March 31, 2019, the number of **loans and advances to customers** (gross) recorded a 1.8% growth with respect to December 31, 2018, with improved levels of activity in all business areas.
- Within **off-balance-sheet funds**, good development of investment funds and pension funds in the quarter.

Solvency

- **Capital** position above regulatory requirements, with a fully loaded CET1 ratio at 11.3%, similar to the level at the end of December 2018, which absorbs the 11 basis points impact as a result of the implementation of IFRS 16 on January 1, 2019.

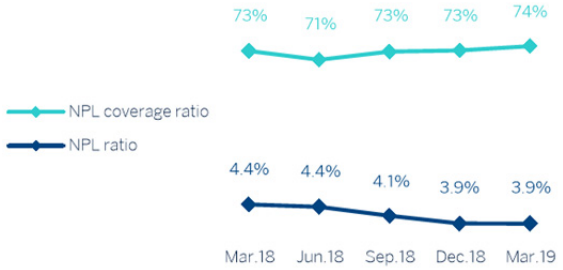
Capital and leverage ratios (Percentage as of 31-03-19)



Risk management

- Although the **Non-performing loans** showed a slight rebound in the quarter (up 1.2%), the indicators of the main **credit-risk metrics** remain solid: as of March 31, 2019, the NPL stood at 3.9%, coverage at 74% and the accumulated cost of risk at 1.06%.

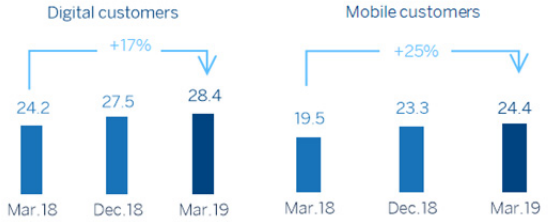
NPL and NPL coverage ratios (Percentage)



Digital customers

- The Group's **digital and mobile customer** base and **digital sales** continue to increase in all the geographic areas where BBVA operates with a positive impact on efficiency.

Digital and mobile customers (Millions)



Dividends

- On April 10, 2019, there was a gross cash payment of €0.16 per share, corresponding to the supplementary **dividend** for 2018 that was approved at the General Shareholders' Meeting held on March 15.

Other matters of interest

- **IFRS 16** 'Leases' came into effect on January 1, 2019, a standard on leases that introduces a single lessee accounting model and will require lessees to recognize assets and liabilities of all lease contracts. The main impacts on the Group are the recognition of assets by right-of-use and liabilities per lease, amounting to €3,419m and €3,472m, respectively, and the above stated impact in terms of capital, both as of the effective date.
- In 2019, the balance sheets, income statements and ratios of the first three quarters of 2018 have been reexpressed for the Group and the business area of South America to reflect the impacts derived from the hyperinflation in Argentina as a result of the application of IAS 29 on the income and expenses as well as the assets and liabilities, in order to make the financial information of 2019 comparable to the one of 2018. This is due to the impact been registered for the first time in the third quarter 2018, with accounting effects as from January 1, 2018.

Results

In the first quarter of 2019, BBVA Group obtained a net attributable **profit** of €1,164m. This figure represents an increase of 16.2% compared to the one obtained in the last quarter of 2018, although it is 9.8% lower than in the same quarter in the previous year (-8.1% at constant exchange rates). The good performance of recurring revenue items, particularly net interest income, as well as the evolution of operating expenses growing below gross income stand out.

Consolidated income statement: quarterly evolution (Millions of euros)

	2019	2018			
	1Q	4Q	3Q	2Q	1Q
Net interest income	**4,420**	**4,692**	**4,309**	**4,302**	**4,287**
Net fees and commissions	1,214	1,226	1,173	1,244	1,236
Net trading income	426	316	212	285	410
Other operating income and expenses	8	(83)	38	6	92
Gross income	**6,069**	**6,151**	**5,733**	**5,838**	**6,026**
Operating expenses	(2,922)	(2,981)	(2,825)	(2,921)	(2,975)
Personnel expenses	(1,553)	(1,557)	(1,459)	(1,539)	(1,565)
Other administrative expenses	(977)	(1,119)	(1,061)	(1,087)	(1,106)
Depreciation	(392)	(305)	(304)	(295)	(304)
Operating income	**3,147**	**3,170**	**2,908**	**2,916**	**3,050**
Impairment on financial assets not measured at fair value through profit or loss	(1,023)	(1,353)	(1,023)	(783)	(823)
Provisions or reversal of provisions	(144)	(66)	(123)	(85)	(99)
Other gains (losses)	(22)	(183)	(36)	67	41
Profit/(loss) before tax	**1,957**	**1,568**	**1,727**	**2,115**	**2,170**
Income tax	(559)	(421)	(419)	(605)	(617)
Profit/(loss) after tax from ongoing operations	**1,398**	**1,147**	**1,308**	**1,510**	**1,553**
Results from corporate operations [1]	-	-	633	-	-
Profit/(loss) for the year	**1,398**	**1,147**	**1,941**	**1,510**	**1,553**
Non-controlling interests	(234)	(145)	(154)	(265)	(262)
Net attributable profit	**1,164**	**1,001**	**1,787**	**1,245**	**1,290**
Net attributable profit excluding results from corporate operations	**1,164**	**1,001**	**1,154**	**1,245**	**1,290**
Earning per share (euros) [2]	**0.16**	**0.14**	**0.26**	**0.17**	**0.18**

General note: the application of accounting for hyperinflation in Argentina was performed for the first time in September 2018 with accounting effects on January 1, 2018, recording the impact of the 9 months in the third quarter. In order to make the 2019 information comparable to 2018, the income statements for the first three quarters of 2018 have been reexpressed to reflect the impacts of inflation on their income and expenses.

(1) Includes net capital gains from the sale of BBVA Chile.

(2) Adjusted by additional Tier 1 instrument remuneration.

Consolidated income statement (Millions of euros)

	1Q19	Δ %	Δ % at constant exchange rates	1Q18
Net interest income	**4,420**	**3.1**	**6.7**	**4,287**
Net fees and commissions	1,214	(1.8)	1.3	1,236
Net trading income	426	3.9	8.4	410
Other operating income and expenses	8	(91.3)	(90.2)	92
Gross income	**6,069**	**0.7**	**4.3**	**6,026**
Operating expenses	(2,922)	(1.8)	1.1	(2,975)
Personnel expenses	(1,553)	(0.8)	2.1	(1,565)
Other administrative expenses	(977)	(11.6)	(8.6)	(1,106)
Depreciation	(392)	28.9	31.2	(304)
Operating income	**3,147**	**3.2**	**7.4**	**3,050**
Impairment on financial assets not measured at fair value through profit or loss	(1,023)	24.4	27.2	(823)
Provisions or reversal of provisions	(144)	45.1	52.7	(99)
Other gains (losses)	(22)	n.s.	n.s.	41
Profit/(loss) before tax	**1,957**	**(9.8)**	**(5.3)**	**2,170**
Income tax	(559)	(9.4)	(5.7)	(617)
Profit/(loss) after tax from ongoing operations	**1,398**	(10.0)	(5.1)	**1,553**
Results from corporate operations	-	-	-	-
Profit/(loss) for the year	**1,398**	**(10.0)**	**(5.1)**	**1,553**
Non-controlling interests	(234)	(10.8)	13.9	(262)
Net attributable profit	**1,164**	**(9.8)**	**(8.1)**	**1,290**
Net attributable profit excluding results from corporate operations	**1,164**	**(9.8)**	**(8.1)**	**1,290**
Earning per share (euros) (1)	**0.16**			**0.18**

General note: the application of accounting for hyperinflation in Argentina was performed for the first time in September 2018 with accounting effects on January 1, 2018, recording the impact of the 9 months in the third quarter. In order to make the 2019 information comparable to 2018, the income statements for the first three quarters of 2018 have been reexpressed to reflect the impacts of inflation on their income and expenses.

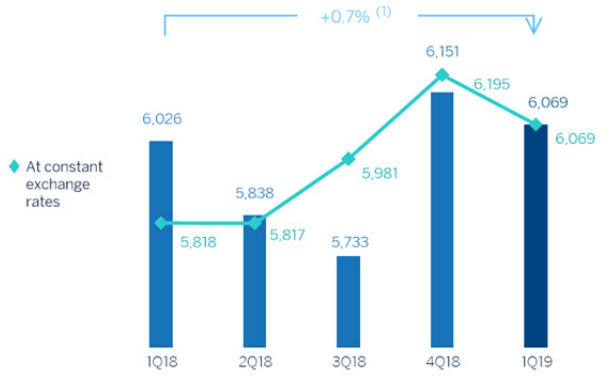
(1) Adjusted by additional Tier 1 instrument remuneration.

Unless expressly indicated otherwise, to better understand the changes in the main headings of the Group's income statement, the year-on-year percentage changes provided below refer to **constant exchange rates**.

Gross income

Gross income increased by 4.3% year-on-year, supported by the positive performance of net interest income.

Gross income (Millions of Euros)



(1) At constant exchange rates: +4.3%.

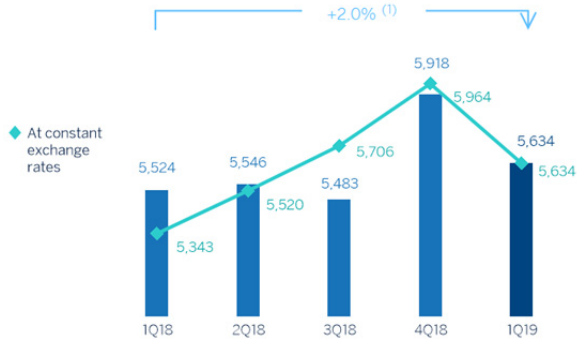
Net interest income registered a growth of 6.7% year-on-year, with increases in all business areas due to lower financing costs, except for Spain and Rest of Eurasia, which are more influenced by the interest rate situation in the Eurozone.

Net interest income/ATAs (Percentage)

On the other hand, cumulative **net fees and commissions** (up 1.3% year-on-year) also increased, thanks to their adequate diversification.

As a result, the **more recurring revenue items** (net interest income plus net fees and commissions) increased by 5.5% year-on-year.

Net interest income plus net fees and commissions (Millions of Euros)



(1) At constant exchange rates: +5.5%.

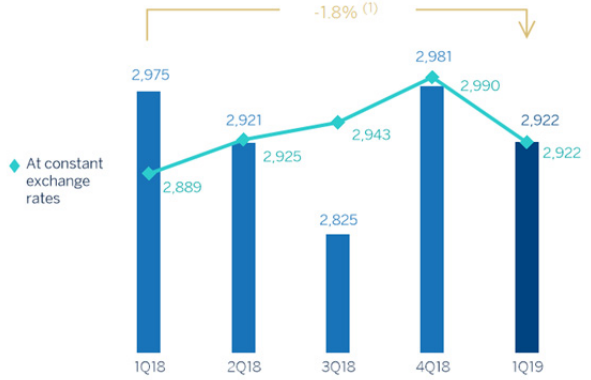
NTI between January and March 2019 was 8.4% higher than the figure obtained in the same quarter of 2018, supported by one-off transactions and in general by gains deriving from securities portfolio management, particularly in the United States and South America.

Other operating income and expenses decreased by 90.2% year-on-year, mainly as a result of higher levels of inflation. However, the net contribution of the insurance business grew by 10.3% year-on-year.

Operating income

Operating expenses in the first quarter of 2019 registered a growth of 1.1% year-on-year, considerably below the inflation rate recorded in the main countries where BBVA is present (down 1.8% at current exchange rates). The Group continues to apply strict cost discipline in all areas of the Group.

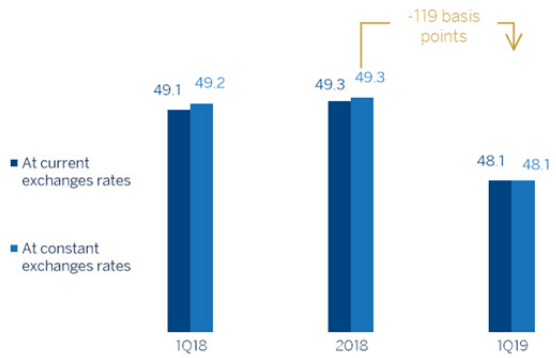
Operating expenses (Millions of Euros)



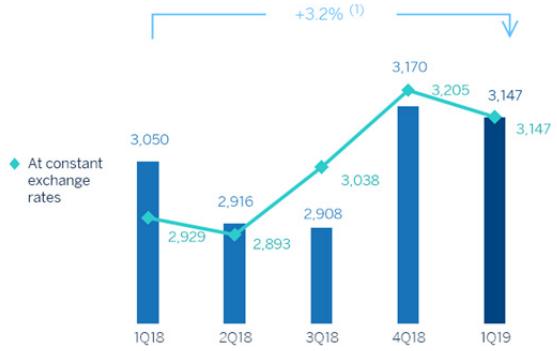
(1) At constant exchange rates: +1.1%.

As a consequence of this evolution of operating expenses, the **efficiency** ratio continued to improve and stood at 48.1%, below the level reached at the end of 2018 (49.3%), while **operating income** registered an increase of 7.4% year-on-year.

Efficiency ratio (Percentage)



Operating Income (Millions of Euros)

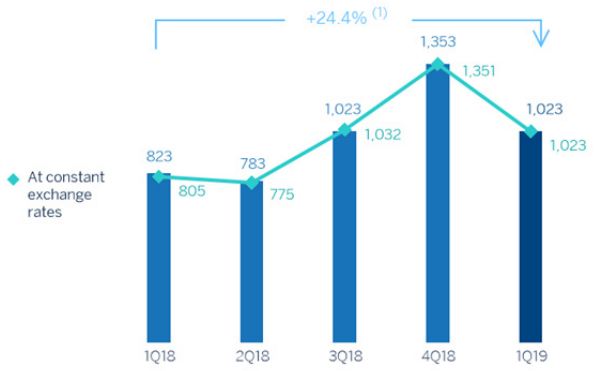


(1) At constant exchange rates: +7.4%.

Provisions and other

Impairment on financial assets not measured at fair value through profit or loss (**impairment on financial assets**) in the first three months of 2019 decreased by 24.3% compared to the fourth quarter of 2018, while it increased 27.2% compared to the first quarter of the same year. By business areas, there were higher loan-loss provisions in the United States due to the deterioration of some specific customers in the commercial portfolio and some write-offs in consumer, and in Turkey due to the deterioration of wholesale client portfolios. In addition, both countries are also located in geographic areas affected by the update of the macroeconomic outlook. On the contrary, Spain recognized lower loan-loss provisions, and Mexico remained at similar levels compared to the first quarter of last year.

Impairment on financial assets (net) (Millions of Euros)



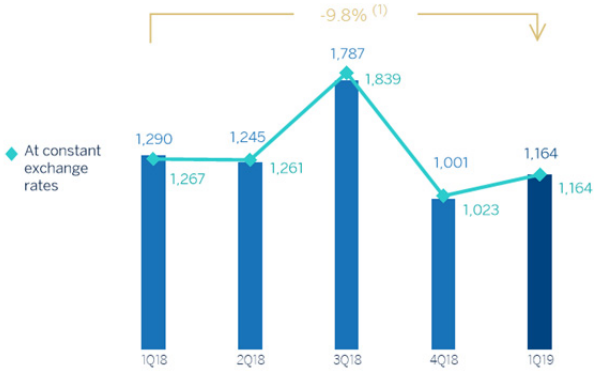
(1) At constant exchange rates: +27.2%.

Finally, the heading **provisions or reversal of provisions** (hereinafter, "provisions") was 52.7% above the figure recognized in the same quarter of 2018.

Results

As a result of the above, the Group's **net attributable profit** in the first quarter of 2019 was 8.1% below that obtained in the same period of the previous year, characterized by stable levels of recurring revenue that were negatively impacted by higher loan-loss provisions.

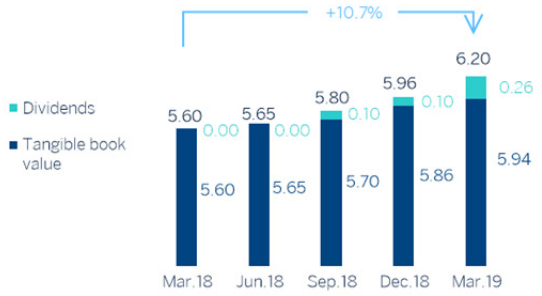
Net attributable profit (Millions of Euros)



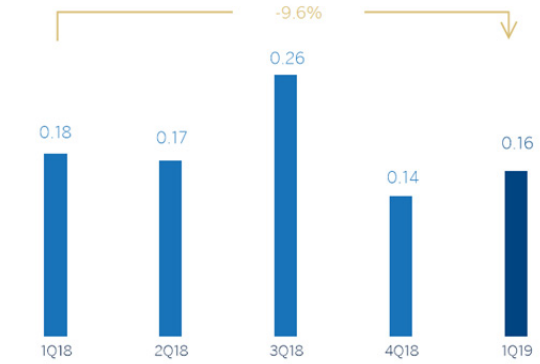
(1) At constant exchange rates: -8.1%.

By **business area**, Spain generated net attributable profit of €345m, the United States €127m, Mexico recognized a profit of €627m, Turkey contributed €142m, South America €193m, and Rest of Eurasia €16m.

Tangible book value per share and shareholder remuneration (Euros)



Earning per share [1] (Euros)



(1) Adjusted by additional Tier 1 instrument remuneration.

ROE and ROTE [1] (Percentage)

(1) The ROE and ROTE ratios include, in the denominator, the Group's average shareholders' funds and take into account the item called "Accumulated other comprehensive income", which forms part of the equity. Excluding this item, the ROE would stand at 10.1% in 1Q18, 10.1% in 2018 and 8.6% in 1Q19; and the ROTE on 12.0%, 11.9% and 10.2%, respectively.

ROA and RORWA (Percentage)

Balance sheet and business activity

The most relevant **aspects** of the Group's balance sheet and business activity as of March 31, 2019 is summarized below:

- **Loans and advances to customers** (gross) registered a growth of 1.8% in the quarter (up 1.4% at constant exchange rates), in all business areas, especially in Turkey, South America and Rest of Eurasia.
- **Non-performing loans** continued to decrease year-on-year (down 11.4%), thanks to the positive performance showed, especially in Spain and, to a lesser extent, Rest of Eurasia. However, there was a slight rebound of 1.2% in the quarter due to increases in the United States, Turkey and, to a lesser extent, South America.
- In terms of customer **deposits**, time deposits decreased by 3.3% in the quarter (down 12.6% year-on-year), offset by an increase of 2.7% in demand deposits in the quarter (up 10.7% year-on-year), particularly in Spain and, to a lesser extent, the United States.
- Within **off-balance sheet funds**, both investment funds and pension funds showed a positive trend in this quarter.
- In **tangible assets**, the balance as of March 31, 2019 is affected by the impact of the implementation of IFRS 16 "Leases", which entails an increase of 44.0% compared to the end of the previous fiscal year.

Consolidated balance sheet (Millions of euros)

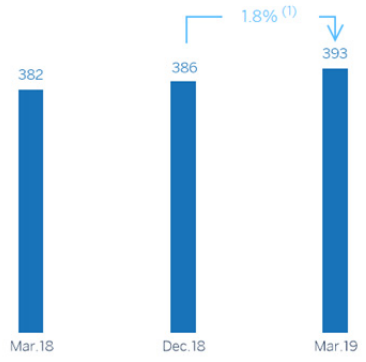
	31-03-19	Δ %	31-12-18	31-03-18
Cash, cash balances at central banks and other demand deposits	50,059	(14.0)	58,196	43,167
Financial assets held for trading	92,366	2.5	90,117	94,745
Non-trading financial assets mandatorily at fair value through profit or loss	5,535	7.8	5,135	4,360
Financial assets designated at fair value through profit or loss	1,311	(0.2)	1,313	1,330
Financial assets at fair value through accumulated other comprehensive income	60,204	6.9	56,337	59,212
Financial assets at amortized cost	433,008	3.2	419,660	417,646
Loans and advances to central banks and credit institutions	15,787	20.5	13,103	17,751
Loans and advances to customers	380,799	1.8	374,027	367,986
Debt securities	36,421	12.0	32,530	31,909
Investments in subsidiaries, joint ventures and associates	1,587	0.6	1,578	1,395
Tangible assets	10,408	44.0	7,229	7,238
Intangible assets	8,383	0.8	8,314	8,203
Other assets	28,338	(1.6)	28,809	48,392
Total assets	**691,200**	**2.1**	**676,689**	**685,688**
Financial liabilities held for trading	80,818	0.1	80,774	86,767
Other financial liabilities designated at fair value through profit or loss	7,846	12.2	6,993	6,075
Financial liabilities at amortized cost	520,464	2.2	509,185	497,298
Deposits from central banks and credit institutions	64,427	8.7	59,259	63,031
Deposits from customers	378,527	0.7	375,970	360,213
Debt certificates	62,365	2.1	61,112	60,866
Other financial liabilities	15,144	17.9	12,844	13,188
Liabilities under insurance and reinsurance contracts	10,577	7.6	9,834	9,624
Other liabilities	17,948	5.4	17,029	33,881
Total liabilities	**637,653**	**2.2**	**623,814**	**633,645**
Non-controlling interests	5,718	(0.8)	5,764	6,665
Accumulated other comprehensive income	(6,656)	(7.8)	(7,215)	(6,195)
Shareholders' funds	54,485	0.3	54,326	51,573
Total equity	**53,547**	**1.3**	**52,874**	**52,043**
Total liabilities and equity	**691,200**	**2.1**	**676,689**	**685,688**
Memorandum item:				
Guarantees given	46,406	(2.3)	47,574	47,519

General note: the application of accounting for hyperinflation in Argentina was performed for the first time in September 2018 with accounting effects on January 1, 2018, recording the impact of the nine months in the third quarter. In order to make the 2019 information comparable to 2018, the balance sheet of the first three quarters of 2018 has been reexpressed to reflect the impacts of inflation on its assets and liabilities.

Loans and advances to customers (Millions of euros)

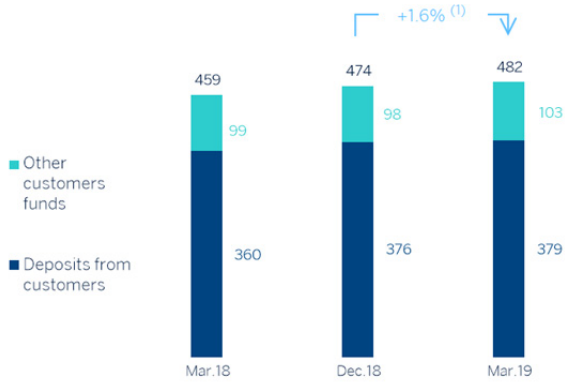
	31-03-19	Δ %	31-12-18	31-03-18
Public sector	**29,138**	**2.2**	**28,504**	**28,176**
Individuals	**171,947**	**0.8**	**170,501**	**169,541**
Mortgages	111,772	0.2	111,528	112,979
Consumer	36,159	3.5	34,939	33,335
Credit cards	13,644	1.0	13,507	13,263
Other loans	10,371	(1.5)	10,527	9,963
Business	**175,678**	**2.8**	**170,872**	**165,398**
Non-performing loans	**16,559**	**1.3**	**16,348**	**18,569**
Loans and advances to customers (gross)	**393,321**	**1.8**	**386,225**	**381,683**
Loan-loss provisions	(12,522)	2.7	(12,199)	(13,697)
Loans and advances to customers	**380,799**	**1.8**	**374,027**	**367,986**

Loans and advances to customers (gross) (Billions of Euros)



(1) At constant exchange rates: +1.4%.

Customer funds (Billions of Euros)



(1) At constant exchange rates: +1.1%.

Customer funds (Millions of euros)

	31-03-19	Δ %	31-12-18	31-03-18
Deposits from customers	**378,527**	**0.7**	**375,970**	**360,213**
Of which current accounts	267,614	2.7	260,573	239,360
Of which time deposits	104,698	(3.3)	108,313	113,469
Other customer funds	**103,227**	**5.2**	**98,150**	**98,900**
Mutual funds and investment companies	64,928	5.8	61,393	62,819
Pension funds	35,071	3.7	33,807	33,604
Other off-balance sheet funds	3,228	9.5	2,949	2,477
Total customer funds	**481,754**	**1.6**	**474,120**	**459,113**

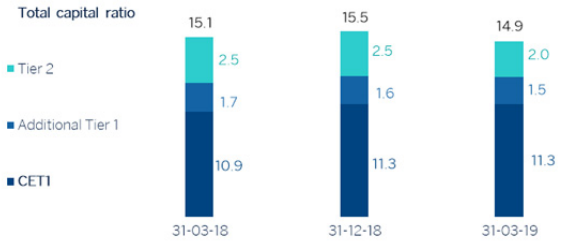
Solvency

Capital base

BBVA's **fully-loaded CET1** ratio stood at 11.3% at the end of March 2019. This ratio includes the impact of -11 basis points for the first application of the IFRS 16 standard, which entered into force on January 1, 2019. Excluding this effect, the ratio increased by +12 basis points, supported by the recurring organic capital generation and the positive evolution of the markets.

Risk-weighted assets (RWAs) fully-loaded increased in the quarter by €12,368m, due to the implementation of IFRS 16, the evolution of foreign currencies, mainly the appreciation of the US dollar and the growth of the activity in emerging economies.

Evolution of fully-loaded capital ratios (Percentage)



Capital base (Millions of euros)

	CRD IV phased-in			CRD IV fully-loaded		
	31-03-19 (1)	31-12-18	31-03-18	31-03-19 (1)	31-12-18	31-03-18
Common Equity Tier 1 (CET 1)	41,756	40,313	39,858	40,983	39,571	38,899
Tier 1	47,427	45,947	45,987	46,511	45,047	44,795
Tier 2	7,336	8,756	8,397	7,288	8,861	8,423
Total Capital (Tier 1 + Tier 2)	**54,764**	**54,703**	**54,384**	**53,799**	**53,907**	**53,218**
Risk-weighted assets	**360,689**	**348,264**	**358,941**	**361,173**	**348,804**	**358,315**
CET1 (%)	11.6	11.6	11.1	11.3	11.3	10.9
Tier 1 (%)	13.1	13.2	12.8	12.9	12.9	12.5
Tier 2 (%)	2.0	2.5	2.3	2.0	2.5	2.4
Total capital ratio (%)	**15.2**	**15.7**	**15.2**	**14.9**	**15.5**	**14.9**

General note: the main difference between the phased-in and fully loaded ratios arises from the temporary treatment of the impact of IFRS9, to which the BBVA Group has adhered voluntarily (in accordance with Article 473bis of the CRR).

(1) Preliminary data.

Regarding capital **issuances**, BBVA S.A. conducted two capital issuances: the issuance of preferred securities that may be converted into ordinary BBVA shares (CoCos), registered in the Spanish Securities Market Commission (CNMV) for €1,000m, with an annual coupon of 6.0% and an amortization option from the fifth year; and a Tier 2 subordinated debt issue of €750m, with a maturity period of 10 years, amortization option in the fifth year, and a coupon of 2.575%. These issuances, pending receipt of ECB computability authorization, are not included in the capital ratios as of March 2019, but would have an impact of +28 basis points in Tier 1 and +21 basis points in Tier 2.

In the first quarter of 2019, the Group continued with its program to meet the minimum requirement for own funds and eligible liabilities **(MREL)** published in May 2018, closing the public issuance of senior non-preferred debt for a total of €1,000m. BBVA estimates that complies with the MREL requirement.

In addition, early amortization options were implemented for two issuances: the issuance of contingent convertible bond (CoCos) for €1,500m with a coupon of 7% issued in February 2014, and another Tier 2 subordinated debt issuance for €1,500m with a coupon of 3.5% issued in April 2014 and amortized in April 2019.

Regarding **shareholder remuneration**, on April 10, 2019, BBVA paid a final cash dividend of €0.16 per share for the fiscal year 2018, in line with the Group's dividend policy of maintaining a pay-out ratio of 35-40% of recurring profit. During the first quarter, this final dividend does not have any impact on the solvency ratio of the Group, as it is already incorporated as of December 2018.

The **phased-in CET1** ratio stood at 11.6% as of March 31, 2019, taking into account the impact of the IFRS 9 standard. Tier 1 capital stood at 13.1% and Tier 2 at 2.0%, resulting in a **total capital ratio** of 15.2%.

These levels are above the requirements established by the supervisor in its SREP letter, applicable in 2019. Since March 1, 2019, at consolidated level, this requirement has been established at 9.26% for the CET1 ratio and 12.76% for the total capital ratio. Its variation compared to 2018 is explained by the end of the transitional period for implementation of capital conservation buffers and the capital buffer applicable to Other Systemically Important Institutions, as well as the progression of the countercyclical capital buffer. For its part, the CET1 of Pillar 2 (P2R) requirement remains unchanged at 1.5%.

Finally, the Group's ***leverage*** ratio maintained a solid position, at 6.4% fully-loaded (6.6% phased-in), which is still the highest among its peer group.

Ratings

At present, all agencies assign to BBVA a category "A" rating, with no variation in the first three months of 2019. These ratings are detailed in the following table:

Ratings

Rating agency	Long term	Short term	Outlook
DBRS	A (high)	R-1 (middle)	Stable
Fitch	A-	F-2	Negative
Moody's (1)	A3	P-2	Stable
Scope Ratings	A+	S-1+	Stable
Standard & Poor's	A-	A-2	Negative

(1) Additionally, Moody's assigns an A2 rating to BBVA's long term deposits.

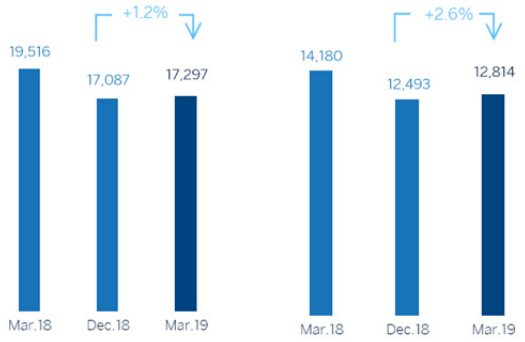
Risk management

Credit risk

BBVA Group's risk metrics show the following evolution in the first quarter of 2019:

- **Credit risk** increased by 1.2% in the quarter at current exchange rates (up 0.6% at constant exchange rates), with generalized growth in all areas except Turkey, which remains flat, impacted by the exchange rate evolution (up 2.1% at constant rates). The United States, which was positively impacted by the dollar evolution, grew 1.0% at current exchange rates and contracted 0.9% at constant exchange rates.
- **Balance of non-performing loans** registered a decrease of 11.4% year-on-year, although they increased by 1.2% in the quarter (0.6% in constant terms). Good performance in Spain during the first quarter (down 2.8%) which does not offset the increase of NPLs in other areas, especially the United States and Turkey.
- The **NPL ratio** stood at 3.9% as of March 31, 2019, stable with respect to the ratio registered at the end of December 2018. However, it decreased by 47 basis points compared to the end of March 2018.
- **Loan-loss provisions** increased by 2.6% in the quarter (2.4% at constant exchange rates).
- The **NPL coverage ratio** stood at 74% at the end of the quarter, an improvement of 97 basis points in the first three months of 2019 and 142 basis points higher than the end of March 2018.
- The accumulated **cost of risk** as of March 31, 2019 was 1.06%, which is a slight increase of 5 basis points compared to the end of 2018.

Non-performing loans and provisions (Millions of Euros)



Credit risk [1] (Millions of euros)

	31-03-19	31-12-18	30-09-18	30-06-18 [2]	31-03-18 [2]
Credit risk	**439,152**	**433,799**	**428,318**	**451,587**	**442,446**
Non-performing loans	17,297	17,087	17,693	19,654	19,516
Provisions	12,814	12,493	12,890	13,954	14,180
NPL ratio (%)	**3.9**	**3.9**	**4.1**	**4.4**	**4.4**
NPL coverage ratio (%)	**74**	**73**	**73**	**71**	**73**

(1) Include gross loans and advances to customers plus guarantees given.
(2) Figures without considering the classification of non-current assets held for sale.

Non-performing loans evolution (Millions of euros)

	1Q19 (1)	4Q18	3Q18	2Q18 (2)	1Q18 (2)
Beginning balance	**17,087**	**17,693**	**19,654**	**19,516**	**20,492**
Entries	2,342	3,019	2,168	2,596	2,060
Recoveries	(1,408)	(1,560)	(1,946)	(1,655)	(1,748)
Net variation	**934**	**1,459**	**222**	**942**	**311**
Write-offs	(769)	(1,693)	(1,606)	(863)	(923)
Exchange rate differences and other	45	(372)	(576)	59	(365)
Period-end balance	**17,297**	**17,087**	**17,693**	**19,654**	**19,516**
Memorandum item:					
Non-performing loans	16,559	16,348	17,045	18,627	18,569
Non performing guarantees given	738	739	649	1,027	947

(1) Preliminary data.
(2) Figures without considering the classification of non-current assets held for sale.

Structural risks

Liquidity and funding

Management of **liquidity and funding** in BBVA aims to finance the recurring growth of the banking business at suitable maturities and costs, using a wide range of instruments that provide access to a large number of alternative sources of financing, always in compliance with current regulatory requirements.

Due to its subsidiary-based management model, BBVA is one of the few major European banks that follows the Multiple Point of Entry (MPE) resolution **strategy**: the parent company sets the liquidity and risk policies, but the subsidiaries are self-sufficient and responsible for managing their own liquidity (taking deposits or accessing the market with their own rating), without fund transfer or financing occurring between either the parent company and the subsidiaries, or between different subsidiaries. This strategy limits the spread of a liquidity crisis among the Group's different areas, and ensures that the cost of liquidity and financing is correctly reflected in the price formation process.

The financial soundness of the Group's banks continues to be based on the funding of lending activity, fundamentally through the use of stable customer funds. During the first quarter of 2019, **liquidity** conditions remained comfortable across all countries in which the BBVA Group operates:

- In the Eurozone, the liquidity situation remains comfortable, and the credit gap was stable throughout the first quarter.
- In the United States, the liquidity situation is adequate. The credit gap decreased in the quarter, due mainly to the increase in deposits as a result of the deposit growth campaigns launched and seasonal fluctuations in the first quarter of the year.
- In Mexico, a solid liquidity position has been maintained. The credit gap increased slightly in the first quarter of the year, affected by the seasonal outflow of deposits, while the loan portfolio remained virtually flat in the quarter.
- In Turkey, positive liquidity situation, with an adequate buffer against a possible liquidity stress scenario. The overall credit gap remained virtually flat, with the larger gap in Turkish lira due to the increase in loans being offset by a reduction in the credit gap in foreign currency, due to an increase in deposits.
- In South America, the liquidity situation remains comfortable throughout the region. In Argentina, despite market volatility, the liquidity situation remains adequate.

The BBVA Group's liquidity coverage ratio (**LCR**) remained comfortably above 100% throughout the first quarter of 2019, and stood at 127% as of March 31, 2019. All subsidiaries remained comfortably above 100% (Eurozone, 144%; Mexico, 151%; Turkey, 208%; and the United States, 145%). For the calculation of the ratio, it is assumed that there is no transfer of liquidity among subsidiaries; i.e. no kind of excess liquidity levels in foreign subsidiaries are considered in the calculation of the consolidated ratio. When considering these excess liquidity levels, the ratio would stand at 155% (28 percentage points above 127%).

Wholesale **financing** markets in which the Group operates remained stable, even in the case of Turkey, where the higher volatility at the end of March due to the local elections did not affect its financing.

The main **transactions** carried out by the entities of the BBVA Group during the first quarter of 2019 were as follows:

- BBVA S.A. issued senior non-preferred debt for €1 billion, with a fixed-rate coupon of 1.125% over a five-year period; an issue of preferred securities which may be converted into ordinary BBVA shares (CoCos), registered in the Spanish Securities Market Commission (CNMV) for €1 billion, with an annual coupon of 6.0% and an amortization option from the fifth year; and a Tier 2 subordinated debt issue for €750m, with a maturity period of 10 years, amortization option in the fifth year and a coupon of 2.575%.
- In addition, early amortization options have been implemented for the issue of CoCos for €1.5 billion with a coupon of 7% issued in February 2014, and another for Tier 2 subordinated debt for €1.5 billion with a 3.5% coupon issued in April 2014 and amortized in April 2019.
- In Turkey, Garanti issued a five-year Diversified Payment Rights (DPR) for US$150m.
- Finally, BBVA in Argentina issued negotiable instruments on the local market for an amount equivalent to €33m, while in Chile, Forum issued a bond on the local market for an amount equivalent to €108m.

Foreign exchange

Foreign exchange risk management of BBVA's long-term investments, principally stemming from its overseas franchises, aims to preserve the Group's adequacy capital ratios and to ensure the stability of its income statement.

In the first quarter of **2019**, the Turkish lira (down 4.5%) and the Argentine peso (down 11.6%) depreciated against the euro, while the Mexican peso (up 3.7%) and the US dollar (up 1.9%) appreciated compared to the end of 2018. BBVA has maintained its policy of actively hedging its main investments in emerging markets, covering on average between 30% and 50% of annual earnings and around 70% of the CET1 capital ratio excess. Based on this policy, the sensitivity of the CET1 ratio to the depreciation of 10% against the euro by the main emerging-market currencies stood at -3 basis points for the Mexican peso and -2 basis points for the Turkish lira. In the case of the US dollar, the sensitivity is approximately +11 basis points to a depreciation of 10% against the euro, as a result of RWAs denominated in US dollars outside the United States. At the end of March 2019, the coverage level for expected earnings in 2019 stood at 75% for Mexico and 30% for Turkey.

Interest rates

The aim of managing **interest-rate** risk is to maintain sustained growth of net interest income in the short- and medium-term, irrespective of interest rate fluctuations, while controlling the impact on capital through the valuation of the portfolio of financial assets at fair value through profit or loss.

The Group's banks maintain fixed-income portfolios to manage their balance sheet structure. In the first quarter of 2019, the results of this management were satisfactory, with limited risk strategies maintained in all the Group's banks.

In Turkey, there was an increase in market volatility prior to the local elections held on March 31, which led the Central Bank of the Republic of Turkey (CBRT) to raise the cost of financing to stabilize the Turkish lira. However, this did not have any impact on the balance sheet structure. In this context, the management of the customer spread was very positive, thanks to the efforts made to reduce the cost of funding, which enabled good net interest income growth in the quarter, despite a lower contribution of inflation-linked bonds compared to previous quarters.

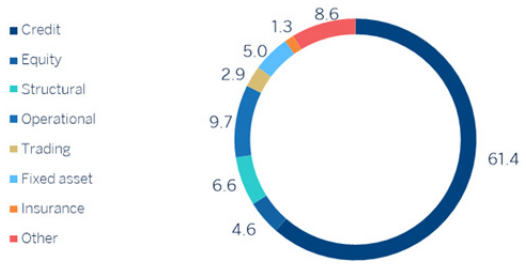
Finally, with regard to the **monetary policies** pursued by central banks in the main countries where BBVA operates, in the first quarter of 2019, it should be noted that:

- The interest rate of 0% and deposit facility rate of -0.40% were maintained in the Eurozone. The ECB indicated at its meeting in March that it would delay rate increases until at least December 2019, lowering its growth and inflation forecasts for the year. In addition, it announced a new round of liquidity injections (TLDRO III) starting from September.
- In the United States, the Fed decided to pause the normalization process in the face of increased downside risks, mainly due to the weakness of the global economy, and the absence of inflationary pressures, keeping interest rates stable at 2.5% at its March meeting.
- In Mexico, Banxico decided to maintain its monetary policy rate at 8.25%, considering that this position is consistent with meeting its target inflation rate.
- In Turkey, the Central Bank of the Republic of Turkey (CBRT) maintained rates at 24.00% during the first quarter, raising the average cost of financing to 25.50% at the end of March to stabilize the Turkish lira, before returning to 24.00% at the beginning of April.
- In South America, the monetary authorities of Colombia and Peru maintained their respective reference rates during the quarter the same as at the end of 2018, while in Argentina, interest rates rose to 68.16% at the end of the quarter, with the aim of avoiding an increase in the monetary base and halting the rise in inflation.

Economic capital

Economic risk capital (ERC) consumption at the end of February 2019, in consolidated terms, stood at €28,722 million, a decrease of 7.9% compared to the end of December 2018 (down 8.4% at constant exchange rates). This decrease is mainly focused on eliminating ERC consumption through goodwill and equity, as this will be considered a deduction of assets used in the calculation of the Group's solvency.

Consolidated economic risk capital breakdown (Percentage. Feb. 19)



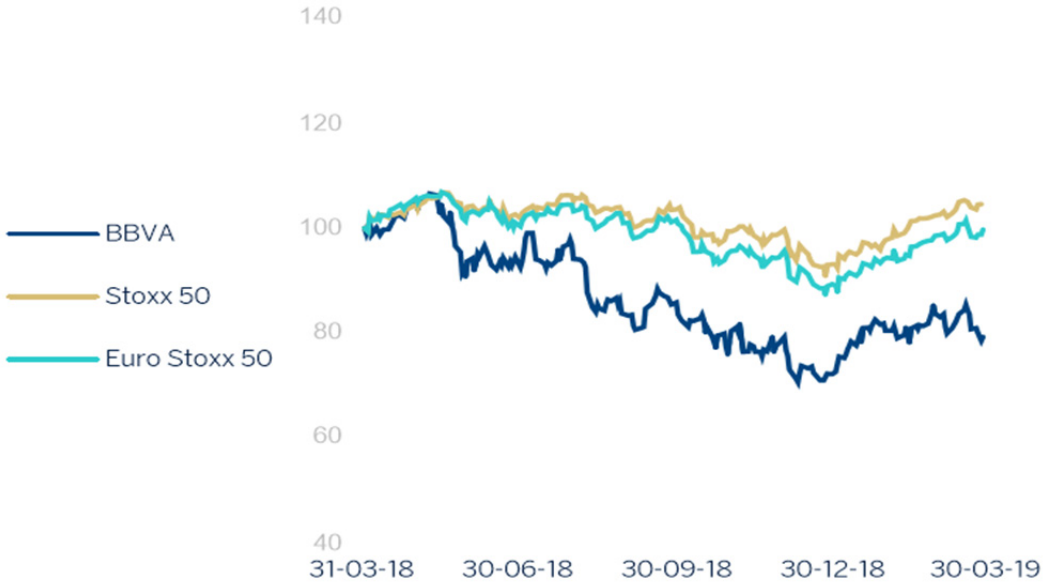
The BBVA share

The major **stock market** indices improved during the first quarter of 2019. In Europe, the Stoxx 50 and Euro Stoxx 50 rose 12.9% and 11.7%, respectively, while in Spain the Ibex 35 index rose 8.2%. Over the same period in the United States, the S&P 500 index rose 13.1%, marking the largest quarterly increase since the third quarter of 2009.

Banking sector performance in particular was also positive in the quarter, although to a lesser extent than the general market indices. Furthermore, the Stoxx European Banks index, which includes the United Kingdom, rose 4.5%, while the Euro Stoxx Banks index for the eurozone rose 7.1%. In the United States, the S&P Regional Banks Select Industry Index grew 9.6% in comparison to the close of the 2018.

On the other hand, the **BBVA share** performed slightly better than those of the European banking sector and Ibex 35 during the first quarter of 2019, with the share price increasing 9.9% to €5.09 at the close of the quarter.

BBVA share evolution compared with European indices (Base indice 100=31-03-18)



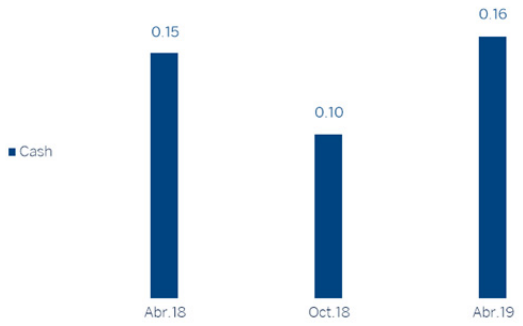
The BBVA share and share performance ratios

	31-03-19	31-12-18
Number of shareholders	892,316	902,708
Number of shares issued	6,667,886,580	6,667,886,580
Daily average number of shares traded	23,536,617	35,909,997
Daily average trading (millions of euros)	122	213
Maximum price (euros)	5.55	7.73
Minimum price (euros)	4.51	4.48
Closing price (euros)	5.09	4.64
Book value per share (euros)	7.20	7.12
Tangible book value per share (euros)	5.94	5.86
Market capitalization (millions of euros)	33,960	30,909
Yield (dividend/price; %) (1)	4.9	5.4

(1) Calculated by dividing shareholder remuneration over the last twelve months by the closing price of the period.

Regarding **shareholder remuneration**, on April 10, 2019 BBVA paid in cash a gross amount of €0.16 per share as a final dividend for the 2018 fiscal year, which represents a 7% increase compared to April 2018. Thus, the total dividend for the 2018 fiscal year amount to €0.26 gross per share, with a payout of 37% of net attributable profit, excluding the gains of the sale of BBVA Chile. BBVA will continue to pay out between 35% and 40% of its yearly earnings in dividends, with 100% cash remuneration.

Shareholder remuneration (Euros per share)



As of March 31, 2019, the number of BBVA **shares** remained at 6,668 million, held by 892,316 **shareholders**, of whom 44.73% are Spanish residents and the other 55.27% are non-residents.

Shareholder structure (31-03-2019)

	Shareholders		Shares	
Number of shares	**Number**	**%**	**Number**	**%**
Up to 150	177,281	19.9	12,565,086	0.2
151 to 450	177,739	19.9	48,727,280	0.7
451 to 1800	280,798	31.5	274,676,758	4.1
1,801 to 4,500	134,826	15.1	384,055,358	5.8
4,501 to 9,000	62,727	7.0	395,229,468	5.9
9,001 to 45,000	52,468	5.9	910,481,356	13.7
More than 45,001	6,477	0.7	4,642,151,274	69.6
Total	**892,316**	**100.0**	**6,667,886,580**	**100.0**

BBVA **shares** are included on the main stock market indices, including the Ibex 35, Euro Stoxx 50 and Stoxx 50, with a weighting of 7.0%, 1.4% and 0.9% respectively at the close of March 2019. They also form part of several sector indices, including the Euro Stoxx Banks, with a weighting of 8.5%, and the Stoxx Banks, with a weighting of 4.0%.

Finally, BBVA maintains a significant presence on a number of international **sustainability indices** or ESG (Environmental, Social and Governance) indices, which evaluate companies' performance in these areas. This presence is summarized in the following table:

Main sustainability indices on which BBVA is listed as of 31-03-19

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM	Listed on the DJSI World and DJSI Europe indices
MSCI [1]	Listed on the MSCI ESG Leaders Indexes AAA Rating
FTSE4Good	Listed on the FTSE4Good Global Index Series
EURONEXT vigeo eiris INDICES	Listed on the Euronext Vigeo Eurozone 120 and Europe 120 indices
member of the INVESTMENT REGISTER ETHIBEL EXCELLENCE	Listed on the Ethibel Sustainability Excellence Europe and Eithebel Sustainability Excellence Global indices
2019 Bloomberg Gender-Equality Index	Listed on the Bloomberg Gender-Equality Index
CDP DRIVING SUSTAINABLE ECONOMIES	In 2018, BBVA obtained a "B" rating

(1) The inclusion of BBVA in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of BBVA by MSCI or any of its affiliates. The MSCI indices are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Responsible banking

At BBVA we have a differential banking **model**, that we refer to as responsible banking, based on seeking out a return adjusted to principles, strict legal compliance, best practices and the creation of long-term value for all stakeholders. The four pillars of BBVA's responsible banking model are as follows:

- Balanced relationships with its customers, based on transparency, clarity and responsibility.
- Sustainable finance to combat climate change, respect human rights and achieve the United Nations Sustainable Development Goals (SDGs).
- Responsible practices with employees, suppliers and other stakeholders.
- Community investment to promote social change and create opportunities for all.

In 2018, BBVA announced its **2025 Pledge**. This sets out the Bank's strategy for climate change and sustainable development, working toward meeting the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement on climate change. The pledge is an eight-year commitment based on three lines of action:

- To finance: BBVA is pledging to mobilize €100 billion in green and social finance, sustainable infrastructures and agribusiness, social entrepreneurship and financial inclusion.
- To manage the environmental and social risks associated with the Group's activity in order to minimize its potential direct and indirect negative impacts. BBVA pledges that 70% of energy used by the Group will be renewable by 2025, increasing to 100% in 2030, as well as to reduce CO_2 emissions by 68% compared to 2015.
- To engage all stakeholders to collectively promote the financial sector's contribution to sustainable development.

In 2018, the first year of the Pledge, €11,815m was mobilized for **sustainable financing**. In the first quarter of 2019, BBVA continued to be very active in sustainable corporate financing, mainly in loans with profit margins linked to the borrower's performance in terms of ESG (Environmental, Social and Governance) criteria, certified by an independent expert. BBVA was also part of the working group preparing Sustainability Linked Loan Principles (SLLP), the new market standards for this financial instrument, which were published in March.

In terms of mitigating social and environmental risks, in the first quarter of 2019, BBVA updated its sector norms setting out the due diligence to be performed in accordance with four sectors of special environmental and social impact: mining, energy, infrastructure and agribusiness. These standards provide clear guidance on the procedures to follow when managing customers and transactions in these sectors. As a result of discussions with stakeholders and in order to meet expectations, stricter restrictions have been incorporated:

- In the energy sector, the coal threshold for BBVA customers' energy mix has been reduced from 40% to 35%.
- Transporting of tar sands has been explicitly added to the list of prohibited activities, as well as to the existing exploration and production activities. BBVA's exposure in financing projects of exploration, production and transportation of tar sands was zero by the close of the first quarter of 2019, and no projects of this nature are being considered.
- In the energy and agriculture sectors, reference to biofuels as an alternative in the fight against climate change, which appeared in a previous version of the standards, has been removed.
- New restrictions relating to tobacco advertising have been incorporated.

As part of its objective to engage its stakeholders, BBVA continues to participate in various initiatives at the heart of sectoral associations such as the AEB (Asociación Española de Banca — Spanish banking association) or the EBF (European Banking Federation), where the Bank presides over the sustainable finance group and participates in working groups related to this matter, as well as collaborating in consultations on taxonomy, regulation, disclosure and other objectives of the European Commission action plan on sustainable finance.

Regarding responsible practice, BBVA updated its action plan on human rights matters in February 2019, which, combined with the renewed human rights commitment, allows closer monitoring of actions identified during a due diligence process conducted due to the potential special impact on human rights.

In terms of community investment, BBVA allocated €104.5m to social initiatives in 2018, which benefited more than 8 million people. This figure represents approximately 2% of the net attributable profit for that financial year. Through social programs, BBVA acts as an engine of opportunities for people, and seeks to have a positive impact on their lives, with regard to vulnerable people in particular. BBVA's investment in social programs is channelled through its local banks within the Group, and through its corporate foundations.

Business areas

This section presents and analyzes the most relevant aspects of the Group's different business areas. Specifically, for each one of them, it shows a summary of the income statement and balance sheet, the business activity figures and the most significant ratios.

In 2019, BBVA Group's business areas **reporting structure** of the BBVA Group's business areas differs from the one presented at the end of the 2018, as a result of the integration of the Non-Core Real Estate business area into Banking Activity in Spain, now reported as "Spain". In order to make the 2019 information comparable to 2018, the figures for both areas have been reexpressed. BBVA Group's business areas are summarized below:

- **Spain** mainly includes the banking and insurance businesses that the Group carries out in Spain.
- **The United States** includes the Group's business activity in the country through BBVA Compass group and BBVA's New York branch.
- **Mexico** includes the Group's banking and insurance businesses in this country as well as the activity of BBVA Bancomer's branch in Houston.
- **Turkey** reports the activity of Garanti group that is mainly carried out in this country and, to a lesser extent, in Romania and the Netherlands.
- **South America** basically includes the Group's banking and insurance businesses in the region.
- **Rest of Eurasia** includes the banking business activity carried out by the Group in Europe, excluding Spain, and in Asia.

The **Corporate Center** contains the Group's holding function, including: the costs of the head offices with a corporate function; management of structural exchange rate positions; some equity instruments issuances to ensure an adequate management of the Group's global solvency. It also includes portfolios whose management is not linked to customer relationships, such as industrial holdings; certain tax assets and liabilities; funds due to commitments to employees; goodwill and other intangible assets.

The **information by business area** is based on units at the lowest level and/or companies that comprise the e Group, which are assigned to the different areas according to the main region or company group in which they carry out their activity.

As usual, in the case of the different business areas in America and Turkey, the results of applying constant **exchange rates** are given as well as the year-on-year variations at current exchange rates.

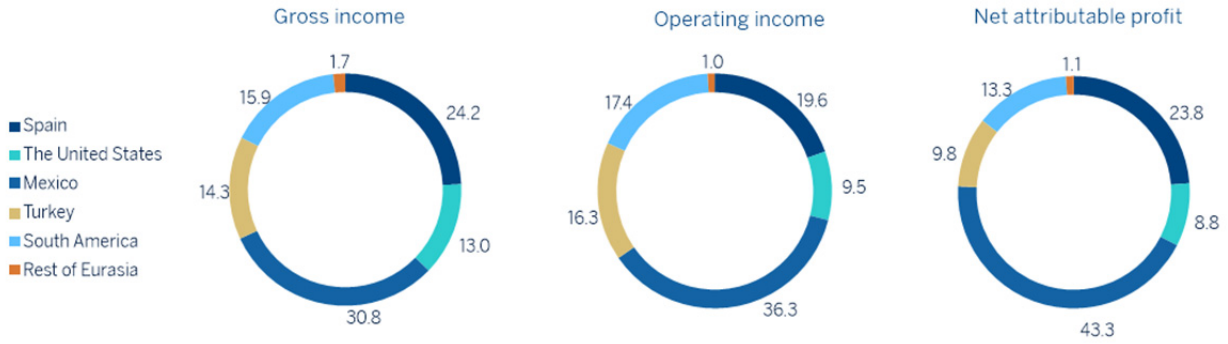
Major income statement items by business area (Millions of euros)

	BBVA Group	Business areas						∑ Business areas	Corporate Center
		Spain	The United States	Mexico	Turkey	South America	Rest of Eurasia		
31-03-19									
Net interest income	4,420	882	615	1,500	695	760	39	4,491	(71)
Gross income	6,069	1,497	804	1,902	884	985	103	6,176	(107)
Operating income	3,147	683	331	1,268	571	606	34	3,493	(346)
Profit/(loss) before tax	1,957	482	160	877	368	417	23	2,327	(370)
Net attributable profit	1,164	345	127	627	142	193	16	1,450	(286)
31-03-18 (1) (2)									
Net interest income	4,287	927	524	1,317	753	791	43	4,355	(67)
Gross income	6,026	1,588	699	1,711	996	1,008	126	6,127	(102)
Operating income	3,050	744	264	1,138	641	523	54	3,365	(314)
Profit/(loss) before tax	2,170	577	252	782	519	345	71	2,546	(376)
Net attributable profit	1,290	404	196	567	200	157	48	1,572	(282)

(1) The impact derived from the accounting for hyperinflation in Argentina for the first nine months of 2018 was recorded for the first time in the third quarter of the year, with accounting effects on January 1, 2018. In order to make the 2019 information comparable to 2018, the income statements for the first three quarters of the 2018 fiscal year have been reexpressed to reflect the impacts of inflation on their income and expenses.

(2) The income statements for 2018 were reexpressed due to changes in the reallocation of some expenses related to global projects and activities between the Corporate Center and the business areas incorporated in 2019.

Gross income(1), operating income(1) and net attributable profit(1) breakdown (Percentage. 1Q19)



(1) Excludes the Corporate Center.

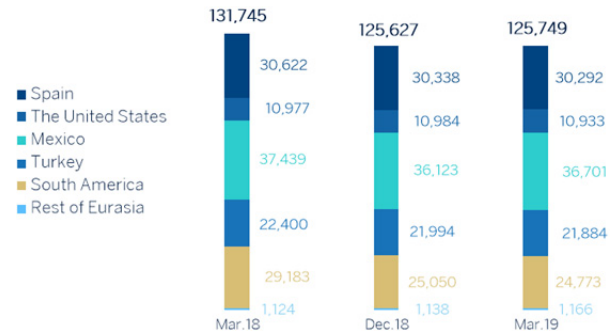
Major balance-sheet items and risk-weighted assets by business area (Millions of euros)

	BBVA Group	Business areas						∑ Business areas	Corporate Center	Deletions
		Spain	The United States	Mexico	Turkey	South America	Rest of Eurasia			
31-03-19										
Loans and advances to customers	380,799	170,893	61,403	53,480	42,025	35,691	18,257	381,748	551	(1,500)
Deposits from customers	378,527	181,723	65,165	50,904	40,544	37,236	5,065	380,638	280	(2,391)
Off-balance sheet funds	103,227	64,225	-	22,744	3,370	12,481	407	103,227	-	-
Total assets/liabilities and equity	691,200	356,552	85,160	101,738	67,130	57,031	20,582	688,193	16,075	(13,068)
Risk-weighted assets	360,689	107,935	64,969	54,794	58,526	44,964	16,004	347,191	13,498	-
31-12-18 (1)										
Loans and advances to customers	374,027	170,438	60,808	51,101	41,478	34,469	16,598	374,893	990	(1,857)
Deposits from customers	375,970	183,414	63,891	50,530	39,905	35,842	4,876	378,456	36	(2,523)
Off-balance sheet funds	98,150	62,559	-	20,647	2,894	11,662	388	98,150	-	-
Total assets/liabilities and equity	676,689	354,901	82,057	97,432	66,250	54,373	18,834	673,848	16,281	(13,440)
Risk-weighted assets	348,264	104,125	64,175	53,177	56,486	42,724	15,464	336,151	12,113	-

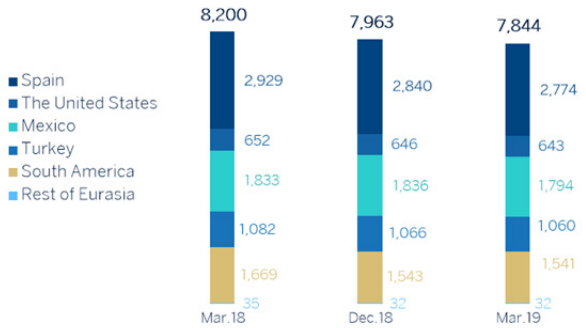
(1) The impact derived from the accounting for hyperinflation in Argentina for the first nine months of 2018 was recorded for the first time in the third quarter of the year, with accounting effects on January 1, 2018. In order to make the 2019 information comparable to the 2018, the balance sheets of the first three quarters of the 2018 have been reexpressed to reflect the impacts of inflation on their assets and liabilities.

Since 2019, a column has been added, which includes the **deletions** and balance sheet adjustments between different business areas, especially in terms of the relationship between the areas in which the parent company operates, i.e. Spain, Rest of Eurasia and Corporate Center. In previous years, these deletions were allocated to the different areas, mainly in Banking Activity in Spain. Accordingly, the figures from the previous year have been reexpressed to show comparable series.

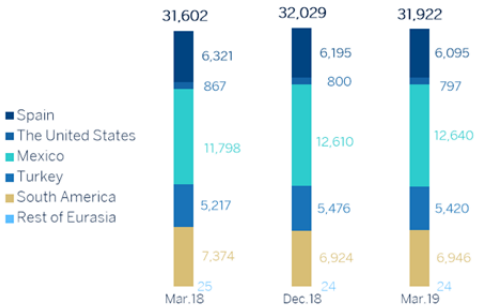
Number of employees



Number of branches



Number of ATMs



Macro and industry trends

World GDP grew by 3.8% in 2018, despite the slowdown in the second half of the year. In the first quarter of 2019, **global growth** moderated due to manufacturing and trade weaknesses. However, the service sector and employment remain robust. The cyclical slowdown in the United States and China's moderation trend have been accompanied by an unexpected slowdown in Europe, affected by global trade tensions and idiosyncratic factors (such as regulatory changes in the automobile sector, protests in France and, mainly, Brexit).

In light of greater cyclical weakness and in the absence of inflationary pressures, main central banks have reacted with more accommodative **monetary policies**. The United States Federal Reserve (Fed), after raising benchmark interest rates to 2.50% in December, has signaled a pause that is likely to continue until the end of 2019, and will put an end to the reduction in its balance earlier than expected. The European Central Bank, after completing the asset purchase program in December and in the face of weak economic activity, has announced a new round of liquidity auctions, delaying the interest rates increase, which is no longer expected until mid-2020 at the earliest. Furthermore, the Chinese authorities have been adopting fiscal and monetary stimuli following recent signs of weakening activity. Thus, interest rates will remain low for longer in the developed economies, allowing emerging countries to gain room for maneuver. These stimuli are a factor supporting growth, but a **moderation** on growth rates is expected for the coming quarters.

Spain

The Spanish economy grew by 2.6% in 2018, above the euro area (1.8%). In the first quarter of 2019, growth remains strong due to the good performance of public and private consumption, while exports and investment in machinery and equipment are slowing down. In the coming quarters the economy will grow at a lower pace due to the exhaustion of the fiscal stimulus and the global weakness, while uncertainty about economic policy will continue to have a negative impact on activity.

Regarding the banking sector, the system's de-leveraging and the improvement of asset quality indicators (NPL of 5.8% in January 2019) continued. Profitability remains under pressure (ROE at the close of 2018 stands at 5.4%) due to the low interest rate environment and lower business volumes. Spanish banks continue to have high levels of solvency and liquidity.

United States

The United States grew 2.9% in 2018, its unemployment rate fell below 4% and the Fed increased rates to 2.50%. Growth is being moderated by increased interest rates, the global slowdown, the exhaustion of the fiscal stimulus and political uncertainty. Some financial indicators show an increase in the risk of recession, but the economy maintains a good growth rate, especially in consumption. The pause in interest rate rises is a supporting factor.

The most recent bank activity figures show that credit and deposits are growing at rates of 5.2% and 3.3% respectively. Delinquencies continued to fall. In the fourth quarter of 2018, the NPL ratio was 1.57%.

Mexico

As of the end of 2018, the economy closed with a rate of growth of 2%. In the first months of 2019, the service sector was resilient and private consumption gave positive signs following the weakness of the fourth quarter of 2018. However, private investment remains weak while the manufacturing sector and exports are moderating. The central bank continues with its restrictive bias; however, good figures for inflation and the exchange rate would allow interest rates to be cut to mitigate the foreseeable slowdown in growth.

The banking system continues to grow in year-on-year terms. With figures as of February 2019, loans and deposits grew by 9.4% and 8.5%, respectively, showing growth in all segments. Delinquencies remain contained (2.11%, compared to 2.20% twelve months earlier) while capital indicators remain at comfortable levels.

Turkey

The economy grew 2.6% in 2018, after registering two consecutive quarters of decline. Consumption and investment registered a sharp contraction, partially offset by external demand. Although activity kept falling at the beginning of the year, it seems to have reached a bottom. Interest rates will remain high until exchange rate pressure is resolved and inflation moderates. The Government has announced a new economic plan, some of the measures include the capitalization of the banking system and the strengthening of the asset quality.

As of the end of the first quarter of 2019, the banking system showed high growth rates. Total credit in the system (adjusted for the exchange rate effect) grew 18.1% with growth in all portfolios, driven especially by public banks after the government's package of measures to support SMEs. The NPL ratio of the system is 4.1%.

Argentina

The economy registered a sharp contraction in 2018 (GDP fell by 2.5%) following the exchange rate crisis and a severe drought. But the end of the first quarter presents signs of a lukewarm recovery in activity, while the IMF has approved an additional US$ 10.8 billion loan after favorably completing the third review of its support program. Inflation remains high and with strong inertia due to the impact of exchange rate depreciation, despite a more contractionary monetary policy. In the financial system, loans and deposits are growing at high rates, with a notable influence of the high inflation. As of January 2019, profitability indicators are very high (ROE: 37% and ROA: 4.2%) and delinquencies remain contained, with a NPL ratio of 3.2%.

Colombia

The Colombian economy grew by 2.6% in 2018. Growth continued in the first quarter of 2019, supported by private consumption and public spending, while investment has not taken off. With weak demand and low inflation (about 3%), the central bank has held interest rates at 4.25% and it is not expected to increase them in the short term. In Colombia, as of January 2019, the system's total credit grew by 5.9% year-on-year, with a NPL ratio of 4.7%. Since January 2018, total deposits increased 4.7%.

Peru

After growing by 4% in 2018, growth is moderating mainly explained by the primary sector, construction and the recent fall in public investment. The central bank has held interest rates at 2.75%, which implies an expansionary bias for monetary policy. Interest rates are expected to rise in the coming months. The banking system presents moderate year-on-year growth rates in loans and deposits (+9.3% and +5.7% respectively, as of January 2019), with reasonably high profitability levels (ROE: 18.5%, ROA: 2.7%).

End of period interest rates (Percentage)

	2019	2018			
	1Q	4Q	3Q	2Q	1Q
Official ECB rate	0.00	0.00	0.00	0.00	0.00
Euribor 3 months	(0.31)	(0.31)	(0.32)	(0.32)	(0.33)
Euribor 1 year	(0.11)	(0.13)	(0.17)	(0.18)	(0.19)
USA Federal rates	2.43	2.40	2.18	1.91	1.67
TIIE (Mexico)	8.52	8.41	8.11	7.93	7.83
CBRT (Turkey)	25.50	24.06	24.01	17.77	12.75

Exchange rates (Expressed in currency/euro)

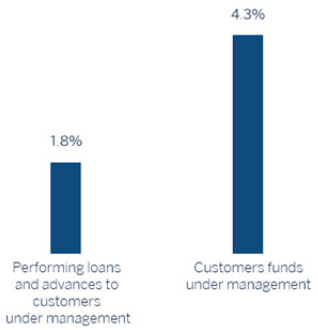
	Year-end exchange rates			Average exchange rates	
	31-03-19	Δ % on 31-03-18	Δ % on 31-12-18	1Q19	Δ % on 1Q18
Mexican peso	21.6910	3.8	3.7	21.8057	5.6
U.S. dollar	1.1235	9.7	1.9	1.1358	8.2
Argentine peso	48.9734	(49.3)	(11.6)	48.9734	(49.3)
Chilean peso	765.20	(2.5)	4.0	757.96	(2.3)
Colombian peso	3,585.02	(4.5)	4.5	3,561.35	(1.5)
Peruvian sol	3.7275	6.7	3.6	3.7738	5.4
Turkish lira	6.3446	(22.8)	(4.5)	6.1102	(23.2)

Spain

Highlights

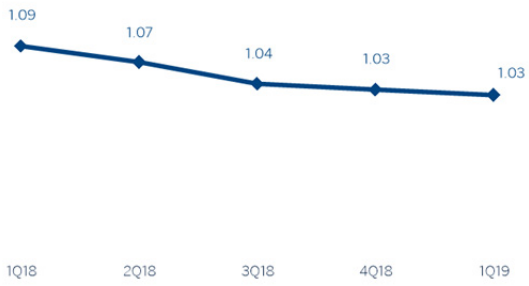
- **Positive trend of activity, especially in high profitable segments.**
- **Net Interest income affected by lower ALCO contribution and the impact of IFRS 16.**
- **Significant reduction in operating expenses.**
- **Continues improvement in Credit risk indicators.**

Business activity[1] (Year-on-year change. Data as of 31-03-19)

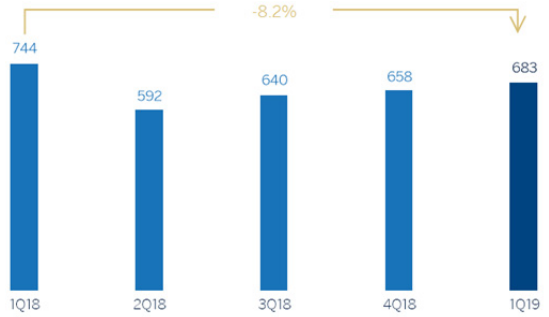


(1) Excluding repos.

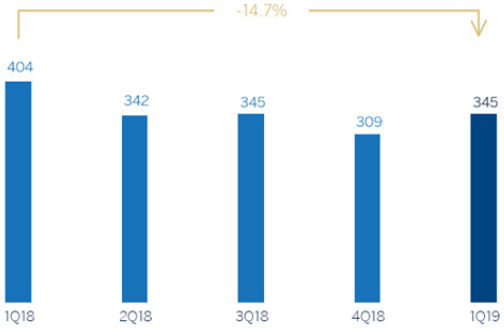
Net interest income/ATAs (Percentage)



Operating income (Millions of Euros)



Net attributable profit (Millions of Euros)



Financial statements and relevant business indicators (Millions of euros and percentage)

Income statement	1Q19	Δ %	1Q18
Net interest income	**882**	**(4.9)**	**927**
Net fees and commissions	414	0.3	412
Net trading income	108	(35.2)	167
Other operating income and expenses	94	14.0	82
of which Insurance activities [1]	130	13.5	114
Gross income	**1,497**	**(5.7)**	**1,588**
Operating expenses	(814)	(3.5)	(844)
Personnel expenses	(472)	(1.6)	(480)
Other administrative expenses	(223)	(22.5)	(287)
Depreciation	(119)	55.7	(77)
Operating income	**683**	**(8.2)**	**744**
Impairment on financial assets not measured at fair value through profit or loss	(78)	(37.9)	(125)
Provisions or reversal of provisions and other results	(123)	194.7	(42)
Profit/(loss) before tax	**482**	**(16.5)**	**577**
Income tax	(137)	(20.7)	(172)
Profit/(loss) for the year	**345**	**(14.7)**	**405**
Non-controlling interests	(1)	(7.4)	(1)
Net attributable profit	**345**	**(14.7)**	**404**

(1) Includes premiums received net of estimated technical insurance reserves.

Balance sheets	31-03-19	Δ %	31-12-18
Cash, cash balances at central banks and other demand deposits	18,875	(33.9)	28,545
Financial assets designated at fair value	113,735	6.0	107,320
of which loans and advances	30,715	1.6	30,222
Financial assets at amortized cost	199,111	1.9	195,467
of which loans and advances to customers	170,893	0.3	170,438
Inter-area positions	13,173	(6.1)	14,026
Tangible assets	3,530	172.9	1,294
Other assets	8,129	(1.5)	8,249
Total assets/liabilities and equity	**356,552**	**0.5**	**354,901**
Financial liabilities held for trading and designated at fair value through profit or loss	70,283	(1.1)	71,033
Deposits from central banks and credit institutions	46,697	1.7	45,914
Deposits from customers	181,723	(0.9)	183,414
Debt certificates	31,490	0.4	31,352
Inter-area positions	-	-	-
Other liabilities	17,756	22.3	14,519
Economic capital allocated	8,602	(0.8)	8,670

Relevant business indicators	31-03-19	Δ %	31-12-18
Performing loans and advances to customers under management [1]	166,802	0.2	166,396
Non-performing loans	9,794	(2.8)	10,073
Customer deposits under management [1]	181,283	(0.9)	182,984
Off-balance sheet funds [2]	64,225	2.7	62,559
Risk-weighted assets	107,935	3.7	104,125
Efficiency ratio (%)	54.4		55.9
NPL ratio (%)	4.9		5.1
NPL coverage ratio (%)	58		57
Cost of risk (%)	0.18		0.21

(1) Excluding repos.
(2) Includes mutual funds, pension funds and other off-balance sheet funds.

Activity

The most relevant aspects related to the area's activity during the first quarter of 2019 were:

- As of March 31, 2019 **Lending** (performing loans under management) stood at a similar level than the one registered on December 31, 2018 (up 0.2%). We highlight the positive evolution of consumer loans and credit cards (up 3.4%) as well as lending to medium-sized enterprises (up 2.1%) that offset the reduction in mortgage loans (down 0.5%). In year-on-year terms, lending activity grew by 1.8%.
- In **terms of asset quality**, non-performing loans showed a downward trend over the quarter, with a positive effect on the NPL ratio which stood at 4.9% as of March 31, 2019 (5.1% as of December 31,2018), mainly explained by a lower level of NPLs in the mortgage portfolios. The NPL coverage ratio stood at 58%, above the closing of 2018.
- Regarding customer **deposits under management,** it is important to highlight the good performance of demand deposits, which increased by 2.5% in the quarter (up 13.3% year-on-year), representing more than 80% of total deposits by March 2019. On the other hand, time deposits continued their downward trend (down 13.2% in the quarter, down 19.1% year-on-year). Overall, total deposits remained flat during the quarter while increasing by 5.2% in the last twelve months.
- **Off-balance sheet funds** showed a mild recovery (up 2.7% since December 31, 2018 and up 1.9% year-on-year), particularly evident in investment funds as a result of a good market performance during the quarter.

Results

In the first quarter of 2019, the net attributable profit of BBVA in Spain stood at €345m, a 14.7% decline compared to the same quarter of 2018 but an increase of 11.7% compared to the previous quarter. The main highlights of the area's income statement are:

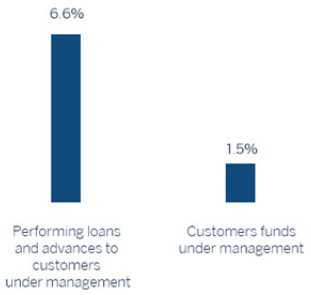
- **Net interest income** decreased by 4.9% year-on-year, strongly influenced by a lower contribution from the ALCO portfolio and the effect of the implementation of IFRS 16.
- **Net fees and commissions** remained stable year-on-year (up 0.3%).
- Lower **NTI** contribution (down 35.2% compared to the same quarter of 2018) due to uneven market performance in the quarter and lower portfolio sales.
- Growth in **other operating income and expenses** (up 14.0% year-on-year) was mainly due to the good performance of net earnings from the insurance business which showed an increase of 13.5%.
- **Operating expenses** decreased by 3.5% in the last twelve months, remaining flat over the last three months. Thus, the **efficiency** ratio stood at 54.4%, improving compared to the end of 2018.
- Decline in **impairment on financial assets** (down 37.9% year-on-year) as a result of lower loan-loss provisions of real-estate developer loans previously allocated to the former Non Core Real Estate area. As a result, the cumulative cost of risk stood at 0.18% as of March 31, 2019.
- Finally, **provisions (net) and other gains (losses)** showed a year-on-year increase due mainly to the positive valuation of assets in the former Non Core Real Estate area during the first quarter of last year.

The United States

Highlights

- **Good performance in consumer and commercial segments activity.**
- **Net interest income increase, main lever of results and of customer spreads.**
- **Operating expenses growth below the inflation rate, efficiency improvement.**
- **Net attributable profit affected by impairment on financial assets associated to the macroeconomic environment, to specific customers and to write-offs in consumer.**

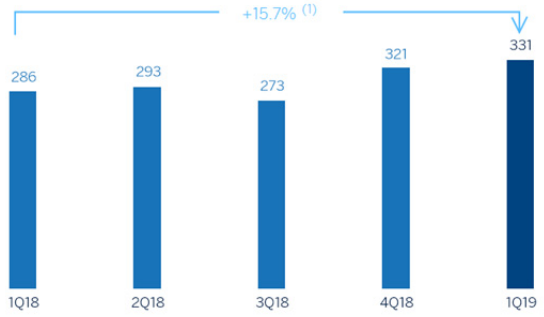
Business activity [1] (Year-on-year change at constant exchange rate. Data as of 31-03-19)



(1) Excluding repos.

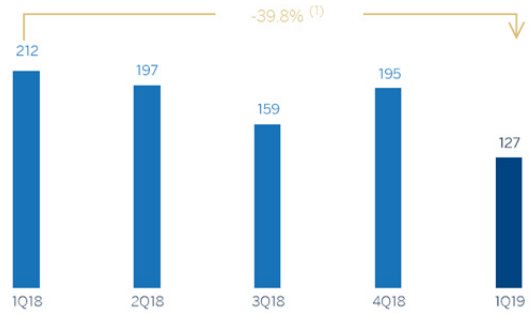
Net interest income/ATAs (Percentage. Constant exchange rate)

Operating income (Millions of Euros at constant exchange rate)



(1) At current exchange rate: +25.3%.

Net attributable profit (Millions of Euros at constant exchange rate)



(1) At current exchange rate: -34.8%.

Financial statements and relevant business indicators (Millions of euros and percentage)

Income statement	1Q19	Δ %	Δ % [1]	1Q18
Net interest income	**615**	**17.4**	**8.4**	**524**
Net fees and commissions	151	2.1	(5.7)	148
Net trading income	41	67.3	54.0	24
Other operating income and expenses	(3)	n.s.	n.s.	3
Gross income	**804**	**15.1**	**6.3**	**699**
Operating expenses	(473)	8.8	0.5	(434)
Personnel expenses	(278)	10.4	1.9	(252)
Other administrative expenses	(140)	(0.6)	(8.2)	(141)
Depreciation	(55)	31.1	21.2	(42)
Operating income	**331**	**25.3**	**15.7**	**264**
Impairment on financial assets not measured at fair value through profit or loss	(162)	n.s.	n.s.	(20)
Provisions or reversal of provisions and other results	(10)	n.s.	n.s.	8
Profit/(loss) before tax	**160**	**(36.6)**	**(41.4)**	**252**
Income tax	(32)	(42.6)	(47.0)	(56)
Profit/(loss) for the year	**127**	**(34.8)**	**(39.8)**	**196**
Non-controlling interests	-	-	-	-
Net attributable profit	**127**	**(34.8)**	**(39.8)**	**196**

Balance sheets	31-03-19	Δ %	Δ % [1]	31-12-18
Cash, cash balances at central banks and other demand deposits	6,550	35.5	32.9	4,835
Financial assets designated at fair value	9,330	(11.0)	(12.7)	10,481
of which loans and advances	236	51.1	48.2	156
Financial assets at amortized cost	65,629	3.3	1.3	63,539
of which loans and advances to customers	61,403	1.0	(0.9)	60,808
Inter-area positions	-	-	-	-
Tangible assets	952	42.5	39.8	668
Other assets	2,700	6.5	4.5	2,534
Total assets/liabilities and equity	**85,160**	**3.8**	**1.8**	**82,057**
Financial liabilities held for trading and designated at fair value through profit or loss	305	30.0	27.6	234
Deposits from central banks and credit institutions	4,710	39.8	37.1	3,370
Deposits from customers	65,165	2.0	0.1	63,891
Debt certificates	3,364	(6.5)	(8.3)	3,599
Inter-area positions	1,737	(9.9)	(11.6)	1,926
Other liabilities	6,198	9.6	7.6	5,654
Economic capital allocated	3,682	8.8	6.8	3,383

Relevant business indicators	31-03-19	Δ %	Δ % [1]	31-12-18
Performing loans and advances to customers under management [2]	61,405	1.0	(0.9)	60,784
Non-performing loans	904	12.7	10.6	802
Customer deposits under management [2]	65,163	2.0	0.1	63,888
Off-balance sheet funds [3]	-	-	-	-
Risk-weighted assets	64,969	1.2	(0.7)	64,175
Efficiency ratio (%)	58.8			62.2
NPL ratio (%)	1.4			1.3
NPL coverage ratio (%)	85			85
Cost of risk (%)	1.06			0.39

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

Activity

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and earnings, will be given at constant exchange rate. These rates, together with changes at current exchange rate, can be seen in the attached tables of financial statements and relevant business indicators.

The most relevant evolution to the area's activity in the first quarter of 2019 was:

- **Lending activity** (performing loans under management) increased by 6.6% year-on-year, even though the activity showed a slight decrease of 0.9% compared to the last quarter of 2018.
- The **commercial portfolio** showed a positive evolution year-on-year (up 6.8% and up 0.3% in the quarter), while the higher interest rates continued to affect mortgages (up 3.3% year-on-year, down 0.5% in the quarter). Regarding **retail** portfolios, credit cards and indirect consumer loan portfolios, which are increasingly being granted through digital channels and have higher margins, increased by 22.2% (year-on-year) and remained flat in the quarter.
- Regarding the **risk indicators**, the NPL ratio increased slightly in the quarter, and stood at 1.4% from 1.3% registered at the end of December 2018, due to the deterioration related to commercial clients. The NPL coverage ratio closed at 85%.
- Even though the competition for deposits remains intense, customer **deposits** under management remained at the same level of December 2018 (up 1.5% year-on-year), mainly due to the increase in demand deposits (up 1.0% in the quarter, up 0.3% year-on-year) which offsets the slight decrease in time deposits (down 2.5% in the quarter, up 5.3% year-on-year).

Results

The United States generated a cumulative net attributable **profit** of €127m through March 2019, 39.8% lower than the one registered twelve months earlier, due mainly to higher impairments on financial assets registered in the quarter.

The most relevant aspects of the evolution of the results is summarized below:

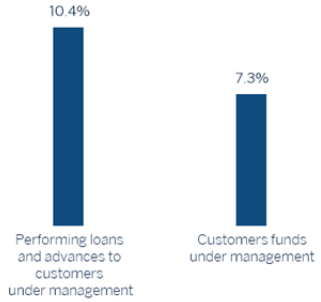
- **Net interest income** continued to perform positively, with an increase of 8.4% year-on-year, in an environment in which no interest rate hikes are foreseen.
- **Net fees and commissions** declined by 5.7% year-on-year, mainly due to those related to investment banking and a lower contribution from markets.
- Higher contribution from **NTI** due to the good performance associated with higher ALCO portfolio sales in the first quarter of 2019.
- **Operating expenses** grew slightly by 0.5% year-on-year, mainly due to a good performance by savings in personnel expenses. This increase is lower than that shown by the gross income (6.3%), as a result, the efficiency ratio improved.
- **Impairment on financial assets** increased in the last twelve months, due to the macro scenario adjustment, to provisions for some specific customers in the commercial portfolio and some write-offs in consumer. In addition, the first quarter of 2018 was positively impacted by the release of provisions related to the Hurricanes the previous year. As a result, the cumulative cost of risk through March 31, 2019 increased to 1.06%.

Mexico

Highlights

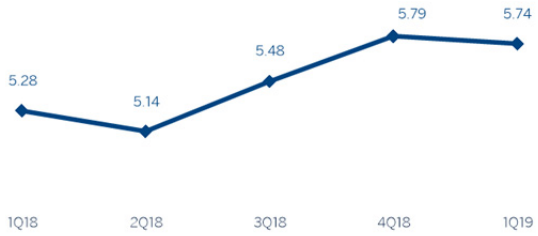
- **Lending growth, supported by commercial, consumer and mortgages.**
- **Positive trend of net interest income in line with activity.**
- **Operating expenses influenced by the increase of the contribution to the BBVA Bancomer Foundation.**
- **Good asset quality indicators.**

Business activity [1] (Year-on-year change at constant exchange rate. Data as of 31-03-19)

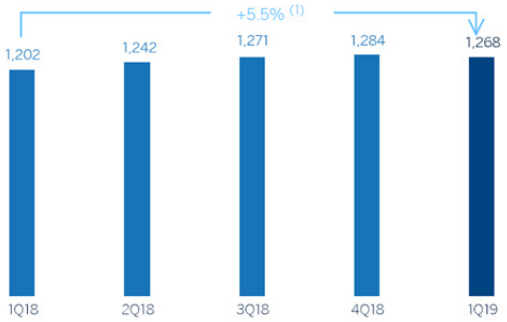


(1) Excluding repos.

Net interest income/ATAs
(Percentage. Constant exchange rate)

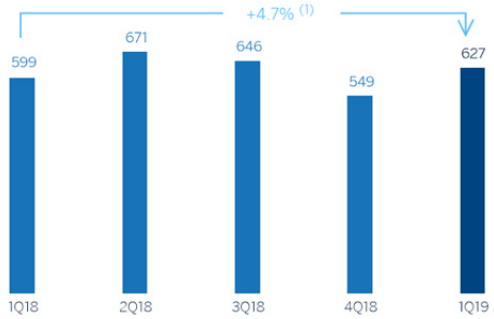


Operating income
(Millions of Euros at constant exchange rate)



(1) At current exchange rate: +11.5%.

Net attributable profit
(Millions of Euros at constant exchange rate)



(1) At current exchange rate: +10.6%.

Financial statements and relevant business indicators (Millions of euros and percentage)

Income statement	1Q19	Δ %	Δ % [1]	1Q18
Net interest income	**1,500**	**13.9**	**7.8**	**1,317**
Net fees and commissions	300	6.9	1.2	281
Net trading income	63	(7.4)	(12.3)	67
Other operating income and expenses	40	(11.1)	(15.9)	45
Gross income	**1,902**	**11.2**	**5.3**	**1,711**
Operating expenses	(634)	10.7	4.8	(573)
Personnel expenses	(269)	9.2	3.3	(246)
Other administrative expenses	(281)	5.8	0.1	(266)
Depreciation	(84)	38.9	31.5	(60)
Operating income	**1,268**	**11.5**	**5.5**	**1,138**
Impairment on financial assets not measured at fair value through profit or loss	(395)	4.7	(0.9)	(377)
Provisions or reversal of provisions and other results	4	(82.1)	(83.1)	21
Profit/(loss) before tax	**877**	**12.2**	**6.2**	**782**
Income tax	(250)	16.7	10.4	(214)
Profit/(loss) for the year	**627**	**10.6**	**4.7**	**567**
Non-controlling interests	(0)	14.1	8.0	(0)
Net attributable profit	**627**	**10.6**	**4.7**	**567**

Balance sheets	31-03-19	Δ %	Δ % [1]	31-12-18
Cash, cash balances at central banks and other demand deposits	8,678	4.9	1.2	8,274
Financial assets designated at fair value	26,193	0.7	(2.9)	26,022
of which loans and advances	216	198.9	188.2	72
Financial assets at amortized cost	60,754	5.3	1.5	57,709
of which loans and advances to customers	53,480	4.7	0.9	51,101
Tangible assets	2,029	13.5	9.5	1,788
Other assets	4,083	12.2	8.2	3,639
Total assets/liabilities and equity	**101,738**	**4.4**	**0.7**	**97,432**
Financial liabilities held for trading and designated at fair value through profit or loss	17,747	(1.6)	(5.1)	18,028
Deposits from central banks and credit institutions	3,533	n.s.	n.s.	683
Deposits from customers	50,904	0.7	(2.8)	50,530
Debt certificates	9,071	5.9	2.1	8,566
Other liabilities	16,545	6.8	3.0	15,485
Economic capital allocated	3,938	(4.9)	(8.3)	4,140

Relevant business indicators	31-03-19	Δ %	Δ % [1]	31-12-18
Performing loans and advances to customers under management [2]	54,174	5.4	1.7	51,387
Non-performing loans	1,182	3.8	0.1	1,138
Customer deposits under management [2]	50,829	2.2	(1.4)	49,740
Off-balance sheet funds [3]	22,744	10.2	6.2	20,647
Risk-weighted assets	54,794	3.0	(0.6)	53,177
Efficiency ratio (%)	33.3			33.3
NPL ratio (%)	2.0			2.1
NPL coverage ratio (%)	159			154
Cost of risk (%)	2.93			3.07

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

Activity

Unless expressly stated, all the comments below on exchange rates, for both activity and results, will be given at constant exchange rate. These rates, together with changes at current exchange rate, can be seen in the accompanying tables of financial statements and relevant business indicators.

The most relevant aspects related to the area's activity in the first quarter of 2019 were:

- **Lending** (performing loans under management) registered a 1.7% growth during the first three months of the year (up 10.4% year-on-year). That allows BBVA in Mexico to maintain its leading position in the country, with a market share of 22.3% in performing loans, according to local figures as of February 2019, from the CNBV (National Banking and Securities Commission).
- The **wholesale** portfolio, which represents 50% of total lending, fell by 2.1% in the quarter due to the year-end seasonal effect. Year-on-year, it grew by 9.9% as a result of the performance in businesses financing. On the other hand, the **retail portfolio** (including SMEs) rose by 2.4% in the quarter, mainly driven by consumer loans (payroll and personal loans) which increased by 6.7%.
- **Asset quality** indicators remained at similar levels to those of the previous quarter: the NPL ratio closed at 2.0% (2.1% as of December 31, 2018), and coverage ratio at 159% (154% as of December 31, 2018).
- Total customer **funds** (customer deposits under management, mutual funds and other off-balance sheet funds) showed an increase of 0.8% in the quarter, mainly due to the seasonal effect at the end of 2018 (up 7.3% year-on-year). Both time deposits and investment funds increased during the quarter (3.1% and 6.3% respectively). . The bank maintains a profitable funding mix, where low-cost deposits represent 76% of total customer deposits under management.

Results

During the first quarter of 2019, BBVA in Mexico showed a net attributable **profit** of €627m, a year-on-year increase of 4.7%. The most relevant aspects in the evolution of the income statement are summarized below:

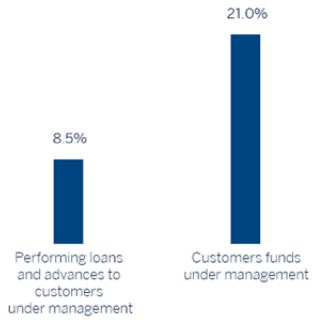
- Positive performance of the **net interest income**, which showed a year-on-year increase of 7.8%, lower than growth in activity (10.4%) due to a slight deterioration of customer spreads.
- **Net fees and commissions** showed a moderate growth (up 1.2% year-on-year).
- The **NTI** showed a 12.3% decrease, mainly due to a lower contribution under this heading from the Global Markets unit.
- **Other operating income and expenses** registered a year-on-year decrease of 15.9%, due to higher expenses derived from the deposit guarantee fund, as well as lower results from the insurance business.
- The **operating expenses** increased by 4.8%, compared to the same period from the previous year, strongly influenced by the effect of doubling the contribution to BBVA Bancomer's Foundation to strengthen community support in 2019. **Gross income** registered an increase of 5.3%. As a result, the efficiency ratio stood at 33.3% as of March 31, 2019.
- The good evolution of the risk indicators was reflected in the decrease of 0.9% year-on-year of **impairment on financial assets**. The cost of risk stood at 2.93%, improving from 3.18% in the same period of the previous year or when compared to the 3.07% cumulative figure as of the end of 2018.
- **Provisions (net) and other gains (losses)** showed an unfavorable comparison in the first quarter of 2018 due to extraordinary income derived from the sale of the stake on a real estate development by BBVA in Mexico.

Turkey

Highlights

- **Positive trend in lending.**
- **Good performance of net interest income, as a result of the inflation-linked bonds performance.**
- **Operating expenses growth below the inflation rate.**
- **Net attributable profit affected by the impairment on financial assets associated to the macroeconomic environment.**

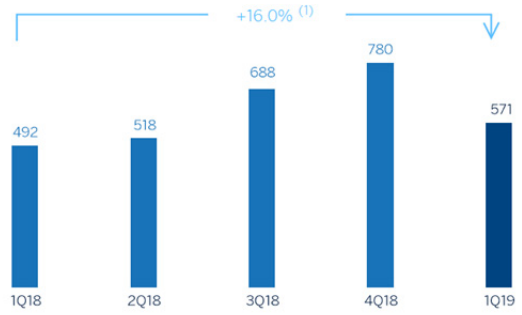
Business activity [1] (Year-on-year change at constant exchange rate. Data as of 31-03-19)



(1) Excluding repos.

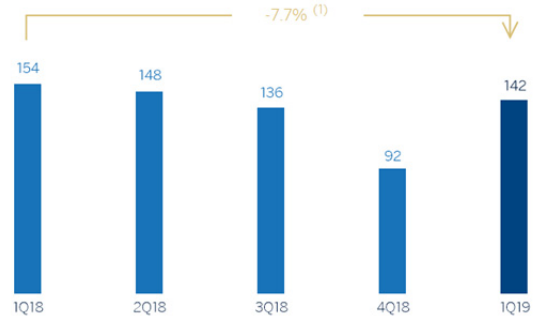
Net interest income/ATAs (Percentage. Constant exchange rate)

Operating income (Millions of Euros at constant exchange rate)



(1) At current exchange rate: -10.9%.

Net attributable profit (Millions of Euros at constant exchange rate)



(1) At current exchange rate: -29.2%

Financial statements and relevant business indicators (Millions of euros and percentage)

Income statement	1Q19	Δ %	Δ %[1]	1Q18
Net interest income	**695**	**(7.7)**	**20.2**	**753**
Net fees and commissions	194	(3.4)	25.8	201
Net trading income	(11)	n.s.	n.s.	20
Other operating income and expenses	6	(74.5)	(66.8)	23
Gross income	**884**	**(11.3)**	**15.5**	**996**
Operating expenses	(313)	(12.0)	14.7	(355)
Personnel expenses	(171)	(3.3)	26.0	(177)
Other administrative expenses	(97)	(29.4)	(8.1)	(138)
Depreciation	(44)	9.5	42.6	(40)
Operating income	**571**	**(10.9)**	**16.0**	**641**
Impairment on financial assets not measured at fair value through profit or loss	(202)	33.9	74.5	(151)
Provisions or reversal of provisions and other results	(1)	n.s.	n.s.	29
Profit/(loss) before tax	**368**	**(29.1)**	**(7.7)**	**519**
Income tax	(79)	(30.0)	(8.8)	(113)
Profit/(loss) for the year	**289**	**(28.9)**	**(7.4)**	**406**
Non-controlling interests	(147)	(28.6)	(7.0)	(206)
Net attributable profit	**142**	**(29.2)**	**(7.7)**	**200**

Balance sheets	31-03-19	Δ %	Δ %[1]	31-12-18
Cash, cash balances at central banks and other demand deposits	7,171	(8.7)	(4.4)	7,853
Financial assets designated at fair value	5,598	1.7	6.5	5,506
of which loans and advances	410	0.2	4.9	410
Financial assets at amortized cost	51,656	2.7	7.5	50,315
of which loans and advances to customers	42,025	1.3	6.1	41,478
Tangible assets	1,164	9.9	15.0	1,059
Other assets	1,541	1.6	6.4	1,517
Total assets/liabilities and equity	**67,130**	**1.3**	**6.1**	**66,250**
Financial liabilities held for trading and designated at fair value through profit or loss	1,792	(3.2)	1.3	1,852
Deposits from central banks and credit institutions	6,950	3.2	8.1	6,734
Deposits from customers	40,544	1.6	6.4	39,905
Debt certificates	6,335	6.2	11.2	5,964
Other liabilities	8,786	(5.2)	(0.7)	9,267
Economic capital allocated	2,723	7.7	12.7	2,529

Relevant business indicators	31-03-19	Δ %	Δ %[1]	31-12-18
Performing loans and advances to customers under management [2]	41,388	1.0	5.7	40,996
Non-performing loans	3,138	9.1	14.3	2,876
Customer deposits under management [2]	40,540	1.6	6.4	39,897
Off-balance sheet funds [3]	3,370	16.4	21.9	2,894
Risk-weighted assets	58,526	3.6	8.5	56,486
Efficiency ratio (%)	35.4			32.0
NPL ratio (%)	5.7			5.3
NPL coverage ratio (%)	78			81
Cost of risk (%)	1.82			2.44

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

Activity

Unless expressly stated and communicated otherwise, rates of changes explained ahead, both for activity and for income, will be presented at constant exchange rates. These rates, together with changes at current exchange rates, can be observed in the attached tables of the financial statements and relevant business indicators.

The most relevant aspects related to the area's activity year-to-date as of March 31, 2019 were:

- **Lending** activity (performing loans under management) grew by 5.7% in the quarter (up 8.5% year- on-year). Turkish-lira loan growth accelerated in this quarter by 7.2%, which grew above the sector after the deceleration observed during the last quarter of 2018. On the other hand, foreign-currency loans (in U.S. dollars) remained stable in this quarter.
- By **segments,** Garanti significantly outperformed in Turkish Lira Business Banking loans on a quarterly basis, thanks to the newly launched CGF- Credit Guarantee Fund (loans which are provided with Treasury-backed Credit Guarantee) to support SMEs and commercials. On the other hand, there is a decrease in consumer loans and mortgages during the quarter. In addition, credit cards remained stable in the quarter in line with the evolution of this segment as shown by the country's private banks.
- In terms of **asset quality**, the NPL ratio stood at 5.7%, with lower provisions than those registered in the previous quarter due to a lower deterioration of the retail and wholesale portfolios. The NPL coverage ratio stood at 78%.
- Customer **deposits** (60% of total liabilities in the area as of March 31, 2019) remained the main source of funding for the balance sheet and grew by 6.4% in the quarter mainly supported by the growth of foreign currency deposits (in US dollars).

Results

In the first quarter of 2019, Turkey generated a cumulative net attributable **profit** of €142m representing a decrease of 7.7% year-on-year (up 54.8% in comparison with the previous quarter). The most significant aspects of the year-on-year evolution in the income statement are the following:

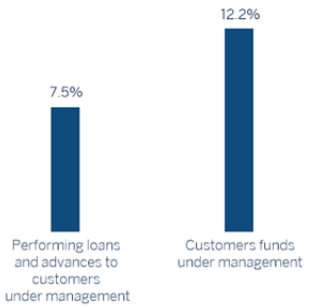
- Positive performance of **net interest income** (up 20.2%) mainly thanks to the significant income from inflation-linked bonds. Even though the customer spreads decreased slightly compared to the same quarter of last year, it is worth mentioning the good recovery compared to the last quarter due to declining cost of funding.
- Income from **net fees and commissions** grew by 25.8%. This significant increase was mainly driven by the positive performance in payment systems and money transfers.
- Decrease in **NTI** due to the unfavorable performance of the markets, which was not offset by the asset and liabilities management and derivative gains.
- **Gross income** grew 15.5% year-on-year, thanks to the increase in core banking activities and the aforementioned higher inflation-linked bonds contribution.
- **Operating expenses** increased by 14.7%, well below the average inflation rate (18.7%) and below the year-on-year growth rate in gross income. As a result of strict cost-control discipline, the efficiency ratio remained at low levels (35.4%).
- **Impairment on financial assets** increased year-on-year by 74.5% although it fell by 63.2% with respect to the previous quarter, mainly due to lower macro scenario adjustments and less deterioration of wholesale portfolios. As a result of the above, the cost of risk decreased 62 basis points in the quarter, which stood at 1.82%.

South America

Highlights

- **Activity continues to grow at a good pace.**
- **Good performance of net interest income.**
- **Net attributable profit impacted by Argentina's hyperinflation adjustment.**
- **Positive trend in net attributable profit of the main countries in the region: Argentina, Colombia and Peru.**

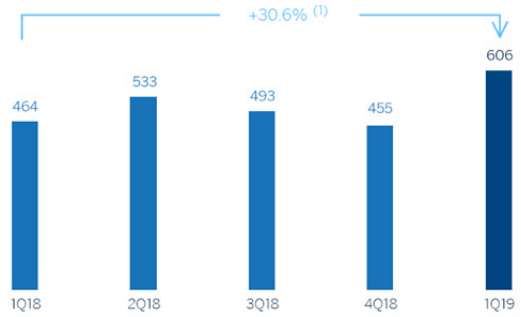
Business activity [1] (Year-on-year change at constant exchange rates [2]. Data as of 31-03-19)



(1) Excluding repos.
(2) Excluding BBVA Chile as of March 31, 2018.

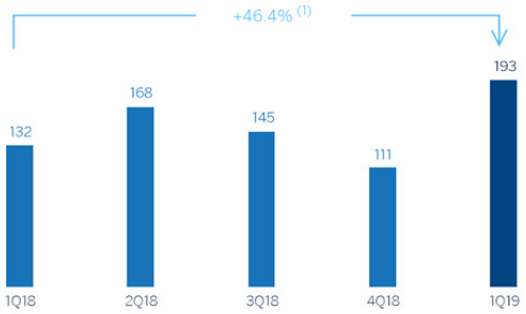
Net interest income/ATAs
(Percentage. Constant exchange rate)

Operating income
(Million euros at constant exchange rates)



(1) At current exchange rate: +15.9%.

Net attributable profit
(Million euros at constant exchange rate)



(1) At current exchange rate: +23.0%

Financial statements and relevant business indicators (Millions of euros and percentage)

Income statement	1Q19	Δ %	Δ % [1]	1Q18
Net interest income	**760**	**(3.9)**	**7.7**	**791**
Net fees and commissions	135	(17.4)	(5.9)	163
Net trading income	206	84.9	121.1	112
Other operating income and expenses	(116)	100.0	77.0	(58)
Gross income	**985**	**(2.3)**	**12.4**	**1,008**
Operating expenses	(379)	(21.9)	(8.2)	(485)
Personnel expenses	(195)	(20.9)	(6.0)	(246)
Other administrative expenses	(142)	(32.6)	(21.5)	(211)
Depreciation	(41)	53.6	74.9	(27)
Operating income	**606**	**15.9**	**30.6**	**523**
Impairment on financial assets not measured at fair value through profit or loss	(177)	6.1	10.2	(167)
Provisions or reversal of provisions and other results	(12)	14.6	80.5	(11)
Profit/(loss) before tax	**417**	**20.7**	**40.5**	**345**
Income tax	(138)	3.7	16.2	(133)
Profit/(loss) for the year	**279**	**31.4**	**56.6**	**213**
Non-controlling interests	(86)	55.1	85.8	(56)
Net attributable profit	**193**	**23.0**	**46.4**	**157**

Balance sheets	31-03-19	Δ %	Δ % [1]	31-12-18
Cash, cash balances at central banks and other demand deposits	8,830	(1.7)	(0.4)	8,987
Financial assets designated at fair value	6,861	21.8	20.3	5,634
of which loans and advances	125	(2.9)	(7.0)	129
Financial assets at amortized cost	37,986	3.6	2.4	36,649
of which loans and advances to customers	35,691	3.5	2.2	34,469
Tangible assets	972	19.6	20.2	813
Other assets	2,382	4.0	2.1	2,290
Total assets/liabilities and equity	**57,031**	**4.9**	**4.1**	**54,373**
Financial liabilities held for trading and designated at fair value through profit or loss	2,325	71.3	64.9	1,357
Deposits from central banks and credit institutions	3,154	2.5	(0.1)	3,076
Deposits from customers	37,236	3.9	3.5	35,842
Debt certificates	3,388	5.7	2.1	3,206
Other liabilities	8,501	(0.4)	(0.9)	8,539
Economic capital allocated	2,429	3.1	2.6	2,355

Relevant business indicators	31-03-19	Δ %	Δ % [1]	31-12-18
Performing loans and advances to customers under management [2]	35,434	2.7	1.3	34,518
Non-performing loans	1,827	4.6	1.9	1,747
Customer deposits under management [3]	37,341	3.8	3.4	35,984
Off-balance sheet funds [4]	12,481	7.0	5.4	11,662
Risk-weighted assets	44,964	5.2	4.9	42,724
Efficiency ratio (%)	38.4			46.2
NPL ratio (%)	4.4			4.3
NPL coverage ratio (%)	96			97
Cost of risk (%)	1.94			1.44

(1) Figures at constant exchange rates.
(2) Excluding repos.
(3) Excluding repos and including specific marketable debt securities.
(4) Includes mutual funds, pension funds and other off-balance sheet funds.

South America. Data per country (Millions of euros)

	Operating income				Net attributable profit			
Country	**1Q19**	**Δ %**	**Δ % (1)**	**1Q18**	**1Q19**	**Δ %**	**Δ % (1)**	**1Q18**
Argentina	174	181.3	n.s.	62	60	n.s.	n.s.	1
Chile	35	(67.2)	(66.4)	108	17	(63.4)	(62.5)	46
Colombia	169	6.2	7.8	159	58	(6.4)	(5.0)	62
Peru	194	19.2	13.0	162	43	21.3	15.1	35
Other countries (2)	35	8.7	11.5	32	16	25.9	31.1	13
Total	**606**	**15.9**	**30.6**	**523**	**193**	**23.0**	**46.4**	**157**

(1) Figures at constant exchange rates.
(2) Venezuela, Paraguay, Uruguay and Bolivia. Additionally, it includes eliminations and other charges.

South America. Relevant business indicators per country (Millions of euros)

	Argentina		Chile		Colombia		Peru	
	31-03-19	**31-12-18**	**31-03-19**	**31-12-18**	**31-03-19**	**31-12-18**	**31-03-19**	**31-12-18**
Performing loans and advances to customers under management (1)(2)	3,891	3,731	2,117	2,127	12,199	12,365	14,290	13,833
Non-performing loans and guarantees given (1)	90	77	68	60	776	803	748	735
Customer deposits under management (1)(3)	5,683	5,291	11	11	12,799	13,104	14,356	13,306
Off-balance sheet funds (1)(4)	1,033	692	-	-	1,449	1,344	1,714	1,726
Risk-weighted assets	7,963	8,036	2,361	2,243	13,671	12,680	17,129	15,739
Efficiency ratio (%)	37.6	73.7	32.0	42.1	35.6	37.1	36.7	36.0
NPL ratio (%)	2.2	2.0	3.1	2.8	5.8	6.0	4.0	4.0
NPL coverage ratio (%)	110	111	89	93	98	100	95	93
Cost of risk (%)	2.13	1.60	2.34	0.81	2.30	2.16	1.60	0.98

(1) Figures at constant exchange rates.
(2) Excluding repos.
(3) Excluding repos and including specific marketable debt securities.
(4) Includes mutual funds, pension funds and other off-balance sheet funds.

Activity and results

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rates. These rates, together with changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators.

The most relevant aspects related to the area's activity in the first quarter of 2019 were:

- **Lending** (performing loans under management) increased by 1.3% compared to the closing of the previous year. By segments, the performance was especially positive in credit cards and enterprises.
- In **asset quality**, the NPL ratio stood at 4.4% at March 31, 2019 in line with the previous quarter, as well as the coverage ratio which stood at 96% (97% at December 31, 2018).
- Customer deposits increased 3.4% while off-balance sheet funds grew 5.4% during the quarter.

Regarding results, South America generated a cumulative net attributable **profit** of €193m in the first quarter of 2019, representing a year-on-year growth of 46.4% (23.0% at current exchange rates). This performance was negatively affected by the negative effect of the hyperinflation in Argentina on the region's net attributable profit (down €49m). The highlights of the income statement in the quarter were:

- The more recurring revenue items rose 5.4% (down 6.2% in current), especially due to the growth of **net interest income** (up 7.7% year-on-year, down 3.9% in current).

- Good performance of financial transactions, obtaining some NTI which increased at a rate of 121.1% year-on-year (up 84.9% in current).
- Higher requirements for **impairment** on financial assets (up 10.2% year-on-year, up 6.1% current). As a result, the cumulative cost of risk as of March 2019 stood at 1.94%.

Excluding BBVA Chile from the 2018 comparison (the sale was completed in July 2018), the net attributable profit increased 50.9% in the first quarter of 2019, at current exchange rates, compared to the same figure in the previous year.

The most significant countries in the business area, **Argentina**, **Colombia** and **Peru**, showed the following activity and results evolution during the first quarter of 2019:

Argentina

- Growth of 4.3% in the quarter in **lending activity** mainly explained by the performance of consumer, credit cards and mortgages retail portfolios. As for **asset quality**, there was a slight increase in the NPL ratio to close at t 2.2% as of March 31, 2019.
- Customer deposits increased 7.4%, while off-balance sheet funds increased by 49.2%, both compared to 2018 year end figures.
- The net attributable **profit** stood at €60m, based both on the positive performance of the more recurring revenue items (driven by a greater contribution of the securities portfolio and an improvement in the customer spread) as well as in the positive impact arising from the stake sale in Prisma Medios de Pago S.A (€50m net of taxes).

Colombia

- **Lending activity** decreased by 1.3% in the quarter (up 2.1% year-on-year) due to consumer and enterprises while mortgages and credit cards remained flat. In terms of **asset quality**, the NPL ratio fell to 5.8% in the quarter due to the written-off a wholesale customer. .
- Although **customer deposits** fell 2.3%during the first quarter of 2019, they increased by 2.7% in year-on-year terms.
- Good year-on-year performance of **net interest income**, which grew 2.7% (up1.2% at current exchange rate) as a result of higher activity volumes and good management of customer spreads. This evolution of net interest income, together with a positive contribution from the **NTI** as a result of the profits steaming from the management of securities portfolio, along with a reduction in operating expenses, resulted in an increase of 7.8% in the **operating income** compared to the previous year. Net attributable **profit** stood at €58m, a year-on year reduction of 5.0%, derived from higher provisions due to the impact of write-offs mainly from the aforementioned customer.

Peru

- In the quarter**, lending activity** grew by 3.3%, explained by the good performance of both the retail (consumer, credit cards and mortgages) and wholesale portfolios. **Asset quality indicators** remained stable with respect the closing of 2018, with a NPL ratio of 4.0% and a coverage ratio of 95%.
- Customer **deposits** increased 7.9% in the first quarter of 2019 (up 14.5% year-on-year), supported by time deposits (up 20.3%).
- Net attributable **profit** was €43m, representing a year-on year increase of 15.1% due to the good performance of the more recurring revenue items, i.e. **net interest income** plus **net fees and commissions** (up15.0% and up 5.8%, respectively). This evolution offsets the slight increase on operating expenses and on the impairment on financial assets.

Rest of Eurasia

Highlights

- **Good performance in lending activity.**
- **Positive trend of operating expenses.**
- **Net attributable profit affected by the decline in income in an environment of negative interest rates.**
- **Improvement in risk indicators.**

Financial statements and relevant business indicators (Millions of euros and percentage)

Income statement	1Q19	Δ %	1Q18
Net interest income	**39**	**(8.0)**	**43**
Net fees and commissions	36	(7.6)	39
Net trading income	27	(39.0)	44
Other operating income and expenses	2	141.5	1
Gross income	**103**	**(17.8)**	**126**
Operating expenses	(70)	(2.6)	(71)
Personnel expenses	(34)	(3.8)	(35)
Other administrative expenses	(31)	(9.6)	(35)
Depreciation	(4)	185.3	(2)
Operating income	**34**	**(37.8)**	**54**
Impairment on financial assets not measured at fair value through profit or loss	(10)	n.s.	17
Provisions or reversal of provisions and other results	(1)	1.2	(1)
Profit/(loss) before tax	**23**	**(67.6)**	**71**
Income tax	(7)	(69.3)	(22)
Profit/(loss) for the year	**16**	**(66.9)**	**48**
Non-controlling interests	-	-	-
Net attributable profit	**16**	**(66.9)**	**48**

Balance sheets	31-03-19	Δ %	31-12-18
Cash, cash balances at central banks and other demand deposits	212	(11.1)	238
Financial assets designated at fair value	503	(0.1)	504
of which loans and advances	-	-	-
Financial assets at amortized cost	19,520	9.7	17,799
of which loans and advances to customers	18,257	10.0	16,598
Inter-area positions	-	-	-
Tangible assets	99	150.5	39
Other assets	247	(2.8)	254
Total assets/liabilities and equity	**20,582**	**9.3**	**18,834**
Financial liabilities held for trading and designated at fair value through profit or loss	42	0.9	42
Deposits from central banks and credit institutions	929	(26.9)	1,271
Deposits from customers	5,065	3.9	4,876
Debt certificates	197	(7.7)	213
Inter-area positions	13,220	15.9	11,406
Other liabilities	343	26.9	270
Economic capital allocated	786	3.9	757

Relevant business indicators	31-03-19	Δ %	31-12-18
Performing loans and advances to customers under management [1]	18,218	10.1	16,553
Non-performing loans	430	(0.1)	430
Customer deposits under management [1]	5,065	3.9	4,876
Off-balance sheet funds [2]	407	5.0	388
Risk-weighted assets	16,004	3.5	15,464
Efficiency ratio (%)	67.3		69.3
NPL ratio (%)	1.6		1.7
NPL coverage ratio (%)	84		83
Cost of risk (%)	0.24		(0.11)

(1) Excluding repos.
(2) Includes mutual funds, pension funds and other off-balance sheet funds.

Activity and results

The most relevant aspects of the activity and results of the area during the first quarter of 2019 were:

- **Lending** activity (performing loans under management) registered an increase of 10.0% in the first quarter of the year, and a growth of 20.3% year-on-year.
- **Credit risk** indicators improved slightly in the first three months of the year: the NPL ratio closed at 1.6% (1.7% at the close of December 2018) and the NPL coverage ratio closed at 84% (83% as of December 31, 2019).
- Compared to the previous quarter, customer **deposits** under management increased by 3.9%, although they remained strongly influenced by the region's negative interest rate environment and showed a year-on-year decrease of 6.5%.
- Regarding **results**, gross income declined 17.8% year-on-year (down 19.3% Rest of Europe and down 7.1% in Asia), concentrated in Global Markets as a result of lower commercial activity. Operating **expenses** continued to fall due to the tight control of personnel and other administrative expenses. The **Impairment on financial assets** registered an increase with respect to the same quarter of the previous year. The comparison is affected by the reversal of provisions in the first quarter of 2018 due to lower loan-loss provisions in Europe. As a result, the cumulative **net attributable profit** for the first three months of 2019 stood at €16m (down 66.9% year-on-year).

Corporate Center

The Corporate Center contains the Group's holding function, including: the costs of the head offices with a corporate function; management of structural exchange rate positions; some f equity instruments issuances to ensure an adequate management of the Group's global solvency. It also includes portfolios whose management is not linked to customer relationships, such as industrial holdings; certain tax assets and liabilities; funds due to commitments to employees; goodwill and other intangible assets.

Financial statements (Millions of euros and percentage)

Income statement	1Q19	Δ %	1Q18
Net interest income	**(71)**	**4.9**	**(67)**
Net fees and commissions	(15)	104.9	(7)
Net trading income	(7)	(70.2)	(24)
Other operating income and expenses	(14)	n.s.	(3)
Gross income	**(107)**	**5.1**	**(102)**
Operating expenses	(239)	12.7	(212)
Personnel expenses	(133)	3.9	(128)
Other administrative expenses	(63)	122.1	(28)
Depreciation	(43)	(22.5)	(56)
Operating income	**(346)**	**10.2**	**(314)**
Impairment on financial assets not measured at fair value through profit or loss	(1)	n.s.	(0)
Provisions or reversal of provisions and other results	(23)	(63.0)	(62)
Profit/(loss) before tax	**(370)**	**(1.7)**	**(376)**
Income tax	84	(11.3)	94
Profit/(loss) after tax from ongoing operations	**(286)**	**1.6**	**(282)**
Results from corporate operations	-	-	-
Profit/(loss) for the year	**(286)**	**1.6**	**(282)**
Non-controlling interests	(0)	(89.7)	(0)
Net attributable profit	**(286)**	**1.5**	**(282)**
Net attributable profit excluding results from corporate operations	**(286)**	**1.5**	**(282)**

Balance sheets	31-03-19	Δ %	31-12-18
Cash, cash balances at central banks and other demand deposits	745	1.8	732
Financial assets designated at fair value	2,732	(0.2)	2,738
of which loans and advances	-	-	-
Financial assets at amortized cost	2,293	(13.9)	2,665
of which loans and advances to customers	551	(44.3)	990
Inter-area positions	(13,173)	(6.1)	(14,026)
Tangible assets	2,254	43.2	1,573
Other assets	21,224	(6.1)	22,598
Total assets/liabilities and equity	**16,075**	**(1.3)**	**16,281**
Financial liabilities held for trading and designated at fair value through profit or loss	18	(53.0)	39
Deposits from central banks and credit institutions	740	0.9	733
Deposits from customers	280	n.s.	36
Debt certificates	8,521	3.8	8,212
Inter-area positions	(25,746)	12.9	(22,808)
Other liabilities	1,080	(45.3)	1,975
Economic capital allocated	(22,159)	1.5	(21,833)
Shareholders' funds	53,341	6.8	49,927

The Corporate Center registered a net attributable **loss** of €286m in the first quarter of 2019, compared with a loss of €282m (up 1.5%) in the same period of 2018.

Alternative Performance Measures (APMs)

BBVA 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 given below. 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 in order 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).

Constant exchange rates

When comparing two dates or periods in this management report, the impact of changes in the exchange rates against the euro of the currencies of the countries in which BBVA operates is sometimes excluded, assuming that exchange rates remain constant. This is done for the amounts in the income statement by using the average exchange rate against the euro in the most recent period for each currency of the geographies where the Group operates, and applying it to both periods; for amounts in the balance sheet and activity, the closing exchange rates in the most recent period are used.

Book value per share

The book value per share determines the value of a company on its books for each share held. It is calculated as follows:

$$\frac{\text{Shareholders' funds} + \text{Accumulated other comprehensive income}}{\text{Number of shares outstanding} - \text{Treasury shares}}$$

Explanation of the formula: The figures for both ''shareholders' funds'' and ''accumulated other comprehensive income'' are taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results. The denominator includes the final number of outstanding shares excluding own shares (treasury shares). The denominator is also adjusted to include the capital increase resulting from the execution of the "dividend options" explained above. Both the numerator and the denominator take into account period-end balances.

Relevance of its use: It shows the company's book value for each share issued. It is a generally used ratio, not only in the banking sector but also in others.

Book value per share

			31-03-19	31-12-18	31-03-18
Numerator (million euros)	+	Shareholders' funds	54,485	54,326	51,573
	+	Dividend-option adjustment	-	-	-
	+	Accumulated other comprehensive income	(6,656)	(7,215)	(6,195)
Denominator (million euros)	+	Number of shares outstanding	6,668	6,668	6,668
	+	Dividend-option	-	-	-
	-	Treasury shares	27	47	27
=		Book value per share (euros / share)	7.20	7.12	6.83

Tangible book value per share

The tangible book value per share determines the value of the company on its books for each share held by shareholders in the event of liquidation. It is calculated as follows:

$$\frac{\text{Shareholders' funds} + \text{Accumulated other comprehensive income} - \text{Intangible assets}}{\text{Number of shares outstanding} - \text{Treasury shares}}$$

Explanation of the formula: The figures for ''shareholders' funds'', ''accumulated other comprehensive income'' and ''intangible assets'' are all taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results. The denominator includes the final number of shares outstanding excluding own shares (treasury shares). The denominator is also adjusted to include the result of the capital increase resulting from the execution of the "dividend options" explained above. Both the numerator and the denominator take into account period-end balances.

Relevance of its use: It shows the company's book value for each share issued, after deducting intangible assets. It is a generally used ratio, not only in the banking sector but also in others.

Tangible book value per share

				31-03-19	31-12-18	31-03-18
Numerator	(million euros)	+	Shareholders' funds	54,485	54,326	51,573
		+	Dividend-option adjustment	-	-	-
		+	Accumulated other comprehensive income	(6,656)	(7,215)	(6,195)
		-	Intangible assets	8,383	8,314	8,203
Denominator	(million euros)	+	Number of shares outstanding	6,668	6,668	6,668
		+	Dividend-option	-	-	-
		-	Treasury shares	27	47	27
=			Tangible book value per share (euros / share)	5.94	5.86	5.60

Dividend yield

This is the remuneration given to the shareholders in the last twelve calendar months, divided by the closing price for the period. It is calculated as follows:

$$\frac{\sum \text{Dividend per share over the last twelve months}}{\text{Closing price}}$$

Explanation of the formula: The remuneration per share takes into account the gross amounts per share paid out over the last twelve months, both in cash and through the flexible remuneration system called "dividend option".

Relevance of its use: This ratio is generally used by analysts, shareholders and investors for companies that are traded on the stock market. It compares the dividend paid out by a company every year with its market price at a specific date.

Dividend yield

		31-03-19	31-12-18	31-03-18
Numerator (euros)	∑ Dividends	0.25	0.25	0.22
Denominator (euros)	Closing price	5.09	4.64	6.43
=	Dividend yield	4.9%	5.4%	3.4%

Non-performing loan (NPL) ratio

This is the ratio between the risks classified for accounting purposes as non-performing loans and the total credit risk balance for customers and contingent risks. It is calculated as follows:

$$\frac{\text{Non} - \text{performing loans}}{\text{Total credit risk}}$$

Explanation of the formula: ''Non-performing loans'' include those related to loans and advances to customers (gross) and those related to contingent risk, excluding the non-performing loans of credit institutions and securities. ''Total credit risk'' includes both pending and contingent risk. Their calculation is based on the headings in the first table on "Risk management" section of this report.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the current situation and changes in credit risk quality, and specifically the relationship between risks classified in the accounts as non-performing loans and the total balance of credit risk, with respect to customers and contingent liabilities.

Non-Performing Loans (NPLs) ratio

			31-03-19	31-12-18	31-03-18
Numerator	(million euros)	NPLs	17,297	17,087	19,516
Denominator	(million euros)	Credit Risk	439,152	433,799	442,446
	=	Non-Performing Loans (NPLs) ratio	3.9%	3.9%	4.4%

NPL coverage ratio

This ratio reflects the degree to which the impairment of non-performing loans has been covered in the accounts via loan-loss provisions. It is calculated as follows:.

$$\frac{\text{Provisions}}{\text{Non} - \text{performing loans}}$$

Explanation of the formula: ''Non-performing loans'' include those related to lending activity and those related to contingent risk, excluding non-performing loans from credit institutions and securities. ''Provisions'' are loan-loss provisions, for both customer loans and contingent risk. Their calculation is based on the headings in the first table on "Risk management" section of this report.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk, reflecting the degree to which the impairment of non-performing loans has been covered in the accounts via loan-loss provisions.

NPL coverage ratio

		31-03-19	31-12-18	31-03-18
Numerator (million euros)	Provisions	12,814	12,493	14,180
Denominator (million euros)	NPLs	17,297	17,087	19,516
=	NPL coverage ratio	74%	73%	73%

Cost of risk

This ratio indicates the current situation and changes in credit-risk quality through the annual cost in terms of impairment losses (accounting loan-loss provisions, included in the "impairment on financial assets not measured at fair value through profit or loss" line) of each unit of loans and advances to customers (gross). It is calculated as follows:

$$\frac{\text{Annualized loan} - \text{loss provisions}}{\text{Average loans and advances to customers (gross)}}$$

Explanation of the formula: ''Annualized loan-loss provisions'' are calculated by accumulating and annualizing the loan-loss provisions of each month of the period under analysis, to standardize the comparison between different periods. For example, loan-loss provisions for six months (180 days)are divided by 180 to obtain daily loan-loss provisions and multiplied by 365 to obtain the annualized figure. This calculation uses the calendar days of the period under consideration.

''Loans and advances to customers (gross)'' refers to the portfolio of financial assets at amortized cost of the Group's consolidated balance sheet. The average of loans and advances to customers (gross) is calculated by using the average of the period-end balances of each month of the period analyzed plus the previous month.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk through the cost over the year.

Cost of risk

		31-03-19	31-12-18	31-03-18
Numerator (million euros)	Annualized loan-loss provisions	4,107	3,964	3,370
Denominator (million euros)	Average loans and advances to customers (gross)	388,634	392,037	396,979
=	Cost of risk	1.06%	1.01%	0.85%

Efficiency ratio

This measures the percentage of gross income consumed by an entity's operating expenses. It is calculated as follows:

$$\frac{\text{Operating expenses}}{\text{Gross income}}$$

Explanation of the formula: Both ''operating expenses'' and ''gross income'' are taken from the Group's consolidated income statement. Operating expenses are the sum of the administration costs (personnel expenses plus other administrative expenses) plus depreciation. Gross income is the sum of net interest income, net fees and commissions, net trading income dividend income, share of profit or loss of entities accounted for using the equity method, and other operating income and expenses. For a more detailed calculation of this ratio, the graphs on "Results" section of this

report should be consulted, one of them with calculations with figures at current exchange rates and another with the data at constant exchange rates.

Relevance of its use: This ratio is generally used in the banking sector. It is also a ratio linked to one of the Group's six Strategic Priorities.

Efficiency ratio

		Jan.-Mar.2019	Jan.-Dec.2018	Jan.-Mar.2018
Numerator (million euros)	Operating expenses	(2,922)	(11,702)	(2,975)
Denominator (million euros)	Gross income	6,069	23,747	6,026
=	Efficiency ratio	48.1%	49.3%	49.4%

ROE

The ROE (return on equity) ratio measures the return obtained on an entity's shareholders' funds plus accumulated other comprehensive income. It is calculated as follows:

$$\frac{\text{Annualized net attributable profit}}{\text{Average shareholders' funds} + \text{Average accumulated other comprehensive income}}$$

Explanation of the formula: ''Annualized net attributable profit'' is taken directly from the Group's consolidated income statement. If the metric is presented on a date before the close of the fiscal year, the numerator must be annualized. If extraordinary items (results from corporate operations) are included in the net attributable profit for the months covered, they are eliminated from the figure before it is annualized, and then added to the metric once it has been annualized.

''Average shareholders' funds'' are the weighted moving average of the shareholders' funds at the end of each month of the period analyzed, adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results.

''Average accumulated other comprehensive income'' is the moving weighted average of accumulated other comprehensive income, which is part of the equity on the Entity's balance sheet and is calculated in the same way as average shareholders' funds (above).

Relevance of its use: This ratio is very commonly used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds.

ROE

			Jan.-Mar.2019	Jan.-Dec.2018	Jan.-Mar.2018
Numerator (million euros)		Annualized net attributable profit	4,720	5,324	5,233
Denominator (million euros)	+	Average shareholder's funds	54,793	52,877	52,057
	+	Average accumulated other comprehensive income	(6,921)	(6,743)	(6,374)
=		ROE	9.9%	11.5%	11.5%

ROTE

The ROTE (return on tangible equity) ratio measures the return on an entity's shareholders' funds, plus accumulated other comprehensive income, and excluding intangible assets. It is calculated as follows:

$$\frac{\text{Annualized net attributable profit}}{\text{Average shareholders' funds} + \text{Average accumulated other comprehensive income} - \text{Average intangible assets}}$$

Explanation of the formula: The numerator (annualized net attributable profit) and the items in the denominator ''average intangible assets'' and ''average accumulated other comprehensive income'' are the same items and are calculated in the same way as explained for ROE.

''Average intangible assets'' are the intangible assets on the balance sheet, including goodwill and other intangible assets. The average balance is calculated in the same way as explained for shareholders' funds in ROE.

Relevance of its use: This metric is generally used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds, not including intangible assets.

ROTE

			Jan.-Mar.2019	Jan.-Dec.2018	Jan.-Mar.2018
Numerator (million euros)		Annualized net attributable profit	4,720	5,324	5,233
Denominator (million euros)	+	Average shareholder's funds	54,793	52,877	52,057
	+	Average accumulated other comprehensive income	(6,921)	(6,743)	(6,374)
	-	Average intangible assets	8,322	8,296	8,281
=		ROTE	11.9%	14.1%	14.0%

ROA

The ROA (return on assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Annualized profit for the year}}{\text{Average total assets}}$$

Explanation of the formula: ''Annualized profit for the year'' is taken directly from the Group's consolidated income statement. If the metric is presented on a date before the close of the fiscal year, the numerator must be annualized. If extraordinary items (results from corporate operations) are included in the net attributable profit for the months covered, they are eliminated from the figure before it is annualized and then added to the metric once it has been annualized.

''Average total assets'' are taken from the Group's consolidated balance sheet. The average balance is calculated in the same way as explained for shareholders' funds in ROE.

Relevance of its use: This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

ROA

		Jan.-Mar.2019	Jan.-Dec.2018	Jan.-Mar.2018
Numerator (million euros)	Annualized profit for the year	5,669	6,151	6,298
Denominator (million euros)	Average total assets	676,423	678,998	679,759
=	ROA	0.84%	0.91%	0.93%

RORWA

The RORWA (return on risk-weighted assets) ratio measures the accounting return obtained on average risk-weighted assets. It is calculated as follows:

$$\frac{\text{Annualized profit for the year}}{\text{Average risk} - \text{weighted assets}}$$

Explanation of the formula: ''Annualized profit for the year'' is the same figure as explained for ROA.

''Average risk-weighted assets''(RWA) is the moving weighted average of the risk-weighted assets at the end of each month of the period under analysis and is calculated in the same way as explained for shareholders' funds in ROE..

Relevance of its use: This ratio is generally used in the banking sector to measure the return obtained on RWA.

RORWA

		Jan.-Mar.2019	Jan.-Dec.2018	Jan.-Mar.2018
Numerator (million euros)	Annualized profit for the year	5,669	6,151	6,298
Denominator (million euros)	Average RWA	355,139	353,204	360,028
=	RORWA	1.60%	1.74%	1.75%

Other customer funds

This includes off-balance sheet funds, these are, mutual funds, pension funds and other off-balance sheet funds.

Explanation of the formula: It is the period-end sum on a given date of the mutual funds, pension funds and other off-balance sheet funds; as displayed in the table on "Balance sheet and business activity" section of this report.

Relevance of its use: This metric is generally used in the banking sector, as apart from on-balance sheet funds, financial institutions manage other types of customer funds, such as mutual funds, pension funds, other off-balance sheet funds, etc.

Other customer funds

Million euros			31-03-19	31-12-18	31-03-18
	+	Mutual funds	64,928	61,393	62,819
	+	Pension Funds	35,071	33,807	33,604
	+	Other off-balance sheet funds	3,228	2,949	2,477
=		Other customer funds	103,227	98,150	98,900