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

Banco Bilbao Vizcaya Argentaria, S.A.

Financial Statements
31 December 2018

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 52). 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 52). In the event of discrepancy, the Spanish-language version prevails.

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

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

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Bank at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 1.2 to the accompanying financial statements) and, in particular, with the accounting principles and criteria set forth therein.

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 Financial Statements* section of our report.

We are independent of the Bank in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the 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.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 2.21, 5.3, 12.3 and 42 to the financial statements

Key audit matter	*How the matter was addressed in our audit*
As described in note 12.3 to the Bank's financial statements, the loans and advances to customers portfolio presents a net balance of Euros 194,009 million at 31 December 2018, and the impairment provisions made at that date amount to Euros 5,832 million. In order to estimate impairment of financial assets, as of 1 January 2018, the Bank applied Banco de España Circular 4/2017, which includes relevant amendments in this regard. Accordingly, the Bank estimated the effects of first-time application of this Circular at that date (see note 2.21 to the financial statements). For the purposes of estimating impairment, financial assets measured at amortized cost 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 Bank, 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 Bank 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 Bank's implementation of Circular 4/2017 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 Bank regarding the credit risk classification of financial instruments and on the models for estimating provisions for impairment. Our audit approach 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 Bank, particularly the criteria for identifying and classifying refinancing and restructuring transactions.

Impairment of Loans and Advances to Customers See notes 2.21, 5.3, 12.3 and 42 to the 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 Bank 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 Bank, 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 financial statements is appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Bank.

Classification and Measurement of Financial Instruments at Fair Value See notes 2.21, 6.1, 8 and 37 to the financial statements	
Key audit matter	*How the matter was addressed in our audit*
As of 1 January 2018, the Bank applies Banco de España Circular 4/2017, which includes relevant amendments regarding the classification and measurement of financial instruments. Accordingly, the Bank estimated the effects of first-time application of this Circular at that date (see note 2.21 to the 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 6.1 to the financial statements, the Bank has financial assets and financial liabilities held for trading amounting to Euros 75,210 million and Euros 68,242 million, respectively, of which Euros 58,365 million and Euros 56,553 million, respectively, have been measured by the Bank 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 with 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 Bank's implementation of Circular 4/2017 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 Bank. 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 associated with transactions in the financial markets in which the Bank is present, evaluating the application of the Bank'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 Bank. 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 Bank.

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Impairment of the Investment in Garanti Bank See notes 14 and 43 to the financial statements	
Key audit matter	*How the matter was addressed in our audit*
Note 14 to the Bank's financial statements provides information on the impairment recognized at 31 December 2018 in relation to one of its investments in subsidiaries, Turkiye Garanti Bankasi, A.S. (Garanti Bank), for an amount of Euros 1,517 million. The recoverable amount of the investment in subsidiaries is determined, when there is objective evidence of impairment, by applying valuation techniques which require the use of certain assumptions and estimates that have a high level of subjectivity. Due to the relevance of the impairment recognized by the Bank at 31 December 2018 and the subjectivity of the assumptions and valuation techniques used in the estimate thereof, this has been considered a key audit matter of the current period.	Our audit procedures have included evaluating the design and implementation of the key controls related to the process for valuing its investments in subsidiaries, assessing the existence of the evidence of impairment identified by the Bank, as well as the reasonableness of the methodology and assumptions used to estimate the recoverable amount of its investment in the subsidiary Garanti Bank, for which we involved our valuation specialists. We also 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 Bank.

Risks Associated with Information Technology Systems	
Key audit matter	*How the matter was addressed in our audit*
The Bank has a complex technological operating environment with major data processing centers and processes a large volume of transactions on a daily basis. Given the heavy reliance of the Bank's business on information technology (IT) systems, it is critical to evaluate the controls in place 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 Bank's information systems that we considered relevant 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 Bank's business processes that are relevant 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 relevant 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: Management Report

Other information solely comprises the 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 financial statements.

Our audit opinion on the financial statements does not encompass the management report. Our responsibility with respect to the information contained in the 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 management report, or where applicable, that the 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 management report, which consists of assessing and reporting on the consistency of this information with the financial statements, based on knowledge of the Bank obtained during the audit of the aforementioned 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 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 performed, as described in the preceding paragraph, we have checked that the information referred to in a) above has been provided in the management report and that the rest of the information contained in the report is consistent with that disclosed in the 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 Financial Statements

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

In preparing the financial statements, the Bank's Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Bank's Directors either intend to liquidate the Bank 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 financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Bank's internal control.

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

- Conclude on the appropriateness of the Bank's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Bank to cease to continue as a going concern.

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

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 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 Banks´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

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Financial Statements

Notes to the Accompanying Financial Statements

MANAGEMENT REPORT

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Balance sheets as of December 31, 2018 and 2017

ASSETS (Millions of euros)	Notes	2018	2017(*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**7**	**30,922**	**18,503**
FINANCIAL ASSETS HELD FOR TRADING	**8**	**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	**9**	**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	**10**	**-**	**648**
FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME	**11**	**19,273**	**24,205**
Equity instruments		2,020	2,378
Debt securities		17,253	21,827
FINANCIAL ASSETS AT AMORTIZED COST	**12**	**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	**13**	**1,090**	**1,561**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**13**	**(21)**	**(25)**
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	**14**	**30,734**	**30,795**
Subsidiaries		29,634	30,304
Joint ventures		58	58
Associates		1,042	433
TANGIBLE ASSETS	**15**	**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	**16**	**898**	**882**
Goodwill		-	-
Other intangible assets		898	882
TAX ASSETS	**17**	**13,990**	**12,911**
Current		1,410	1,030
Deferred		12,580	11,881
OTHER ASSETS	**18**	**4,187**	**3,768**
Insurance contracts linked to pensions	**22**	2,032	2,142
Inventories		-	-
Rest		2,155	1,626
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	**19**	**1,065**	**2,226**
TOTAL ASSETS		**399,940**	**400,083**

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

The accompanying Notes 1 to 52 and Appendices I to XIV are an integral part of the balance sheet as of December 31, 2018.

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

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BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Balance sheets as of December 31, 2018 and 2017

LIABILITIES AND EQUITY (Millions of euros)	Notes	2018	2017(*)
FINANCIAL LIABILITIES HELD FOR TRADING	**8**	**68,242**	**43,703**
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	**10**	**1,746**	**-**
Deposits from central banks		-	-
Deposits from credit institutions		-	-
Customer deposits		1,746	-
Debt certificates		-	-
Other financial liabilities		-	-
Subordinated liabilities		-	-
FINANCIAL LIABILITIES AT AMORTIZED COST	**20**	**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
Subordinated liabilities		*10,588*	*10,887*
HEDGING DERIVATIVES	**13**	**1,068**	**1,327**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**13**	**-**	**(7)**
PROVISIONS	**21**	**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	**17**	**1,197**	**1,240**
Current		126	124
Deferred		1,071	1,116
OTHER LIABILITIES	**18**	**1,996**	**2,207**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE		**-**	**-**
TOTAL LIABILITIES		**362,531**	**361,872**

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

The accompanying Notes 1 to 52 and Appendices I to XIV are an integral part of the balance sheet as of December 31, 2018.

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

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BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Balance sheets as of December 31, 2018 and 2017

LIABILITIES AND EQUITY (Continued) (Millions of euros)	Notes	2018	2017(*)
STOCKHOLDERS' FUNDS		**37,417**	**37,802**
Capital	**23**	**3,267**	**3,267**
Paid up capital		3,267	3,267
Unpaid capital which has been called up		-	-
Share premium	**24**	**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	**25**	**-**	**-**
Revaluation reserves	**25**	**3**	**12**
Other reserves	**25**	**8,796**	**9,445**
Less: Treasury shares	**26**	**(23)**	**-**
Profit or loss attributable to owners of the parent		**2,316**	**2,083**
Less: Interim dividends		**(980)**	**(1,044)**
ACCUMULATED OTHER COMPREHENSIVE INCOME	**27**	**(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		-	-
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
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**

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

MEMORANDUM ITEM - OFF BALANCE SHEET EXPOSURES (Millions of euros)	Notes	2018	2017(*)
Loan commitments given	**29**	69,513	54,631
Financial guarantees given	**29**	9,197	11,336
Contingent commitments given	**29**	27,202	36,503

The accompanying Notes 1 to 52 and Appendices I to XIV area an integral part of the balance sheet as of December 31, 2018.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Income statements for the years ended December 31, 2018 and 2017

INCOME STATEMENTS (Millions of euros)

	Notes	2018	2017(*)
Interest income and other incomes	33	4,877	4,860
Financial assets at fair value through other comprehensive income		394	393
Financial assets at amortized cost		4,293	4,343
Other interest income		190	124
Interest expenses	33	(1,386)	(1,397)
NET INTEREST INCOME		**3,491**	**3,463**
Dividend income	34	3,115	3,555
Fee and commission income	35	2,083	2,003
Fee and commission expenses	36	(407)	(386)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	37	109	634
Financial assets at amortized cost		3	565
Other financial assets and liabilities		106	69
Gains or (-) losses on financial assets and liabilities held for trading, net	37	364	32
Reclassification of financial assets from fair value through other comprehensive income		-	-
Reclassification of financial assets from amortized cost		-	-
Other profit or loss		364	32
Gains (losses) on on-trading financial assets mandatorily at fair value through profit or loss	37	78	-
Reclassification of financial assets from fair value through other comprehensive income		-	
Reclassification of financial assets from amortized cost		-	
Other profit or loss		78	
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	37	(41)	18
Gains or (-) losses from hedge accounting, net	37	46	(227)
Exchange differences, net	37	(60)	435
Other operating income	38	108	159
Other operating expenses	38	(474)	(466)
GROSS INCOME		**8,412**	**9,220**
Administration costs	39	(4,077)	(4,038)
Personnel expenses		(2,328)	(2,382)
Other administrative expenses		(1,749)	(1,656)
Depreciation and amortization	40	(452)	(540)
Provisions or (-) reversal of provisions	41	(566)	(802)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	42	(267)	(1,585)
Financial assets measured 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	43	(1,537)	207
Impairment or reversal of impairment on non-financial assets	43	(27)	(8)
Tangible assets		(23)	(8)
Intangible assets		-	-
Other assets		(4)	-
Gains (losses) on derecognized assets not classified as non-current assets held for sale	44	(16)	(1)
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	45	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 operation		(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**

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

The accompanying Notes 1 to 52 and Appendices I to XIV are an integral part of the income statement for the year ended December 31, 2018.

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of recognized income and expenses for the years ended December 31, 2018 and 2017.

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**

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

The accompanying Notes 1 to 52 and Appendices I to XIV are an integral part of the statement of recognized income and expenses for the year ended December 31, 2018

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of changes in equity for the years ended December 31, 2018 and 2017.

STATEMENT OF CHANGES IN EQUITY (Millions of Euros)

2018	Capital (Note 23)	Share Premium (Note 24)	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	Interim dividends (Note 3)	Accumulated other comprehensive income (Note 27)	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 (See Note 1.3)	-	-	-	-	-	-	**(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)
Balances as of December 31, 2018	**3,267**	**23,992**	**46**	**-**	**-**	**3**	**8,796**	**(23)**	**2,316**	**(980)**	**(8)**	**37,409**

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

The accompanying Notes 1 to 52 and Appendices I to XIV are an integral part of the statement of changes in equity for the year ended December 31, 2018.

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

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BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of changes in equity for the years ended December 31, 2018 and 2017 (continued)

STATEMENT OF CHANGES IN EQUITY (Millions of Euros)

2017 (*)	Capital (Note 23)	Share Premium (Note 24)	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	Interim dividends (Note 3)	Accumulated other comprehensive income (Note 27)	Tota
Balances as of January 1, 2017	**3,218**	**23,992**	**46**	**-**	**-**	**20**	**9,346**	**(23)**	**1,662**	**(1,513)**	**(362)**	**36**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,083**	**-**	**771**	**2**
Other changes in equity	**49**	**-**	**1**	**-**	**-**	**(8)**	**99**	**23**	**(1,662)**	**469**	**-**	**(1,**
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)	-	
Purchase of treasury shares	-	-	-	-	-	-	-	(1,354)	-	-	-	(1
Sale or cancellation of treasury shares	-	-	-	-	-	-	4	1,377	-	-	-	1
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)	-	
Balances as of December 31, 2017	**3,267**	**23,992**	**47**	**-**	**-**	**12**	**9,445**	**-**	**2,083**	**(1,044)**	**409**	**38**

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

The accompanying Notes 1 to 52 and Appendices I to XIV are an integral part of the statement of changes in equity for the year ended December 31, 2018.

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of cash flows for the years ended December 31, 2018 and 2017.

CASH FLOWS STATEMENTS (Continued) (Millions of euros)	Notes	2018	2017(*)
A) CASH FLOW FROM OPERATING ACTIVITIES (1+2+3+4+5)	**46**	**16,944**	**(20)**
1.Profit for the period		**2,316**	**2,083**
2.Adjustments to obtain the cash flow from operating activities:		**1,227**	**2,261**
Depreciation and amortization		452	540
Other adjustments		775	1,721
3.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 through 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)
4.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)
5.Collection/Payments for income tax		**158**	**357**
B) CASH FLOWS FROM INVESTING ACTIVITIES (1+2)	**46**	**(2,049)**	**1,995**
1.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		-	-
2.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

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

The accompanying Notes 1 to 52 and Appendices I to XIV are an integral part of the statement of cash flows for the year ended December 31, 2018.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of cash flows for the years ended December 31, 2018 and 2017. (continued)

CASH FLOWS STATEMENTS (Continued) (Millions of euros)	Notes	2018	2017(*)
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	**46**	**(2,334)**	**106**
1. 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)
2. 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	-
D) EFFECT OF EXCHANGE RATE CHANGES		**(143)**	**566**
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)		**12,418**	**2,647**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**18,503**	**15,856**
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (E+F)	**46**	**30,921**	**18,503**

COMPONENTS OF CASH AND EQUIVALENTS AT END OF THE PERIOD (Millions of euros)	Notes	2018	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	**7**	**30,921**	**18,503**

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

The accompanying Notes 1 to 52 and Appendices I to XIV are an integral part of the statement of cash flows for the year ended December 31, 2018.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Notes to the financial statements for the year ended December 31, 2018.

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

1.1 Introduction

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

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

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

The Bank's financial statements for the year ended December 31, 2017 were approved by the shareholders at the Bank's Annual General Meeting ("AGM") held on March 16, 2018.

The Bank's financial statements for the year ended December 31, 2018 are pending approval by the Annual General Meeting. However, the Bank's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

1.2 Basis for the presentation of the financial statements

The Bank's financial statements for 2018 are presented in accordance with Bank of Spain Circular 4/2004, dated December 22, and with Bank of Spain Circular 4/2017, dated November 17, and its subsequent amendments (in the following, "Circular 4/2004" and "Circular "4/2017), and with any other legislation governing financial reporting applicable to the Bank. Circular 4/2017 adapts the accounting system of Spanish credit institutions to the changes of the European accounting order derived from the adoption of two new International Financial Reporting Standards (IFRS) – IFRS 15 and IFRS 9 – which modify the accounting criteria of ordinary income and of financial instruments, respectively. The publication of Bank of Spain Circular 2/2018, of December 21, has updated Circular 4/2017 to adapt it to the latest publications in banking regulation, maintaining full compatibility with the IFRS accounting framework.

The Bank's financial statements for the year ended December 31, 2018 have been prepared by the Bank's directors (at the Board of Directors meeting held on February 11, 2019) by applying the accounting policies and valuation criteria described in Note 2, so that they present fairly the Bank's equity and financial position as of December 31, 2018, together with the results of its operations and cash flows generated during the year ended on that date.

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

The amounts reflected in the accompanying financial statements are presented in millions of euros, unless it is more convenient to use smaller units. Some items that appear without a total in these financial statements do so because of the size of the units used. Also, in presenting amounts in millions of euros, the accounting balances have been rounded up or down. It is therefore possible that the amounts appearing in some tables are not the exact arithmetical sum of their component figures.

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

1.3 Comparative information

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

Changes in accounting policies

As of January 1, 2018, Circular 4/2017 is introduced 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 Notes 2.1 and 2.20). The impact of the first application of Circular 4/2017 is presented in Note 2.21.

As a consequence of the application of Circular 4/2017, the comparative information for the financial year 2017 included in these Financial Statements has been subject to some non-significant modifications in order to improve the comparability with the figures of the financial year 2018.

1.4 Seasonal nature of income and expenses

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

1.5 Responsibility for the information and for the estimates made

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

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

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

Although these estimates were made on the basis of the best information available as of December 31, 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 income statement.

1.6 Control of the BBVA Group’s financial reporting

The description of the BBVA Group's Internal Financial Reporting Control model is described in the management report accompanying the Financial Statements for 2018.

1.7 Deposit guarantee fund and Resolution fund

The Bank is part of the "Fondo de Garantía de Depósitos" (Deposit Guarantee Fund). Adjusting to the previously mentioned accounting criteria modification, the expense incurred by the contributions made to this Agency and other similar to those that are subject certain foreign branches in 2018 and 2017 amounted to €184 million and €165 million, respectively. These amounts are registered under the heading "Other operating expenses" of the accompanying income statements (see Note 38).

The contributions made to the single European resolution fund in the years 2018 and 2017 have amounted to 148 and 115 million euros respectively through contributions of 126 and 98 million euros and the creation of a commitment of €22 and €17 million Euros, respectively. These contributions are registered under the heading "Other Operating Expenses" in the attached income statements (see Note 38).

1.8 Consolidated financial statements

The consolidated financial statements of the BBVA Group for the year ended December 31, 2018 have been prepared by the Bank's Directors (at the Board of Directors meeting held on February 11, 2019) in accordance with the International Financial Reporting Standards adopted by the European Union (herein after, IFRS) applicable at the close of 2018, taking into account Bank of Spain´s Circular 4/2004, dated December 22 and the Bank´s of Spain Circular 4/2017, dated November 27, and subsequent amendments, and with any other legislation governing financial reporting applicable to the Group.

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

These changes are reflected in the consolidated financial statements of the BBVA Group for the year 2018, which the Bank's Board of Directors has also prepared. Appendix I includes the Group's consolidated financial statements. In accordance with the content of these consolidated financial statements prepared following the International Financial Reporting Standards adopted by the European Union, the total amount of the BBVA Group's assets and consolidated equity at the close of 2018 amounted to €676,689 million and €52,874 million, respectively, while the consolidated net profit attributed to the parent company of this period amounted to €5,324 million.

2. Accounting policies and valuation criteria applied

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

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

2.1 Financial instruments

As mentioned before in Note 1.3, Circular 4/2017 entered into force as from January 1, 2018 and replaced Circular 4/2004 regarding the classification and measurement of financial assets and liabilities, the impairment of financial assets and the hedge accounting.

The disclosures related to the financial year 2017 which are presented for the purpose of comparability, are based on the accounting policies and valuation criteria applicable under Circular 4/2004 (see Note 1.3).

2.1.1 Classification and measurement of financial assets under Circular 4/2017

Classification of financial assets under Circular 4/2017

Circular 4/2017 contains three main categories for financial assets classification: measured at amortized cost, measured at fair value with changes in other accumulated comprehensive income, and measured at fair value through profit or loss.

The classification of financial instruments 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 it is managed with 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 in 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 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 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 income” or “Interest expenses”, as appropriate, in the accompanying income statement in which period the change occurred (see Note 33). 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 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 registered 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 registered 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 Bank 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 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 income statements (see Note 37). Interests from derivatives designated as economic hedges on interest rate are recognized in "Interest income" or "Interest expenses" (Note 33), 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 income statements (Note 37).

"Financial assets at fair value through other comprehensive income"

- Debt instruments

Assets recognized under this heading in the balance sheet 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 balance sheet (see Note 27).

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 Bank's equity until the corresponding asset is derecognized from the 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 income statement for the year in which they are derecognized (see Note 37).

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 42) in the income statements for that period.

Changes in foreign exchange rates resulting from monetary items are recognized under the heading "Exchange differences, net" in the accompanying income statement (see Note 37).

- Equity instruments

The Bank, 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 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 recognized 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 42) in the income statement for that period.

2.1.2 Classification and measurement of financial liabilities under Circular 4/2017

Classification of financial liabilities

Under Circular 4/2017, 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 registered 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 income" or "Interest expenses", as appropriate, in the accompanying income statement in the period in which the change occurred (see Note 33).

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 balance sheets are recognized as their net value under the heading "Gains (losses) on financial assets and liabilities, net" in the accompanying income statements (see Note 37), 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 other comprehensive income (for the measurement of changes in credit risk). Interests from derivatives designated as economic hedges on interest rate are recognized in "Interest income" or "Interest expenses" (Note 33), 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 income statements (Note 37).

"Financial liabilities at amortized cost"

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

2.1.3 Measurement of financial assets and liabilities under Circular 4/2004 applicable in the financial year 2017

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 income" or "Interest expenses", as appropriate, in the accompanying income statement in which year the change occurred (see Note 33). The dividends received from other entities, other than associated entities and joint venture entities, are recognized under the heading "Dividend income" in the accompanying income statement in the year in which the right to receive them arises (see Note 34).

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

"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 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 income statements (see Note 37). Interests from derivatives designated as economic or accounting hedges on interest rate are recognized in "Interest income" or "Interest expense" (see Note 33), 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 income statements (see Note 37).

"Available-for-sale financial assets"

Assets recognized under this heading in the 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 balance sheets (see Note 27).

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 Bank's equity until the corresponding asset is derecognized from the 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 income statement for the year in which they are derecognized (see Note 37).

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 42) in the 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 balance sheets. Changes in foreign exchange rates resulting from monetary items are recognized under the heading "Exchange differences, net" in the accompanying income statements (see Note 37).

"Financial assets and liabilities at amortized cost"

Assets and liabilities recognized under these headings in the accompanying balance sheets are subsequently measured at "amortized cost" using the "effective interest rate" method. This is because the 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" or "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss – financial assets measured at cost" (see Note 42) in the income statement for that year.

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

Assets and liabilities recognized under these headings in the accompanying 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 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 Bank are for interest-rate risks. Therefore, the valuation changes are recognized under the headings "Interest income" or "Interest expenses", as appropriate, in the accompanying income statement (see Note 33).
- In fair value hedges of interest rate risk of a portfolio of financial instruments (portfolio-hedges), the gains or losses that arise in the measurement of the hedging instrument are recognized in the income statement, and 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 income statement (in both cases under the heading "Gains or losses from hedge accounting, net", using, as a balancing item, the headings "Fair value changes of the hedged items in portfolio hedges of interest rate risk" in the balance sheets, as applicable.

- In cash flow hedges, the gain or loss on the hedging instruments relating to the effective portion are recognized temporarily under the heading ”Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Hedging derivatives. Cash flow hedges” in the balance sheets, with a balancing entry under the heading “Hedging derivatives” of the Assets or Liabilities of the balance sheets as applicable. These differences are recognized in the accompanying income statement under the headings “Interest 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 33).
- 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 income statement (see Note 37).
- 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 balance sheets with a balancing entry under the heading “Hedging derivatives” of the Assets or Liabilities of the balance sheets as applicable. These differences in valuation are recognized under the heading “Exchange differences, net" in the income statement when the investment in a foreign operation is disposed of or derecognized (see Note 37).

2.1.5 Other financial instruments under Circular 4/2004 applicable in the financial year 2017

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 balance sheet at acquisition cost; this may be adjusted, where appropriate, for any impairment loss (see Note 6).
- Accumulated other comprehensive income arising from financial instruments classified at the 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 balance sheets (see note 27).

2.1.6 Impairment losses on financial assets

Definition of impaired financial assets under Circular 4/2017

Circular 4/2017 replaced the "incurred loss" model in Circular 4/2004 with one of "expected credit loss". The Circular 4/2017 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, Circular 4/2017 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 Bank has applied the following definitions in accordance with Circular 4/2017:

- 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 Circular 4/2017. Both qualitative and quantitative indicators have been considered.

  The Bank 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 Circular 4/2017, 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 Bank has not considered periods superior to 90 days for any of the significant portfolios.

- Credit impaired asset

  An asset is credit-impaired according to Circular 4/2017 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 Bank 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 Bank 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 Bank 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 operations 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 Bank's systems through rating/scoring systems or macroeconomic scenarios, so quantitative analysis covers the majority of circumstances. The Bank 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 Circular 4/2017, 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 Bank 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 Bank 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 Circular 4/2017 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 Circular 4/2004 applicable in the financial year 2017

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 income statement for the year in which the impairment becomes known. The recoveries of previously recognized impairment losses are reflected, if appropriate, in the 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 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 balance sheet (see Note 27).

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 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 Circular 4/2017

Method for calculating expected loss

In accordance with Circular 4/2017, 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 Bank measures the expected losses both individually and collectively. The purpose of the Bank'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 Bank 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 Bank 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

Circular 4/2017 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 Bank consists of using first the most probable scenario (baseline scenario) consistent with that used in the Bank'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 Bank operates are Gross Domestic Product (GDP), tax rates, unemployment rate and loan to value (LTV).

Method for calculating the impairment on financial assets under Circular 4/2004 applicable in the financial year 2017

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. BBVA 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 Bank 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 Bank 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 Bank 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, BBVA 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 Bank has deemed as not showing an objective evidence of impairment.

With respect to financial assets that have no objective evidence of impairment, the Bank applies statistical methods using historical experience and other specific information to estimate the losses that the Bank has incurred as a result of events that have occurred as of the date of preparation of the financial statements but have not been known and will be apparent, individually after the date of submission of the information. This calculation is an intermediate step until these losses are identified on an individual level, at which 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 Bank evaluates the whole amount expected to be obtained over the remaining life of the financial asset. The recoverable amount from executable secured collateral is estimated based on the property valuation, discounting the necessary adjustments to adequately account for the potential fall in value until its execution and sale, as well as execution costs, maintenance costs and sale costs.

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 balance sheets (see Note 2.2.3).

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 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 income statement.

If all, or part of the impairment losses are subsequently recovered, the amount is recognized in the income statement for the year in which the recovery occurred, up to the 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 fair value through other comprehensive income:* 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 at fair value through other comprehensive income” and are recognized in the income statement. In general, the Bank considers that there is objective evidence of impairment on equity instruments classified as available-for-sale when significant unrealized losses have existed over a sustained period of time due to a price reduction of at least 40% or over a period of more than 18 months.

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

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

  Any recovery of previously recognized impairment losses for an investment in an equity instrument classified at fair value through other comprehensive income is not recognized in the 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 balance sheet (see Note 27).

- *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 balance sheet, adjusted by the unrealized gains at measurement date.

Impairment losses are registered in the income statement for the period in which they occur, reducing the cost of the instrument. These losses can only be recovered later in the case of sale of the assets.

2.1.7 Transfers and derecognition of financial assets and liabilities

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

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

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

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

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

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

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

- Purchase and sale commitments: Financial instruments sold with a repurchase agreement are not derecognized from the balance sheets and the amount received from the sale is considered to be financing from third parties.
- Financial instruments acquired with an agreement to subsequently resell them are not recognized in the balance sheets and the amount paid for the purchase is considered to be credit given to third parties.
- Securitization: The Bank has applied the most stringent criteria for determining whether or not it retains substantially all the risk and rewards on such assets for all securitizations performed since January 1, 2004. As a result of this analysis, the Bank has concluded that none of the securitizations

undertaken since that date meet the prerequisites for derecognizing the securitized assets from the balance sheets (see Note 11 and Appendix VI), as the Bank retains substantially all the expected credit risks and possible changes in net cash flows, while retaining the subordinated loans and lines of credit extended to these securitization funds.

2.2 Financial guarantees

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

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

Financial guarantees, irrespective of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required for them. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments measured at amortized cost (see Note 2.1.6).

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

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

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

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

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

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

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

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

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

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

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

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

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

2.4 Tangible assets

Property, plants and equipment for own use

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

Property, plants and equipment for own use is recognized in the balance sheets at acquisition cost, less any accumulated depreciation and, where appropriate, any estimated impairment losses resulting from comparing the net carrying amount of each item with its corresponding recoverable value (see Note 15).

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

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

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

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

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

In BBVA, 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 income statements under the heading " Administration costs - Other administrative expenses - Property, fixtures and equipment " (see Note 39.2).

Other assets leased out under an operating lease

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

Investment properties

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

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

BBVA 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.

2.5 Intangible assets

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

The useful life of intangible assets is, at most, equal to the period during which the entity is entitled to use the asset; If the right of use is for a limited renewable period, the useful life includes the renewal period only when there is evidence that the renewal will be carried out without a significant cost (see Note 16).

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

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

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

2.6 Tax assets and liabilities

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

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

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

The "Tax Assets" line item in the accompanying balance sheets includes the amount of all the assets of a tax nature, broken down into: "Current" (amounts recoverable by tax 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 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 in relation to taxable temporary differences associated with investments in subsidiaries, associates or jointly controlled entities are recognized for accounting purposes, except where the Bank can control the timing of the reversal of the temporary difference and it is also unlikely that it will reverse in the foreseeable future.

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

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

In those circumstances in which it is unclear how a specific requirement of the tax law applies to a particular transaction or circumstance, and the acceptability of the definitive tax treatment depends on the decisions taken by the relevant taxation authority in future, the entity recognizes current and deferred tax liabilities and assets considering whether it is probable or not that a taxation authority will accept an uncertain tax treatment. Thus, if the entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the entity uses the most likely amount or expected value in determining tax assets.

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

2.7 Provisions, contingent assets and contingent liabilities

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

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

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

- The amount of the obligation can be reasonably estimated.

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

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

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

2.8 Post-employment and other employee benefit commitments

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

Short-term employee benefits

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

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

Post-employment benefits – Defined-contribution plans

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

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

Post-employment benefits – Defined-benefit plans

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

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

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

All of these commitments are quantified based on actuarial valuations, with the amounts recorded under the heading "Provisions – Provisions for pensions and similar obligations" and determined as the difference between the value of the defined-benefit commitments and the fair value of plan assets at the date of the financial statements (see Note 21).

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

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

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

Other long-term employee benefits

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

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

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

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

In establishing the actuarial assumptions we taken into account that:

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

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

2.9 Equity-settled share-based payment transactions

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

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

2.10 Termination benefits

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

2.11 Treasury stock

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

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

2.12 Foreign-currency transactions

Assets, liabilities and futures transactions

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

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

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

The breakdown of the main balances in foreign currencies as of December 31, 2018 and 2017, with reference to the most significant foreign currencies, is set forth in Appendix VIII.

Structural currency positions

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

2.13 Recognition of income and expenses

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

- Interest income and expenses and similar items

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

They shall be recognized within the 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 (basically origination and analysis fees) must be deferred and recognized in the income statement over the expected life of the loan. The identified transaction costs of that amount will be deducted as directly attributable to the processing fees of loans and advances. These fees are part of the effective rate for loans.

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

- Income from dividends received:

Dividends shall be recognized within the 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 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 income statement using criteria that vary according to the nature of such items. The most significant items in this connection are:

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

- Non-financial income and expenses

These are recognized for accounting purposes on an accrual basis.

- Deferred collections and payments

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

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

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

2.15 Leases

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

When the Bank acts as the lessor of an asset in finance leases, the aggregate present values of the lease payments receivable from the lessee plus the guaranteed residual value (usually the exercise price of the lessee's purchase option on expiration of the lease agreement) are recognized as financing provided to third parties and, therefore, are included under the heading "Loans and receivables" in the balance sheets (see Note 12).

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

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

2.16 Entities and branches located in countries with hyperinflationary economies

None of the functional currencies of the branches located abroad relate to hyperinflationary economies as defined by Circular 4/2004 and subsequent amendments. Accordingly, as of December 31, 2018 and 2017 it was not necessary to adjust the financial statements of any branch to correct for the effect of inflation.

2.17 Statements of recognized income and expenses

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

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

2.18 Statements of changes in equity

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

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

2.19 Statements of cash flows

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

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

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

2.20 Recent pronouncements

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" Circular 4/2017 - Financial instruments" (see Note 2.21), and IFRS 9 – Financial Instruments (see Note 2.21).

In relation to hedge accounting, the Bank has chosen to continue applying Circular 4/2004 for hedge accounting as permitted by Circular 4/2017.

As of January 1, 2019, the Circular 2/2018 issued by the Bank of Spain will enter into force and his main objective is to adapt the Circular 4/2017 to IFRS 16 about Leases. The new standard introduces a single lessee accounting model and will require a lessee to recognize in the balance sheet assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of 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, the new circular substantially carries forward the previous lessor accounting requirements. Accordingly, a lessor will continue to classify its leases as operating leases or finance leases, and account for those two types of leases differently.

With regard to the estimated impact on the Financial Statements, at the transition date, the Bank has decided to apply the modified retrospective approach which implies to recognize 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 Bank has chosen to register an amount equal to the lease liability. As a result of this approach, the Bank expects to recognize assets for the right-of-use and lease liabilities for an approximate amount of 2.700 million euros, coming mainly from the branches.

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

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

2.21 Transition to Circular 4/2017 and condensed opening balance as of January 1, 2018

2.21.1 Transition to Circular 4/2017

As mentioned in the Notes 1.3, 2.1 and 2.20, Circular 4/2017 replaced Circular 4/2004 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 circular on January 1, 2018, had a significant impact on the financial statements of the Bank at that date.

Classification and measurement of financial instruments

Financial assets

Circular 4/2017 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.

Circular 4/2017 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 Circular 4/2004 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.

- The Bank reviewed the existing business models in the geographic areas where it operates to establish classification in accordance with Circular 4/2017, taking into account the special characteristics of the local structures and organizations, as well as the type of products.

The Bank 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 Bank 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 Bank 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 Bank had certain investments in financial instruments classified as available-for-sale which, in accordance with Circular 4/2017, the Bank designated as financial assets at fair value through changes in accumulated 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 Bank 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

Circular 4/2017 largely maintains the requirements under Circular 4/2004 for classifying financial liabilities. However, a new aspect introduced by Circular 4/2017 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

Circular 4/2017 replaced the "incurred loss" model in Circular 4/2004 with one of "expected credit loss". The Circular 4/2017 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, Circular 4/2017 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.

BBVA has applied the following definitions in accordance with Circular 4/2017:

- 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 Circular 4/2017. Both qualitative and quantitative indicators have been considered.

The Bank 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 Circular 4/2017, 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 Bank has not considered periods superior to 90 days for any of the significant portfolios.

- Credit impaired asset

An asset is credit-impaired according to Circular 4/2017 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 Bank 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 Bank 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 Bank 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 Bank's systems through rating/scoring systems or macroeconomic scenarios, so quantitative analysis covers the majority of circumstances. The Bank 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 Circular 4/2017, 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 Bank 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 Bank 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 Circular 4/2017 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 Circular 4/2017, 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 Bank measures the expected losses both individually and collectively. The purpose of the Bank'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 Bank 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 Bank 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

Circular 4/2017 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 Bank consists of using first the most probable scenario (baseline scenario) consistent with that used in the Bank'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 Bank operates are Gross Domestic Product (GDP), tax rates, unemployment rate and loan to value (LTV).

2.21.2 Condensed opening balance as of January 1, 2018

Condensed balance sheets of BBVA,S.A. (Millons of Euros)

ASSETS	December 2017 Circular 4/2004	Classification and measurement of financial instruments	Impairment	Opening balance sheet January 1, 2018 Circular 4/2017
Cash, cash balances at central banks and other demand deposits	18,503	-	-	18,503
Financial assets held for trading	50,424	26,965	-	77,389
Non-trading financial assets mandatorily at fair value through profit or loss		4,813	-	4,813
Financial assets designated at fair value through profit or loss	648	(648)	-	-
Financial assets at fair value through other comprehensive income	24,205	(1,523)	-	22,682
Financial assets at amortized cost	244,232	(21,166)	(858)	222,208
Held to maturity investments	8,354	(8,354)	-	
Hedging derivatives	1,561	-	-	1,561
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(25)	-	-	(25)
Joint ventures, associates and unconsolidated subsidiaries	30,795	-	-	30,795
Insurance and reinsurance assets	-	-	-	-
Tangible assets	1,599	-	-	1,599
Intangible assets	882	-	-	882
Tax assets	12,911	19	274	13,204
Other assets	3,768	-	-	3,768
Non-current assets and disposal groups held for sale	2,226	-	-	2,226
TOTAL ASSETS	**400,083**	**106**	**(584)**	**399,605**

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".

LIABILITIES AND EQUITY	December 2017 Circular 4/2004	Classification and measurement of financial instruments	Impairment	Opening balance sheet January 1, 2018 Circular 4/2017
Financial liabilities held for trading	43,703	27,257	-	70,960
Financial liabilities designated at fair value through profit or loss	-	993	-	993
Financial liabilities at amortized cost	305,797	(28,076)	-	277,721
Hedging derivatives	1,327	-	-	1,327
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(7)	-	-	(7)
Liabilities under insurance and reinsurance contracts	-	-	-	-
Provisions	7,605	-	56	7,661
Tax liabilities	1,240	(7)	-	1,233
Share capital repayable on demand	-	-	-	-
Other liabilities	2,207	-	-	2,207
Liabilities included in disposal groups classified as held for sale	-	-	-	-
TOTAL LIABILITIES	**361,872**	**167**	**56**	**362,095**
SHAREHOLDERS' FUNDS	37,802	(26)	(640)	37,136
Capital	3,267	-	-	3,267
Share premium	23,992	-	-	23,992
Equity instruments issued other than capital	47	-	-	47
Other equity	-	-	-	-
Retained earnings	-	-	-	-
Revaluation reserves	12	-	-	12
Other reserves	9,445	(26)	(640)	8,779
Less: Treasury shares	-	-	-	-
Profit or loss attributable to owners of the parent	2,083	-	-	2,083
Less: Interim dividends	(1,044)	-	-	(1,044)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	409	(35)	-	374
TOTAL EQUITY	**38,211**	**(61)**	**(640)**	**37,510**
TOTAL EQUITY AND TOTAL LIABILITIES	**400,083**	**106**	**(584)**	**399,605**

MEMORANDUM ITEM	December 2017 Circular 4/2004	Classification and measurement of financial instruments	Impairment	Opening balance sheet January 1, 2018 Circular 4/2017
Guarantees given	54,631	-	-	54,631
Financial guarantees given	11,336	-	-	11,336
Contingent commitments	36,503	-	-	36,503

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. 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; on March 29, 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.

This fully in cash shareholders' remuneration policy would be composed, for each year, of a distribution on account of the dividend of such year (which is 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, which is expected for April), subject to the applicable authorizations by the competent governing bodies.

Shareholder remuneration scheme "Dividend Option"

Between 2012 and 2017, the Bank implemented a shareholder remuneration system referred to as "Dividend Option".

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

On 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 balance sheet as of December 31, 2017 (see Note 23).

Cash Dividends

Throughout, 2018 and 2017, BBVA's Board of Directors approved the payment of the following interim dividends, recorded in "Total Equity- Interim Dividends" of the balance sheet of the relevant year:

- The Board of Directors, at its meeting held on 26 September 2018, approved the payment in cash of €0.10 (€0.081) withholding tax) per BBVA share, as the second gross interim dividend against 2018 results, paid on 10 October, 2018.
- The Board of Directors, at its meeting held on September 27, 2017, approved the payment in cash of €0.09 (€0.0729 withholding tax) per BBVA share, as the first gross interim dividend against 2017 results. The total amount paid to shareholders on October 10, 2017 amounted €600 million and is recognized under the heading "Total Equity- Interim Dividends" of the balance sheet as of 31 December 2017.

The interim accounting statements prepared in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of amounts approved 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
Less	
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:

Application of Earnings (Millions of euros)	
	December 2018
Net income for year	**2,316**
Distribution:	
Interim dividends	667
Final dividend	1,067
Additional Tier 1 securities	313
Voluntary reserves	269

4. 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 of BBVA is as follows:

Basic and Diluted Earnings per Share

	2018	2017
Numerator for basic and diluted earnings per share (millions of euros)		
Profit attributable to parent company	5,324	3,519
Adjustment: Additional Tier 1 securities (1)	(313)	(301)
Profit adjusted (millions of euros) (A)	**5,011**	**3,218**
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
Weighted average number of shares outstanding x corrective factor (3)	6,668	6,642
Adjusted number of shares - Basic earning per share (C)	**6,636**	**6,642**
Adjusted number of shares - diluted earning per share (D)	**6,636**	**6,642**
Earnings per share (*)	**0.76**	**0.48**
Basic earnings per share from continued operations (Euros per share)A-B/C	0.76	0.48
Diluted earnings per share from continued operations (Euros per share)A-B/D	0.76	0.48
Basic earnings per share from discontinued operations (Euros per share)B/C	-	-
Diluted earnings per share from discontinued operations (Euros per share)B/D	-	-

(1) Remuneration in the period related to contingent convertible securities (See Note 20.4).

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

(3) Corrective factor, due to the capital increase with pre-emptive subscription right, applied for the previous years.

(*) As of December 31, 2018 the weighted average number of shares outstanding was 6,668 million (6,642 million as of December 31, 2017) and the adjustment of additional Tier 1 securities amounted to €313 million (€301 as of December 31, 2017).

As of December 31, 2018 and 2017 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 for both dates.

5. Risk management

5.1 General risk management and control model

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

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

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

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

5.1.1 Governance and organization

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

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

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

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

Corporate bodies

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 the integration of the Risk Appetite Framework into management, on the basis established by the Board of Directors, the Executive Committee approves the metrics by type of risk in 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 monitor their application and report either directly or through the CRO to the Bank's corporate bodies. Their functions include:
    - Management of the different types of risks at Group level in accordance with the strategy defined by the corporate bodies.
    - Risk planning aligned with the risk appetite framework principles.
    - Monitoring and control of the Group's risk profile in relation to the risk appetite framework approved by the Bank's corporate bodies, providing accurate and reliable information with the required frequency and in the necessary format.
    - Prospective analyses to enable an evaluation of compliance with the risk appetite framework in stress scenarios and the analysis of risk mitigation mechanisms.
    - Management of the technological and methodological developments required for implementing the Model in the Group.
    - Design of the Group's Internal Control model and definition of the methodology, corporate criteria and procedures for identifying and prioritizing the risk inherent in each unit's activities and processes.
    - Validation of the models used and the results obtained by them in order to verify their adaptation to the different uses to which they are applied.
- The risk units in the business units develop and present to the Chief Risk Officer of the geographical and/or business area the risk appetite framework proposal applicable in each geographical and/or business area, independently and always within the Group's strategy/risk appetite framework. They also

monitor that the corporate policies and rules are approved consistently at a Group level are applied, adapting them if necessary to local requirements; they are provided with appropriate infrastructures for management and control of their risks, within the global risk infrastructure framework defined by the corporate areas; and they report to their corporate bodies and/or to senior management, as appropriate.

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

The risk function has a decision-making process to perform its functions, underpinned by a structure of committees, where the Global Risk Management Committee (GRMC) acts as the top-level committee within the risk function. It proposes, examines and, where applicable, approves, among others, the internal risk regulatory framework and the procedures and infrastructures needed to identify, assess, measure and manage the material risks faced by the Group in carrying out its business, and the determination of risk limits by portfolio. The members of this Committee are the Group's CRO, 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 is responsible 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 monitor 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 monitors 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 integrating of the risk strategy into the Group's management. In this regard, the Internal Risk Control unit monitors 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 Risk 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.

5.1.2 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 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 have 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

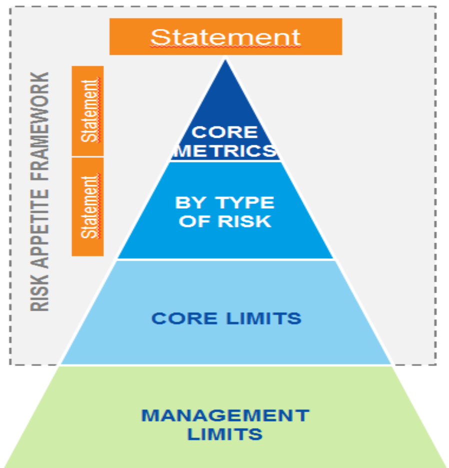
Based on the core metrics, statements are established for each type of risk reflecting the main principles governing the management of that risk and several metrics are calibrated, compliance with which enables compliance with the core metrics and the appetite risk statement of the Group. The metrics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

5.1.3 Decisions and processes

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

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

Standardized regulatory framework

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

This process aims for the following objectives:

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

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

5.1.4 Assessment, monitoring and reporting

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

- Assess compliance with the risk appetite framework at the present time, through monitoring of the core metrics, metrics by type of risk and the basic structure of limits.
- Assess compliance with the risk appetite framework in the future, through the projection of the risk appetite framework variables, in both a baseline scenario determined by the budget and a risk scenario determined by the stress tests.
- Identify and assess the risk factors and scenarios that could compromise compliance with the risk appetite framework, through the development of a risk repository and an analysis of the impact of those risks.
- Act to mitigate the impact in the Bank of the identified risk factors and scenarios, ensuring this impact remains within the target risk profile.
- 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 all reporting of risk information.

5.1.5 Infrastructure

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

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

With regards to technology, the 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 Bank risk technology are:

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

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

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

5.2 Risk factors

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

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

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

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

To this extent, there are a number of emerging risks that could affect the Bank's business trends. These risks are described in the following main 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 argument 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 banking entities might affect the Group directly or indirectly.

  The BBVA Group is under authority and competence investigations in various countries which may give raise to damage penalties and claims on behalf of third parties.

  As explained in section Non - Financial Risks of the Non - Financial Statement within the Management Report, the Group might be equally subject to investigations by the legal authorities with no further formal requirement received until present times, related to the hire 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 through the Bank’s external legal counsel Garrigues, along with Uría, not being yet predictable the scope or the duration of those investigations or any carried out by the legal authorities, or even its possible outcome or implications for the Group.

  The BBVA Group manages and keeps constant follow up of legal and regulatory investigations, procedures and actions which can occur for the defense of its interests, charging (regarding the number of litigations from the legal pronouncements and the state of procedure or action) the corresponding provisions for its coverage if necessary. Even though, the result of the referred actions and procedures, both in which the Bank is already part of, as well as those that may raise in the future or at pronouncements in which other credit entities are part of, 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.

5.3 Credit risk

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

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

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

- Availability of basic information for the study and proposal of risk, and supporting documentation for approval, which sets out the conditions required by the relevant body.
- Sufficient generation of funds and asset solvency of the customer to assume principal and interest repayments of loans owed.

- Establishment of adequate and sufficient guarantees that allow effective recovery of the operation, this being considered a secondary and exceptional method of recovery when the first has failed.

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

- At Group level: frameworks for action and standard rules of conduct are defined for handling risk, specifically, the circuits, procedures, structure and supervision.
- At the business area level: they are responsible for adapting the Group's criteria to the local realities of each geographical area and for direct management of risk according to the decision-making circuit:
  - Retail risks: in general, the decisions are formalized according to the scoring tools, within the general framework for action of each business area with regard to risks. The changes in weighting and variables of these tools must be validated by the corporate GRM area.
  - Wholesale risks: in general, the decisions are formalized by each business area within its general framework for action with regard to risks, which incorporates the delegation rule and the Group's corporate policies.

5.3.1 Measurement Expected Credit Loss (ECL)

Circular 4/2017 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 of Circular 4/2017 that states that the comprehensive credit risk information must incorporate not only past due 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 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 Circular 4/2017

Circular 4/2017 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 Circular 4/2017 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.

5.3.2 Maximum Credit risk exposure

BBVA'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	Stage 1	Stage 2	Stage 3
Financial assets held for trading		**44,993**			
Debt securities	8	11,453			
Government		10,665			
Credit institutions		407			
Other sectors		380			
Equity instruments	8	4,850			
Loans and advances	8	28,690			
Non-trading financial assets mandatorily at fair value through profit or loss		**1,726**			
Loans and advances	9	1,376			
Debt securities	9	150			
Government		-			
Credit institutions		64			
Other sectors		86			
Equity instruments	9	200			
Financial assets designated at fair value through profit or loss	**10**	**-**			
Derivatives (trading and hedging) (*)		**29,607**			
Financial assets at fair value through other comprehensive income		**19,273**			
Debt securities	11.2	17,253	17,253	-	-
Government		14,036	14,036	-	-
Credit institutions		424	424	-	-
Other sectors		2,793	2,793	-	-
Equity instruments	11.3	2,020			
Financial assets at amortized cost		**224,096**	**201,109**	**13,011**	**9,976**
Loans and advances to central banks	12.2	7	7	-	-
Loans and advances to credit institutions	12.2	5,210	5,198	8	4
Loans and advances to customers	12.3	199,300	176,503	12,825	9,972
Debt securities	12.4	19,580	19,402	178	-
Total financial assets risk		**319,695**			
Total loan commitments and financial guarantees	**29**	**105,912**	**102,088**	**3,135**	**689**
Total maximum credit exposure		**425,607**			

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

There is no similar breakdown prior to the entry of Circular 4/2017 (see Note 2.1).

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

- In the case of financial assets recognized in the bank's balance sheets, exposure to credit risk is considered equal to its gross carrying amount, not including certain valuation adjustments (impairment losses, hedges and others), with the sole exception of derivatives and hedging derivatives.
- The maximum credit risk exposure on financial guarantees granted is the maximum that the Group would be liable for if these guarantees were called in, and that is their carrying amount.
- Our 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 market value (at a given statistical confidence level) as a result of future changes in the fair value over the remaining term of the derivatives.

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

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 and 2017 is shown below:

December 2018 (Millions of euros)	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Gross carying amount
By product								
On demand and short notice		*4*	-	*22*	*123*	*67*	*216*	316
Credit card debt	-	1	-	1	131	2,111	2,244	2,309
Trade receivables	-	929	-	192	11,881	38	13,040	13,214
Finance leases		80	-	2	4,309	255	4,646	4,839
Reverse repurchase loans	-	-	84	-	-	-	84	85
Other term loans	5	14,652	878	5,025	55,419	95,622	171,601	176,908
Advances that are not loans	-	1,599	4,308	2,200	624	98	8,829	8,830
Loans and advances	**5**	**17,265**	**5,271**	**7,442**	**72,487**	**98,191**	**200,661**	**206,501**
By secured loans								
of which: mortgage loans collateralized by immovable property		*390*		*95*	*11183*	*81146*	*92814*	*95,767*
of which: other collateralized loans		-	*277*	*3*	*1,397*	*610*	*2,287*	*2,434*
By purpose of the loan								
of which: credit for consumption						*10321*	*10321*	*10,784*
of which: lending for house purchase						*79,054*	*79,054*	*80,573*
By subordination								
of which: project finance loans					*6179*		*6179*	*6,272*

December 2017 (Millions of euros)

	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
On demand and short notice	-	222	-	1,206	8,942	1,897	12,267
Credit card debt	-	1	-	1	117	1,900	2,019
Trade receivables		800	-	160	9,299	63	10,322
Finance leases	-	55	-	3	3,190	206	3,454
Reverse repurchase loans	28	1,093	13,513	10,812	-	-	25,446
Other term loans	-	15,576	1,827	6,151	52,418	94,115	170,087
Advances that are not loans	-	1,973	6,765	820	1,130	96	10,784
Loans and advances	**28**	**19,720**	**22,105**	**19,153**	**75,096**	**98,277**	**234,379**
of which: mortgage loans [Loans collateralized by immovable property]		*447*	-	*232*	*12,885*	*83,387*	*96,951*
of which: other collateralized loans		*446*	*13,507*	*10,816*	*1,760*	*425*	*26,954*
of which: credit for consumption						*8,726*	*8,726*
of which: lending for house purchase						*82,462*	*82,462*
of which: project finance loans					*7,024*	*0*	*7,024*

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

The methods used to value the collateral are in line with the best market practices and imply the use of appraisal of real-estate collateral, the market price in market securities, the trading price of shares in mutual funds, etc. All the collaterals 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 category:

- Financial instruments held for trading: The guarantees or credit enhancements obtained directly from the issuer or counterparty are implicit in the clauses of the instrument.
- Derivatives and hedging derivatives: In derivatives, credit risk is minimized through contractual netting agreements, where positive- and negative-value derivatives with the same counterparty are offset for their net balance. There may likewise be other kinds of guarantees 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 5.4.3.

- 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 had no credit risk exposure of impaired financial assets at fair value through other comprehensive income at December 31, 2018 (see Note 5.3.2).

- 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 operations are backed by personal guarantees extended by the counterparty. There may also be collateral to secure loans and advances to customers (such as mortgages, cash guarantees, pledged securities and other collateral), or to obtain other credit enhancements (bonds, hedging, etc.).
- Debt securities: The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent to the structure of the instrument.

The disclosure of impaired financial assets at amortized cost (see Note 5.3.2) covered by collateral, 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	9,976	2,873	906	11	4	496
Total	**9,976**	**2,873**	**906**	**11**	**4**	**496**

- 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 €689 million (see Note 5.3.2).

5.3.4 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 operations and customers based on an assessment and its correspondence with the probability of default ("PD") scales. To analyze the performance of PD, the Group has a series of tracking tools and historical databases that collect the pertinent internally generated information. 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-grant new transactions.

Rating

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

The main difference between ratings and scorings is that the latter are used to assess retail products, while ratings use a wholesale banking customer approach. Moreover, scorings only include objective variables, while ratings add qualitative information. And although both are based on statistical studies, adding a business view, rating tools give more weight to the business criterion compared to scoring tools.

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

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

The table below shows the abridged scale used to classify the BBVA Group's outstanding risk as of December 31, 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 (PD) were calculated by using as a reference the rating scales and default rates provided by the external agencies Standard & Poor's and Moody's. These calculations establish the levels of probability of default for the BBVA Group's Master Rating Scale. Although this scale is common to the entire Group, the calibrations (mapping scores to PD sections/Master Rating Scale levels) are carried out at tool level for each country in which the Group has tools available.

The tables below outline the distribution of exposure, including derivatives, by internal ratings, to corporates, financial entities and institutions (excluding sovereign risk), of the main BBVA Group entities as of December 31, 2018 and 2017:

	December 2018		December 2017	
Credit Risk Distribution by Internal Rating	**Amount (Millions of Euros)**	**%**	**Amount (Millions of Euros)**	**%**
AAA/AA	30,360	13.40%	37,675	17.16%
A	74,678	33.10%	60,544	27.58%
BBB+	34,492	15.30%	34,850	15.88%
BBB	23,088	10.20%	22,608	10.30%
BBB-	28,586	12.70%	31,469	14.34%
BB+	11,162	4.90%	10,598	4.83%
BB	6,624	2.90%	5,534	2.52%
BB-	6,841	3.00%	5,182	2.36%
B+	4,195	1.90%	4,662	2.12%
B	3,333	1.50%	3,034	1.38%
B-	1,177	0.50%	1,361	0.62%
CCC/CC	1,273	0.60%	2,007	0.91%
Total	**225,809**	**100.00%**	**219,523**	**100.00%**

5.3.5 Financial assets past due but not impaired

The table below provides details by counterpart and by product of past due risks but not considered to be impaired, as of December 31, 2018 and 2017, 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 2.1):

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). 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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**737**	**134**	**-**	**288**	**1601**	**-**	**140**	**698**	**1435**
Central banks	-	-	-	-	-	-	-	-	-
General governments	45	7	-	3	-	-	5	5	26
Credit institutions	3	-	-	-	-	-	-	-	-
Other financial corporations	117	34	-	-	-	-	-	-	-
Non-financial corporations	251	86	-	129	418	-	52	189	639
Households	321	7	-	156	1,182	-	84	504	769
TOTAL	**737**	**134**	**-**	**288**	**1,601**	**-**	**140**	**698**	**1,435**
Loans and advances by product, by collateral and by subordination									
On demand (call) and short notice (current account)	85	-	-	3	18	-	3	2	42
Credit card debt	12	6	-	2	3	-	-	1	22
Trade receivables	12	11	-	7	103	-	1	4	39
Finance leases	65	16	-	15	23	-	4	7	24
Reverse repurchase loans	-	-	-	-	-	-	-	-	-
Other term loans	457	66 -		261	1,454	-	132	684	1,307
Advances that are not loans	107	35	-	-	-	-	-	-	-
of which: mortgage loans (Loans collateralized by inmovable property)	247	10	-	144	1,230	-	109	625	858
of which: other collateralized loans	13	-	-	3	12	-	1	1	7
of which: credit for consumption	37	6	-	17	90	-	2	12	118
of which: lending for house purchase	181	-	-	110	978	-	67	450	523
of which: project finance loans	1	-	-	-	-	-	-	-	71

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

December 2017 (Millions of euros)

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

The breakdown of loans and advances, within financial assets at amortized cost, impaired and accumulated impairment by sectors as of December 31, 2018 and 2017 is as follows:

December 2018 (Millions of euros)

	Non-performing	Accumulated impairment	Non-performing loans and advances as a % of the total
General governments	**128**	**(61)**	**0.8%**
Credit institutions	**4**	**(5)**	**0.1%**
Other financial corporations	**2**	**(5)**	**0.0%**
Non-financial corporations	**4,684**	**(3,258)**	**6.2%**
Agriculture, forestry and fishing	57	(38)	4.5%
Mining and quarrying	27	(15)	1.6%
Manufacturing	651	(498)	3.8%
Electricity, gas, steam and air conditioning supply	77	(57)	1.2%
Water supply	19	(14)	1.9%
Construction	1,218	(789)	15.0%
Wholesale and retail trade	1,010	(692)	9.9%
Transport and storage	152	(103)	3.3%
Accommodation and food service activities	235	(114)	7.3%
Information and communication	98	(52)	3.0%
Financial and insurance activities	134	(104)	2.5%
Real estate activities	634	(431)	10.0%
Professional, scientific and technical activities	152	(120)	7.3%
Administrative and support service activities	88	(62)	4.9%
Public administration and defense, compulsory social security	4	(5)	2.0%
Education	22	(15)	10.4%
Human health services and social work activities	20	(15)	2.6%
Arts, entertainment and recreation	47	(29)	8.0%
Other services	39	(105)	2.9%
Households	**5,159**	**(2,509)**	**5.1%**
LOANS AND ADVANCES	**9,976**	**(5,838)**	**4.9%**

December 2017 (Millions of euros)

	Non-performing	Accumulated impairment or Accumulated changes in fair value due to credit risk	Non-performing loans and advances as a % of the total
General governments	**166**	**(44)**	**0.8%**
Credit institutions	**4**	**(5)**	**-**
Other financial corporations	**3**	**(8)**	**-**
Non-financial corporations	**7,138**	**(4,538)**	**9.0%**
Agriculture, forestry and fishing	95	(52)	7.1%
Mining and quarrying	28	(16)	1.8%
Manufacturing	835	(517)	5.6%
Electricity, gas, steam and air conditioning supply	105	(52)	2.0%
Water supply	27	(10)	4.8%
Construction	2,828	(1,656)	24.1%
Wholesale and retail trade	1,197	(690)	11.6%
Transport and storage	125	(69)	2.8%
Accommodation and food service activities	288	(122)	9.5%
Information and communication	80	(52)	2.4%
Real estate activities	960	(900)	9.7%
Professional, scientific and technical activities	181	(118)	5.6%
Administrative and support service activities	148	(93)	7.0%
Public administration and defense, compulsory social security	4	(3)	2.8%
Education	20	(9)	9.4%
Human health services and social work activities	38	(13)	5.2%
Arts, entertainment and recreation	55	(27)	8.7%
Other services	124	(139)	2.1%
Households	**5,934**	**(2,332)**	**6.0%**
LOANS AND ADVANCES	**13,244**	**(6,927)**	**5.5%**

The changes during the years 2018 and 2017 of impaired financial assets and contingent risks are as follow:

Changes in Impaired Financial Assets and Contingent Risks (Millions of euros)

	2018	2017
Balance at the beginning	**13,856**	**17,507**
1) Additions	2,709	3,606
2) Decreases	(3,965)	(4,215)
Net additions (1)+(2)	**(1,256)**	**(608)**
Transfers to write-off	(2,398)	(3,078)
Exchange differences and others (*)	310	35
Balance at the end	**10,512**	**13,856**
Recoveries on entries (%)	**146%**	**117%**

(*) In 2018 includes the balance of BBVA Portugal; the total amount of impaired loans derecognized from the balance sheet throughout the period as a result of mortgage foreclosures and real estate assets received in lieu of payment as well as monetary recoveries (see Note 19 to the financial statement for additional information).

The changes in the year 2018 and 2017 in financial assets derecognized from the accompanying balance sheet as their recovery is considered unlikely (hereinafter "write-offs"), is shown below:

Changes in Impaired Financial Assets Written-Off from the Balance Sheet (Millions of euros)

	Notes	2018	2017
Balance at the beginning		**23,090**	**21,601**
Increase:		**3,468**	**3,934**
Assets of remote collectability		2,398	3,078
Past-due and not collected income		1,030	856
Contributions by mergers		40	-
Decrease:		**(2,076)**	**(2,434)**
Re-financing or restructuring		(9)	(7)
Cash recovery (Note 47)	42	(469)	(446)
Foreclosed assets		(25)	(88)
Sales of written-off		(625)	(460)
Debt forgiveness		(678)	(1,105)
Time-barred debt and other causes		(271)	(328)
Net exchange differences		**2**	**(11)**
Balance at the end		**24,484**	**23,090**

As indicated in Note 2.1, although they have been derecognized from the balance sheet, the BBVA Group continues to attempt to collect on these written-off financial assets, until the rights to receive them are fully extinguished, either because it is time-barred financial asset, the financial asset is condoned, or other reasons.

5.3.6 Impaired assets and impairment losses

Below are the changes in the years ended December 31, 2018 and 2017 in the provisions recognized on the accompanying 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. In addition, the tables for the year ended December 31, 2018 show the reconciliation of impairment loss allowance and gross carrying amount:

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

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)			
	Gross carrying amount	Loss allowances	Gross carrying amount	Loss allowances (collectively assessed)	Gross carrying amount	Loss allowances (individually assessed)	Gross carrying amount	Loss allowances	Gross carrying amount	Loss allowances	Gross carrying amount	Loss allowances
Opening balance (under Circular 4/2017)	**203,451**	**825**	**11,168**	**877**	**2,160**	**123**	**13,244**	**5,963**	**-**	**-**	**230,023**	**7,788**
Transfers of financial assets:	(16,187)	(186)	(924)	(73)	(336)	(18)	51	1,441	-	-	(17,396)	1,164
Transfers from Stage 1 to Stage 2 (not credit-impaired)	(1,806)	(44)	1,478	311	-	3	-	-	-	-	(328)	270
Transfers from Stage 2 (not credit - impaired) to Stage 1	2,439	28	(2,409)	(294)	(259)	-	-	-	-	-	(229)	(266)
Transfers to Stage 3	(831)	(5)	(581)	(127)	(98)	(21)	1,451	458	-	-	(59)	305
Transfers from Stage 3 to Stage 1 or 2	436	1	851	117	68	20	(522)	(218)	-	-	833	(80)
Changes without transfers between Stages	(16,425)	(166)	(263)	(80)	(47)	(20)	(878)	1,201	-	-	(17,613)	935
New financial assets originated	22,431	241	906	143	46	51	-	-	-	-	23,383	435
Purchased	2,578	5	133	10	173	-	343	204	-	-	3,227	219
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Repayments	(10,244)	(195)	(359)	(109)	(19)	(19)	(1,151)	(824)	-	-	(11,773)	(1,147)
Write-offs	-	-	-	-	-	-	(2,398)	(2,398)	-	-	(2,398)	(2,398)
Changes in model/ methodology	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange	538	1	-	1	-	-	4	3	-	-	542	5
Modifications that result in derecognition	-	-	-	-	-	-	-	-	-	-	-	-
Modifications that do not result in derecognition	-	-	-	1	-	-	-	289	-	-	-	290
Other	(571)	(17)	82	(79)	(22)	(8)	(117)	(399)	-	-	(628)	(503)
Closing balance	**201,996**	**674**	**11,006**	**771**	**2,002**	**129**	**9,976**	**4,279**	**-**	**-**	**224,980**	**5,853**

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)			
	Gross carrying amount	Loss allowances	Gross carrying amount	Loss allowances (collectively assessed)	Gross carrying amount	Loss allowances (individually assessed)	Gross carrying amount	Loss allowances	Gross carrying amount	Loss allowances	Gross carrying amount	Loss allowances
Opening balance (under Circular 4/2017)	**20,544**	**7**	**-**	**-**	**-**	**-**	**33**	**14**	**-**	**-**	**20,577**	**21**
Transfers of financial assets:	564	(2)	-	-	-	-	(35)	(16)	-	-	529	(18)
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	564	(2)	-	-	-	-	(35)	(16)	-	-	529	(18)
New financial assets originated	3,820	1	-	-	-	-	-	-	-	-	3,820	1
Purchased	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Repayments	(7,669)	(4)	-	-	-	-	-	-	-	-	(7,669)	(4)
Write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Changes in model/ methodology	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange	-	-	-	-	-	-	-	-	-	-	-	-

Modifications that result in derecognition	-	-	-	-	-	-	-	-	-	-	-	-
Modifications that do not result in derecognition	-	-	-	-	-	-	-	11	-	-	-	11
Other	2	6	-	-	-	-	2	(9)	-	-	4	(3)
Closing balance	**17,261**	**8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,261**	**8**

Loan commitments. 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)**			
	Gross carrying amount	**Loss allowances**	**Gross carrying amount**	**Loss allowances (collectively assessed)**	**Gross carrying amount**	**Loss allowances (individually assessed)**	**Gross carrying amount**	**Loss allowances**	**Gross carrying amount**	**Loss allowances**	**Gross carrying amount**	**Loss allowances**
Opening balance (under Circular 4/2017)	**99,415**	**42**	**1,427**	**28**	**789**	**35**	**841**	**151**	**-**	**-**	**102,472**	**256**
Transfers of financial assets:	3,410	(1)	(4)	9	255	2	43	(5)	-	-	3,704	5
Transfers from Stage 1 to Stage 2 (not credit-impaired)	(401)	(5)	58	44	279	-	-	-	-	-	(64)	39
Transfers from Stage 2 (not credit - impaired) to Stage 1	102	2	(107)	(30)	-	-	-	-	-	-	(5)	(28)
Transfers to Stage 3	(126)	(1)	(23)	(3)	(5)	(5)	139	1	-	-	(15)	(8)
Transfers from Stage 3 to Stage 1 or 2	14	3	71	3	5	-	(91)	(2)	-	-	(1)	4
Changes without transfers between Stages	3,821	-	(3)	(5)	(24)	7	(5)	(4)	-	-	3,789	(2)
New financial assets originated	9,125	29	944	18	337	12	126	-	-	-	10,532	59
Purchased	701	3	103	2	8	-	10	6	-	-	822	11
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Repayments	(10,883)	(26)	(339)	(32)	(132)	(20)	(312)	(8)	-	-	(11,666)	(86)
Write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Changes in model/ methodology	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange	986	1	-	1	-	-	5	-	-	-	991	2
Modifications that result in derecognition	-	-	-	-	-	-	-	-	-	-	-	-
Modifications that do not result in derecognition	-	-	-	-	-	-	-	-	-	-	-	-
Other	(667)	(1)	283	9	(535)	(16)	(24)	(1)	-	-	(943)	(9)
Closing balance	**102,087**	**47**	**2,414**	**35**	**722**	**13**	**689**	**143**	**-**	**-**	**105,912**	**238**

December 2017 (Millions of euros)

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

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

5.4 Market risk

5.4.1 Trading portfolio activities

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

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

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

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

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

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

With respect to the risk measurement models used in BBVA, the Bank of Spain authorized the use of the internal model to determine bank capital requirements deriving from risk positions on BBVA's trading book.

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

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.

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

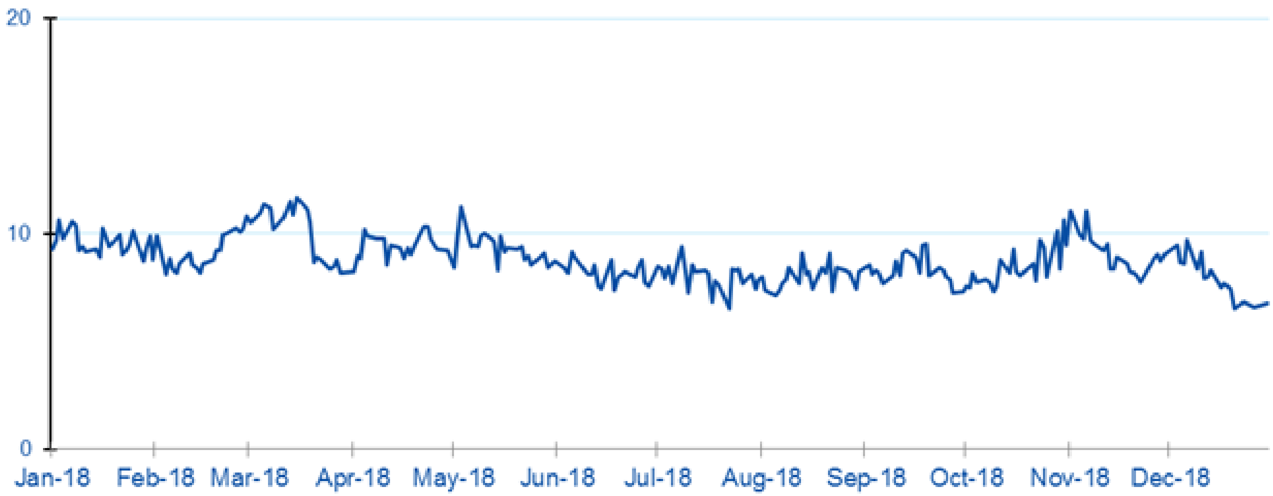
- VaR: In regulatory terms, the charge for VaR Stress is added to the charge for VaR and the sum of both (VaR and VaR Stress) is calculated. This quantifies the loss associated with movements in the risk factors inherent in market operations (interest rate, FX, equity, credit, etc.). Both VaR and Stressed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

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

Market risk in 2018

The Group's market risk remains at low levels compared with the aggregates of risks managed by BBVA, particularly in the case of credit risk. This is due to the nature of the business. In 2018, the market risk of trading book decrease slightly versus the previous year and, in terms of VaR, stood at €7 million at the close of the period.

The average VaR for 2018 stood at €9 million, in comparison with the €12 million registered in 2017, with a high for the year on day March 16, 2017 at €12 million.



By type of market risk assumed by the Bank's trading portfolio, the main risk factor in BBVA at the end of 2018 is linked to the interest rates (this figure includes the spread risk) which represents a 43% of the total weight, increasing its relative weight compared to the year end 2017 (31%). The risk related to volatility and correlation accounts for 27% of the total weight at the end of 2018, decreasing its relative weight compared to the year end 2017 (42%).

Exchange-rate risk accounts for 16% which represents a slight decrease on the figure 12 months prior (15%), while equity risk accounts for 12%, lower than the 13% accounted at the end of 2018.

Market risk by risk factor (Millions of euros)

	2018	2017
Interest + credit spread	8	8
Exchange rate	3	4
Equity	2	3
Volatility	5	11
Diversification effect (*)	(12)	(18)
Total	**7**	**9**
Average VaR	**9**	**12**
Maximum VaR	**12**	**16**
Minimum VaR	**6**	**8**

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

Validation of the model

The internal market risk model is validated on a regular basis by backtesting in both BBVA S.A. and Bancomer. The aim of backtesting is to validate the quality and precision of the internal model used by BBVA

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

Two types of backtesting have been carried out in 2018:

- "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 January 1, 2008 until today), a simulation is performed by resampling of historic observations, generating a loss distribution and profits to analyze most extreme of births in the selected historical window. The advantage of this methodology is that the period of stress is not predetermined, but depends on the portfolio maintained at each time, and making a large number of simulations (10,000 simulations) allows a richer information for the analysis of expected shortfall than what is available in the scenarios included in the calculation of VaR.

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

5.4.2 Structural risk

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

Structural interest-rate risk

The structural interest-rate risk (“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 income at risk (IaR) and economic capital (EC), which are defined as the maximum adverse deviations in net interest income and economic value, respectively, for a given confidence level and time horizon. Impact thresholds are established on these management metrics both in terms of deviations in net interest income and in terms of the impact on economic value. The process is carried out separately for each currency to which the Group is exposed, and the diversification effect between currencies and business units is considered after this.

In order to 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 (gone concern) and from the perspective of net interest income, for which a dynamic model (going concern) consistent with the corporate assumptions of earnings forecasts is used.

In 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 been 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 equity risk

BBVA'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.

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

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.

5.4.3 Financial instrument offset

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

In addition, the Bank has presented as gross amounts assets and liabilities on the 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 counterparts, the collateral agreement annexes called Credit Support Annex (CSA) are included, thereby minimizing exposure to a potential default of the counterparty.

Moreover, in transactions involving assets purchased or sold under a purchase agreement there 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.

The assets and liabilities subject to contractual netting rights at the time of their settlement are presented below as of December 31, 2018.

December 2018(Millions of euros)				Gross Amounts Not Offset in the Condensed Balance Sheets (D)		
	Gross Amounts Recognized (A)	**Gross Amounts Offset in the Condensed Balance Sheets (B)**	**Net Amount Presented in the Condensed Balance Sheets (C=A-B)**	**Financial Instruments**	**Cash Collateral Received/ Pledged**	**Net Amount (E=C-D)**
Trading and hedging derivatives	47,787	16,480	31,308	24,737	6,609	(38)
Reverse repurchase, securities borrowing and similar agreements	27,347	-	27,347	27,384	169	(207)
Total Assets	**75,134**	**16,480**	**58,655**	**52,121**	**6,778**	**(245)**
Trading and hedging derivatives	47,918	17,101	30,816	24,737	5,973	106
Repurchase, securities lending and similar agreements	32,887	-	32,888	32,745	34	109
Total Liabillities	**80,805**	**17,101**	**63,704**	**57,481**	**6,007**	**215**

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

5.5 Liquidity risk

5.5.1 Management of liquidity

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

A liquidity pool is maintained at an individual entity level, both in BBVA, S.A. and in the banking subsidiaries.The table below shows the liquidity available by instrument as of December 31, 2018 based on the prudential supervisory information:

December 2018 (Millions of Euros)	BBVA Eurozone
Cash and withdrawable central bank reserves	26,506
Level 1 tradable assets	29,938
Level 2A tradable assets	449
Level 2B tradable assets	4,040
Other tradable assets	5,661
Non tradable assets eligible for central banks	-
Cumulated Counterbalancing Capacity	**66,594**

December 2017 (Millions of Euros)	BBVA Eurozone (1)
Cash and withdrawable central bank reserves	15,634
Level 1 tradable assets	38,954
Level 2A tradable assets	386
Level 2B tradable assets	4,995
Other tradable assets	6,734
Non tradable assets eligible for central banks	-
Cumulated Counterbalancing Capacity	**66,703**

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

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

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

LCR ratio in Europe came into force on 1st October 2015, with an initial 60% minimum requirement, progressively increased (phased-in) up to 100% in 2018. Throughout the year 2018, LCR level at BBVA Group has been comfortably above 100%. As of December 2018, the ratio level is 127%.

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

Stable customer deposits are defined as the Customer funds captured and managed by business units among their target customers are defined as stable customer funds. These funds usually show little sensitivity to market changes and are largely non-volatile in terms of aggregate amounts per 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 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.

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

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

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

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

In the Euro Liquidity Management Unit (LMU), solid liquidity and funding situation, where activity has continued to generate liquidity through the decrease of Credit Gap. 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 this context, BBVA has maintained its objective of strengthening the funding structure of the different Group entities based on growing their self-funding from stable customer funds, while guaranteeing a sufficient buffer of fully available liquid assets, diversifying the various sources of funding available, and optimizing the generation of collateral available for dealing with stress situations in the markets.

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

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	4,480	25,531	-	-	-	-	-	-	-	-	**30,011**
Deposits in credit entities	-	53	49	20	4	16	21	156	5	414	**738**
Deposits in other financial institutions	-	998	220	65	61	150	1,076	350	860	2,705	**6,487**
Reverse repo, securities borrowing and margin lending	-	20,992	1,655	1,158	805	498	184	1,352	390	210	**27,244**
Loans and Advances	957	9,511	9,780	8,949	6,724	7,042	19,407	14,849	24,189	77,683	**179091**
Securities' portfolio settlement	-	883	3,158	1,528	1,329	6,258	2,883	6,771	2,461	28,922	**54,194**

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	-	1,935	266	116	51	263	3,302	4,618	10,884	17,849	**39,285**
Deposits in financial institutions	2,059	4,055	259	54	94	116	178	5	85	661	**7,567**
Deposits in other financial institutions and international agencies	8,700	3,221	783	26	16	40	45	16	443	837	**14,128**
Customer deposits	139,300	11,386	6,889	5,655	3,689	4,273	2,843	1,419	464	928	**176,845**
Securitiy pledge funding	-	34,700	2,139	2,270	112	35	22,765	374	130	1,491	**64,017**
Derivatives, net	-	(74)	(495)	(86)	6	84	176	(1)	(46)	(500)	**(939)**

December 2017. Contractual Maturities (Millions of euros)

	Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 9 Months	9 to 12 Months	1 to 2 Years	2 to 3 Years	3 to 5 Years	Over 5 Years	Total
ASSETS											
Cash, cash balances at central banks and other demand deposits	2,857	14,093	-	-	-	-	-	-	-	-	**16,949**
Deposits in credit entities	-	561	124	212	60	121	229	168	435	1,483	**3,392**
Deposits in other financial institutions	-	581	2,610	250	111	195	400	510	792	3,752	**9,201**
Reverse repo, securities borrowing and margin lending	-	17,107	3,999	1,921	340	426	815	30	727	226	**25,590**
Loans and Advances	-	9,106	15,210	13,391	7,590	19,095	19,301	18,366	24,936	98,991	**225,985**
Securities' portfolio settlement	-	570	2,480	1,698	1,707	11,755	2,872	2,657	2,634	28,564	**54,937**

December 2017. Contractual Maturities (Millions of euros)

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

5.5.2 Encumbered Assets

As of December 31, 2018, the encumbered (given as collateral for certain liabilities) and unencumbered assets ate broken down as follows:

2018. Assets (Millions of euros)

	Encumbered assets		Unencumbered assets	
	Book value	Fair value	Book value	Fair Value
Equity instruments	1,864	1,864	5,406	5,406
Debt Securities	18,697	18,668	30,001	30,030
Other assets	60,683	-	283,289	-

The committed value of "Loans and Advances and other assets" corresponds mainly to loans linked to the issue of covered bonds, territorial bonds or long-term securitized bonds (see Note 20) as well as those used as a guarantee to access certain funding transactions with central banks. Debt securities and equity instruments 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 operations is also included as committed assets.

As of December 31, 2018 collateral pledge mainly due to repurchase agreements and securities lending, and those which could be committed in order to obtain funding are provided below:

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	Fair value of collateral received or own debt securities issued not available for encumbrance
Collateral received			
Equity instruments	79	82	-
Debt securities	25,502	5,223	-
Other collateral received	-	-	-
Own debt securities issued other than own covered bonds or ABSs	**78**	**87**	**-**

As of December 31, 2018, financial liabilities issued related to encumbered assets in financial transactions as well as their book value were as follows:

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		
Derivatives	6,894	6,988
Loans and Advances	65,784	74,148
Outstanding subordinated debt	18,043	21,300
Other sources	**3,707**	**3,707**

5.6 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 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.

6. 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 New Product Committees responsible for validating and approving new products or types of assets and liabilities before being contracted. The members of these committees, responsible for valuation, are independent from the business (see Note 5).

These areas are required to ensure, prior to the approval stage, the existence of not only technical and human resources, but also adequate informational sources to measure 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 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 Bank, 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 assessment, criteria is established to measure said uncertainty and activity limits are set based on these. Finally, these measurements are compared, as much as possible, against other sources such as the measurements obtained by the business teams or those obtained by other market participants.

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

- Level 1: 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 accounted for approximately 0.50% of financial assets and 0.03% of the Bank's financial liabilities registered at fair value. Model selection and validation is undertaken by control areas outside the business areas.

6.1 Fair value of financial instruments

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

Fair Value and Carrying Amount (Millions of euros)

	Notes	2018 Carrying Amount	2018 Fair Value
ASSETS			
Cash, cash balances at central banks and other demand deposits	7	30,922	30,922
Financial assets held for trading	8	75,210	75,210
Non-trading financial assets mandatorily at fair value through profit or loss	9	1,726	1,727
Financial assets designated at fair value through profit or loss	10	-	-
Financial assets at fair value through other comprehensive income	11	19,273	19,273
Financial assets at amortized cost	12	219,127	220,281
Hedging derivatives	13	1,090	1,090
LIABILITIES			
Financial liabilities held for trading	8	68,242	68,242
Financial liabilities designated at fair value through profit or loss	9	1,746	1,746
Financial liabilities at amortized cost	20	283,157	284,016
Hedging derivatives	13	1,068	1,068

Fair Value and Carrying Amount (Millions of euros)

	Notes	2017 Carrying Amount	2017 Fair Value
ASSETS			
Cash and balances with central banks	7	18,503	18,503
Financial assets held for trading	8	50,424	50,424
Financial assets designated at fair value through profit or loss	9	648	648
Available-for-sale financial assets		24,205	24,205
Loans and receivables		244,232	245,865
Held-to-maturity investments		8,355	8,402
Derivatives – Hedge accounting	13	1,561	1,561
LIABILITIES			
Financial liabilities held for trading	8	43,703	43,703
Financial liabilities at amortized cost	20	305,797	308,546
Hedging derivatives	13	1,327	1,327

The year 2017 is presented for comparison purpose separately due to the implementation of Circular 4/2017.

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.

6.1.1 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 balance sheets, broken down by the measurement technique used to determine their fair value as of December 31, 2018 and 2017:

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

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

	Notes	2018		
		Level 1	Level 2	Level 3
ASSETS				
Financial assets held for trading	8	16,846	58,189	176
Loans and advances		-	28,690	-
Debt securities		9,915	1,491	47
Equity instruments		4,790	-	59
Derivatives		2,141	28,007	69
Non-trading financial assets mandatorily at fair value through profit or loss	9	133	34	1,559
Loans and advances		-	-	1,376
Debt securities		-	27	124
Equity instruments		133	8	59
Financial assets at fair value through other comprehensive income	11	18,768	482	23
Loans and advances		-	-	-
Debt securities		16,815	429	10
Equity instruments		1,953	53	13
Hedging derivatives	13	-	1,090	-
LIABILITIES				
Financial liabilities held for trading	8	11,689	56,445	108
Deposits		-	29,259	-
Trading derivatives		2,455	27,185	108
Other financial liabilities		9,235	-	-
Financial liabilities designated at fair value through profit or loss	10	-	1,746	-
Customer deposits		-	1,746	-
Debt certificates		-	-	-
Other financial liabilities		-	-	-
Derivatives – Hedge accounting	13	-	1,068	-

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

	Notes	2017		
		Level 1	Level 2	Level 3
ASSETS				
Financial assets held for trading	8	14,768	35,368	288
Loans and advances		-	-	-
Debt securities		7,498	168	20
Equity instruments		6,089	33	80
Derivatives		1,181	35,167	187
Financial assets designated at fair value through profit or loss	10	-	648	-
Available-for-sale financial assets		23,473	488	160
Debt securities		21,193	480	154
Equity instruments		2,280	8	6
Hedging Derivatives	13	-	1,561	-
LIABILITIES				
Financial liabilities held for trading	8	8,710	34,874	119
Derivatives		1,105	34,874	119
Short positions		7,606	-	-
Hedging Derivatives	13	-	1,327	-

The year 2017 is presented for comparison purpose separately due to the implementation of Circular 4/2017.

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:

December 2018. Fair Value of financial Instruments by Levels (Millions of euros).

	Level 2	Level 3	Valuation technique(s)	Observable inputs	Unobservable inputs
ASSETS					
Financial assets held for trading	**58,189**	**176**			
Loans and advances	28,690	-	Present-value method (Discounted future cash flows)	- Issuer´s credit risk - Current market interest rates	
Debt securities	1,491	47	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	-	59	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	28,007	69			
Interest rate			Interest rate products (Interest rate swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White y LGM Other Interest rate options: Black, Hull-White y LGM Constant Maturity Swaps: SABR		- Beta - Implicit correlations between tenors - interest rates volatility
Equity			Future and Equity Forward: Discounted future cash flows Equity Options: Local Volatility, Momentum adjustment	- 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	- 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	**34**	**1,559**			
Loans and advances	-	1,376	Present-value method (Discounted future cash flows) Specific criteria for the liquidation of losses established by the EPA protocol	- Issuer credit risk - Current market interest rates	- Prepayment rates - Issuer credit risk - Recovery rates - PD and LGD
Debt securities	27	124	Present-value method (Discounted future cash flows)	- Issuer credit risk - Current market interest rates	- Prepayment rates - Issuer credit risk - Recovery rates
Equity instruments	8	59	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
Financial assets at fair value through other comprehensive income	**482**	**23**			
Hedging derivatives	**1,090**	**-**			
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		

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

Credit			Credit Derivatives: Default model and Gaussian copula		
Commodities			Commodities: Momentum adjustment and Discounted cash flows		

December 2018. Fair Value of financial Instruments by Levels (Millions of euros).

			Valuation technique(s)	Observable inputs	Unobservable inputs
LIABILITIES					
Financial liabilities held for trading	**56,445**	**108**			
Deposits	29,259	-	Present-value method (Discounted future cash flows)	- Correlation default - Recovery rates	
Derivatives	27,185	108	-	-	-
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		
Financial liabilities designated at fair value through profit or loss	**1,746**	**-**	Present-value method (Discounted future cash flows)	- Prepayment rates - Issuer´s credit risk - Current market interest rates	-
Derivatives – Hedge accounting	**1,068**	-			
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		- Correlatio 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 Circular 4/2017 and 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 balance sheet as of December 31, 2018 related to the valuation adjustments to the credit assessment of the derivative asset as "Credit Valuation Adjustments" ("CVA") and the derivative liabilities as "Debit Valuation Adjustment" (DVA) were €-138 million and €-125 million respectively. The impact recorded under "Gains or (-) losses on financial assets and liabilities held for trading, net" in the income statement as for the years ended 2018 and 2017 corresponding to the mentioned adjustments was a net impact of €-28 million and -€25 million respectively. Additionally, as of December 31, 2018 and 2017, €-12 million and €-10 million, respectively, related to the "Funding Valuation Adjustments" ("FVA") were recognized in the 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 balance sheets during the financial years 2018 and 2017, are as follows:

Financial Assets Level 3. Changes in the Period (Millions of euros)

	2018		2017	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Balance at the beginning	**448**	**119**	**210**	**47**
Changes in fair value recognized in profit and loss (*)	(169)	(95)	(20)	(26)
Changes in fair value not recognized in profit and loss	-	-	(5)	-
Acquisitions, disposals and liquidations	1,535	185	180	98
Net transfers to level 3	(55)	(101)	82	-
Exchange differences and others	-	-	-	-
Balance at the end	**1,758**	**108**	**448**	**119**

(*) Profit or loss that is attributable to gains or losses relating to those financial assets and liabilities held as of December 31, 2018 and 2017. Valuation adjustments are recorded under the heading "Gains (losses) on financial assets and liabilities net".

As of December 31, 2018 and 2017, the profit/loss on sales of financial instruments classified as level 3 recognized in the accompanying income statement was not material.

Transfers between levels

The Global Valuation Area, in collaboration with the 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 registered in the portfolio are classified, according to this criterion, by the generating subsidiary. Then, there is a quarterly review of the portfolio in order to analyze the need for a change in classification of any of these assets.

The financial instruments transferred between the different levels of measurement for the year ended December 31, 2018 are recorded at the following amounts in the accompanying balance sheets as of December 31, 2018:

Transfer between levels (Millions of euros)

DE:	Nivel 1		Nivel 2		Nivel 3	
A:	Nivel 2	Nivel 3	Nivel 1	Nivel 3	Nivel 1	Nivel 2
ASSETS						
Financial assets held for trading	1,171	2	2	6	-	2
	-	-	9	62	-	7
Financial assets at fair value through other comprehensive income	134	-	-	-	-	49
Derivatives	-	-	-	52	-	118
Total	**1,305**	**2**	**11**	**120**	**-**	**176**
LIABILITIES-						
Derivatives	-	-	-	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 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	27	(45)	-	(1)
Debt securities	3	(12)	-	-
Equity instruments	3	(8)	-	(1)
Financial assets at fair value through other comprehensive income	-	-	-	-
LIABILITIES-	**-**	**-**	**-**	**-**
Financial liabilities held for trading	-	-	-	-
Total	**33**	**(58)**	**-**	**(1)**

6.2 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 valuationadjusted 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 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)

	Notes	2018		
		Level 1	Level 2	Level 3
ASSETS-				
Cash, cash balances at central banks and other demand deposits	7	30,922	-	-
Financial assets at amortized cost	12	12,490	207,245	545
LIABILITIES				
Financial liabilities at amortized cost	20	57,811	215,634	10,570

The main valuation methods, hypotheses and inputs used to estimate the fair value of financial instruments accounted for at cost and classified in levels 2 and 3 is shown below. These are broken down by type of financial instrument and the balances correspond to those at December 31, 2018:

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

	Level 2	Level 3	Valuation technique(s)	Observable inputs
ASSETS				
Financial assets at amortized cost	**207,245**	**545**	Present-value method (Discounted future cash flows)	-
Central Banks	-	-		- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to credit institutions	5,271	-		- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to customers	195,046	-		- Credit spread - Prepayment rates - Interest rate yield
Debt securities	6,928	545		- Credit spread - Interest rate yield
LIABILITIES				
Financial liabilities at amortized cost	**215,634**	**10,570**		
Central Banks	-	-	Present-value method (Discounted future cash flows)	- Issuer´s credit risk - Prepayment rates - Interest rate yield
Loans and advances to credit institutions	20,517	-		
Loans and advances to customers	192,034	-		
Debt securities	3,084	2,746		
Other financial liabilities	-	7,825		

Equity instruments at cost

Until 2017, there were equity instruments and discretionary profit-sharing arrangements which were recognized at cost in the balance sheets because their fair value could not be estimated in a sufficiently reliable manner. As of December 31, 2017, those equity instruments amounted to €84 million.

7. Cash, cash balances at central and banks and other demands deposits

The breakdown of the balance under the headings "Cash, cash balances at central banks and other demands deposits" in the accompanying balance sheets is as follows:

Cash and cash balances at central banks (Millions of euros)		
	2018	**2017**
Cash on hand	975	906
Cash balances at central banks	27,290	15,858
Other demand deposits	2,656	1,739
Total	**30,922**	**18,503**

8. Financial assets and liabilities held for trading

8.1 Breakdown of the balance

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

Financial Assets and Liabilities Held-for-Trading (Millions of euros)			
	Notes	**2018**	**2017**
ASSETS			
Derivatives		30,217	36,536
Debt securities	5.3.2	11,453	7,686
Equity instruments	5.3.2	4,850	6,202
Loans and advances	5.3.2	28,690	-
Total		**75,210**	**50,424**
LIABILITIES			
Trading derivatives		29,748	36,097
Short positions		9,235	7,606
Deposits		29,259	-
Total		**68,242**	**43,703**

As of December 31, 2018, the heading "Short positions" included €8,486 million from General Goverments.

8.2 Debt securities

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

Financial Assets Held-for-Trading. Debt securities by issuer (Millions of euros)	2018	2017
Issued by Central Banks	24	3
Issued by public administrations	10,642	6,727
Issued by financial institutions	407	477
Other debt securities	380	479
Total	**11,453**	**7,686**

The annual average interest rate of the debt securities included in the portfolio of financial assets held for trading during the year ended December 31, 2018 amounted to 0.368% (0.463% during 2017).

8.3 Equity instruments

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

Financial Assets Held-for-Trading. Equity instruments by Issuer (Millions of euros)	2018	2017
Shares of Spanish companies		
Credit institutions	576	617
Other sectors	522	549
Subtotal	**1,098**	**1,166**
Shares of foreign companies		
Credit institutions	302	342
Other sectors	2,518	3,934
Subtotal	**2,820**	**4,276**
Shares in the net assets of mutual funds	**932**	**760**
Total	**4,850**	**6,202**

8.4 Loans and advances

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

Financial Assets Held-for-Trading. Loans and advances (Millions of euros)	Notas	2018	2017
Loans and advances to central banks		2,073	-
Reverse repurchase agreements	31	*2,073*	-
Loans and advances to credit institutions		14,588	-
Reverse repurchase agreements	31	*13,327*	-
Loans and advances to customers		12,029	-
Reverse repurchase agreements	31	*11,862*	-
Total		**28,690**	**-**

8.5 Deposits

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

Financial Liabilities Held-for-Trading. Deposits (Millions of euros)

		2018	2017
Deposits from central banks		5,149	
Repurchase agreements	31	5,149	
Deposits from credit institutions		15,642	
Repurchase agreements	31	14,776	
Customer deposits		8,468	
Repurchase agreements	31	8,079	
Total		**29,259**	

8.6 Derivates

The derivatives portfolio arises from the Bank's need to manage the risks it is exposed to in the normal course of business and also to market products amongst the large corporations, mutual funds, etc. As of December 31, 2018 and 2017, 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 balance sheets, divided into organized and OTC markets:

December 2018 - Derivatives by type of risk / by product or by type of market (Millions of euros)

	Assets	Liabilities	Notional amount - Total
Interest rate	**18,383**	**17,119**	**2,770,617**
OTC options	1,856	2,338	201,413
OTC other	16,527	14,781	2,552,728
Organized market options	-	-	6,092
Organized market other	-	-	10,383
Equity	**2,792**	**2,683**	**114,511**
OTC options	413	114	35,062
OTC other	244	118	5,933
Organized market options	2,135	2,451	71,086
Organized market other	-	-	2,430
Foreign exchange and gold	**8,812**	**9,682**	**454,595**
OTC options	136	222	19,199
OTC other	8,676	9,460	435,397
Organized market options	-	-	-
Organized market other	-	-	-
Credit	**230**	**264**	**23,341**
Credit default swap	228	264	22,841
Credit spread option	2	-	500
Total return swap	-	-	-
Other	-	-	-
Commodity	**-**	**-**	**-**
Other	**-**	**-**	**-**
DERIVATIVES	**30,217**	**29,748**	**3,363,065**
Of which: OTC - credit institutions	*16,201*	*18,318*	*841,569*
Of which: OTC - other financial corporations	*8,705*	*7,161*	*2,324,091*
Of which: OTC - other	*3,176*	*1,818*	*107,414*

December 2017 - Derivatives by type of risk / by product or by type of market (Millions of euros)	Assets	Liabilities	Notional amount - Total
Interest rate	**24,506**	**22,961**	**1,988,907**
OTC options	2,413	2,544	208,736
OTC other	22,093	20,418	1,761,910
Organized market options	-	-	600
Organized market other	-	-	17,662
Equity	**1,701**	**2,144**	**92,720**
OTC options	462	949	33,935
OTC other	57	91	6,717
Organized market options	1,181	1,105	47,568
Organized market other	-	-	4,500
Foreign exchange and gold	**9,848**	**10,464**	**398,334**
OTC options	205	161	25,378
OTC other	9,643	10,303	372,956
Organized market options	-	-	-
Organized market other	-	-	-
Credit	**481**	**527**	**28,432**
Credit default swap	481	527	28,232
Credit spread option	-	-	200
Total return swap	-	-	-
Other	-	-	-
Commodity	**-**	**-**	**-**
Other	**-**	**-**	**-**
DERIVATIVES	**36,536**	**36,097**	**2,508,392**
Of which: OTC - credit institutions	*20,680*	*22,979*	*823,292*
Of which: OTC - other financial corporations	*11,018*	*10,019*	*1,519,487*
Of which: OTC - other	*3,656*	*1,994*	*95,284*

9. Non-trading financial assets mandatorily at fair value through profit or loss

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

Non-trading financial assets mandatorily at fair value through profit or loss	Notes	2018
ASSETS		
Equity instruments	5.3.2	200
Debt securities	5.3.2	150
Loans and advances to customers	5.3.2	1,376
Total	-	**1,726**

This heading is included with the implementation of Circular 4/2017 on January 1, 2018. There were no balances recorded before (see Notes 2.1 and 2.3).

10. Financial assets and liabilities at fair value through profit or loss

As of December 31, 2018, there was no balance in the heading "Financial assets designated at fair value through profit or loss". As of December 31, 2017, there were repurchase agreements for an amount of €648 million (see Note 5.3.2).

As of December 31, 2018, the heading "Financial liabilities designated at fair value through profit or loss" included customer deposits for an amount of €1,746 million.
The recognition of assets and liabilities in these headings is made to reduce inconsistencies (asymmetries) in the valuation of those operations and those used to manage their risk.

During financial year 2018, there have been no significant reclassifications neither from “Financial assets and liabilities designated at fair value through profit or loss” to other headings nor from other headings to “Financial assets and liabilities designated at fair value through profit or loss”.

11. Financial assets at fair value through other comprehensive income

11.1 Breakdown of the balance

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

Financial assets at fair value through other comprehensive income (Millions of euros)			
	Notes	**2018**	**2017**
Debt securities	5.3.2	17,261	21,848
Impairment losses		(8)	(21)
Subtotal		**17,253**	**21,827**
Equity instruments	5.3.2	2,020	3,598
Impairment losses		-	(1,220)
Subtotal		**2,020**	**2,378**
Total		**19,273**	**24,205**

During financial year 2018, there have been no significant reclassifications neither from “Financial assets at fair value through other comprehensive income” to other headings nor from other headings to “Financial assets at fair value through other comprehensive income”.

11.2 Debt securities

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

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

December 2018 - Financial assets at fair value through other comprehensive income. Debt Securities.(Millions of euros)

	Notes	Amortized Cost (*)	Unrealized Gains	Unrealized Losses	Book Value
Domestic Debt Securities					
Spanish Government and other government agency debt securities		8,971	347	(5)	9,313
Other debt securities		770	16	(1)	785
Issue by Central Banks		-	-	-	-
Issue by credit institutions		239	2	-	241
Issue by other issuers		530	14	(1)	543
Subtotal		**9,741**	**363**	**(6)**	**10,098**
Foreign Debt Securities					
Mexico		512	2	(11)	503
Mexican Government and other government agency debt securities		130	2	-	132
Other debt securities		382	-	(11)	371
Issue by Central Banks		-	-	-	-
Issue by credit institutions		-	-	-	-
Issue by other issuers		382	-	(11)	371
The United States		3,460	18	(13)	3,464
Government securities		2,674	16	-	2,689
US Treasury and other US Government agencies		2,674	16	-	2,689
States and political subdivisions		-	-	-	-
Other debt securities		786	2	(13)	775
Issue by Central Banks		-	-	-	-
Issue by credit institutions		30	1	-	31
Issue by other issuers		756	1	(13)	745
Turkey		-	-	-	-
Turkey Government and other government agency debt securities		-	-	-	-
Other debt securities		-	-	-	-
Issued by Central Banks		-	-	-	-
Issued by credit institutions		-	-	-	-
Issued by other issuers		-	-	-	-
Other countries		3,144	105	(61)	3,188
Other foreign governments and other government agency debt securities		1,798	102	(45)	1,856
Other debt securities		1,346	3	(16)	1,332
Issue by Central Banks		47	-	-	47
Issue by credit institutions		152	-	-	152
Issue by other issuers		1,147	3	(16)	1,134
Subtotal		**7,116**	**125**	**(85)**	**7,155**
Total	**5.3.2**	**16,857**	**488**	**(91)**	**17,253**

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

December 2017 - Available-for-sale financial assets. Debt Securities (Millions of euros)	Notes	Amortized Cost (*)	Unrealized Gains	Unrealized Losses	Book Value
Domestic Debt Securities					
Spanish Government and other government agency debt securities		13,636	437	(14)	14,059
Other debt securities		986	21	-	1,007
Issue by Central Banks		-	-	-	-
Issue by credit institutions		271	3	-	274
Issue by other issuers		715	18	-	733
Subtotal		**14,622**	**458**	**(14)**	**15,066**
Foreign Debt Securities					
Mexico		490	9	-	499
Mexican Government and other government agency debt securities		131	4	-	135
Other debt securities		359	5	-	364
Issue by Central Banks		-	-	-	-
Issue by credit institutions		-	-	-	-
Issue by other issuers		359	5	-	364
The United States		786	6	(3)	789
Government securities		137	-	-	137
US Treasury and other US Government agencies		137	-	-	137
States and political subdivisions		-	-	-	-
Other debt securities		649	6	(3)	652
Issue by Central Banks		-	-	-	-
Issue by credit institutions		30	1	-	31
Issue by other issuers		619	5	(3)	621
Turkey		-	-	-	-
Turkey Government and other government agency debt securities		-	-	-	-
Other debt securities		-	-	-	-
Issued by Central Banks		-	-	-	-
Issued by credit institutions		-	-	-	-
Issued by other issuers		-	-	-	-
Other countries		5,317	227	(71)	5,473
Other foreign governments and other government agency debt securities		4,297	219	(63)	4,453
Other debt securities		1,020	8	(8)	1,020
Issue by Central Banks		46	-	-	46
Issue by credit institutions		176	1	(1)	176
Issue by other issuers		798	7	(7)	798
Subtotal		**6,593**	**242**	**(74)**	**6,761**
Total	**5.3.2**	**21,215**	**700**	**(88)**	**21,827**

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	
	Book value (Millions of Euros)	%	Book value (Millions of Euros)	%
AAA	-	-	-	-
AA+	2,963	17.2%	35	0.2%
AA	20	0.1%	194	0.9%
AA-	50	0.3%	30	0.1%
A+	415	2.4%	148	0.7%
A	237	1.4%	145	0.7%
A-	9,184	53.2%	149	0.7%
BBB+	1,729	10.0%	15,326	70.2%
BBB	2,287	13.3%	4,725	21.6%
BBB-	48	0.3%	144	0.7%
BB+ or below	64	0.4%	166	0.8%
Without rating	257	1.5%	765	3.5%
Total	**17,253**	**100.0%**	**21,827**	**100.0%**

11.3 Equity instruments

The breakdown of the balance under this heading in the accompanying balance sheets as of December 31, 2018 and 2017, are as follows:

December 2018 - Financial assets at fair value through other comprehensive income. Equity Instruments. December 2018 (Millions of euros)

		Amortized Cost	Unrealized Gains	Unrealized Losses	Book Value
Equity instruments listed					
Listed Spanish company shares		2,162	-	(209)	1,953
Credit institutions		-	-	-	-
Other entities		2,162	-	(209)	1,953
Listed foreign company shares		-	-	-	-
United States		-	-	-	-
Other countries		-	-	-	-
Subtotal		**2,162**	**-**	**(209)**	**1,953**
Unlisted equity instruments					
Unlisted Spanish company shares		5	-	-	5
Credit institutions		-	-	-	-
Other entities		5	-	-	5
Unlisted foreign companies shares		36	26	-	62
United States		30	23	-	53
Other countries		6	3	-	9
Subtotal		**41**	**26**	**-**	**67**
Total	**5.3.2**	**2,203**	**26**	**(209)**	**2,020**

December 2017 - Financial assets at fair value through other comprehensive income. Equity Instruments. December 2018 (Millions of euros)		Amortized Cost	Unrealized Gains	Unrealized Losses	Book Value
Equity instruments listed					
Listed Spanish company shares		2,163	-	-	2,163
Credit institutions		-	-	-	-
Other entities		2,163	-	-	2,163
Listed foreign company shares		56	5	(3)	58
United States		-	-	-	-
Other countries		56	5	(3)	58
Subtotal		**2,219**	**5**	**(3)**	**2,221**
Unlisted equity instruments					
Unlisted Spanish company shares		31	23	-	54
Credit institutions		4	-	-	4
Other entities		27	23	-	50
Unlisted foreign companies shares		87	16	-	103
United States		73	16	-	89
Other countries		14	-	-	14
Subtotal		**118**	**39**	**-**	**157**
Total	**5.3.2**	**2,337**	**44**	**(3)**	**2,378**

11.4 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 balance sheets are as follows:

Accumulated other comprehensive income-Items that may be reclassified to profit or loss - Financial assets at fair value through comprehensive income(Millions of euros)	Notes	2018
Balance at the beginning		**547**
Effect of changes in accounting policies (Circular 4/2017)		(10)
Valuation gains and losses		(292)
Income tax		119
Amounts transferred to income		(104)
Other reclassifications		-
Balance at the end	**27**	**260**

In 2018, there were no 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 income statement.

Equity instruments

In 2018, there was 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 income statement. In 2017 the impairment registered were €1,123 million (see Note 42).

Accumulated other comprehensive income-Items that may be reclassified to profit or loss - Financial assets at fair value through comprehensive income(Millions of euros)

	Notes	2018
Balance at the beginning		**36**
Effect of changes in accounting policies (Circular 4/2017)		(25)
Valuation gains and losses		(199)
Income tax		(2)
Amounts transferred to income		-
Other reclassifications		-
Balance at the end	**27**	**(190)**

Financial year 2017

2017 is presented separately due to the implementation of Circular 4/2017:

Accumulated other comprehensive income-Items that may be reclassified to profit or loss - Financial assets at fair value through comprehensive income(Millions of euros)

	Notes	2017
Balance at the beginning		**(205)**
Valuation gains and losses		142
Income tax		37
Amounts transferred to income		609
Other reclassifications		-
Balance at the end	**27**	**583**
Of which:		-
Debt securities		547
Equity instruments		36

12. Financial assets at amortized cost

12.1 Breakdown of the balance

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

Financial asset at amortized cost (Millions of euros)	2018	2017
Loans and advances to central banks	5	28
Loans and advances to credit institutions	5,271	22,105
Debt securities	19,842	18,856
Loans and advances to customers	194,009	211,597
Government	15,889	19,071
Other financial corporations	7,442	19,153
Non-financial corporations	72,487	75,096
Other	98,191	98,277
Total	**219,127**	**252,586**

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".

12.2 Loans and advances to central banks and credit institutions

The breakdown of the balance under the heading "Loans and advances to central banks and credit institutions" according to their nature, is as follows:

Loans and Advances to Central Banks and Credit Institutions (Millions of euros)	Notes	2018	2017
Loans and advances to central banks	5.3.2	5	28
Loans and advances to credit institutions	5.3.2	5,271	22,105
Reverse repurchase agreements	31	84	13,513
Other loans		5,187	8,592
Total		**5,276**	**22,133**
Of which: Impairment losses	5.3.5 / 5.3.2	(7)	(5)

12.3 Loans and advances to customers

The breakdown of the balance under the heading "Loans and advances to costumers", according to their nature, is as follows:

Loans and Advances to Customers (Millions of euros)	Notes	2018	2017
On demand and short notice		216	12,267
Credit card debt		2,243	2,019
Trade receivables		13,040	10,322
Finance leases		4,646	3,454
Reverse repurchase loans	31	-	11,257
Other term loans		170,719	168,259
Advances that are not loans		3,145	4,019
Total (*)	**5.3.2**	**194,009**	**211,597**
Of which:		-	-
Impaired assets	5.3.5	*9,972*	*13,240*
Impairment losses	5.3.5	*(5,832)*	*(6,921)*

As of December 31, 2018, 27.4%, of "Loans and advances to customers" with maturity greater than one year have fixed-interest rates and 72.6% have variable interest rates. As of December 31, 2017, 19%, of "Loans and advances to customers" with maturity greater than one year have fixed-interest rates and 81% have variable interest rates.

The heading "Financial assets at amortized cost –Loans and advances to customers" in the accompanying 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 and not derecognized since the risks or substantial benefits related to them are retained because the Bank granted subordinated loans or other types of credit enhancements that substantially keep all the expected credit losses for the transferred asset or the probable variation of its net cash flows.

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

Securitized Loans (Millions of euros)	2018	2017
Securitized mortgage assets	25,765	28,044
Other securitized assets	3,803	3,872
Total securitized assets	**29,568**	**31,916**

12.4 Debt securities

The breakdown of the balance under the heading "Debts securities", according to the issuer of the debt security, is as follows:

Debt securities (Millions of euros)	Notes	2018	2017
Government		14,046	12,088
Credit institutions		43	231
Other sectors		5,767	6,540
Total bruto	**5.3.2**	**19,856**	**18,859**
Impairment losses	5.3.5	(14)	(3)

As of December 31, 2018 and 2017, the distribution, based on the credit quality (ratings) of the issuers of debt securities classified as financial assets at amortized cost, is as follows:

Financial assets at amortized cost. Debt Securities by Rating

	December 2018		December 2017	
	Book value (Millions of Euros)	%	Book value (Millions of Euros)	%
AAA	38	0.2%	-	-
AA+	71	0.4%	-	-
AA	60	0.3%	41	0.5%
AA-	-	-	-	-
A+	586	3.0%	55	0.7%
A	20	0.1%	-	-
A-	5,909	29.8%	-	-
BBB+	8,264	41.7%	5,667	67.8%
BBB	1,285	6.5%	2,420	29.0%
BBB-	2,599	13.1%	-	-
BB+ or below	168	0.8%	-	-
Without rating	840	4.2%	171	2.1%
Total	**19,842**	**100.0%**	**8,354**	**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 balance sheet. As mentioned in Note 1.3, on January 1, 2018, Circular 4/2017 became effective, therefore, the debt securities previously reclassified are recorded under “Financial assets at amortized cost” in the balance sheet. The following table shows the fair value and carrying amounts of these reclassified financial assets:

Debt Securities reclassified to "Loans and receivables"(Millions of euros)

	As of Reclassification date		As of December 31, 2018		As of December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
General Governments	11,174	11,174	1,442	1,459	6,983	7,030
Other sectors	850	850	25	27	254	256
Total	**12,024**	**12,024**	**1,467**	**1,486**	**7,236**	**7,286**

The following table shows, for the years 2018 and 2017, the amount recorded in the profit and loss account derived from the valuation at amortized cost of the reclassified financial assets, as well as the impact that would have been recorded in the income statement and in the caption "Net equity - Other accumulated comprehensive income", if the reclassification was not made:

Effect on Income Statement and Other Comprehensive Income (Millions of euros)

	2018			2017		
	Recognized in	Effect of not Reclassifying		Recognized in	Effect of not Reclassifying	
	Income Statement	Income Statement	Equity "Accumulated other comprehensive income"	Income Statement	Income Statement	Equity "Accumulated other comprehensive income"
General Governments	40	40	(2)	189	189	(14)
Other sectors	1	1	1	9	9	-
Total	**41**	**41**	**(2)**	**198**	**198**	**(14)**

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

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

Hedging derivatives and fair value changes of the hedged items in portfolio hedge of interest rate risk (Millions of euros)

	2018	2017
ASSETS-		
Derivatives – Hedge accounting	1,090	1,561
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(21)	(25)
LIABILITIES-		
Derivatives – Hedge accounting	1,068	1,327
Fair value changes of the hedged items in portfolio hedges of interest rate risk	-	(7)

As of December 31, 2018 and 2017, the main positions hedged by the Bank and the derivatives assigned to hedge those positions were:

- Fair value hedging:
  - Available-for-sale fixed-interest debt securities and loans and receivables: The interest rate risk of these securities is hedged using interest rate derivatives (fixed-variable swaps) and forward sales.
  - Long-term fixed-interest debt securities issued by the Bank: the interest rate risk of these securities is hedged using interest rate derivatives (fixed-variable swaps).
  - Fixed-interest loans: The equity price risk of these instruments is hedged using interest rate derivatives (fixed-variable swaps).
  - Fixed-interest and/or embedded derivative deposit portfolio hedges: it covers the interest rate risk through fixed-variable swaps. The valuation of the borrowed deposits corresponding to the interest rate risk is in the heading "Fair value changes of the hedged items in portfolio hedges of interest rate risk".
- Cash-flow hedges

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

- Net foreign-currency investment hedges

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

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

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

Derivatives - Hedge accounting. Breakdown by type of risk and type of hedge. December 2018 (Millions of euros)

	2018		2017	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate	**860**	**396**	**1,090**	**768**
OTC options	1	141	110	111
OTC other	859	255	979	657
Organized market options	-	-	-	-
Organized market other	-	-	-	-
Equity	**-**	**-**	**-**	**-**
Foreign exchange and gold	**-**	**-**	**-**	**-**
Credit	**-**	**-**	**-**	**-**
Commodity	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**
FAIR VALUE HEDGES	**860**	**396**	**1,090**	**768**
Interest rate	**112**	**349**	**137**	**386**
OTC options	-	-	-	-
OTC other	112	349	137	386
Organized market options	-	-	-	-
Organized market other	-	-	-	-
Equity	**-**	**-**	**-**	**-**
Foreign exchange and gold	**-**	**3**	**-**	**-**
OTC options	-	-	-	-
OTC other	-	3	-	-
Organized market options	-	-	-	-
Organized market other	-	-	-	-
Credit	**-**	**-**	**-**	**-**
Commodity	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**
CASH FLOW HEDGES	**112**	**352**	**137**	**386**
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	**92**	**231**	**301**	**15**
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	**26**	**90**	**33**	**158**
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	**-**	**-**	**-**	**-**
DERIVATIVES-HEDGE ACCOUNTING	**1,090**	**1,068**	**1,561**	**1,327**
of which: OTC - credit institutions	*1,028*	*941*	*1,173*	*1,178*
of which: OTC - other financial corporations	*62*	*126*	*388*	*139*
of which: OTC - other	-	*2*	-	*10*

The cash flows forecasts for the coming years for cash flow hedging recognized on the accompanying balance sheet as of December 31, 2018 are:

Cash Flows of Hedging Instruments (Millions of euros)

	Entre 3 meses o menos	Entre 3 meses y 1 año	Entre 1 año y 5 años	Más de 5 años	Total
Receivable cash inflows	10	31	182	96	319
Payable cash outflows	18	47	219	113	397

The above cash flows will have an effect on the income statements until the year 2058.

In 2018 and 2017, there was no reclassification in the accompanying income statements of any amount corresponding to cash flow hedges that was previously recognized in equity.

The amount for derivatives designated as accounting hedges that did not pass the effectiveness test in December 31, 2018 and 2017 were not material.

14 Investments in subsidiaries, joint ventures and associates

14.1 Investments in Group entities

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

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

Subsidiaries: Breakdown by entities (Millions of euros)

	2018	2017
Subsidiaries		
By currency:	**45,575**	**42,722**
In euros	19,328	16,467
In foreign currencies	26,247	26,255
By share price	**45,575**	**42,722**
Listed	6,865	7,076
Unlisted	38,710	35,646
Impairment losses	**(15,941)**	**(12,418)**
Total	**29,634**	**30,304**

During the year ended December 31, 2018, the negative evolution of the Turkish economy caused a depreciation of the Turkish lira and a generalized fall in the prices of companies in the stock markets.

In accordance with the accounting standards applicable to the individual financial statements, the Bank holds the stake in Turkiye Garanti Bankasi, A.S. ("Garanti Bank") valued at historic cost (weighted average price in euros of the various acquisitions made since 2011) and at each closing date the recoverability of the investment in euros is evaluated whenever there is any indication of impairment.

As of December 31, 2018, BBVA estimated a deterioration in its holding stake in Garanti Bank affecting the Bank's individual financial statements. This estimation had a net negative impact on the profit of the Bank, net of taxes, of 1,517 million euros, which is mainly as a result of the depreciation of the Turkish Lira. The Net Equity of the Bank was reduced by the same amount and the impact on the CET1 Fully Loaded ratio was approximately -10 basis points.

This impairment had no impact on the consolidated financial statements of the BBVA Group, since currency translation differences are recognized under "Other accumulated comprehensive income" of the Group's consolidated equity, in accordance with the accounting standards applicable to the consolidated financial statements, so that the depreciation of the Turkish Lira was already recorded, reducing the consolidated net equity of the Group.

The changes in 2018 and 2017 in the balance under this heading in the balance sheets, disregarding the balance of the impairment losses, are as follows:

Subsidiaries: Changes in the Year (Millions of euros)

Balance at the beginning	**42,722**	**42,656**
Acquisitions and capital increases	5,438	1,026
Merger transactions	(426)	-
Disposals and capital reductions	(1,713)	(551)
Transfers	(676)	(67)
Exchange differences and others	230	(342)
Balance at the end	**45,575**	**42,722**

Changes in the holdings in Group entities

The most notable transactions performed in 2018 and 2017 are as follows:

Significant changes in the Group in 2018

Investments

Mergers

BBVA Portugal, S.A.

On October 19, 2018, the merger by absorption of BBVA Portugal, S.A. by BBVA, S.A., which has led to a reduction in the gross balance of investments in Group entities of 355 million euros (see Annex XIV).

BBVA Renting, S.A.U.

On July 13, 2018, the merger by absorption of BBVA Renting, S.A.U. by BBVA, S.A., which meant a reduction in the gross balance of investments in Group entities of 90 million euros (see Annex XIV).

Monetary contributions of partners to real estate companies in Spain

In December 2018, BBVA made contributions to several real estate companies in Spain for a total amount of €4,243 million, among which stand out Anida Grupo Inmobiliario, S.L. amounting to €2,683 million, Unnim Sociedad para la Gestión de Activos Inmobiliarios, S.A. Unipersonal for the amount of €723 million, Gescat Vivendes in Comercialització, S.L.U. for the amount of €470 million and Iridion Solucions Immobiliaries, S.L.U for an amount of €131 million. These contributions implied a transfer of "Provisions - Remaining Provisions" to "Impairment of Investments in Dependent Entities" for a total amount of €2,129 million (see Note 21).

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 1,349 million. The transaction results in a capital gain of €864 million, which was recognized in the heading "Profit (loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" (see Note 45).

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

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

The Business comprises: (i) foreclosed real estate assets (the "REOs"), with a gross book value of approximately €13,000 million, taking as starting point the situation of the REOs on June 26, 2017; and (ii) the necessary assets and employees to manage the Business in an autonomous manner. For the purpose of the agreement with Cerberus, the whole Business was valued at approximately €5.000 million.

On October 10, 2018, after obtaining all required authorizations, BBVA completed the transfer. Closing of the transaction has resulted in the sale of 61.77% of the share capital of the company Divarian Propiedad, S.A., company to which BBVA has previously contributed the Business, to an entity managed by Cerberus.

Divarian is the company to which the BBVA Group previously contributed the Business, although the effective transfer of some REOs is subject to compliance with certain conditions. The final price to be paid by Cerberus will be adjusted according to the REOs that are finally contributed. BBVA estimates the transaction did not have a significant impact on BBVA Group's attributable profit.

Refund of premium in BBVA Seguros, S.A., of Insurance and Reinsurance

On April 26, 2018, BBVA received the return of the issue premium of BBVA Seguros, S.A., of Insurance and Reinsurance, which entailed a reduction of €368 million in the book value.

Distribution of voluntary reserves of Compañía Chilena de Inversiones, S.L.

On May 24, 2018, BBVA recorded a reduction in the cost of this participation of €359 million derived from the distribution of reserves.

Significant changes in the Group in 2017

Investments

On February 21, 2017, BBVA Group entered into an agreement for the acquisition from Dogus Holding A.S. and Dogus Arastirma Gelistirme ve Musavirlik Hizmetleri A.S of 41,790,000,000 shares of Turkiye Garanti Bankasi, A.S. ("Garanti Bank"), amounting to 9.95% of the total issued share capital of Garanti Bank. On March 22, 2017, the sale and purchase agreement was completed, and therefore BBVA´s total stake in Garanti Bank as of December 31, 2017 amounts to 49.85%.

Refund of premium in BBVA América, S.L.

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

Sale of BBVA Autorenting, S.A.

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

14.2 Investments in joint ventures and associates

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

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

	2018	2017
Associates Entities	-	-
By currency	**1,102**	**519**
In euros	885	401
In foreign currencies	217	118
By share price	**1,102**	**519**
Listed	*289*	-
Unlisted	*813*	*519*
Impairment losses	**(60)**	**(86)**
Subtotal	**1,042**	**433**
Joint ventures	**-**	**-**
By currency	**59**	**59**
In euros	*59*	*59*
In foreign currencies	-	-
By share price	**59**	**59**
Listed	-	-
Unlisted	*59*	*59*
Impairment losses	**(1)**	**(1)**
Subtotal	**58**	**58**
Total	**1,100**	**491**

The investments in associates as of December 31, 2018, as well as the most important data related to them, can be seen in Appendix III.

The following is a summary of the gross changes in 2018 and 2017 under this heading in the accompanying balance sheets:

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

Balance at the beginning	**-**	**578**	**487**
Acquisitions and capital increases		645	91
Losses due to merger transactions		-	-
Disposals and capital reductions		-	-
Transfers		(62)	(1)
Exchange differences and others		-	1
Balance at the end	**-**	**1,161**	**578**

Sale of Testa Residencial, SOCIMI, S.A.

On April 27, 2018, BBVA purchased BBVA Propiedad, S.A.U. (company owned by the BBVA Group) an additional stake in Testa Residencial, SOCIMI, S.A. for €387 million.

On September 14, 2018, BBVA reached an agreement with Tropic Real Estate Holding, S.L.U., a company managed by Blackstone, for the sale of the stake in Testa Residencial, SOCIMI, S.A for an amount of €469 million. On this date, the stake share was reclassified from "Investments in Associates" to "Non-current assets and disposable groups classified as held for sale" (see Note 19).

On December 21, 2018, the sale of the total stake was made at the sale price agreed in September 2018, without generating significant impacts on the financial statements.

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

14.3 Notifications about acquisition of holdings

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

14.4 Impairment

The breakdown of the changes in impairment losses in 2018 and 2017 under this heading is as follows:

Impairment (Millions of euros)			
	Notes	2018	2017
Balance at the beginning	**-**	**12,505**	**12,925**
Increase in impairment losses charged to income	43	1,612	74
Decrease in impairment losses credited to income	43	(75)	(281)
Merger transactions		(103)	-
Amount used		(37)	(42)
Transfers (*)		2,100	(171)
Balance at the end		**16,002**	**12,505**

15 Tangible assets

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

Tangible Assets. Breakdown by Type of Assets and Changes in the year 2018 (Millions of euros)

		For Own Use					
	Notes	Land and Buildings	Work in Progress	Furniture, Fixtures and Vehicles	Total Tangible Asset of Own Use	Investment Properties	Total
Revalued cost -							
Balance at the beginning		**1,226**	**-**	**3,437**	**4,663**	**33**	**4,696**
Additions		278	-	94	372	-	372
Contributions from merger transactions (*)							
Retirements		(22)	-	(354)	(376)	-	(376)
Transfers		(87)	-	(27)	(114)	(17)	(131)
Exchange difference and other		-	-	1	1	-	1
Balance at the end		**1,408**	**-**	**3,207**	**4,615**	**16**	**4,631**
Accrued depreciation -							
Balance at the beginning		**235**	**-**	**2,581**	**2,816**	**5**	**2,821**
Additions	40	13	-	138	151	-	151
Contributions from merger transactions		6	-	53	59	-	59
Retirements		(8)	-	(272)	(280)	-	(280)
Transfers		(32)	-	(15)	(47)	(3)	(50)
Exchange difference and other		-	-	1	1	-	1
Balance at the end		**214**	**-**	**2,486**	**2,700**	**2**	**2,702**
Impairment -							
Balance at the beginning		**260**	**-**	**-**	**260**	**16**	**276**
Additions	43	-	-	27	27	-	27
Retirements		(5)	-	-	(5)	-	(5)
Transfers		(77)	-	-	(77)	(4)	(81)
Exchange difference and other		-	-	(27)	(27)	-	(27)
Balance at the end		**178**	**-**	**-**	**178**	**12**	**190**
Net tangible assets -							
Balance at the beginning		**731**	**-**	**856**	**1,587**	**12**	**1,599**
Balance at the end		**1,016**	**-**	**721**	**1,737**	**2**	**1,739**

“Contributions from merger transactions” shows tangible assets of merged company BBVA Portugal (see Note 14.1).

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

As of December 31, 2018 and 2017, the cost of fully depreciated tangible assets that remained in use were €1,606 million and €1,630 million, respectively.

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

Branches by Geographical Location (Number of branches)

	2018	2017
Spain	2,840	3,019
Rest of the world	25	14
Total	**2,865**	**3,033**

As of December 31, 2018 and 2017, the percentage of branches leased from third parties in Spain was 67% and 70%, respectively.

16 Intangible assets

The breakdown of the balance under this heading in the balance sheets as of December 31, 2018 and 2017 relates mainly to the net balance of the disbursements made on the acquisition of computer software. The average life of the Bank's intangible assets is 5 years.

The breakdown of the changes in 2018 and 2017 in the balance under this heading in the balance sheets is as follows:

Other Intangible Assets. Changes Over the Period (Millions of euros)

	Notes	2018	2017
Balance at the beginning		**882**	**942**
Additions		314	275
Contributions from merger transactions		3	-
Amortization in the year	40	(301)	(335)
Balance at the end		**898**	**882**

"Contributions from merger transactions" shows intangible assets of merged company BBVA Portugal (see Note 14.1).

17. Tax assets and liabilities

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

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

During the year, the Bank has carried out an intra-community cross-border merger by absorption of Banco Bilbao Vizcaya Argentaria (Portugal), S.A. as well as a merger by absorption of BBVA Renting. These transactions have carried out under the special regime for mergers, divisions, transfers of assets and exchanges of securities provided for in Chapter VII of Title VII of the Corporate Tax Law, approved by Law 27/2014, of November 27.

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

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

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

17.1 Years open for review by the tax authorities

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

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

In view of the different interpretations that can be made of some applicable tax legislation, the outcome of the tax inspections of the open years that could be conducted by the tax authorities in the future could give rise to contingent tax liabilities which cannot be objectively quantified at the present time. However, the Bank 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 Bank's financial statements.

17.2 Reconciliation

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

Reconciliation of the Corporate Tax Expense Resulting from the Application of the Standard Rate and the Expense Registered by this Tax (Millions of euros)

	2018	2017
Corporation tax	**742**	**732**
Decreases due to permanent differences:	-	-
Tax credits and tax relief at consolidated Companies	(53)	(23)
Other items net	(814)	(547)
Net increases (decreases) due to temporary differences	24	29
Charge for income tax and other taxes		
Deferred tax assets and liabilities recorded (utilized)	(24)	(29)
Income tax and other taxes accrued in the period	**(126)**	**162**
Adjustments to prior years' income tax and other taxes	284	195
Income tax and other taxes	**159**	**357**

The item "Other taxes" of the above table includes in 2018 the effect in income tax of those dividends and capital gains entitled to avoid double taxation of €4.061 million.

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

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

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

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

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

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

Year	Millions of Euros
2008	61
2009	59
2010	202

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

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

In 2018, following the approval of Royal Decree-Law 3/2016, of December 2, by which certain measures in the tax field directed to the consolidation of the public finances and other urgent measures in social matter are adopted, the Bank has included in its tax base €116 million as a reversal of the impairment losses on instruments representing participation in the capital or in the equity of companies which have been tax deductible from the tax base of Corporate Income Tax in tax periods started prior to January, 1, 2013. The amount pending to be included in the tax base at closure and from the investees amounted to €176 million approximately.

Millions of Euros	2018
Pending addition to taxable income as of December 31, 2017 (*)	**292**
Decrease income (included) 2017	(116)
Sales and liquidations 2017	-
Pending addition to taxable income as of December 31, 2018	**176**

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

In the year 2018, and as a consequence of what is established in the transitory provision thirty-ninth of the Corporate Income Tax Law, according to Royal Decree-Law 27/2018, of December 28, by which they are adopted certain measures in tax and cadastral matters, the Bank has made a decrease of €44 million in its tax base, as the first third of the charges and credit to reserves accounts for the first application of Circular 4/2017 and which are considered deductible as of January 1, 2018. The amount pending to be included at closure is approximately €87 million.

Integration in tax base of accounting adjustments for the first application of Circular 4/2017 (Millions of Euros)	2018
Deductible expense as of January 1, 2018	**131**
Decrease included 2018	(44)
Pending addition to taxable income as of December 31, 2018	**87**

17.3 Tax recognized in equity

In addition to the income tax registered in the income statements, in 2018 and 2017 the Bank recognized the following amounts in equity:

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

Tax Recognized in Total Equity (Millions of euros)		
	2018	**2017**
Charges to total equity		
Debt securities	(161)	(235)
Equity instruments	(8)	(5)
Other	-	-
Subtotal	**(169)**	**(240)**
Credits to total equity		
Debt securities	-	-
Equity instruments	-	-
Other	74	75
Subtotal	**74**	**75**
Total	**(95)**	**(165)**

17.4 Current and deferred taxes

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

Tax Assets and Liabilities. Breakdown (Millions of euros)			
	2018	**2017**	**Variation**
Tax assets-			
Current tax assets	1,410	1,030	380
Deferred tax assets	12,580	11,881	699
Pensions	273	273	-
Financial Instruments	412	352	60
Other assets	282	284	(2)
Impairment losses	228	62	166
Other	463	286	177
Secured tax assets (*)	9,357	9,355	2
Tax losses	1,565	1,269	296
Total	**13,990**	**12,911**	**1,079**
Tax Liabilities-			
Current tax liabilities	126	123	3
Deferred tax liabilities	1,071	1,116	(45)
Charge for income tax and other taxes	1,071	1,116	(45)
Total	**1,197**	**1,239**	**(42)**

(*) The Law guaranteeing the deferred tax assets have been approved in Spain in 2013. In the year 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 (see Note 14.1).

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

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

- The increase in deferred tax assets related to Impairment losses and Financial Instruments is due mainly to the first applications of Circular 4/2017, increasing of accounting provisions for credit risk. The decrease in deferred tax liabilities is a net of the increase in those relating to Financial Instruments due to the first implementation of Circular 4/2017, while the valuation adjustments and those related to real estate are reduce.
- The increase in tax losses is due to the adjustments on the corporate income tax finally presented for year 2017 and due to the generation in 2018 of negative tax bases and deductions.

Of the assets and liabilities due to deferred tax contained in the above table, those included in section 17.3 above have been recognized against the entity's equity, and the rest against earnings for the year or, in its case, Reserves.

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

Secured tax assets (Millions of euros)		
	2018	**2017(*)**
Pensions	1,924	1,924
Impairment losses	7,433	7,431
Total	**9,357**	**9,355**

(*) In 2017 guaranteed deferred tax assets also existed in Portugal but in 2018 they lost the guarantee.

On the other hand, BBVA, S:A. has not recognized certain deductible temporary differences, negative tax bases and deductions for which, in general, there is no legal period for offsetting, which are mainly originated by Catalunya Banc.

18. Other assets and liabilities

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

Other Assets and Liabilities (Millions of euros)			
	Notes	**2018**	**2017**
ASSETS			
Insurance contracts linked to pensions	**22**	**2,032**	**2,142**
Rest of other assets		**2,155**	**1,626**
Transactions in progress		107	49
Accruals		212	190
Unaccrued prepaid expenses		48	49
Other prepayments and accrued income		164	142
Other items		1,837	1,387
Total	-	**4,187**	**3,768**
LIABILITIES			
Transactions in transit		11	70
Accrued interest		962	947
Unpaid accrued expenses		788	776
Other accrued expenses and deferred income		174	172
Other items		1,023	1,190
Total	-	**1,996**	**2,207**

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

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

Non-current assets and disposal groups classified as held for sale: Breakdown by items (Millions of euros)		
	2018	**2017**
Foreclosures and recoveries	1,259	2,991
Foreclosures	1,218	2,863
Recoveries from financial leases	40	128
Other assets from tangible assets	243	414
Property, plant and equipment	243	414
Operating leases	-	-
Investment properties	-	-
Business sale - Assets	-	-
Accrued amortization (*)	(32)	(65)
Impairment losses	(405)	(1,114)
Total Non-current assets and disposal groups classified as held for sale	**1,065**	**2,226**

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

The changes in the balances under this heading in 2018 and 2017 are as follows:

Non-Current Assets Held-for-Sale. Changes in the year 2018 (Millions of euros)

	Notes	Foreclosed Assets: Foreclosed Assets through Auction Proceeding	Foreclosed Assets: Recovered Assets from Finance Leases	From Own Use Assets (*)	Other assets (**)	Total
Cost (1)						
Balance at the beginning		**2,863**	**128**	**349**	**-**	**3,340**
Additions		495	37	4	-	536
Contributions from merger transactions		47	4	-	-	51
Retirements (sales and other decreases)		(1,983)	(120)	(223)	(737)	(3,063)
Transfers, other movements and exchange differences		(203)	(9)	81	737	606
Balance at the end		**1,219**	**40**	**211**	**-**	**1,470**
Impairment (2)						
Balance at the beginning		**880**	**41**	**193**	**-**	**1,114**
Additions	45	(100)	3	2	-	(95)
Contributions from merger transactions		5	-	-	-	5
Retirements (sales and other decreases)		(525)	(34)	(101)	(10)	(670)
Other movements and exchange differences		10	3	28	10	51
Balance at the end		**270**	**13**	**122**	**-**	**405**
Balance at the end of Net carrying value (1)-(2)		**949**	**27**	**89**	**-**	**1,065**

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

(**) Corresponds to the sale of BBVA Inversiones Chile S.A. and Testa Residencial SOCIMI, S.A. (See Note 14).

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

	Notes	Foreclosed Assets: Foreclosed Assets through Auction Proceeding	Foreclosed Assets: Recovered Assets from Finance Leases	From Own Use Assets (*)	Other assets (**)	Total
Cost (1)						
Balance at the beginning		**3,349**	**138**	**281**	**-**	**3,768**
Additions		597	27	1	-	625
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(826)	(32)	(121)	(68)	(1,047)
Transfers, other movements and exchange differences		(257)	(5)	188	68	(6)
Balance at the end		**2,863**	**128**	**349**	**-**	**3,340**
Impairment (2)						
Balance at the beginning		**1,044**	**32**	**177**	**-**	**1,253**
Additions	45	38	13	1	-	52
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(221)	(6)	(42)	-	(269)
Other movements and exchange differences		19	2	57	-	78
Balance at the end		**880**	**41**	**193**	**-**	**1,114**
Balance at the end of Net carrying value (1)-(2)		**1,983**	**87**	**156**	**-**	**2,226**

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

(**) Corresponds to the sale of BBVA Autorenting, S.A.

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

Non-Current Assets Held for Sale. From Foreclosures or Recoveries (Millions of euros)

	2018	2017
Residential assets	854	1,675
Industrial assets	106	367
Agricultural assets	13	28
Total (*)	**976**	**2,070**

(*) As of December 31, 2018, €3 million included related to recovered assets from finance leases.

As indicated in Note 2.3, "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.

The table below shows the length of time for which the main assets from foreclosures or recoveries that were on the balance sheet as of December 31, 2018 and 2017 had been held:

Non-Current Assets Held for Sale. Period of Ownership (Millions of euros)		
	2018	**2017**
Up to one year	339	267
From 1 to 3 years	271	740
From 3 to 5 years	199	656
Over 5 years	167	407
Total (*)	**976**	**2,070**

(*) As of December 31, 2018, €3 million included related to recovered assets from finance leases.

In 2018 and 2017, some of the sales of these assets were financed by the Bank. The amount of the loans granted to the buyers of these assets in those years totaled €66 and €201 million respectively, with a mean percentage financed of 90% and 91%, respectively, of the price of sale. The total nominal amount of these loans, which are recognized under "Loans and receivables", is €1,607 and €1,520 million, as of December 31, 2018 and 2017, respectively.

As of December 31, 2018 and 2017, there were no gains not recognized in the income statement from the sale of assets financed by the Bank.

20. Financial liabilities at amortized cost

20.1 Breakdown of the balance

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

Financial liabilities measured at amortised cost (Millions of euros)			
	Notes	**2018**	**2017**
Deposits		239,563	263,376
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
Total		**283,157**	**305,797**

(*) As of December 31, 2018 and 2017, balance relating to repurchase agreements amounted to €0 million and €2,037, respectively (see Note 31).

20.2 Deposits from credit institutions

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

Deposits from credit institutions (Millions of euros)			
	Notes	**2018**	**2017**
Deposits with agreed maturity		9,898	15,749
Demand deposits		6,188	1,908
Repurchase agreements	31	4,453	22,942
Total		**20,539**	**40,599**

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

December 2018 Deposits from Credit Institutions (Millions of euros)

	Demand Deposits & Reciprocal Accounts	Deposits with Agreed Maturity	Repurchase Agreements	Total
Spain	1,977	2,621	55	4,652
Rest of Europe	2,924	3,583	4,397	10,904
Mexico	149	-	-	149
South America	728	420	-	1,148
The United States	211	895	-	1,107
Rest of the world	199	2,379	-	2,578
Total	**6,188**	**9,898**	**4,453**	**20,539**

December 2017 Deposits from Credit Institutions (Millions of euros)

Spain	744	3,997	879	5,620
Rest of Europe	591	7,777	21,704	30,072
Mexico	63	55	-	118
South America	415	755	-	1,170
The United States	22	1,442	-	1,464
Rest of the world	73	1,723	359	2,155
Total	**1,908**	**15,749**	**22,942**	**40,599**

(*) Not included accrued interest.

20.3 Customer deposits

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

Customer deposits (Millions of euros)

	Notes	2018	2017
Government and other government agencies		10,478	7,845
Demand deposits		138,717	126,808
Fixed-term deposits		42,495	54,915
Reverse repos	31	429	4,648
Other accounts		300	429
Total		**192,419**	**194,645**

Previous table includes as of 31, December 2018 and 2017, subordinated deposits amounted to €300 million and €430 million, respectively, vinculated to subordinated debt issues and preferred shares launched by BBVA International Preferred, S.A.U., BBVA Subordinated Capital, S.A.U., BBVA Global Finance, Ltd., Caixa Terrassa Societat de Participacions Preferents, S.A. Unipersonal and CaixaSabadell Preferents, S.A. Unipersonal which are unconditionally and irrevocably secured by the Bank.

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

December 2018 - Customer Deposits (Millions of euros)

	Demand Deposits	Savings Deposits	Deposits with Agreed Maturity	Repos	Total
Spain	102,243	39,235	28,723	-	170,201
Rest of Europe	5,181	336	10,306	429	16,253
Mexico	217	27	243	-	487
South America	623	116	1,286	-	2,026
The United States	229	32	1,104	-	1,365
Rest of the world	436	236	1,417	-	2,088
Total	**108,929**	**39,982**	**43,079**	**429**	**192,419**

December 2017 - Customer Deposits (Millions of euros) (*)

	Demand Deposits	Savings Deposits	Deposits with Agreed Maturity	Repos	Total
Spain	93,781	34,876	41,779	2,659	173,095
Rest of Europe	3,687	311	8,520	1,989	14,507
Mexico	203	22	288	-	513
South America	533	102	1,354	-	1,989
The United States	181	23	2,476	-	2,680
Rest of the world	595	196	1,070	-	1,861
Total	**98,980**	**35,530**	**55,487**	**4,648**	**194,645**

(*) Not included accrued interest.

20.4 Debt certificates

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

Debt certificates (Millions of euros)	2018	2017
In Euros	**32,271**	**30,339**
Promissory bills and notes	-	967
Non-convertible bonds and debentures	9,573	7,589
Mortgage Covered bonds(**)	12,313	12,318
Hybrid financial instruments	-	-
Other securities	642	500
Accrued interest and others (*)	715	711
Subordinated liabilities	9,030	8,254
Convertible	5,490	4,500
Convertible perpetual securities	*5,490*	*4,500*
Non-convertible	3,417	3,671
Preferred Stock	-	-
Other subordinated liabilities	*3,417*	*3,671*
Valuation adjustments (*)	123	83
In Foreign Currency	**3,498**	**3,827**
Promissory bills and notes	439	404
Non-convertible bonds and debentures	1,132	1,097
Mortgage Covered bonds (**)	111	112
Hybrid financial instruments	-	-
Other securities associated to financial activities	-	-
Securitization bonds made by the Group	-	-
Other securities	544	-
Accrued interest and others (*)	13	11
Subordinated liabilities	1,259	2,203
Convertible	873	2,085
Convertible perpetual securities	*873*	*2,085*
Non-convertible	383	117
Preferred Stock	-	-
Other subordinated liabilities	*383*	*117*
Valuation adjustments (*)	3	1
Total	**35,769**	**34,166**

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

(**) See Appendix X.

As of December 31, 2018 and 2017, 56% and 36% of ''Debt certificates'' have fixed-interest rates, and 44% and 64% have variable interest rates, respectively.

The total cost of the accrued interest under “Debt certificates” in 2018 and 2017 totaled €618 million and €550 million, respectively.

As of December 31, 2018 and 2017 the accrued interest pending payment from promissory notes and bills and bonds and debentures amounted to €378 million and €275 million, respectively.

The headings “Nonconvertible bonds and debentures at floating interest rate" and “Non-convertible bonds and debentures at fixed rate” as of December 31, 2018 include several issues, the latest maturing in 2039.

The "Covered Bonds" account as of December 31, 2018 includes issues with various maturities, the latest in 2037.

Subordinated liabilities included in this heading and in Note 20.2, and accordingly, for debt seniority purposes, they rank behind ordinary debt, but ahead of the Bank’s shareholders, without prejudice to any different seniority that may exist between the different types of subordinated debt instruments according to the terms and conditions of each issue. The breakdown of this heading in the accompanying balance sheets, disregarding valuation adjustments, by currency of issuance and interest rate is shown in Appendix VII.

The variations of the balance under this heading are mainly the result of the following transactions:

During 2017, for certain issuances initially carried out by companies belonging to the BBVA Group, a replacement has been carried out as issuer of these companies by BBVA, S.A. This change has been carried out for issuances initially made by BBVA Senior Finance S.A. Unipersonal in euros and in currency, for a total amount of €1,367 million. as well as subordinated issuances made by BBVA Subordinated Capital, S.A Unipersonal, amounting to €1,618 million. Deposit contracts between the Bank and the aforementioned companies have also been cancelled. This has meant the reclassification of these amounts from "Customer deposits" (see Note 20.3) to "Debt certificates issued".

- Perpetual securities eventually convertible.

  In May 2018, maturity of the issuance of preferred securities contingently convertible (additional tier 1 instrument) in ordinary shares of BBVA, with exclusion of pre-emptive subscription rights of shareholders, for an amount of USD1.5 billion.

  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 (see Note 23).

  On May 24, and November, 14, 2017 and November 14, 2017, BBVA carried out issuances of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of €500 million and €1,000 million, respectively (see Note 23).

  Such issuances were targeted only towards qualified foreign investors, are listed on the Irish Stock Exchange and in any case would not be made or subscribed in Spain or by Spanish-resident investors.

  These convertible perpetual securities could be subject into common shares if the trigger event occurs, that is, if BBVA's Common Equity Tier 1 capital ratio falls below 5.125% among other events.

  These issuances may be fully amortized, to option of BBVA, only in the cases included in its terms and conditions, and in any case, in accordance with the provisions of the applicable regulations.

20.5 Other financial liabilities

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

Other financial liabilities (Millions of euros)		
	2018	**2017**
Creditors for other financial liabilities	3,123	4,412
Collection accounts	3,270	2,614
Creditors for other payment obligations	1,432	1,229
Total	**7,825**	**8,255**

The information required by Final Provision second of Law 31/2014 of December 3, amending Additional Provision third of Law 15/2010, of July 5, amending the Law 3/2004 of December 29, through which measures for combating late payment are set, is as follows:

Payments made and peding payments (*) (Millions of euros)	2018		2017	
	BBVA SPAIN	BBVA GROUP IN SPAIN	BBVA SPAIN	BBVA GROUP IN SPAIN
Average payment period to suppliers (days)	24	24	29	29
Ratio of outstanding payment transactions (days)	24	24	30	29
Ratio outstanding payment transactions (days)	19	19	20	19
Total payments	2,783	2,811	2,410	2,497
	86	86	124	128

(*) It is considered on time payments made within 60 days, and not on time those which exceeds 60 days.

The data shown in the table above on payments to suppliers refer to those which by their nature are trade creditors for the supply of goods and services, so data relating to "Other financial liabilities other liabilities - Trade pay " is included in the balance.

21. Provisions

The breakdown of the balance under this heading in the accompanying balance sheets, based on type of provisions, is as follows:

Provisions: Breakdown by concepts (Millions of euros)	2018	2017
Pensions and other post employment defined benefit obligations	4,043	4,594
Other long term employee benefits	29	31
Provisions for taxes and other legal contingencies	348	329
Commitments and guarantees given	238	272
Rest provisions	467	2,379
Total	**5,125**	**7,605**

The changes in 2018 and 2017 in the balances under this heading in the accompanying balance sheets are as follows:

Provisions for pensions and similar obligations. Changes Over the Period (Millions of euros)	2018	2017
Balance at the beginning	**4,625**	**5,303**
Effect of correction of errors	-	-
Adjusted initial balance	**4,625**	**5,303**
Add		
Charges to income for the year	168	308
Interest expenses and similar charges	13	27
Personnel expenses	4	4
Provision expenses	151	277
Charges to equity (1)	-	-
Transfers and other changes (2)	5	-
Less		
Benefit payments	(609)	(692)
Employer contributions	(104)	(285)
Unused amounts reversed during the period	(13)	(9)
Balance at the end	**4,072**	**4,625**

(*) Corresponds to actuarial losses (gains) arising from certain welfare benefits (see Note 2.9).

Provisions for Taxes, Legal Contingents and Other Provisions. Changes Over the Period (Millions of euros)	2018	2017
Balance at beginning	**2,980**	**3,614**
Effect of correction of errors	57	-
Adjusted initial balance	**3,037**	**3,614**
Additions	942	1,409
Acquisition of subsidiaries (*)	31	-
Unused amounts reversed during the period	(512)	(855)
Amount used and other variations (**)	(2,445)	(1,188)
Balance at the end	**1,053**	**2,980**

(*) Corresponds to actuarial losses (gains) arising from certain welfare benefits (see Note 2.9).

(**) See Note 14.1.

Ongoing legal proceedings and litigation

The financial sector faces an environment of increasing regulatory and litigious pressure. In this environment, the different Group's entities are often parties to individual or collective legal 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, as at the level of the individual Bank. The Group Management considers that the provisions made in connection with these legal proceedings are adequate.

As mentioned in "Risk factors" in Note 5, the Group is subject or may be subject in the future to a series of regulatory procedures and actions which, in case of a negative result, could have an adverse impact on the Group.

22. Post-employment and other employee benefit commitments

As stated in Note 2.9, the Bank has assumed commitments with employees including short-term employee benefits (Note 399.1), defined contribution and defined benefit plans, as well as other long-term employee benefits.

The main Employee Welfare System has been implemented in Spain. Under the collective labor agreement, Spanish banks are required to supplement the social security benefits received by employees or their beneficiary right-holders in the event of retirement (except for those hired after March 8, 1980), permanent disability, death of spouse or death of parent.

The Employee Welfare System in place at the Bank supersedes and improves the terms and conditions of the collective labor agreement for the banking industry; including benefits in the event of retirement, death and disability for all employees, including those hired after March 8, 1980. The Bank externally funded all its pension commitments with active and retired employees pursuant to Royal Decree 1588/1999, of October 15. These commitments are instrumented in external pension plans, insurance contracts with non-Group companies and insurance contracts with BBVA Seguros, S.A. de Seguros y Reaseguros, which is 99.96% owned by the Banco Bilbao Vizcaya Argentaria Group.

The table below shows a breakdown of recorded balance sheet liabilities relating to defined benefit plans as at December 31, 2018 and 2017:

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

Net Liability (asset) on the Balance Sheet (Millions of euros)	2018	2017
Pension commitments	3,379	3,376
Early retirement commitments	1,785	2,204
Other long-term employee benefits	29	31
Total commitments	**5,193**	**5,611**
Pension plan assets	1,126	986
Early retirement plan assets	-	-
Other long-term plan assets	-	-
Total plan assets	**1,126**	**986**
Total net liability/asset on the balance sheet	**4,067**	**4,625**
of which:	-	-
Provisions- Provisions for pensions and similar obligations	4,043	4,594
Provisions-Other long-term employee benefits	29	31
Other net assets in pension plans	(5)	-
Insurance contracts linked to pensions	(2,032)	(2,142)

The following table shows defined benefit plan costs recorded in the income statement for fiscal years 2018 and 2017:

Income Statement and Equity Impact (Millions of euros)	Notes	2018	2017
Interest and similar expenses		**13**	**27**
Interest expense		13	27
Interest income		-	-
Personnel expenses		**45**	**43**
Defined contribution plan expense	39.1	39	38
Defined benefit plan expense	39.1	2	1
Other benefit expenses		4	4
Provision (net)		**138**	**268**
Early retirement expense		139	224
Past service cost expense		2	1
Remeasurements (*)		(13)	32
Other provision expenses		10	11
Total Effects in Income Statements: Debit (Credit)	**-**	**196**	**338**
Total Effects on Equity: Debit (Credit) (**)	**-**	**6**	**(1)**

(*) Actuarial losses (gains) on remeasurement of the net defined benefit liability relating to early retirements in Spain and other long-term employee benefits that are charged to the income statement (see Note 2.8).

(**) Actuarial gains (losses) on remeasurement of the net defined benefit pension liability before income taxes (see Note 2.8).

22.1 Defined benefit plans

The commitments under these plans relate mainly to employees who have retired or taken early retirement from the Bank and to certain groups of employees still active in the case of pension benefits, and to most active employees in the case of permanent disability and death benefits. For the latter, BBVA pays the required premiums for full underwriting.

The change in these commitments as of December 31, 2018 and 2017 was as follows:

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

Defined Benefit Plans (Millions of euros)

	2018				2017			
	Defined Benefit Obligation	**Plan Assets**	**Net Liability (asset)**	**Insurance contracts linked to pensions**	**Defined Benefit Obligation**	**Plan Assets**	**Net Liability (asset)**	**Insuran contrac linked pensio**
Balance at the beginning	5,580	986	4,594	2,142	**6,299**	**1,028**	**5,271**	**2,4**
Current service cost					5	-	5	
Interest income or expense					81	17	64	
Contributions by plan participants					-	-	-	
Employer contributions					-	7	(7)	
Past service costs (1)					225	-	225	
Remeasurements:					(41)	9	(50)	(
Return on plan assets (2)					-	*9*	*(9)*	(
From changes in demographic assumptions					*(3)*	-	*(3)*	
From changes in financial assumptions					*(23)*	-	*(23)*	
Other actuarial gain and losses					*(15)*	-	*(15)*	
Benefit payments					(909)	(115)	(794)	(1
Settlement payments					-	-	-	
Business combinations and disposals					-	-	-	
Transformation to defined contribution					(82)	-	(82)	(
Effect on changes in foreign exchange rates					(7)	(5)	(2)	
Other effects					9	45	(36)	(
Balance at the end	5,164	1,126	4,038	2,032	**5,580**	**986**	**4,594**	**2,1**

(1) Including gains and losses arising from settlements.

(2) Excluding interest, which is recorded under "Interest income or expense".

The balance under the heading "Provisions – Pensions and other post-employment defined benefit obligations" of the accompanying balance sheet as of December 31, 2018 includes €332 million for commitments for post-employment benefits maintained with previous members of the Board of Directors and the Bank's Management Committee.

Both the costs and the present value of the commitments are determined by independent qualified actuaries using the "projected unit credit" method.

In order to guarantee the good governance of these plans, the Bank has established an Employee Benefits Committee including members from the different areas to ensure that all decisions are made taking into consideration all of the associated impacts.

The following table sets out the key actuarial assumptions used in the valuation of these commitments as at December 31, 2018 and 2017:

Actuarial Assumptions. Commitments in Spain

	2018	**2017**
Discount rate	1.28%	1.24%
Rate of salary increase	-	-
Mortality tables	PERM/F 2000P	PERM/F 2000P

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.

The discount rate used to value future benefit cashflows has been determined by reference to Eurozone high quality corporate bonds (see Note 2.8).

The expected return on plan assets has been set in line with the adopted discount rate.

Assumed retirement ages have been set by reference to the earliest age at which employees are entitled to retire or the contractually agreed age in the case of early retirements.

Changes in the main assumptions can affect the calculation of the commitments. Should the discount rate have increased or decreased by 50 basis points, an impact on equity for the commitments in Spain would have been registered amounting to approximately €22 million net of tax.

In addition to the commitments to employees shown above, the Group has other less material long-term employee benefits. These include leave and long-service awards, which consist of either an established monetary award or shares in Banco Bilbao Argentaria A.A. granted to employees when they complete a given number of years of qualifying service. As of December 31, 2018 and 2017 the value of these commitments amounted to €29 and €31 million respectively. These amounts are recorded under the heading "Provisions - Other long-term employee benefits" of the accompanying balance sheet (see Note 21).

Information on the various commitments is provided in the following sections.

Pension commitments

These commitments correspond mainly to retirement, death and disability pensions in payment. They are covered by insurance contracts, pension funds and internal provisions.

The change in pension commitments as of December 31, 2018 and 2017 is as follows:

Pensions commitments (Millions of euros)

	2018				2017			
	Defined Benefit Obligation	Plan Assets	Net Liability (asset)	Insurance contracts linked to pensions	Defined Benefit Obligation	Plan Assets	Net Liability (asset)	Insurance contracts linked to pensions
Balance at the beginning	**3,376**	**986**	**2,390**	**2,142**	**3,744**	**1,028**	**2,716**	**2,426**
Current service cost	17	17	-	-	-	-	-	-
Interest income or expense	62	22	40	36	58	17	41	37
Contributions by plan participants	-	-	-	-	-	-	-	-
Employer contributions	-	20	(20)	-	-	7	(7)	-
Past service costs (1)	1	-	1	-	1	-	1	-
Remeasurements:	(15)	(23)	8	(8)	(82)	9	(91)	(81)
Return on plan assets (2)	-	*(23)*	*23*	*(8)*	-	*9*	*(9)*	*(81)*
From changes in demographic assumptions	*15*	-	*15*	-	*(3)*	-	*(3)*	-
From changes in financial assumptions	*(9)*	-	*(9)*	-	*(69)*	-	*(69)*	-
Other actuarial gain and losses	*(21)*	-	*(21)*	-	*(10)*	-	*(10)*	-
Benefit payments	(297)	(139)	(158)	(138)	(274)	(115)	(159)	(138)
Settlement payments	-	-	-	-	-	-	-	-
Business combinations and disposals	219	235	(16)	-	-	-	-	-
Defined contribution transformation	-	-	-	-	(82)	-	(82)	(67)
Effect on changes in foreign exchange rates	-	-	-	-	(7)	(5)	(2)	-
Other effects	11	8	3	-	13	45	(32)	(35)
Balance at the end	**3,379**	**1,126**	**2,253**	**2,032**	**3,376**	**986**	**2,390**	**2,142**
Of Which:								
Vested benefit obligation relating to current employees	*3,229*	-	-	-	*3,263*	-	-	-
Vested benefit obligation relating to retired employees	*150*	-	-	-	*113*	-	-	-

(1) Including gains and losses arising from settlements.

(2) Excluding interest, which is recorded under "Interest income or expense".

In Spain, local regulation requires that pension and death benefit commitments must be funded, either through a qualified pension plan or an insurance contract.

These commitments are covered by insurance contracts which meet the requirements of the accounting standard regarding the non-recoverability of contributions. However, a significant number of the insurance contracts are with BBVA Seguros, S.A. –BBVA related party – and consequently these policies cannot be considered plan assets under IAS 19. For this reason, the liabilities insured under these policies are fully recognized under the heading "Provisions – Pensions and other post-employment defined benefit obligations" of the accompanying balance sheet (see Note 21), while the related assets held by the insurance company are included under the heading "Insurance contracts linked to pensions ".

In addition, there are commitments covered by insurance contracts with insurance companies not related to the Bank. and can therefore be considered qualifying insurance policies and plan assets under IAS 19. These commitments are therefore shown in the accompanying balance sheets for the net amount of the commitment less plan assets. As of December 31, 2018 and 2017, the plan assets related to the aforementioned insurance contracts equaled the amount of the commitments covered; therefore, no amount for this item is included in the accompanying balance sheets.

Pension benefits are paid by the insurance companies with whom BBVA has insurance contracts and to whom all insurance premiums have been paid. The premiums are determined by the insurance companies using “cash flow matching” techniques to ensure that benefits can be met when due, guaranteeing both the actuarial and interest rate risk.

The Bank signed a Social Benefit Standardization Agreement for its employees in Spain. The agreement standardizes the existing social benefits for the different groups of employees and, in some cases where a service was provided, quantified it as an annual amount in cash.

In addition, some overseas branches of the Bank maintain defined-benefit pension commitments with some of their active and inactive personnel. These arrangements are closed to new entrants who instead participate in defined-contribution plans.

Early retirement commitments

In 2018 the Bank offered certain employees the possibility of taking retirement or early retirement before the age stipulated in the collective labor agreement in force. This offer was accepted by 485 employees (724 in 2017). The commitments to early retirees include the compensation and indemnities and contributions to external pension funds payable during the period of early retirement.

The change in these commitments during financial years 2018 and 2017 is shown below:

Early retirement commitments (Millions of euros)

	2018			2017		
	Defined Benefit Obligation	Plan Assets	Net Liability (asset)	Defined Benefit Obligation	Plan Assets	Net Liability (asset)
Balance at the beginning	**2,204**	**-**	**2,204**	**2,555**	**-**	**2,555**
Current service cost	-	-	-	-	-	-
Interest income or expense	9	-	9	23	-	23
Contributions by plan participants	-	-	-	-	-	-
Employer contributions	-	-	-	-	-	-
Past service costs (1)	139	-	139	224	-	224
Remeasurements:	(10)	-	(10)	41	-	41
Return on plan assets (2)	-	-	-	-	-	-
From changes in demographic assumptions	-	-	-	-	-	-
From changes in financial assumptions	-	-	-	*46*	-	*46*
Other actuarial gain and losses	*(10)*	-	*(10)*	*(5)*	-	*(5)*
Benefit payments	(558)	-	(558)	(635)	-	(635)
Settlement payments	-	-	-	-	-	-
Business combinations and disposals	-	-	-	-	-	-
Defined contribution transformation	-	-	-	-	-	-
Effect on changes in foreign exchange rates	-	-	-	-	-	-
Other effects	1	-	1	(4)	-	(4)
Balance at the end	**1,785**	**-**	**1,785**	**2,204**	**-**	**2,204**

(1) Including gains and losses arising from settlements.

(2) Excluding interest, which is recorded under "Interest income or expense".

The valuation and account treatment of these commitments is the same as that of the pension commitments, except for the treatment of actuarial gains and losses (see Note 2.8).

Estimated benefit payments

As of December, 31, 2018 the estimated payments over the next 10 years are as follows:

Estimated Future Payments (Millions of euros)	2019	2020	2021	2022	2023	2024 - 2028
Commitments in Spain	684	611	518	419	333	965
Of which:						
Early retirements	*480*	*413*	*327*	*236*	*157*	*192*

22.2 Defined contribution plans

The Bank sponsors defined contribution plans, in some cases with employees making contributions which are matched by the employer.

These contributions are accrued and charged to the income statement in the corresponding financial year (see Note 2.8). No liability is therefore recognized in the accompanying balance sheets for this purpose.

23. 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.

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 balance sheets are due to the following common stock increases:

Capital Increase

	Number of Shares	Common Stock (Millions of Euros)
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 3).

"Dividend Option" Program in 2016:

The AGM held on March 11, 2016, under agenda item three, adopted four capital increase resolutions to be charged to voluntary reserves to once again implement the shareholder remuneration program called the "Dividend Option" (see Note 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 value 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 September 24, 2018 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 billion. 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 (see Note 20.3).

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 instruments), with exclusion of pre-emptive subscription rights of shareholders (in May 2013 for an amount of $1.5 billion although it was early redeemed on May 9, 2018 once the prior consent from the Regulator was obtained, 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); and in use of the authority to issue convertible securities conferred by AGM held on March 17, 2017, two additional issuances of perpetual contingent convertible securities (additional tier 1 instruments), with exclusion of pre-emptive subscription rights of shareholders (in May 2017 for an amount of €500 million and in November 2017 for an amount of USD 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 issuance dated February 2014 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 (see Note 20.3).

Capital increase

BBVA's AGM held on March 17, 2017 resolved, under agenda item four, to confer authority on the Board of Directors to increase Bank's share capital, on one or several occasions, subject to provisions in the law and in the Company Bylaws that may be applicable at any time, within the legal term of five years of the approval date of the authorization, up to the maximum amount corresponding to 50% of Bank's share capital at the time on which the resolution was adopted, likewise conferring authority to the Board of Directors to totally or partially exclude shareholders' pre-emptive subscription rights over any specific issue that may be made under such authority; although the power to exclude pre-emptive subscription rights was limited, such that the nominal amount of the capital increases resolved or effectively carried out with the exclusion of preemptive subscription rights in use of the referred authority and those that may be resolved or carried out to cover the conversion of mandatory convertible issues that may equally be made with the exclusion of preemptive subscription rights in use of the authority to issue convertible securities conferred by the AGM held on March 17, 2017, under agenda item five (without prejudice to the anti-dilution adjustments and this limit not being applicable to contingent convertible issues) shall not exceed the nominal maximum overall amount of 20% of the share capital of BBVA at the time of the authorization.

As of the date of this document, the Bank's Board of Directors has not exercised the authority conferred by the AGM.

24. Share premium

As of December 31, 2018 and 2017, the balance under this heading in the accompanying balance sheets was €23,992 million.

The amended Spanish Corporation Act expressly permits the use of the share premium balance to increase capital and establishes no specific restrictions as to its use.

25. Retained earnings, Revaluation reserves and Other

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

Reserves. Breakdown by concepts (Millions of euros)	2018	2017(*)
Restricted reserves:	-	-
Legal reserve	653	644
Restricted reserve for retired capital	133	159
Revaluation Royal Decree-Law 7/1996	3	12
Voluntary reserves:	-	-
Voluntary and others (*)	8,010	8,643
Total	**8,799**	**9,458**

(*) See Note 1.3.

25.1 Legal reserve

Under the amended Corporations Act, 10% of any profit made each year must be transferred to the legal reserve. These provisions must be made until the legal reserve reaches 20% of the share capital.

The legal reserve can be used to increase the common stock provided that the remaining reserve balance does not fall below 10% of the increased capital. While it does not exceed 20% of the common stock, it can only be allocated to offset losses exclusively in the case that there are not sufficient reserves available.

25.2 Restricted reserves

As of December 31, 2018 and 2017, the Bank's restricted reserves are as follows:

Restricted Reserves (Millions of euros)	2018	2017
Restricted reserve for retired capital	88	88
Restricted reserve for Parent Company shares and loans for those shares	44	69
Restricted reserve for redenomination of capital in euros	2	2
Total	**133**	**159**

The restricted reserve for retired capital originated in 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 Bank's common stock in euros.

25.3 Revaluation and regularizations of the balance sheet

Prior to the merger, Banco de Bilbao, S.A. and Banco de Vizcaya, S.A. availed themselves of the legal provisions applicable to the regularization and revaluation of balance sheets. Thus, on December 31, 1996, Banco Bilbao Vizcaya, S.A. revalued its tangible assets pursuant to Royal Decree-Law 7/1996 of June 7 by applying the maximum coefficients authorized, up to the limit of the market value arising from the existing valuations. As a result of these updates, the increases in the cost and depreciation of tangible fixed assets were calculated and allocated as follows.

Following the review of the balance of the "Revaluation reserve pursuant to Royal Decree-Law 7/1996 of June 7" account by the tax authorities in 2000, this balance could only be used, free of tax, to offset recognized losses and to increase share capital until January 1, 2007. From that date, the remaining balance of this account can also be allocated to unrestricted reserves, provided that the surplus has been depreciated or the revalued assets have been transferred or derecognized.

The breakdown of the calculation and movement to voluntary reserves under this heading are:

Revaluation and Regularization of the Balance Sheet (Millions of euros)		
	2018	**2017**
Legal revaluations and regularizations of tangible assets:	-	-
Cost	187	187
Less:	-	-
Single revaluation tax (3%)	(6)	(6)
Balance as of December 31, 1999	**181**	**181**
Rectification as a result of review by the tax authorities in 2000	(5)	(5)
Transfer to voluntary reserves	(173)	(164)
Total	**3**	**12**

26. Treasury shares

In 20178 and 2017 the Group companies performed the following transactions with shares issued by the Bank:

Treasury Shares (Millions of euros)	2018		2017	
	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros
Balance at beginning	**13,339,582**	**96**	**7,230,787**	**48**
+ Purchases	275,357,068	1,684	238,065,297	1,674
- Sales and other changes	(241,438,959)	(1,508)	(231,956,502)	(1,622)
+/- Derivatives on BBVA shares	-	-	-	(4)
+/- Other changes	-	23	-	-
Balance at the end	**47,257,691**	**296**	**13,339,582**	**96**
Of which:				
Held by BBVA, S.A.	-	-	-	-
Held by Corporación General Financiera, S.A.	47,257,691	296	13,339,582	96
Held by other subsidiaries	-	-	-	-
Average purchase price in Euros	6.11	-	7.03	-
Average selling price in Euros	6.25	-	6.99	-
Net gain or losses on transactions (Shareholders' funds-Reserves)		(24)		1

The percentages of treasury stock held by the Bank in 2018 and 2017 are as follows:

Treasury Stock	2018			2017		
	Min	Max	Closing	Min	Max	Closing
% treasury stock	0.200%	0.850%	0.050%	0.004%	0.278%	0.200%

The number of BBVA shares accepted by the Bank in pledge as of December 31, 2018 and 2017 is as follows:

Shares of BBVA Accepted in Pledge	2018	2017
Number of shares in pledge	61,632,832	64,633,003
Nominal value	0.49	0.49
% of share capital	0.92%	0.97%

The number of BBVA shares owned by third parties but managed by a company in the Group as of December 31, 2018 and 2017 is as follows:

#NAME?	2018	2017
Number of shares owned by third parties	25,306,229	34,597,310
Nominal value	0.49	0.49
% of share capital	0.38%	0.52%

27. Accumulated other comprehensive income

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

Accumulated other comprehensive income (Millions of euros)

	2018	2017(*)
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	-	-
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
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	**(8)**	**409**

(*) See Note 1.3.

The balances recognized under these headings are presented net of tax.

28. Capital base and capital management

Capital base

As of December 31, 2018 and 2017, equity is calculated in accordance with current regulation on minimum capital base requirements for Spanish credit institutions –both as individual entities and as consolidated group– and how to calculate them, as well as the various internal capital adequacy assessment processes they should have in place and the information they should disclose to the market.

The minimum capital base requirements established by the current regulation are calculated according to the Group's exposure to credit and dilution risk, counterparty and liquidity risk relating to the trading portfolio, exchange-rate risk and operational risk. In addition, the Group must fulfill the risk concentration limits established in said regulation and the internal corporate governance obligations.

At the date of preparation of these 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 the 1st of January 2019 and considering last capital requirement communicated from ECB, BBVA has to maintain since January 1, 2019) a CET1 ratio of 8,53% at individual level and ii) a total capital ratio of 12,03% at individual level. This total capital ratio at individual level 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); and vi) the countercyclical capital buffer (0.03% 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 and 2017 is shown below:

Eligible capital resources (Millions of euros)

	Notes	December 2018 (*)	December 2017
Capital	23	3,267	3,267
Share premium	24	23,992	23,992
Retained earnings, revaluation reserves and other reserves	25	22,963	23,590
Other equity instruments, net	25	50	54
Treasury shares	26	(296)	(96)
Attributable to the parent company		5,324	3,519
Attributable dividend		(975)	(1,043)
Total Equity		**54,325**	**53,283**
Accumulated other comprehensive income		(7,215)	(6,939)
Non-controlling interests		5,764	6,979
Shareholders´ equity		**52,874**	**53,323**
Intangible assets		(8,199)	(6,627)
Fin. treasury shares		(27)	(48)
Indirect treasury shares		(108)	(134)
Deductions		**(8,334)**	**(6,809)**
Temporary CET 1 adjustments		-	(273)
Capital gains from the Available-for-sale debt instruments portfolio		-	(256)
Capital gains from the Available-for-sale equity portfolio		-	(17)
Differences from solvency and accounting level		(176)	(189)
Other adjustments and deductions		**(176)**	**(462)**
Common Equity Tier 1 (CET 1)		**(4,053)**	**3,711**
Additional Tier 1 before Regulatory Adjustments		**40,311**	**42,341**
Total Regulatory Adjustments of Aditional Tier 1		**5,634**	**6,296**
Tier 1		**-**	**(1,657)**
Tier 2		**45,945**	**46,980**
Other deductions		**8,754**	**8,798**
Total Capital (Total Capital=Tier 1 + Tier 2)		**54,699**	**55,778**
		-	-
Total Minimum equity required (**)		**41,607**	**40,370**

(*) 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 basis points, due to the profit generation, net of dividend payments and AT1 instruments retribution and a moderate growth of the risk weighted assets.

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):

Eligible capital BBVA S.A. resources (Millions of euros)	2018	2017
Core Capital	33,933	34,882
Basic equity	38,938	40,604
Additional equity	4,010	3,892
Total Equity	42,948	44,495
Minimum equity required	15,597	15,805

(*) Provisional data and calculated according to CRD-IV

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 7).

29. Commitments and guarantees given

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

Loan commitments, financial guarantees and other commitments (Millions of euros)

	Notes	2018	2017
Loan commitments given	5.3.2	**69,513**	**54,631**
of which: defaulted		*153*	*261*
Central banks		-	1
General governments		1,701	1,776
Credit institutions		9,457	863
Other financial corporations		5,420	2,414
Non-financial corporations		39,150	35,199
Households		13,785	14,378
Financial guarantees given	5.3.2	**9,197**	**11,336**
of which: defaulted		*184*	*154*
Central banks		-	-
General governments		134	229
Credit institutions		583	503
Other financial corporations		3,802	5,174
Non-financial corporations		4,542	5,292
Households		136	138
Other Commitments given	5.3.2	**27,202**	**36,504**
of which: defaulted		*352*	*425*
Central banks		1	7
General governments		55	58
Credit institutions		4,302	14,722
Other financial corporations		3,150	3,952
Non-financial corporations		19,550	17,653
Households		144	112
Total Loan commitments and financial guarantees		**105,912**	**102,471**

As of December 31, 2018, the provisions of loan commitments given, financial guarantees given and other commitments and guarantees given, registered in the balance sheet amounted €80 million, €157 million and €1 million, respectively.

Since a significant portion of the amounts above will reach maturity without any payment obligation materializing for the companies, the aggregate balance of these commitments cannot be considered as an actual future requirement for financing or liquidity to be provided by the Bank to third parties.

In 2018 and 2017 no issuances of debt securities carried out by associated entities, joint ventures or non-Group entities have been guaranteed.

30. Other contingent assets and liabilities

As of December 31, 2018 and 2017, there were no contingent assets or liabilities for significant amounts other than those registered in these Financial Statements.

31. Purchase and sale commitments and future payment obligations

The breakdown of the sale and purchase commitments of the Bank as of December 31, 2018 and 2017 is as follows:

Purchase and Sale Commitments (Millions of euros)

	Notes	2018	2017
Financial instruments sold with repurchase commitments		**32,887**	**29,627**
	10	28,005	-
Central Banks		5,149	-
Credit Institutions		14,776	-
General governments		8,079	-
		4,882	29,627
Central Banks		-	2,037
Credit Institutions		4,453	22,942
		429	4,648
Financial instruments purchased with resale commitments		**27,347**	**24,798**
		27,262	-
Central Banks		2,073	-
Credit Institutions		13,327	-
General governments		11,862	-
		84	24,798
Central Banks		-	28
Credit Institutions		84	13,513
General governments		-	11,257

Future payment obligations other than those mentioned in the notes above correspond mainly to long-term (over 5 year) obligations amounting to around €1,786 million for leases payable derived from operating lease contracts.

32. Transactions for the account of third parties

As of December 31, 2018 and 2017, the details of the most significant items under this heading are as follows:

Transactions on Behalf of Third Parties: Breakdown by concepts (Millions of euros)

	2018	2017
Financial instruments entrusted by third parties	474,070	576,780
Conditional bills and other securities received for collection	3,993	3,879
Securities lending	3,113	3,423
Total	**481,176**	**584,082**

As of December 31, 2018 and 2017, the off-balance sheet customer funds managed by the Bank are as follows:

Off-Balance Sheet Customer Funds by Type (Millions of euros)		
	2018	**2017**
Collective investment	43,294	43,294
Pension funds	20,157	19,964
Saving insurance contracts	8,313	8,385
Customer portfolios managed on a discretionary basis	8,463	8,253
Total	**80,227**	**79,896**

33. Interest income and expense

33.1 Interest income

The breakdown of the interest income recognized in the accompanying income statement is as follows:

Interest Income. Breakdown by Origin (Millions of euros)		
	2018	**2017**
Financial assets held for trading	239	49
Financial assets designated at fair value through profit or loss	3	10
Financial assets at fair value through other comprehensive income	394	393
Financial assets at amortized cost	4,293	4,343
Hedging derivatives	(226)	(294)
Cash flow hedges (effective portion)	12	22
Fair value hedges	(238)	(316)
Other Assets	22	6
Liabilities interest income	152	353
Total	**4,877**	**4,860**

The amounts recognized in equity during both years in connection with hedging derivatives and the amounts derecognized from equity and taken to the income statement during those years are disclosed in the accompanying statements of recognized income and expenses.

33.2 Interest expenses

The following table shows the adjustments in expenses resulting from hedge accounting, broken down by type of hedge:

Interest Expenses. Breakdown by Origin (Millions of euros)		
	2018	**2017**
Financial liabilities held for trading	268	34
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	1,352	1,549
Hedging derivatives and interest rate risk	(322)	(456)
Cash flow hedges	2	(7)
Fair value hedges	(324)	(449)
Other liabilities	23	43
Assets interest expenses	65	227
Total	**1,386**	**1,397**

34. Dividend income

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

Dividend Income (Millions of euros)	2018	2017
Investments in associates	3	4
Investments in group Entities	2,993	3,280
Other shares and dividend income	119	271
Total	**3,115**	**3,555**

35. Fee and commission income

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

Fee and Commission Income (Millions of euros)	2018	2017
Bills receivables	21	20
Demand accounts	175	152
Credit and debit cards	412	376
Checks	8	7
Transfers and others payment orders	116	109
Insurance product commissions	148	133
Commitment fees	89	96
Contingent risks	170	162
Asset Management	108	38
Securities fees	90	118
Custody securities	97	93
Other fees and commissions	649	699
Total	**2,083**	**2,003**

36. Fee and commission expenses

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

Fee and Commission Expenses (Millions of euros)	2018	2017
Credit and debit cards	174	156
Transfers and others payment orders	3	3
Other fees and commissions	230	227
Total	**407**	**386**

37. Gains (losses) on financial assets and liabilities (net) hedge accounting and exchange differences

The breakdown of the balance under this heading, by source of the related items, in the accompanying income statements is as follows:

Gains (losses) on financial assets and liabilities. Breakdown by Heading of the Balance Sheet (Millions of euros)		
	2018	**2017**
Gains (losses) on derecognition 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 (losses) on financial assets and liabilities held for trading, net	364	32
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification of financial assets from amortized cost	-	-
Other gains or (-) losses	364	-
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	78	-
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification 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)
Subtotal	**556**	**457**
Exchange Differences	(60)	435
Total	**496**	**892**

The breakdown of the balance (excluding the exchange differences) under this heading in the accompanying income statements by the nature of the financial instruments is as follows:

Gains or losses on financial assets and liabilities. Breakdown by nature of the Financial Instrument (Millions of euros)		
	2018	**2017**
Debt instruments	33	556
Equity instruments	(251)	438
Loans and advances to customers	109	18
Derivatives	498	(549)
Derivatives held for trading	452	(322)
Interest rate agreements	(26)	-
Security agreements	249	(275)
Commodity agreements	-	-
Credit derivative agreements	42	(47)
Foreign-exchange agreements	187	-
Hedging Derivatives Ineffectiveness	46	(226)
Fair value hedges	46	(226)
Hedging derivative	(158)	(195)
Hedged item	205	(31)
Cash flow hedges	-	-
Customer deposits	64	-
Other	102	(6)
Total	**556**	**457**

In addition, in 2018 and 2017, under the heading "Gains (losses) on financial assets and liabilities held for trading, net" of the income statements, net amounts of negative €113 million and negative €235 million, respectively, are registered for transactions with foreign exchange derivatives.

38. Other operating income and expenses

The breakdown of the balance under the heading "Other operating income" and in the accompanying income statements is as follows:

Other operating income (Millions of euros)	2018	2017
Real estate income	26	26
Financial income from non-financial services	66	55
Rest of operating income	17	78
Total	**108**	**159**

The breakdown of the balance under the heading "Other operating expenses" in the accompanying income statements is as follows:

Other operating expenses (Millions of euros)	2018	2017
Contributions to guaranted banks deposits funds	310	263
Real estate agencies	48	82
Other operating expenses	116	121
Total	**474**	**466**

In accordance with the applicable regulations, it is reported that during the year 2018, the following sanctions were imposed on BBVA with administrative firmness: (i) a fine of €1,500,000 imposed by the Bank of Spain for certain breaches related to specific requirements associated to pre-contractual information; (ii) a penalty of €1,200,000 imposed by the Bank of Spain for occasional or isolated breaches of the limits on exit fees for early repayments and the rules on the replacement of benchmark indices; and (iii) a fine of €3,500,000 imposed by the CNMV for the undue receipt of incentives derived from investments in foreign collective investment institutions. All of them have been duly paid. Likewise, it is reported that in previous years, the CNMV imposed the following sanctions on BBVA: (i) a sanction of €200,000 for defective communication to the CNMV of information relating to executed transactions on financial instruments; and (ii) a sanction of €250,000 for issues related to the intermediation in the execution of orders on behalf of clients.

39. Administration costs

39.1 Personnel expenses

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

Personnel Expenses (Millions of euros)			
	Notes	**2018**	**2017**
Wages and salaries		1,804	1,842
Social security costs		370	372
Defined contribution plan expense	22	39	38
Defined benefit plan expense	22	2	1
Other personnel expenses		113	129
Total		**2,328**	**2,382**

The breakdown of the number of employees in the Bank as of December 31, 2018 and 2017, by categories and gender, is as follows:

Number of Employees at the end of year. Professional Category and Gender				
	2018		**2017**	
	Male	**Female**	**Male**	**Female**
Management Team	798	245	788	236
Other line personnel	10,713	10,904	11,011	11,030
Clerical staff	1,072	1,687	1,205	1,778
General Services	-	-	-	-
Branches abroad	375	248	347	238
Total	**12,958**	**13,084**	**13,351**	**13,282**

Note 50.5 provides information about the average number of employees by gender.

Share-based employee remuneration

The amounts registered under the heading “Personnel expenses - Other personnel expenses” in the income statements for the years 2018 and 2017, corresponding to the plans for remuneration based on equity instruments in force in each year, amounted to €22 million and €31 million for BBVA, respectively. These amounts have been registered with a balancing entry under the heading “Stockholders’ funds – Other equity instruments” in the accompanying balance sheets, net of tax effect.

The specifications of the Bank remuneration plans based on equity instruments are described below.

System of Variable Remuneration in Shares

In BBVA, the annual variable remuneration applying generally to all employees consists of one incentive, to be paid in cash, awarded once a year and linked to the achievement of predetermined objectives and to a sound risk management (hereinafter, the “Annual Variable Remuneration”).

According to the remuneration policy for BBVA Group, in force 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 in 9 February 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 12 February 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 49.

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.

Additionally, BBVA Compass' remuneration structure included a long-term incentive program in shares for employees in certain key positions. This plan is applicable for a three-year term and consisted in the delivery of a number of shares to its beneficiaries, subject to their permanence in the company for a period of three years.

During 2018, a number of 5,000 shares corresponding to this program were delivered.

39.2 General and administrative expenses

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

Administrative Expenses. Breakdown by main concepts (Millions of euros)		
	2018	**2017**
Technology and systems	609	496
Communications	60	66
Advertising	99	104
Property, fixtures and materials	404	404
Of which:Rent expenses (*)	*289*	*290*
Taxes	19	22
Other administration expenses	558	563
Total	**1,749**	**1,655**

(*) The Bank does not expect to terminate the lease contracts early.

40. Depreciation

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

Depreciation (Millions of euros)			
	Notes	**2018**	**2017**
Tangible assets	15	151	205
For own use		138	191
Investment properties		13	14
Assets leased out under financial lease		-	-
Other Intangible assets	16	301	335
Total		**452**	**540**

41. Provisions or (reversal) of provisions

In 2018 and 2017, the net provisions charged to in this heading of the income statement were as follows:

Provisions or reversal of provisions (Millions of euros)		
	2018	**2017**
Pensions and other post employment defined benefit obligations	136	237
Commitments and guarantees given	(85)	(378)
Other Provisions	515	943
Total	**566**	**802**

42. Impairment or (reversal) of impairment on financial assets not measured at fair value through profit or loss

The impairment losses on financial assets broken down by the nature of these assets in the accompanying income statements are as follows:

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss (Millions of euros)			
	Notes	**2018**	**2017**
Financial assets measured at amortized cost		-	8
Financial assets at fair value through other comprehensive income		(11)	1,126
Debt securities		(11)	3
Other equity instruments	11.4	-	1,123
Financial assets at amortized cost		278	451
Of which: Recovery of written-off assets	*5.3.4*	(469)	(446)
Total		**267**	**1,585**

43. Impairment or (reversal) of impairment on non-financial assets and investments in subsidiaries, joint ventures or associates.

The impairment losses on non-financial assets and investments in subsidiaries, joint ventures or associates broken down by the nature of these assets in the accompanying income statements is as follows:

Impairment or reversal of impairment on Investments in subsidiaries, joint ventures or associates (Millions of euros)			
	Notes	**2018**	**2017**
Investments in subsidiaries, joint ventures or associates	14.4	(1,537)	(207)
Total		**(1,537)**	**(207)**

Impairment or reversal of impairment on non-financial assets (Millions of euros)			
	Notes	**2018**	**2017**
Tangible assets	15	27	8
Total		**27**	**8**

44. Gains (losses) on derecognized of non-financial assets and subsidiaries, net

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

Gains or losses on derecognition of non-financial assets and investments in subsidiaries, joint ventures and associates, net (Millions of euros)		
	2018	**2017**
Gains		
Disposal of investments in subsidiaries	2	-
Disposal of tangible assets and other	-	-
Losses:		
Disposal of investments in subsidiaries	-	(1)
Disposal of tangible assets and other	(18)	-
Total	**(16)**	**(1)**

45. 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 income statements are as follows:

Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (Millions of euros)			
	Notes	**2018**	**2017**
Gains for real estate (Note 14)		45	(13)
Of which:		-	-
Foreclosed		*14*	*(31)*
Sale of buildings for own use		*31*	*18*
Impairment of non-current assets held for sale	19	95	(52)
Other gains and losses	14.1	864	51
Total	-	**1,004**	**(14)**

46. Statements of cash flows

Cash flows from operating activities increase in 2018 by €16,944 million (€20 million decrease in 2017). The most significant causes of the variation are linked to “Other operating assets”.

The most significant variations in cash flows from investment activities decreased in 2018 by €2,049 million euros (€1,995 million increase in 2017) and correspond to main variations in "Joint ventures, associates and unconsolidated subsidiaries".

Cash flows from financing activities decreased in 2018 by €2,334 million (€106 million up in 2017), corresponded to the most significant changes in subordinated liabilities.

The table below shows the breakdown of the main cash flows related to investing activities as of December 31, 2018 and 2017:

Main Cash Flows in Investing Activities 2018 (Millions of euros)

	Cash Flows in Investment Activities	
	Investments (-)	**Divestments (+)**
Tangible assets	(372)	50
Intangible assets	(314)	-
Investments	(6,083)	1,678
Subsidiaries and other business units	-	-
Non-current assets held for sale and associated liabilities	(312)	3,304
Other settlements related to investing activities	-	-

Main Cash Flows in Investing Activities 2017 (Millions of euros)

	Cash Flows in Investment Activities	
	Investments (-)	**Divestments (+)**
Tangible assets	(100)	21
Intangible assets	(276)	-
Investments	(1,117)	508
Subsidiaries and other business units	-	-
Non-current assets held for sale and associated liabilities	(625)	815
Held-to-maturity investments	-	2,576
Other settlements related to investing activities	-	193

The heading "Non-current assets held for sale and associated liabilities" in the above tables includes transactions of a non-cash nature related to the foreclosed assets received as payment for past-due loans.

47. Accountant fees and services

The details of the fees for the services contracted by BBVA for the year ended December 31, 2017 with its auditors and other audit entities are as follows:

Fees for Audits Conducted and Other Related Services (Millions of euros) (**)

	2018	**2017**
Audits of the companies audited by firms belonging to the KPMG worldwide organization and other reports related with the audit (*)	12.9	13.2
Other reports required pursuant to applicable legislation and tax regulations issued by the national supervisory bodies of the countries in which the Group operates, reviewed by firms belonging to the Deloitte worldwide organization	0.5	0.5
Fees for audits conducted by other firms	-	-

(*) Including fees pertaining to annual legal audits (€11.3 and €11.7 million as of December 31, 2018 and December 31, 2017, respectively)

(**) Regardless of the billed period.

In addition, in 2018, the Bank contracted services (other than audits) as follows:

Other Services Rendered (Millions of euros)	2018	2017
Firms belonging to the KPMG worldwide organization	0.1	0.2

This total of contracted services includes the detail of the services provided by KPMG Auditores, S.L. to BBVA, S.A. at the date of preparation of these financial statements as follows:

Fees for Audits Conducted (*) (Millions of euros)	2018	2017
Legal audit of BBVA,S.A. or its companies under control	4.9	4.9
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	0.5	0.5
Other	-	-

(*) Services provided by KPMG Auditores, S.L. to BBVA S.A., branch of BBVA in New York and branch of BBVA in London.

Information related to the services provided by KPMG AUDITORES, S.L., to companies controlled by BBVA, S.A., during the year ended December 31, 2018, is in the accompanying financial statement and dependent companies as of December 31, 2018.

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).

48. Related-party transactions

As a financial institution, BBVA engages in transactions with related parties in the normal course of business. All of these transactions are of little relevance and are carried out under normal market conditions.

48.1 Transactions with significant shareholders

As of December 31, 2018 and 2017 there were no shareholders considered significant (see Note 23).

48.2 Transactions with BBVA Group entities

The balances of the main aggregates in the accompanying balance sheets arising from the transactions carried out by the Group companies, which consist of ordinary business and financial transactions carried out under normal market conditions, are as follows:

Balances arising from transactions with Entities of the Group (Millions of euros)		
	2018	**2017**
Assets:		
Loans and advances to credit institutions	270	1,598
Loans and advances to customers	4,263	12,537
Debt securities	139	119
Liabilities:		
Deposits from credit institutions	1,017	1,273
Customer deposits	5,840	10,514
Debt certificates	-	-
Memorandum accounts:		
Loan commitments given	5,846	2,009
Financial guarantees given	3,656	4,810
Contingent commitments given	1,813	1,962

The balances of the main aggregates in the accompanying income statements arising from the transactions carried out by the Bank with Group companies, which consist of ordinary business and financial transactions carried out under normal market conditions, are as follows:

Balances of Income Statement arising from transactions with Entities of the Group (Millions of euros)		
Income statement:	**2018**	**2017**
Financial Incomes	70	168
Financial Costs	88	215
Fee and commission income	516	541
Fee and commission expenses	72	98

There were no other material effects in the financial statements arising from dealings with these companies, other than the effects arising from using the equity method and from the insurance policies to cover pension or similar commitments, which are described in Note 22.

In addition, as part of its normal activity, the Bank has entered into agreements and commitments of various types with shareholders of subsidiaries and associates, which have no material effects on the financial statements.

48.3 Transactions with members of the Board of Directors and Senior Management

The information on the remuneration of the members of the BBVA Board of Directors and Senior Management is included in Note 49.

As of December 31, 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, 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 and €4,049 thousand, respectively.

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

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

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

As of December 31, 2018, no commercial loans and guarantees has been granted to parties related to the members of the Bank's Board of Directors and the Senior Management. As of December 31, 2017, 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.

48.4 Transactions with other related parties

In the years ended December 31, 2018 and 2017 the Bank did not conduct any transactions with other related parties that are not in the ordinary course of its business, which were carried out at arm's-length market conditions and of marginal relevance; whose information is not necessary to give a true picture of the BBVA Group's net equity, net earnings and financial situation.

49. Remuneration and other benefits received by the Board of Directors and 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 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 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 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 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 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 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 favour 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 favour 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.

50. Other information

50.1 Environmental impact

Given the activities in which it engages, the Bank has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial situation and profits. Consequently, as of December 31, 2018, there is no item in the accompanying financial statements that requires disclosure in an environmental information report pursuant to Ministry of Economy Order

JUS/206/2009, dated January 28, and consequently no specific disclosure of information on environmental matters is included in these statements.

50.2 Breakdown of agents of credit institutions

Appendix XIII contains a list of the Bank's agents as required by article 21 of Royal Decree 84/2015, dated February 13, of the Ministry of Economy and Finance.

50.3 Report on the activity of the Customer Care Service and the Customer Ombudsman

The report on the activity of the Customer Care Service and the Customer Ombudsman, required pursuant to Article 17 of Ministry of Economy Order ECO/734/2004 dated March 11, is included in the Management Report accompanying these financial statements.

50.4 Mortgage market policies and procedures

The disclosure required by Bank of Spain Circular 5/2011 under the provisions of Spanish Royal Decree 716/2009, of April 24, (implementing certain aspects of Act 2/1981, of March 25, on the regulation of the mortgage market and other mortgage and financial market regulations) is detailed in Appendix X.

50.5 Reporting requirements of the Spanish National Securities Market Commission (CNMV)

Dividends paid in the year

The table below presents the dividends per share paid in cash in 2017 and 2018 (cash basis accounting, regardless of the year in which they are accrued), but not including other shareholder remuneration such as the “Dividend Option”. For a complete analysis of all remuneration awarded to shareholders in 2018 and 2017 (see Note 3).

Dividends Paid ("Dividend Option" not included)

	2018			2017		
	% 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
Rest of shares	-	-	-	-	-	-
Total dividends paid in cash (*)	**51.02%**	**0.25**	**1,667**	**34.69%**	**0.17**	**1,125**
Dividends with charge to income	51.02%	0.25	1,667	34.69%	0.17	1,125
Dividends with charge to reserve or share premium	-	-	-	-	-	-
Dividends in kind	-	-	-	-	-	-

Interest income by geographical area

The breakdown of the balance under the heading “Interest Income and other income” in the accompanying income statements by geographical area is as follows:

Interest Income. Breakdown by Geographical Area (Millions of euros)

	Notes		
Domestic		4,418	4,511
Foreign		459	349
European Union		198	150
Eurozone		154	106
No Eurozone		44	44
Rest of countries		261	199
Total	**33.1**	**4,877**	**4,860**

Average number of employees by gender

The breakdown of the average number of employees in the Bank in 2018 and 2017, by gender, is as follows:

Average number of employees

	2018		2017	
	Male	Female	Male	Female
Management Team	801	246	791	235
Other line personnel	10,851	10,962	11,130	11,050
Clerical staff	1,121	1,697	1,255	1,806
General Services	-	-	-	-
Branches abroad	367	249	364	239
Total	**13,141**	**13,153**	**13,540**	**13,330**

During 2018 and 2017, the average number of handicap employees with disabilities greater than or equal to 33% was 155 employees and 151, respectively.

50.6 Responsible lending and consumer credit granting

BBVA has incorporated the best practices of responsible lending and consumer credit granting, and has policies and procedures that contemplate these practices complying with the provisions of the Order of the Ministry of Finance EHA / 2899/2011, of 28 October, transparency and customer protection of banking services, as well as the Bank of Spain Circular 5/2012, of 27 June, on transparency of banking services and responsible lending. Specifically, the Corporate Retail Credit Risk Policy (approved by the Executive Committee of the Board of Directors of the Bank on April 3, 2013) and Specific Rules derived from it, establish policies, practices and procedures in relation to responsible granting of loans and consumer credit.

In compliance with Bank of Spain Circular 3/2014, of July 30, the following summary of those policies contained in the Corporate Retail Credit Risk Policy BBVA is provided:

- The need to adapt payment plans with sources of income generation;
- The evaluation requirements of affordability;
- The need to take into account the level of expected retirement income of the borrower;
- The need to take account of existing financial obligations payments;
- In cases where, for commercial reasons or the type of rate/currency, the offer to the borrowers includes contractual clauses or contracting financial products to hedge interest rate and exchange rate risks.
- The need, when there is collateral, to establish a reasonable relationship between the amount of the loan and its potential extensions and value of collateral, regardless revaluations thereof;
- The need for extreme caution in the use of appraisal values on credit operations that have real estate as an additional borrower's personal guarantee;

- The periodic review of the value of collateral taken to hedge loans;
- A number of elements of management in order to ensure independence in the activity of appraisal companies;
- The need to warn customers of potential consequences in terms of cost by default interest and other expenses that would continue in default;
- Debt renegotiation criteria (refinancing and restructurings);
- The minimum documentation that operations should have in order to be granted and during its term.

In order to maintain an effective monitoring of these policies, BBVA has the following control mechanisms:

- Validations and computer controls built into the workflows of analysis, decision and contracting operations, in order to embed these principles in management;
- Alignment between the specifications of the product catalog with the policies of responsible lending;
- Different areas of sanction to ensure adequate hierarchy decision levels in response to the complexity of operations;
- A reporting scheme that allows to monitor the proper implementation of the policies of responsible lending.

51. Subsequent events

On January 15, 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 20.4).

On February 1, it was announced 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 3).

From January 1, 2019 to the date of preparation of these 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.

52. Explanation added for translation into English

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles (Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks).

BBVA

Appendices

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX I. BBVA Group Consolidated Financial Statements

BBVA Group

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

ASSETS (Millions of Euros)	2018	2017 (*)	2016 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**58,196**	**42,680**	**40,039**
FINANCIAL ASSETS HELD FOR TRADING	**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	**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	**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	**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	**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	**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	**1,578**	**1,588**	**765**
Joint ventures	173	256	229
Associates	1,405	1,332	536
INSURANCE AND REINSURANCE ASSETS	**366**	**421**	**447**
TANGIBLE ASSETS	**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	**8,314**	**8,464**	**9,786**
Goodwill	6,180	6,062	6,937
Other intangible assets	2,134	2,402	2,849
TAX ASSETS	**18,100**	**16,888**	**18,245**
Current	2,784	2,163	1,853
Deferred	15,316	14,725	16,391
OTHER ASSETS	**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	**2,001**	**23,853**	**3,603**
TOTAL ASSETS	**676,689**	**690,059**	**731,856**

(*) Presented for comparison purposes only.

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

BBVA Group

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

LIABILITIES AND EQUITY (Millions of Euros)	2018	2017 (*)	2016 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	**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	**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	**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	**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	**9,834**	**9,223**	**9,139**
PROVISIONS	**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	**3,276**	**3,298**	**4,668**
Current	1,230	1,114	1,276
Deferred	2,046	2,184	3,392
OTHER LIABILITIES	**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.

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

BBVA Group

Consolidated balance sheets for the years ended December 31, 2018, 2017 and 2016

LIABILITIES AND EQUITY (Continued) (Millions of Euros)	2018	2017 (*)	2016 (*)
SHAREHOLDERS' FUNDS	**54,326**	**53,283**	**50,985**
Capital	**3,267**	**3,267**	**3,218**
Paid up capital	3,267	3,267	3,218
Unpaid capital which has been called up	-	-	-
Share premium	**23,992**	**23,992**	**23,992**
Equity instruments issued other than capital	**-**	**-**	**-**
Other equity instruments	**50**	**54**	**54**
Retained earnings	**23,018**	**23,612**	**21,844**
Revaluation reserves	**3**	**12**	**20**
Other reserves	**(58)**	**(35)**	**(59)**
Reserves or accumulated losses of investments in subsidiaries, joint ventures and associates	(58)	(35)	(59)
Other	-	-	-
Less: Treasury shares	**(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)	**(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
Available for sale financial assets		1,641	947
Fair value changes of debt instruments measured at fair value through other comprehensive income	943		
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)	**5,764**	**6,979**	**8,064**
Accumulated other comprehensive oncome (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)	2018	2017 (*)	2016 (*)
Loan commitments given	118,959	94,268	107,254
Financial guarantees given	16,454	16,545	18,267
Other commitments given	35,098	45,738	42,592

(*) Presented for comparison purposes only.

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

BBVA Group

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

CONSOLIDATED INCOME STATEMENTS (Millions of Euros)	2018	2017 (*)	2016 (*)
Interest income and other incomes	29,831	29,296	27,708
Interest expense	(12,239)	(11,537)	(10,648)
NET INTEREST INCOME	**17,591**	**17,758**	**17,059**
Dividend income	157	334	467
Share of profit or loss of entities accounted for using the equity method	(7)	4	25
Fee and commission income	7,132	7,150	6,804
Fee and commission expense	(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	216	985	1,375
Gains (losses) on financial assets and liabilities held for trading, net	707	218	248
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	96	-	-
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	143	(56)	114
Gains (losses) from hedge accounting, net	72	(209)	(76)
Exchange differences, net	(9)	1,030	472
Other operating income	949	1,439	1,272
Other operating expense	(2,101)	(2,223)	(2,128)
Income from insurance and reinsurance contracts	2,949	3,342	3,652
Expense from insurance and reinsurance contracts	(1,894)	(2,272)	(2,545)
GROSS INCOME	**23,747**	**25,270**	**24,653**
Administration costs	(10,494)	(11,112)	(11,366)
Personnel expenses	(6,120)	(6,571)	(6,722)
Other administrative expenses	(4,374)	(4,541)	(4,644)
Depreciation and amortization	(1,208)	(1,387)	(1,426)
Provisions or reversal of provisions	(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	(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	(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	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	815	26	(31)
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**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]	827	1,243	1,218
Attributable to owners of the parent	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	-	-	-

(*)Presented for comparison purposes only.

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

Statements of Recognized Income and Expenses for the year 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

(*)Presented for comparison purposes only.

BBVA Group

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	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Non-controlling interest: Valuation adjustments	Non-controlling interest: Rest	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 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	-	-	-	-	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**

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

BBVA Group

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

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2017 (*)	Capital	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Non-controlling interest		Total
												Valuation adjustments	Rest	
Balances as of January 1, 2017	**3,218**	**23,992**	**-**	**54**	**23,688**	**20**	**(67)**	**(48)**	**3,475**	**(1,510)**	**(5,458)**	**(2,246)**	**10,310**	**55,428**
Effect 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	-	-	-	-
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.

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	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Non-controlling interest		Total
												Valuation adjustments	Rest	
Balances as of January 1, 2016	**3,120**	**23,992**	**-**	**35**	**22,588**	**22**	**(98)**	**(309)**	**2,642**	**(1,352)**	**(3,349)**	**(1,333)**	**9,325**	**55,281**
Effect 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.

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

BBVA Group

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

CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (MILLIONS OF EUROS)	2018	2017	2016
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)	**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)	**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)	**(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)	**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	**54,138**	**45,549**	**44,955**

(*) Presented for comparison purposes only.

(**) Equivalent cash balances at central banks includes short-term deposits at central banks under the heading "Loans and receivables" in the accompanying balance sheets.

APPENDIX II 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

Company	Location	Activity	% Legal share of participation			Millions of Euros (*)				
							Affiliate Entity Data			
			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	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	855	855	-	855	1
ARRAHONA AMBIT, S.L.	MEXICO	REAL ESTATE	-	100.00	100.00	12	34	10	14	9
ARRAHONA IMMO, S.L.	MEXICO	REAL ESTATE	-	100.00	100.00	53	118	4	105	9
ARRAHONA NEXUS, S.L.	MEXICO	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

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	MEXICO	INVESTMENT COMPANY	100.00	-	100.00	11,703	11,817	41	11,131	645
BBVA COMPASS FINANCIAL CORPORATION	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	230	432	210	217	5
BBVA COMPASS INSURANCE AGENCY, INC	MEXICO	INSURANCES SERVICES	-	100.00	100.00	38	40	2	29	9
BBVA COMPASS PAYMENTS INC	MEXICO	INVESTMENT COMPANY	-	100.00	100.00	88	88	-	73	15
BBVA CONSOLIDAR SEGUROS SA	MEXICO	INSURANCES SERVICES	87.78	12.22	100.00	8	82	55	22	4
BBVA CONSULTING (BEIJING) LIMITED	MEXICO	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 (EN LIQUIDACION)	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)

(*) Information on foreign companies at exchange rate on December 31, 2018

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

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	MEXICO	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.(EN LIQUIDACIÓN)	MEXICO	IN LIQUIDATION	-	97.87	97.87	1	2	1	-	1
COMERCIALIZADORA CORPORATIVA SAC	MEXICO	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

(*) Information on foreign companies at exchange rate on December 31, 2018
(**) This company has an equity loan from CARTERA E INVERSIONES S.A., CIA DE.

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

(*) Information on foreign companies at exchange rate on December 31, 2018

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. EN LIQUIDACION	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	MEXICO	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

(*) Information on foreign companies at exchange rate on December 31, 2018

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
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. (EN LIQUIDACIÓN)	SPAIN	IN LIQUIDATION	-	50.00	50.00	-	3	56	(49)	(4)
L'EIX IMMOBLES, S.L.	MEXICO	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	-

(*) Information on foreign companies at exchange rate on December 31, 2018
(**) These companies have an equity loan from BILBAO VIZCAYA HOLDING, S.A.

Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

			% Legal share of participation			Millions of Euros (*)				
							Affiliate Entity Data			
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 31.12.18	Liabilities 31.12.18	Equity 31.12.18	Profit (Loss) 31.12.18
OPPLUS OPERACIONES Y SERVICIOS SA	SPAIN	SERVICES	100.00	-	100.00	1	41	11	24	6
OPPLUS SAC (En liquidacion)	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.	MEXICO	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.	MEXICO	REAL ESTATE	-	100.00	100.00	2	8	6	2	-
PROMOU GLOBAL, S.L.	MEXICO	REAL ESTATE	-	100.00	100.00	18	45	28	7	11
PRONORTE UNO PROCAM, S.A.	MEXICO	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	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
PROV-INFI-ARRAHONA, S.L.	MEXICO	REAL ESTATE	-	100.00	100.00	6	9	3	4	2
PROVIVIENDA ENTIDAD RECAUDADORA Y ADMIN.DE APORTES, S.A.	MEXICO	PENSION FUNDS MANAGEMENT	-	100.00	100.00	2	8	7	2	-
PUERTO CIUDAD LAS PALMAS, S.A. (**)	MEXICO	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	MEXICO	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

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.

APPENDIX III. Additional information on investments and jointly controlled companies accounted for under the equity method of consolidation in the BBVA Group as of December 31, 2018 (includes the most significant companies that together represent 99.71% of total investments in these companies)

			% 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)	PERI	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)

APPENDIX IV. Changes and notification of investments and divestments 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

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

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 (EN LIQUIDACION)	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

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	JOINT VENTURE
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

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

APPENDIX V. 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. EN LIQUIDACION	IN LIQUIDATION	-	60.00	60.00
BBVA INFORMATION TECHNOLOGY ESPAÑA SL	SERVICES	76.00	-	76.00
JALE PROCAM, S.L. (EN LIQUIDACIÓN)	IN LIQUIDATION	-	50.00	50.00

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX VI. BBVA Group's structured entities. Securitization funds as of December, 31 2018

			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	HIPOCAT 6 FTA	BBVA, S.A.	850	108

(*) Solvency Scop

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX VII. Details of the outstanding subordinated debt and preferred securities issued by the Bank as of December 31, 2018 and 2017

Issue Type and data (Millions of euros)	2018	2017	Interest rate in force in 2018	Fix (F) or Variable (V)	Maturity date
Non-convertible					
May-08	50	50	3.00%	V	5/19/2023
January-05	49	50	0.69%	V	1/28/2020
August-06	40	50	0.75%	V	8/9/2021
August-06	46	75	0.75%	V	8/9/2021
February-07	-	254	0.47%	V	2/16/2022
February-17	1,000	1,000	3.50%	F	10/2/2027
February-17	99	100	4.00%	F	2/24/2032
March-17	65	65	4.00%	F	2/24/2032
March-17	53	53	3.00%	F	3/16/2027
March-17	105	100	5.70%	F	3/31/2032
May-17	18	17	1.60%	F	5/24/2027
May-17	150	149	2.54%	F	5/24/2027
March-07	73	65	0.97%	V	Perpetual
April-07	68	39	0.80%	V	4/4/2022
April-14	1,494	1,496	3.50%	V	11/5/2024
March-08	125	125	6.03%	V	3/3/2033
July-08	100	97	6.20%	F	7/4/2023
June-09	5	5	4.92%	V	6/10/2024
May-18	260	-	5.25%	F	5/29/2033
Convertible					
May-13	-	1,251	9.00%	V	Perpetual
February-14	1,500	1,500	7.00%	V	Perpetual
February-15	1,500	1,500	6.75%	V	Perpetual
April-16	1,000	1,000	8.88%	V	Perpetual
May-17	500	500	5.88%	V	Perpetual
November-17	873	833	6.13%	V	Perpetual
September-18	990	-	5.88%	V	Perpetual
Subtotal	**10,162**	**10,374**			
Subordinated deposits	**300**	**429**			
Total	**10,462**	**10,803**			

APPENDIX VIII. Balance sheets held in foreign currency as of December 31, 2018 and 2017

2018 (Millions of euros)

	USD	Pounds Sterling	Other Currencies	TOTAL
Assets				
Financial assets held for trading	2,462	241	735	**3,438**
Non-trading financial assets mandatorily at fair value through profit or loss	65	4	30	**99**
Financial assets designated at fair value through other comprehensive income	4,463	292	182	**4,937**
Financial assets at amortized cost	14,580	2,474	1,758	**18,812**
Investments in subsidiaries, joint ventures and associates	201	-	26,083	**26,284**
Tangible assets	3	3	1	**7**
Other Assets	3,177	223	942	**4,342**
Total	**24,951**	**3,237**	**29,731**	**57,919**
Liabilities				
Financial assets held for trading	2,169	349	160	**2,678**
Other financial liabilities designated at fair value through profit or loss	1,090	44	327	**1,461**
Financial liabilities at amortized cost	22,432	2,675	1,875	**26,982**
Other Liabilities	242	49	127	**418**
Total	**25,933**	**3,117**	**2,489**	**31,539**

2017 (Millions of euros)

	USD	Pounds Sterling	Other Currencies	TOTAL
Assets				
Financial assets held for trading	1,034	387	481	**1,902**
Available-for-sale financial assets	1,683	10	224	**1,917**
Loans and receivables	12,569	1,562	1,612	**15,743**
Investments in subsidiaries, joint ventures and associates	192	-	26,002	**26,194**
Tangible assets	4	3	1	**8**
Other Assets	4,724	62	770	**5,556**
Total	**20,206**	**2,024**	**29,090**	**51,320**
Liabilities				
Financial assets held for trading	627	55	193	**875**
Financial liabilities at amortized cost	22,659	1,595	1,808	**26,062**
Other Liabilities	231	51	37	**319**
Total	**23,517**	**1,701**	**2,038**	**27,256**

APPENDIX IX. Income statement corresponding to the first and second half of 2018 and 2017

INCOME STATEMENTS (Millions of euros)	Six months ended June 30, 2018	Six months ended June 30, 2017	Six months ended December, 2018	Six months ended December, 2017
Interest and similar income	2,354	2,420	2,523	2,441
Interest and similar expenses	(641)	(707)	(745)	(690)
NET INTEREST INCOME	**1,713**	**1,713**	**1,778**	**1,751**
Dividend income	1,475	1,763	1,640	1,792
Fee and commission income	1,013	995	1,070	1,008
Fee and commission expenses	(177)	(187)	(230)	(199)
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	25	458	84	176
Gains or (-) losses on financial assets and liabilities held for trading, net	275	20	89	12
Gains or (-) loses on non-trading financial assets mandatorily at fair value throught profit or loss, net	7	-	71	-
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	(45)	-	4	18
Gains or (-) losses from hedge accounting, net	14	(198)	32	(29)
Exchange differences (net)	(23)	206	(37)	229
Other operating income	55	73	53	86
Other operating expenses	(207)	(192)	(267)	(274)
GROSS INCOME	**4,124**	**4,651**	**4,287**	**4,570**
Administration costs	(2,033)	(2,010)	(2,044)	(2,028)
Personnel expenses	(1,154)	(1,188)	(1,174)	(1,194)
General and administrative expenses	(879)	(822)	(870)	(834)
Depreciation	(227)	(281)	(225)	(259)
Provisions or (-) reversal of provisions	(488)	(435)	(78)	(367)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	(147)	(314)	(120)	(1,271)
NET OPERATING INCOME	**1,230**	**1,611**	**1,820**	**645**
Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)	13	5	(1,550)	202
Impairment or (-) reversal of impairment on non-financial assets	(18)	(4)	(9)	(4)
Gains (losses) on derecognized of non financial assets and subsidiaries, net	(17)	-	1	(1)
Negative goodwill recognised in profit or loss	-	-	-	-
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	180	(15)	824	1
OPERATING PROFIT BEFORE TAX	**1,388**	**1,597**	**1,086**	**844**
Tax expense or (-) income related to profit or loss from continuing operation	(92)	(139)	(67)	(218)
PROFIT FROM CONTINUING OPERATIONS	**1,296**	**1,458**	**1,019**	**625**
Profit from discontinued operations (net)	-	-	-	-
PROFIT	**1,296**	**1,458**	**1,019**	**625**

APPENDIX X. Information on data derived from the special accounting registry and other information on bonds

The Bank has explicit policies and procedures in place regarding its activities in the mortgage market y en la financiación de contratos de exportación de bienes y servicios o de procesos de internacionalización de empresas, which provide for full compliance with applicable regulations of the mortgage market and for the issuance of bonds.

a) Mortgage market policies and procedures

Information required pursuant to Circular 5/2011 of the Bank of Spain is indicated as follows.

The mortgage origination policy is based in principles focused on assessing the adequate ratio between the amount of the loan, and the payments, and the income of the applicant. Applicants must in all cases prove sufficient repayment ability (present and future) to meet their repayment obligations, for both the mortgage debt and for other debts detected in the financial system. Therefore, the applicant's repayment ability is a key aspect within the credit decision-making tools and retail risk acceptance manuals, and has a high weighting in the final decision.

During the mortgage risk transaction analysis process, documentation supporting the applicant's income (payroll, etc.) is required, and the applicant's position in the financial system is checked through automated database queries (internal and external). This information is used for calculation purposes in order to determine the level of indebtedness/compliance with the remainder of the system. This documentation is kept in the transaction's file.

In addition, the mortgage origination policy assesses the adequate ratio between the amount of the loan and the appraisal value of the mortgaged asset. The policy also establishes that the property to be mortgaged be appraised by an independent appraisal company as established by Circular 3/2010 and Circular 4/2016. BBVA selects those companies whose reputation, standing in the market and independence ensure that their appraisals adapt to the market reality in each region. Each appraisal is reviewed and checked before the loan is granted and, in those cases where the loan is finally granted, it is kept in the transaction's file.

As for issues related to the mortgage market, the Finance area annually defines the strategy for wholesale finance issues,, and more specifically mortgage bond issues, such as mortgage covered bonds or mortgage securitization. The Assets and Liabilities Committee tracks the budget monthly. The volume and type of assets in these transactions is determined in accordance with the wholesale finance plan, the trend of the Bank's "Loans and receivables" outstanding balances and the conditions in the market.

The Board of Directors of the Bank authorizes each of the issues of Mortgage Transfer Certificates and/or Mortgage Participations issued by BBVA to securitize the credit rights derived from loans and mortgage loans, Likewise, the Board of Directors authorizes the establishment of a Base Prospectus for the issuance of fixed-income securities through which the mortgage-covered bonds are implemented.

As established in article 24 of Royal Decree 716/2009, of 24 April, by virtue of which certain aspects of Law 2/1981, of 25 March, of regulation of the mortgage market and other rules of the mortgage and financial system are developed, *"the volume of outstanding mortgage-covered bonds issued by a bank may not exceed 80% of a calculation base determined by adding the outstanding principal of all the loans and mortgage loans in the bank's portfolio that are eligible"* and which are not covered by the issue of Mortgage Bonds, Mortgage Participations or Mortgage Transfer Certificates. For these purposes, in accordance with the aforementioned Royal Decree 716/2009, in order to be eligible, loans and mortgage loans, on a general basis: (i) must be secured by a first mortgage on the freehold; (ii) the loan's amount may not exceed 80% of the appraisal value for residential mortgages, and 60% for other mortgage lending; (iii) must be established on assets exclusively and wholly owned by the mortgagor; (iv) must have been appraised by an independent appraisal company unrelated to the Group and authorized by the Bank of Spain; and (v) the mortgaged property must be covered at least by a current damage insurance policy.

The Bank has set up a series of controls for mortgage covered bonds, which regularly control the total volume of issued mortgage covered bonds issued and the remaining eligible collateral, to avoid exceeding the maximum limit set by Royal Decree 716/2009, and outlined in the preceding paragraph. In the case of securitizations, the preliminary portfolio of loans and mortgage loans to be securitized is checked according to an agreed procedures engagement, by the Bank's external auditor as required by the Spanish Securities and Exchange Commission. There is also a series of filters through which some mortgage loans and credits are excluded in accordance with legal, commercial and risk concentration criteria.

b) Quantitative information on activities in the mortgage market

The quantitative information on activities in the mortgage market required by Bank of Spain Circular 5/2011 is shown below as of December 31, 2017 and 2016.

b.1) Ongoing operations

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of euros)

	2018	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 Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of euros)

		2018	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 elegible 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 can not 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)

	2018			2017		
	Total mortgage loans	Eligible Loans(*)	Elegibles that can be used as collateral for issuances (**)	Total mortgage loans	Eligible Loans(*)	Elegibles that can be used as collateral for issuances (**)
TOTAL	**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

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%	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**

Elegible and non elegible mortgage loans. Changes of the nominal values in the period (Millions of euros)

	2018		2017	
	Eligible (*)	Non eligible	Eligible (*)	Non eligible
Balance at the begining	**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:Non 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	269	-	-
Issued without public offer	-	-	-	-
Mortgage transfer certificates	**23,590**	**269**	**28,954**	**279**
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, 2017 and 2016.

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
Minos: Loans that support the issuance of internationalization bonds	-	-
Minos: NPL to be deducted in the calculation of the issuance limit, according to Article 13 del Royal Decree 579/2014	4	74
Total Loans included in the base of all issuance limit	**3,365**	**3,001**

c.2) Liabilities operations

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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	1,500	-
Residual maturity over 1 year and less than 2 years	-	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)	**-**	**-**
of which: Treasury shares	-	-
Residual maturity up to 1 year	-	-
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	-	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
(3) Deposits (b)	**-**	**-**
Residual maturity up to 1 year	-	-
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	-	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
TOTAL: (1) + (2) + (3)	**1,500**	**1,500**

	Porcentaje	Porcentaje
Coverage ratio of internationalization covered bonds on loans (c)	**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.

d) Territorial bonds

d.1) Assets operations

December 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

	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**

d.2) Liabilities operations

TERRITORIAL BONDS

	Nominal value 2018	**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. Risks related to the developer and real-estate sector in Spain

a) Policies and strategies established by the Group to deal with risks related to the developer and real-estate sector

BBVA has teams specializing in the management of the Real-Estate Sector risk, given its economic importance and specific technical component. This specialization is not only in the Risk-Acceptance teams, but throughout the handling, commercial, problematic management and legal aspects, and includes the research department (BBVA Research), which helps determine the medium/long-term vision needed to manage this portfolio. Specialization has been increased and the management teams in the areas of recovery and the Real Estate Unit itself have been reinforced.

The portfolio management policies, established to address the risks related to the developer and real-estate sector, aim to accomplish, among others, the following objectives: to avoid concentration in terms of customers, products and regions; to estimate the risk profile for the portfolio; and to anticipate possible worsening of the portfolio.

Specific policies for analysis and admission of new developer risk transactions

In the analysis of new operations, the assessment of the commercial operation in terms of the economic and financial viability of the project has been once of the constant points that have helped ensure the success and transformation of construction land operations for our customers' developments.

As regards the participation of the Risk Acceptance teams, they have a direct link and participate in the committees of areas such as Recoveries and the Real Estate Unit. This guarantees coordination and exchange of information in all the processes.

The following strategies have been implemented with customers: avoidance of large corporate transactions, which had already reduced their share in the years of greatest market growth; non-participation in the second-home market; commitment to public housing financing; and participation in land operations with a high level of urban development security, giving priority to land open to urban development.

Risk monitoring policies

The base information for analyzing the real estate portfolios is updated monthly. The tools used include the so-called "watch-list", which is updated monthly with the progress of each client under watch, and the different strategic plans for management of special groups. There are plans that involve an intensification of the review of the portfolio for financing land, while, in the case of ongoing promotions, they are classified for monitoring purposes based on the rate of progress of the projects.

These actions have enabled the Bank to anticipate possible impairment situations, by always keeping an eye on BBVA's position with each customer (whether or not as first creditor).In this regard, key aspects include management of the risk policy to be followed with each customer, contract review, deadline extension, improved collateral, rate review (repricing) and asset purchase.

Proper management of the relationship with each customer requires knowledge of various aspects such as the identification of the source of payment difficulties, an analysis of the company's future viability, the updating of the information on the debtor and the guarantors (their current situation and business course, economic-financial information, debt analysis and generation of funds), and the updating of the appraisal of the assets offered as collateral.

BBVA has a classification of debtors in accordance with legislation in force in each country, usually categorizing each one's level of difficulty for each risk.

Based on the information above, a decision is made whether to use the refinancing tool, whose objective is to adjust the structure of the maturity of the debt to the generation of funds and the customer's payment capacity.

As for the policies relating to risk refinancing with the developer and real-estate sector, they are the same as the general policies used for all of the Group's risks. In the developer and real estate sector, they are based on clear solvency and viability criteria for projects, with demanding terms for guarantees and legal compliance. The policy on refinancing uses outstanding risk rather than nonperforming assets, with a refinancing tool that standardizes criteria and values up to a total of 19 variables when considering any refinancing operation.

In the case of refinancing, the tools used for enhancing the Bank's position are: the search for new intervening parties with proven solvency and initial payment to reduce the principal debt or outstanding interest; the improvement of the debt bond in order to facilitate the procedure in the event of default; the provision of new or additional collateral; and making refinancing viable with new conditions (period, rate and repayments), adapted to a credible and sufficiently verified business plan.

Policies applied in the management of real estate assets in Spain

The policy applied for managing these assets depends on the type of real-estate asset, as detailed below.

In the case of completed homes, the final aim is the sale of these homes to private individuals, thus diluting the risk and beginning a new business cycle. Here, the strategy has been to help subrogation (the default rate in this channel of business is notably lower than in any other channel of residential mortgages) and to support our customers' sales directly, using BBVA's own channel (BBVA Services and our branches), creating incentives for sale and including sale orders for BBVA that set out sale prices which are notably lower than initial ones. In exceptional case we have even accepted partial haircuts, with the aim of making the sale easier.

In the case of ongoing construction work, our strategy has been to help and promote the completion of the works in order to transfer the investment to completed homes. The whole developer Works in Progress portfolio has been reviewed and classified into different stages with the aim of using different tools to support the strategy. This includes the use of developer accounts-payable financing as a form of payment control, the use of project monitoring supported by the Real Estate Unit itself, and the management of direct suppliers for the works as a complement to the developer's own management.

With respect to land, our presence at advanced stages in land development, where risk of rustic land is not significant, simplifies our management. Urban management and liquidity control to tackle urban planning costs are also subject to special monitoring.

b) Quantitative information on activities in the real-estate market in Spain

Lending for real estate development according to the purpose of the loans as of December 31, 2018 and 2017 is shown below:

December 2018 - Financing Allocated to Construction and Real Estate Development and its Coverage (Millions of euros)

	Gross Amount	Drawn Over the Guarantee Value	Accumulated impairment
Financing to construction ans real estate development (including land) (Business in Spain)	**3,183**	**941**	**594**
Of which: Impaired assets	*875*	*440*	*502*
Memorandum item:			
Write-offs	2,619		
Memorandum item:			
Total loans and advances to customers, excluding the Public Sector (Business in Spain)	169,424		
Total consolidated assets (total business)	399,940		
Impairment and provisions for normal exposures	(1,678)		

December 2017 - Financing Allocated to Construction and Real Estate Development and its Coverage (Millions of euros)

	Gross Amount	Drawn Over the Guarantee Value	Accumulated impairment
Financing to construction ans real estate development (including land) (Business in Spain)	**5,224**	**2,132**	**(1,654)**
Of which: Impaired assets	*2,660*	*1,529*	*(1,588)*
Memorandum item:			
Write-offs	2,289		
Memorandum item:			
Total loans and advances to customers, excluding the Public Sector (Business in Spain)	179,833		
Total consolidated assets (total business)	400,083		
Impairment and provisions for normal exposures	(1,420)		

The following is a description of the real estate credit risk based on the types of associated guarantees:

Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase (Millions of euros)

	December 2018	December 2017
Without secured loan	**324**	**552**
With secured loan	**2,859**	**4,672**
Terminated buildings	1,861	2,904
Homes	1,382	2,027
Other	479	877
Buildings under construction	432	462
Homes	408	439
Other	24	23
Land	566	1,306
Urbanized land	364	704
Rest of land	202	602
Total	**3,183**	**5,224**

As of December 31, 2018 and 2017, 58.5% and 55.6% of loans to developers were guaranteed with buildings (74.3% and 69.8%, are homes), and only 17.8% and 25.0% by land, of which 64.3% and 53.9% are in urban locations, respectively.

The table below provides the breakdown of the financial guarantees given as of December 31, 2018 and 2017:

Financial guarantees given (Millions of euros)	2018	2017
Houses purchase loans	48	64
Without mortgage	24	12

The information on the retail mortgage portfolio risk (housing mortgage) as of December 31, 2018 and 2017 is as follows:

Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase - December 2018 (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

Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase - December 2017 (Millions of euros)	Gross amount	Of which: impaired loans
Houses purchase loans	83,505	*4,821*
Without mortgage	1,578	*51*
With mortgage	81,927	*4,770*

The loan to value (LTV) ratio of the above portfolio is as follows:

December 2018 - 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	14,491	18,822	21,657	13,070	10,508	78,548
of which: Impaired loans	204	323	507	610	2,178	3,822

December 2017 - LTV Breakdown of mortgage to households for the purchase of a home (Business in Spain) (Millions of euros)	Total risk over the amount of the last valuation available (Loan To Value-LTV)					
	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	14,485	18,197	20,778	14,240	14,227	81,927
of which: Impaired loans	293	444	715	897	2,421	4,770

Outstanding home mortgage loans as of December 31, 2018 had an average LTV of 49% (51% as of December 31, 2017).

The breakdown of foreclosed, acquired, purchased or exchanged assets from debt from loans relating to business in Spain, as well as the holdings and financing to non-consolidated entities holding such assets is as follows:

Information about Assets Received in Payment of Debts (Business in Spain) (Millions of euros)

	December 2018			
	Gross Value	**Provisions**	**Of wich: Valuation adjustments on impaired assets, at the time of foreclosure**	**Carrying Amount**
Real estate assets from loans to the construction and real estate development sectors in Spain.	**2**	**-**	**-**	**2**
Terminated buildings	-	-	-	-
Homes	-	-	-	-
Other	-	-	-	-
Buildings under construction	-	-	-	-
Homes	-	-	-	-
Other	-	-	-	-
Land	2	-	-	2
Urbanized land	2	-	-	2
Rest of land	-	-	-	-
Real estate assets from mortgage financing for households for the purchase of a home	**1,001**	**239**	***822***	**762**
Rest of foreclosed real estate assets	**181**	**31**	***182***	**150**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**1,013**	**179**	***218***	**834**
Total	**2,197**	**449**	***1,222***	**1,748**

Information about Assets Received in Payment of Debts (Business in Spain) (Millions of euros)

	December 2017			
	Gross Value	**Provisions**	**Of wich: Valuation adjustments on impaired assets, at the time of foreclosure**	**Carrying Amount**
Real estate assets from loans to the construction and real estate development sectors in Spain.	**-**	**-**	**-**	**-**
Terminated buildings	-	-	-	-
Homes	-	-	-	-
Other	-	-	-	-
Buildings under construction	-	-	-	-
Homes	-	-	-	-
Other	-	-	-	-
Land	-	-	-	-
Urbanized land	-	-	-	-
Rest of land	-	-	-	-
Real estate assets from mortgage financing for households for the purchase of a home	**3,078**	**1,763**	**656**	**1,315**
Rest of foreclosed real estate assets	**1,646**	**894**	**257**	**752**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**638**	**302**	**250**	**336**
Total	**5,362**	**2,959**	**1,163**	**2,403**

As of December 31, 2018 and December 31, 2017, there were not real estate assets from financing for construction and real estate development companies.

The gross book value of real-estate assets from mortgage lending to households for home purchase as of December 31, 2018 and 2017 amounted to €1,263 and €3,078 million, respectively, with an average coverage ratio of 51.9% and 57.3%, respectively.

As of December 31, 2018 and 2017, 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 and €4,724 million, respectively. The coverage ratio was 55.1% and 56.2%, respectively.

APPENDIX XII. Refinanced and restructured operations and other requirements under Bank of Spain Circular 6/2012

REFINANCING AND RESTRUCTURING OPERATIONS

a) Policies and strategies established by the Group to deal with risks related to refinancing and restructuring operations.

Refinancing and restructuring operations (see definition in the Glossary) are carried out with customers who have requested such an operation in order to meet their current loan payments if they are expected, or may be expected, to experience financial difficulty in making the payments in the future.

The basic aim of a refinancing and restructuring operation is to provide the customer with a situation of financial viability over time by adapting repayment of the loan incurred with the Group to the customer's new situation of fund generation. The use of refinancing and restructuring for other purposes, such as to delay loss recognition, is contrary to BBVA Group policies.

The BBVA Group's refinancing and restructuring policies are based on the following general principles:

- Refinancing and restructuring is authorized according to the capacity of customers to pay the new installments. This is done by first identifying the origin of the payment difficulties and then carrying out an analysis of the customers' viability, including an updated analysis of their economic and financial situation and capacity to pay and generate funds. If the customer is a company, the analysis also covers the situation of the industry in which it operates.
- With the aim of increasing the solvency of the operation, new guarantees and/or guarantors of demonstrable solvency are obtained where possible. An essential part of this process is an analysis of the effectiveness of both the new and original guarantees.
- This analysis is carried out from the overall customer or group perspective.
- Refinancing and restructuring operations do not in general increase the amount of the customer's loan, except for the expenses inherent to the operation itself.
- The capacity to refinance and restructure loan is not delegated to the branches, but decided on by the risk units.
- The decisions made are reviewed from time to time with the aim of evaluating full compliance with refinancing and restructuring policies.

These general principles are adapted in each case according to the conditions and circumstances of each geographical area in which the Group operates, and to the different types of customers involved.

In the case of retail customers (private individuals), the main aim of the BBVA Group's policy on refinancing and restructuring loan is to avoid default arising from a customer's temporary liquidity problems by implementing structural solutions that do not increase the balance of customer's loan. The solution required is adapted to each case and the loan repayment is made easier, in accordance with the following principles:

- Analysis of the viability of operations based on the customer's willingness and ability to pay, which may be reduced, but should nevertheless be present. The customer must therefore repay at least the interest on the operation in all cases. No arrangements may be concluded that involve a grace period for both principal and interest.
- Refinancing and restructuring of operations is only allowed on those loans in which the BBVA Group originally entered into.

- Customers subject to refinancing and restructuring operations are excluded from marketing campaigns of any kind.

In the case of non-retail customers (mainly companies, enterprises and corporates), refinancing/restructuring is authorized according to an economic and financial viability plan based on:

- Forecasted future income, margins and cash flows to allow entities to implement cost adjustment measures (industrial restructuring) and a business development plan that can help reduce the level of leverage to sustainable levels (capacity to access the financial markets).
- Where appropriate, the existence of a divestment plan for assets and/or operating segments that can generate cash to assist the deleveraging process.
- The capacity of shareholders to contribute capital and/or guarantees that can support the viability of the plan.

In accordance with the Group’s policy, the conclusion of a loan refinancing and restructuring operation does not meet the loan is reclassified from "impaired" or "standard under special monitoring" to outstanding risk. The reclassification to the "standard under special monitoring" or normal risk categories must be based on the analysis mentioned earlier of the viability, upon completion of the probationary periods described below.

The Group maintains the policy of including risks related to refinanced and restructured loans as either:

- "Impaired assets", as although the customer is up to date with payments, they are classified as impaired for reasons other than their default when there are significant doubts that the terms of their refinancing may not be met; or
- "Normal-risk assets under special monitoring" until the conditions established for their consideration as normal risk are met).

The conditions established for assets classified as “standard under special monitoring” to be reclassified out of this category are as follows:

- The customer must have paid past-due amounts (principal and interest) since the date of the renegotiation or restructuring of the loan or other objective criteria, demonstrating the borrower´s ability to pay, have been verified; and
- At least two years must have elapsed since completion of the renegotiation or restructuring of the loan;
- It is unlikely that the customer will have financial difficulties and, therefore, it is expected that the customer will be able to meet its loan payment obligations (principal and interest) in a timely manner.

The BBVA Group’s refinancing and restructuring policy provides for the possibility of two modifications in a 24 month period for loans that are not in compliance with the payment schedule.

The internal models used to determine allowances for loan losses consider the restructuring and renegotiation of a loan, as well as re-defaults on such a loan, by assigning a lower internal rating to restructured and renegotiated loans than the average internal rating assigned to non-restructured/renegotiated loans. This downgrade results in an increase in the probability of default (PD) assigned to restructured/renegotiated loans (with the resulting PD being higher than the average PD of the non- renegotiated loans in the same portfolios).

b) Quantitative information on refinancing and restructuring operations.

DECEMEBER 2018
BALANCE OF FORBEARANCE
(Millions of Euros)

TOTAL

	Unsecured loans		Secured loans				
					Maximum amount of secured loans that can be considered		Accumulated impairment or accumulated losses in fair value due to credit risk
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	67	110	46	64	52	-	15
Other financial corporations and individual entrepreneurs (financial business)	234	10	31	4	3	-	2
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	37,664	2,469	10,877	3,134	1,817	52	2,076
Of which: financing the construction and property (including land)	601	35	1,514	938	489	10	426
Rest homes (*)	45,862	582	54,134	6,047	4,478	2	1,222
	83,827	**3,171**	**65,088**	**9,249**	**6,350**	**54**	**3,315**

Of which: IMPAIRED

	Unsecured loans		Secured loans				
					Maximum amount of secured loans that can be considered		Accumulated impairment or accumulated losses in fair value due to credit risk
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	43	65	12	16	8	-	10
Other financial corporations and individual entrepreneurs (financial business)	127	2	14	2	1	-	2
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	21,289	1,750	6,559	2,129	1,045	11	1,924
Of which: financing the construction and property (including land)	553	32	1,050	639	248	-	392
Rest homes (*)	28,225	394	28,695	3,263	2,207	1	1,003
Total	**49,684**	**2,211**	**35,280**	**5,410**	**3,261**	**12**	**2,939**

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

The table below provides a roll forward of refinanced assets during 2016:

Refinanced assets Roll forward. December 2018 (Millions of euros)

	Normal		Impaired		TOTAL	
	Risk	Coverage	Risk	Coverage	Risk	Coverage
Balance at the beginning	**5,976**	**204**	**10,162**	**3,737**	**16,138**	**3,941**
(+) Additions	1,033	72	632	309	1,665	381
(-) Foreclosures	-	-	(339)	(216)	(339)	(216)
(-) Write-offs	-	-	(763)	(554)	(763)	(554)
(+)/(-) Other	(2,211)	100	(2,070)	(337)	(4,282)	(237)
Ending Balance	**4,798**	**376**	**7,622**	**2,939**	**12,419**	**3,315**

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

c) 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	16,237	390	572	68	209	94	576	15
2 Other financial institutions and financial individual entrepreneurs	16,569	103	11,268	70	19	4	11,266	12
3 Non-financial institutions and non-financial individual entrepreneurs	76,057	12,566	1,592	4,626	3,936	2,623	1,281	1,692
3.1 Construction and property development	2,207	2,069	22	544	705	493	199	150
3.2 Construction of civil works	5,955	939	70	275	247	178	63	246
3.3 Other purposes	67,895	9,558	1,500	3,807	2,984	1,952	1,019	1,296
3.3.1 Large companies	45,002	2,847	318	1,090	789	497	272	517
3.3.2 SMEs (**) and individual entrepreneurs	22,893	6,711	1,182	2,717	2,195	1,455	747	779
4 Rest of households and NPISHs (***)	94,031	79,755	413	15,476	19,738	22,511	13,128	9,315
4.1 Housing	79,054	77,061	136	14,624	18,946	21,768	12,803	9,056
4.2 Consumption	10,321	131	147	66	59	76	43	34
4.3 Other purposes	4,656	2,563	130	786	733	667	282	225
TOTAL	**202,894**	**92,814**	**13,845**	**20,240**	**23,902**	**25,232**	**26,251**	**11,034**

(*) The amounts included in this table are net of impairment losses.

(**) Small and medium enterprises

(***) Nonprofit institutions serving households.

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

d) Concentration of risks by activity and geographical area (carrying amount)

December 2018 (Millions of euros)

	TOTAL(*)	Spain	European Union Other	America	Other
Credit institutions	79,128	33,725	26,143	9,491	9,769
General governments	57,053	43,836	9,276	3,317	624
Central Administration	39,002	26,187	9,042	3,293	480
Other	18,051	17,649	234	24	144
Other financial institutions and financial individual entrepreneurs	64,720	19,890	20,153	24,000	677
Non-financial institutions and non-financial individual entrepreneurs	114,099	75,225	21,878	10,385	6,611
Construction and property development	2,943	2,943	-	-	-
Construction of civil works	8,351	6,575	1,347	152	277
Other purposes	102,805	65,707	20,531	10,233	6,334
Large companies	77,766	41,196	20,167	10,112	6,291
SMEs and individual entrepreneurs	25,039	24,511	364	121	43
Other households and NPISHs	94,313	91,834	2,127	116	236
Housing	79,054	78,414	321	103	216
Consumer	10,321	10,303	7	6	5
Other purposes	4,938	3,117	1,799	7	15
TOTAL	**409,313**	**264,510**	**79,577**	**47,309**	**17,917**

(*) 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.

December 2018 (Millions of euros)

	TOTAL (*)	Andalucia	Aragon	Asturias	Baleares	Canarias	Cantabria	Castilla La Mancha	Castilla y León	Cataluña
Credit institutions	33,725	654	74	-	12	-	1,284	13	-	371
Government agencies	43,836	1,891	716	470	568	557	64	439	812	3,039
Central Administration	26,187	-	-	-	-	-	-	-	-	-
Other	17,649	1,891	716	470	568	557	64	439	812	3,039
Other financial institutions and financial individual entrepreneurs	19,890	119	11	4	99	5	1	2	93	1,072
Non-financial institutions and non-financial individual entrepreneurs	75,225	5,643	1,322	871	1,888	2,075	419	1,181	1,309	14,966
Construction and property development	2,943	359	40	33	58	106	5	79	36	882
Construction of civil works	6,575	450	58	31	110	113	26	81	72	1,892
Other purposes	65,707	4,834	1,224	807	1,720	1,856	388	1,021	1,201	12,192
Large companies	41,196	1,458	564	528	1,185	564	187	353	366	6,472
SMEs and individual entrepreneurs	24,511	3,376	660	279	535	1,292	201	668	835	5,720
Other households and NPISHs	91,834	13,306	1,441	1,324	2,099	3,937	881	2,640	2,997	28,762
Housing	78,414	11,292	1,226	1,044	1,825	3,069	761	2,257	2,483	25,306
Consumer	10,303	1,700	183	226	243	800	90	361	405	2,366
Other purposes	3,117	314	32	54	31	68	30	22	109	1,090
TOTAL	**264,510**	**21,613**	**3,564**	**2,669**	**4,666**	**6,574**	**2,649**	**4,275**	**5,211**	**48,210**

December 2018 -Spain (Millions of euros)

	Extremadura	Galicia	Madrid	Murcia	Navarra	Comunidad Valenciana	País Vasco	La Rioja	Ceuta y Melilla
Credit institutions	-	426	29,695	-	6	1	1,189	-	-
Government agencies	195	874	3,649	245	614	1,303	2,050	83	80
Central Administration	-	-	-	-	-	-	-	-	-
Other	195	874	3,649	245	614	1,303	2,050	83	80
Other financial institutions and financial individual entrepreneurs	1	90	17,626	2	-	11	754	-	-
Non-financial institutions and non-financial individual entrepreneurs	757	2,128	27,987	1,429	1,027	4,380	7,460	269	114
Construction and property development	18	136	836	21	10	181	125	8	10
Construction of civil works	35	186	2,889	70	65	235	242	11	9
Other purposes	704	1,806	24,262	1,338	952	3,964	7,093	250	95
Large companies	184	922	19,895	583	628	1,460	5,758	79	10
SMEs and individual entrepreneurs	520	884	4,367	755	324	2,504	1,335	171	85
Other households and NPISHs	1,426	3,156	14,725	1,926	517	8,637	2,943	350	767
Housing	1,163	2,511	12,665	1,577	434	7,396	2,452	295	658
Consumer	229	486	1,312	311	67	1,047	338	43	96
Other purposes	34	159	748	38	16	194	153	12	13
TOTAL	**2,379**	**6,674**	**93,682**	**3,602**	**2,164**	**14,332**	**14,396**	**702**	**961**

(*)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 XIII. Agency Network

VILLACE MEDINA, JUAN CARLOS

LEÑA CAMACHO, ROSA MARIA

GESTIONES MARTIN BENITEZ, S.L. ,

SOSA BLANCO, SERVANDO

DOBLAS GEMAR, ANTONIO

MARTIN VIZAN, MILAGROS

DELGADO GARCIA, JOSE LUIS

GUZMAN GONZALEZ, EMILIANO

NUÑO NUÑO, AZUCENA

ALCES GRUPO ASEGURADOR, S.L. ,
TIO & CODINA ASSESSOR D'INVERSIONS, S.L. ,
BULLON DE DIEGO, FRANCISCO JAVIER

ESTHA PATRIMONIOS, S.L. ,

ARCOS GONZALEZ, FELIX

GARCIA FONDON, CONSTANTINO

TORRES MONTEJANO, FELIX
GESTORIA HERMANOS FRESNEDA, S.L. ,
B&S GLOBAL OPERATIONS CONSULTING, S.A. ,
TORRECILLAS BELMONTE, JOSE MARIA

JUAN JOSE ORTIZ, S.L. ,
AGUSTIN FERNANDEZ CRUZ AFC, S.L. ,

HERMOSO NUÑEZ, PEDRO

ASESORIA SANCHEZ & ALCARAZ, S.L. ,

ASESORIA VELSINIA, S.L. ,

CARRASCO MARTINEZ, RAMON

CARO VIEJO, JUAN ANTONIO

LOPEZ RASCON, MARIA JESUS

ASESORES MOLINA, S.L. ,

LINARES LOPEZ, RAMÓN
ASESORIA TOLEDO DE SACEDON, S.L. ,
GESTIONS I ASSEGURANCES PERSONALIZADES, S.L. ,

REBOLLO CAMBRILES, JUAN ROMAN

GARCIA PEREZ, ALICIA

GROS MONSERRAT, S.L. ,

POGGIO, S.A. ,
SERVIGEST GESTION EMPRESARIAL, S.L. ,

MUÑOZ VIÑOLES, S.L. ,

FERNANDO BAENA, S.L. ,
GENERAL DE SERVEIS LA SEGARRA, S.L. ,

ALDA CLEMENTE, MARIA LUISA

NOVAGESTION MARINA BAIXA, S.L. ,

ROMAN BERMEJO, MARIA ISABEL

LIMONCHI LOPEZ, HERIBERTO

FERNANDEZ ALMANSA, ANGEL ALEJANDRINO

CLIMENT MARTOS, MARIA ROSARIO

CARBONELL CHANZA, FRANCISCO

VIDAL JAMARDO, LUIS RAMON

MERIDIAN ASESORES, S.L. ,

FERNANDEZ ONTAÑON, DANIEL
CARRASCO GONZALEZ, MARIA DEL AMOR

MUÑOZ BERZOSA, JOSE RAMON

GRUPO FERRERO DE ASESORIA , S.L. ,

ASESORIA EUROBILBAO, S.L. ,

CAMPOS CARRERO, MARIA JOSEFA

ASEMYL, S.L. ,

DOMINGUEZ CANELA, INES

GOMEZ EBRI, CARLOS
TABORGA ONTAÑON, ANTONIO JOAQUIN

ASESORIA CM, C.B. ,

ANDRADA RINCON, SOLEDAD

GOPAR MARRERO, PABLO

VALCARCEL LOPEZ , ALFONSO

MECIA FERNANDEZ, RAMON

LOSADA LOPEZ , ANTONIO
ENRIQUE AMOR CORREDURIA DE SEGUROS, S.L. ,
HUERTAS FERNANDEZ, JUAN ANTONIO

REIFS PEREZ, MANUEL

AGENCIA FERRERO Y LAGARES, S.L. ,

ASESORIA EMPRESARIAL POSE, S.L. ,

GESPIME ROMERO MIR, S.L. ,
CONSULTOR FINANCIERO Y TRIBUTARIO, S.A. ,

ASESORIA GONZALEZ VALDES, S.L. ,

FORUARGI, S.L. ,

ACOFIRMA, S.L. ,

GUTIERREZ DE GUEVARA, S.L. ,
DESPACHO, TRAMITACION Y GESTION DE DOCUMENTOS, S.L. ,

PORTILLA ARROYO, ALICIA

ACREMUN, S.L. ,

PEDEVILLA BURKIA, ADOLFO

SERRANO QUEVEDO, RAMON

PYME'S ASESORIA, S.L. ,
MESANZA QUERAL, ALBERTO GUILLERMO

GIL BELMONTE, SUSANA

FERNANDEZ SERRA, S.L. ,

RODES BIOSCA, CARLOS RAFAEL

ASESORIA LIZARDI, S.L. ,

ROGADO ROLDAN, ROSA

ISDAGAR 2000, S.L. ,

ESPUNY CURTO, MARIA NATIVIDAD

ASDE ASSESSORS, S.L. ,

ROMERO MENDEZ, JUAN ANTONIO

RUIZ DEL RIO, ROSA MARIA

LAMY GARCIA, ANTONIO

MONROY CABAÑAS, JULIAN
FERNANDEZ-MARDOMINGO BARRIUSO, MIGUEL JOSE

CASTELL AMENGUAL, MARIA

FERNANDEZ RIVERO, JAVIER

MARTINEZ PUJANTE, ALFONSO

SANZ CALDERON, FRANCISCO JAVIER

CERTOVAL, S.L. ,

J. A. GESTIO DE NEGOCIS, S.A. ,

UCAR ESTEBAN, ROSARIO
HERNANDEZ MANRIQUE, CARLOS MANUEL

LOSADA Y MORELL, S.L. ,

MARTINEZ MOYA, DIEGO

SIERRA TORRE, MIGUEL

FERNANDEZ SOUTO, MARIA TERESA

MONTIEL GUARDIOLA, MARIA JOSEFA
INVERSIONES TECNICAS GRUPO CHAHER, S.L. ,

ANTEQUERA ASESORES, S.L. ,
GARCIA HIERRO JIMENEZ, FRANCISCO JAVIER

PRADO PAREDES, ALEJANDRO
CANTELAR Y SAINZ DE BARANDA, S.L. ,

ASC, S.C.C.L. ,

GARCIA OVALLE, OSCAR

VEIGUELA LASTRA, CARLOS MARIA

CAÑAS AYUSO, FRANCISCO

ALBIÑANA BOLUDA, AMPARO

RINCON GUTIERREZ, MARIA PILAR

CAPAFONS Y CIA, S.L. ,

COSTA CALAF, MONTSERRAT

ROY ASSESSORS, S.L. ,

CARRASCAL PRIETO, LUIS EUSEBIO
MARTINEZ CASTRO, MANUEL FRANCISCO

RIBERA AIGE, JOSEFA

FUENTESECA FERNANDEZ, MIGUEL

ALONSO VALLE, ESTEBAN

SABATE NOLLA, TERESA

ALCANTARA IZQUIERDO, CRISTINA

PRADA PRADA, MARIA CARMEN

PATIÑO ROBLES, MARIA CONCEPCION

SALVIA FABREGAT, MARIA PILAR

BARDAJI PLANA, AGUSTIN
VALENCIA TRENADO, MANUEL RODRIGO

PELLICER BARBERA, MARIANO

SAMPER CAMPANALS, PILAR

DOMINGUEZ JARA, RAFAEL JESUS
CARDENO CHAPARRO, FRANCISCO MANUEL

CARBO ROYO, JOSE JORGE

FELEZ MARTIN, FERMIN

BONILLO GOMEZ, LOURDES

GIL TIO, JULIA

RUIZ TARI, ROGELIO

CREIXELL GALLEGO, XAVIER

MUSA MOHAMED, ABDELAZIZ

CASADO GALLARDO, GERARDO

EKO - LAN CONSULTORES, S.L. ,
CARRIL GONZALEZ BARROS, ALEJANDRO SERGIO

PEÑA PEÑA, MANUEL

MONTEAGUDO NAVARRO, MARIA
INSTITUTO DE ASESORAMIENTO EMPRESARIAL INSESA, S.L. ,
SANCHEZ ELIZALDE, JUAN FRANCISCO

COSTA CAMBRA, ANGEL

LANAU ALTEMIR, RAMON ANGEL

ESCUDERO SANCHEZ, RAFAEL PEDRO
CAMPDEPADROS CORREDURIA D'ASSEGURANCES, S.L. ,

CERQUEIRA CRUCIO, FERNANDO
EPC ASSESORS LEGALS I TRIBUTARIS, S.L. ,
GARCIA BASCUÑANA, MARÍA CRISTINA

ESTRADA DA GRANXA 6, S.L. ,

MATA MARCO, CARMEN
GABINETE AFIMECO ASESORES, S.A.L. ,
GESTION FINANCIERA MIGUELTURRA, S.L. ,

REYES BLANCO, RAFAEL

DIAZ GARCIA, MARINA

ASESORIA AREGUME, S.L.U. ,

DIAZ LORENZO, LORENZO

ESINCO CONSULTORIA, S.L. ,

MORILLO MUÑOZ, C.B. ,

GOMEZ LOBO, JUAN

PLA NAVARRO, EMILIA

RODRIGUEZ DELGADO, RENE
ASESORIA JOSE ADOLFO GARCIA, S.L. ,

ECHANIZ LIZAUR, MARIA BELEN

PEREZ GUTIERREZ, SANTIAGO
IGLESIAS GONZALEZ, MARIA ARANZAZU

PUJOL HUGUET, AMADEU

VELASCO LOZANO, FRANCISCO
AREVALO AREVALO, MARÍA DEL CARMEN

PEÑA LOPEZ, MILAGROS

MARANDI ASSL, MOHAMMAD

JOVER BENAVENT, ENRIQUE

DE DIEGO MARTI, FRANCISCO JOSE
CAMPOMANES IGLESIAS , MARIA TERESA

ARES CONSULTORES, S.L. ,

MARTINEZ PEREZ, JOSE MARIA

PEROLADA VALLDEPEREZ, ANDRES
BUSTAMANTE FONTES, MAYDA LOURDES

PADILLA ORTEGA, GENOVEVA

SANTOS GARCIA, MANUEL

BRAIN STAFF, S.L. ,

RAMOS ROMERO, JUAN JESUS

ASESORIA MERFISA, C.B. ,

INVAL 02, S.L. ,

SANTOS ROMAN, MARIA NURIA

CARRASCO MARTIN, ELOY

PRIETO RICO, MAURO

LOGARILL & ASOCIADOS, S.L ,

MUIÑO DIAZ, MARIA DEL MAR

ROYO GARCIA, FRANCISCO JAVIER

MIALDEA CARRASCO, JULIA

AMOEDO MOLDES, MARIA JOSE

PLANELLS ROIG, JOSE VICENTE

BUFETE MARTINEZ GARCIA, C.B. ,

MARTI TORRENTS, MIQUEL

FERRER GELABERT, GABRIEL

ISACH GRAU, ANA MARIA

BAÑUELOS DIEZ, MARTA LUISA

GARCIA DIAZ, MARIA DEL CARMEN

OPTIMA SAT, S.L. ,

VAZQUEZ DIEGUEZ, JOSE ANDRES

FRANCO MARTINEZ, JUAN JOSE

ALONSO BAJO, LORENZO

GRASSA VARGAS, FERNANDO
MEXICO NOROESTE GESTION EMPRESARIAL, S.L. ,

RUA PIRAME, ENRIQUE

MESA IZQUIERDO ASOCIADOS, S.L. ,

SARROCA GIL, MOISES

DESPACHO ABACO, S.A. ,

ORTUÑO CAMARA, JOSE LUIS

ASESORIA ASETRA, S.L. ,

LEON CRISTOBAL, JOSE LUIS

RUIZ ESCALONA, ANTONIO

RODRIGUEZ LLOPIS, MIGUEL ANGEL

BETRIU ADVOCATS, S.C.P. ,
FERNANDEZ-LERGA GARRALDA, JESUS

SANCHEZ MESA, FRANCISCO

SERTE RIOJA, S.A.P. ,

IBAÑEZ NIETO, ADORACION MAR
GARCIA ALVAREZ-REMENTERIA, ANTONIO

ORDOYO CASAS, ANA MARIA

ASESORIA NEMARA, S.COOP. V. ,

NANOBOLSA, S.L. ,

OLAZABAL Y ASOCIADOS, S.C. ,

EUROGESTION XXI, S.L. ,
J L COLOMINA C CEBRIAN ERNESTO ANTON, C.B. ,

GARCIA-VALENCIANO LOPEZ, LUIS
URIAGUERECA CARRILERO, FRANCISCO JAVIER

PEREZ MASCUÑAN, JORGE

ARIAS TORRES, MIGUEL

CANTARERO MARTINEZ, BARTOLOME

GASEM SERVICIOS, S.L. ,
GRUP DE GESTIO PONENT DOS ASSEGURANCES, S.L. ,
VALCARCEL GRANDE, FRANCISCO JAVIER

MURO ALCORTA, MARIA ANTONIA

MAS NEBOT, JOSE MARIA

REGLERO BLANCO, MARIA ISABEL

CONMEDIC GESTIONS MEDICAS, S.L. ,

GAMBOA DONES, SUSANA
BERNIER RUIZ DE GOPEGUI, MARIA ISABEL

ALONSO HEVIA, AMPARO
ESPALLARGAS MONTSERRAT, MARIA TERESA

CAMACHO MARTINEZ, PEDRO

MARGALIDA GATNAU, JOSE MARIA

S.C.L. ECONOMISTAS CANARIOS ,
DIAZ DE ESPADA LOPEZ DE GAUNA, LUIS MARIA

JULIAN SANZ, MARIA

SANCHIS MARTIN , LAURA

GIL FERNANDEZ, JUAN JOSE

ARANDA GARRANCHO, ANA MARIA

LORENZO VELEZ, JUAN

FRANCES Y BARCELO, C.B. ,

CORCUERA BRIZUELA, JOSE MARIA
MOROTE ESPADERO, RAFAEL MANUEL

ALSINA MARGALL, MIREIA

MOLINA LOPEZ, RAFAEL

SALMON ALONSO, JOSE LUIS

SALADICH OLIVE, LUIS

BIRMANI PROMOCIONS, S.L. ,

ESPARCIA CUESTA, FELISA

MARTIN GRANADOS, JUAN
PROYECTOS INTEGRALES FINCASA, S.L. ,

REYES BLANCO, FRANCISCO JAVIER

AGRAMUNT BUILDING, S.L. ,

DE LA ORDEN MONTOLIO, SANDRA

IBAÑEZ IBAÑEZ, LUIS
BAILEN ASESORES CONSULTORES, S.L. ,

FERNANDEZ RIOS, MARIA GORETTI

CASTILLO ORTEGA, NICOLAS

GESTICONTA 2000, S.L. ,

ASUNFIN, S.L. ,

CADENAS DE LLANO, S.L. ,

ONRRISA, S.L. ,
OFICINAS ADMINISTRATIVAS FELIX, S.L. ,

GARCIA GONZALEZ, PILAR

GONZALEZ RODRIGUEZ, FRANCISCO

PEREZ SOTO, PABLO MANUEL

CASTRILLO PEREZ, TRINIDAD

EFILSA, S.C. ,

CLEMENTE BLANCO, PAULA ANDREA

ARUMI RAURELL, XAVIER

CABALLERO MARTINEZ, JUAN RAMON

SAINZ-EZQUERRA LANAS, SANTIAGO

HIDALGO GOMEZ, VALENTINA

GESTORED CONSULTING, S.L. ,

DESPACHO J.M. COARASA, S.L. ,

SANCHEZ ROMERO, BENITO

FERNANDEZ SILVA, DIEGO MARIA
MARTINEZ HERNAEZ, MARIA DOLORES
LLANDRICH LLANDRICH, MARIA DEL CARMEN

GESTORIA ARANA, S.L. ,

MAESTRE RODRIGUEZ, JUAN JESUS
RUIZ-ESTELLER HERNANDEZ, GUSTAVO

ARNELA MAYO, ISMAEL

PRIETO BENEITEZ, VICTOR JESUS

OLMEDO APARICIO, CARLOS

LAR CENTRO EMPRESARIAL, S.A. ,

HEREDERO POL, OSCAR EDUARDO

MASSOT PUNYED, MONTSERRAT

ESCUTIA DOTTI, MARIA VICTORIA

PIZA PROHENS, BARTOMEU ANTONI

CHACON MACIAS, ELADIO SALVADOR

PASTOR GOMEZ, PASCUAL

FISCOPYME, S.L. ,

TACASA BIAR, S.L. ,
BUFETE VARGAS DE LA CAL Y ASOCIADOS, S.C. ,

SERJACAT, S.L. ,

SHIRELA FINANCE, S.L. ,

GESTORIA ASFER, S.L. ,

PYME BUSSINES TWO, S.L. ,

JOANA JAREÑO, S.L. ,

RUIZ CASAS, JUAN BAUTISTA

OLIVA PAPIOL, ENRIQUE

FINANCIAL TOOLS BCN, S.L. ,

HERVI, C.B. ,

ADAN ROLDAN, FRANCISCO DE ASIS

GIL USON, MARTA
GABINETE EMPRESARIAL SALMANTINO, C.B. ,
PERALTA Y ARENSE ASESORES Y CONSULTORES, S.L. ,

DOMUS AVILA, S.L. ,

RUIZ MORENO, EVA

RIVAS ANORO, FERNANDO

ARASANZ LAPLANA, JOSE ANTONIO

BARAHONA VIÑES, JORDI
PEREZ-ARCOS ALONSO, JUANA MARIA

GARCIA LUCHENA ASESORES, S.L. ,

SECO FERNANDEZ, LUIS ALBERTO

CARBONELL ALSINA, CHANTAL

COSTAS NUÑEZ ASESORES, S.L. ,

POZA SOTO INVESTIMENTOS, S.L. ,

MOLINA LUCAS, MARIA ALMUDENA

ARIZA GIL , JESUS

JANER VALENTI, IGNACIO

ELGUEA OMATOS, EMILIO

PEREZ GUILARTE Y ASOCIADOS, S.L. ,
CONTABILIDADES INFORMATIZADAS DE SAN ANTONIO, S.L. ,

SINTAS NOGALES, FRANCISCO

SACHEL 82, S.L. ,

INVERSIONES BARCARES 55, S.L. ,

VADILLO ALMAGRO, MARIA VICTORIA
SANCHEZ SAN VICENTE, GUILLERMO JESUS

ESQUIROZ RODRIGUEZ, ISIDRO

ALZO CAPITAL, S.L. ,

AMOROSO ABUIN, DELFINA

RUIZ ASESORES, S.C. ,

ASESORIA CECOINFI, S.L. ,
SEGUROS E INVERSIONES DEL CID & VILLAFAINA, S.L. ,

IZQUIERDO DOLS , MIGUEL

GARCIA SIERRA, JOSE MANUEL

SERRANO ROJAS, JOSE MANUEL

ASESORIAS ISADOR, S.L. ,

RIOLOBOS GALLEGO, MERCEDES
SERRANO DOMINGUEZ, FRANCISCO JAVIER
ARRANZ MAGDALENO, JUAN ALBERTO

CASTELLANOS JARQUE, MANUEL

MORODO PASARIN, PURA

R Y B ASESORES, S.L. ,

ASESORIA BERCONTA, S.L. ,

DE SOLA FABREGAS, FRANCESC
COVIBAN ASESORES INMOBILIARIOS, S.L. ,

GLOBAL TAX GESTION, S.L. ,

BUFET MILARA, S.L. ,

FERNANDEZ RODRIGUEZ, ALEJANDRO

USKARTZE, S.L. ,

LORENZO SEGOVIA, SUSANA

ALKAIMENA, S.L. ,

OLIVER GUASP, BARTOLOME

RANEDO VITORES, MARIA MILAGROS

SAINZ Y ASOCIADOS, S.L. ,

FUSTER AMADES, MAGDALENA ROSA

DALMAU GOMEZ, JORDI

FRANCIAMAR, S.L. ,
ASESORES Y CONSULTORES AFICO, S.L. ,
ESTEFANIA LARRAÑAGA, GUILLERMINA

GARRIDO ABOGADOS, S.L.P. ,

FASE ASESORES, S.L. ,

VICENTE SOLDEVILA, JOSE MIGUEL

MONTE AZUL CASAS, S.L. ,

LAUKIDE ABOGADOS, C.B. ,

ALONSO ZARRAGA, MIKEL

PENA DIAZ, JOSE MANUEL
GESTORIA LUCERO ASESORES DE EMPRESAS, S.L. ,
ADMINISTRACION DIRECCION Y TECNOLOGIA CONSULTING, S.L. ,

LLOBET VILA, AUGUSTO

QUERO GUTIERREZ, CARIDAD

MODINO MARTINEZ, MANUEL ANGEL

ORTEGA AGULLO, JOSE

TUÑON GARCIA, JOSE GIL

RAVELO RAMIREZ, JUAN ALFONSO

BRU FORES, RAUL

GRUPO FINANCIERO TALAMANCA 11, S.L. ,

LACOASFI , S.L. ,

MAINCTA, C.B. ,

FAUSBE 2005, S.L. ,
ATENCION Y GESTION PROFESIONAL, S.L. ,

MARTINEZ PEREZ, JOSE FRANCISCO

OLCADIA INVERSIONES, S.L. ,

ADOE ASESORES, S.L. ,

COCA LOZA, Mª DOLORES GENOVEVA
ASESORIA FISCAL CONTABLE Y LABORAL TRIBUTO, S.L. ,

FARIÑAS MARTINEZ, JOSE ANTONIO
BUFETE MADRIGAL Y ASOCIADOS, S.L. ,

ASESORIA SAGASTIZABAL, S.L. ,

POTAPOVICH , IGOR

ARGIGES BERMEO, S.L. ,
ANDUGAR-CARBONELL ABOGADOS, S.L. ,

BERNAD GESTION FINANCIERA, S.L. ,

CANOVAS 1852, S.L. ,

IBERKO ECONOMIA Y GESTION, S.L. ,

ROLDAN SACRISTAN, JESUS HILARIO

MACHIN CARREÑO, FELIX ALBERTO

AGENCIA JOSE OLIVA-JOV, S.L. ,

ECBATAN, S.L. ,

ASESORIA FINANCIERA LUGO, S.L. ,

REMON ROCA, RAMON TOMAS

OLEOALGAIDAS, S.C.A. ,

AYCE CONSULTING, S.L. ,

PUENTE & B GESTION INTEGRAL, S.L. ,

TOMAS SECO ASESORES, S.L. ,

ROYO RUIZ, JOSE LUIS

YANES CARRILLO, MARIA JESUS

ASSESSORIA VISERTA, S.L. ,

GARCIA MUÑOZ, MARIA OLGA
GESPYME GESTIO I ASSESSORAMENT DE PYMES, S.L. ,
CASTELLANO CARDALLIAGUET, PABLO

VELASCO ROCA, IGNACIO
GESTION Y FINANZAS ZARAGOZA, S.A. ,

SUAREZ RODRIGUEZ, ASCENSION
SILLERO MARQUEZ & ASOCIADOS, S.L. ,

GENESTAR BOSCH, ANDRES

GESTION PARERA, S.L. ,
SANTAMANS ASESORES LEGALES Y TRIBUTARIOS, S.L. ,

PARDINES GARCIA, ANTONIO

PLAYAS TERRAMAR, S.L. ,

MONTES SADABA, FRANCISCO JAVIER
LORENZO VILLAMISAR, JESUS MANUEL
SOLUCIONES FISCALES DE GALICIA, S.L.L. ,

MIÑO PEREZ, JOSE IGNACIO

CALDERON MORILLO, MARIA LUISA

LOUBET MENDIOLA, JAVIER

ROTGER LLINAS, DANIEL
ABONA GESTION SERVICIOS INTEGRADOS, S.L. ,

AYUELA LOBATO, JUAN JESUS

OBJETIVO MERCADO, S.L. ,

ACEVES Y VILLANUEVA, S.L. ,

ALONSO FERNANDEZ, LUIS MIGUEL

ALBELLA ESTEVE, MARIA MERCEDES

GOMEZ ASUA, ASIER

TENA LAGUNA, LORENZO

DE HARO GONZALEZ, MARIA LUISA

LLAMAS ABADIÑO, EDUARDO
MAC PRODUCTOS DE INVERSION Y FINANCIACION, S.L. ,

GARRIDO GOMEZ, ISABEL

INVERSIONES CASTUERA, S.L. ,

JOSE ANGEL ALVAREZ, S.L.U. ,

GIL MANSERGAS, C.B. ,

MUR CEREZA, ALVARO JESUS
GANDARA DUQUE, MARIA DE LOS MILAGROS

TIGALMA , S.L. ,

LOBERA LOPEZ ASESORES, S.L. ,

REYMONDEZ , S.L. ,

GONZALEZ ALONSO, LUIS MIGUEL

ZARATE IBARRA, TEODULO LORENZO

MENDEZ BANDERAS, LUIS FELIPE

T.S. GESTIO, S.L. ,

PEÑAS BRONCHALO, JOSE MIGUEL
CENTRE ASSESSOR TERRAFERMA, S.L. ,

SELUCON, C.B. ,

PADRON GARCIA, HERCILIO JOSE

OFICINA SUPORT, S.L. ,

ASESORIA HERGON, S.L. ,
SANCHEZ RODRIGUEZ, Mª TERESA CARMEN
GESTION DE INVERSIONES Y PROMOCIONES ELKA CANARIAS, S.L. ,

ARRAUT Y ASOCIADOS, S.L. ,

BINIPOL 2001, S.L. ,

GARCIA PERIS, SANTIAGO DAVID

HERCA CONSULTING, S.L. ,
LOPEZ SARALEGUI, ELENA MARIA TRINIDAD

AESTE, S.L. ,

REMENTERIA LECUE, AITOR

GONZALEZ LUIS, JULIAN
TRES U EMPRESA DE SERVICIOS PROFESIONALES, S.L. ,

GUZMAN GARCIA, MARIA JESUS
SPI SERVICIOS JURIDICOS EMPRESARIALES, S.L. ,

CERVERA GASCO, NURIA PILAR
ADA PROMOCIONES Y NEGOCIOS, S.A. ,

GESTIONES ORT-BLANC, S.L. ,

LOPEZ CARCAS, EDUARDO

LOPEZ MARTINEZ, MANUELA

GESTORIA PARIS, S.L. ,

CONSULTORIA SANTA FE, S.L. ,
RENTABILIDAD VALOR Y UTILIDAD, S.L. ,

TXIRRIENA, S.L. ,

NAVARRO CUESTA, ESTER

GAGO COMES, PABLO

CABRITO FERNANDEZ, JUAN CRUZ

DIEZ AMORETTI, FRANCISCO
AUDAL CONSULTORES AUDITORES, S.L. ,

INTASSE EMPRESARIAL, S.L. ,

TAX SAN SEBASTIAN, S.L. ,
ASSESSORIA CAMATS GARDEL CORREDURIA DE SEGUROS, S.L. ,

GOMIS JIMENEZ, CARLOS

OMF ASESORES, S.L. ,

CERVERA AMADOR, ANTONIO

LARA VIDAL, FRANCISCO JOSE

ASESORIA EXPANSION 2001, S.L. ,

FERNANDEZ PIÑEIRO, ALBERTO

GABIÑO DIAZ, JUAN ANTONIO

ARJANDAS DARYNANI, DILIP

PABLOS MUÑOZ, MARIA JESUS

GONZALEZ DIAZ, VICTORINO

STM NUMMOS, S.L. ,

SAIZ SEPULVEDA, FRANCISCO JAVIER

LLANA CONSULTORES, S.L. ,

S.M. ASESORES ARAÑUELO, S.L. ,

ASEGAL, SOC. COOP. LTDA. ,

NAVARRO MORALES, JOAQUIN

MONTESINOS CONTRERAS, VICENTE

GARCIA CACERES, JULIO

BASCUAS ASESORES, S.L. ,

FONTAN ZUBIZARRETA, RAFAEL

BLANCO Y PARADA ASESORES, S.L. ,

NIEVA FERNANDEZ ASESORES, S.L. ,

DE LA TORRE DEL CASTILLO, CANDELARIA
INVERSIONES Y GESTION AINARCU, S.L. ,

LUNA ARIZA, RAFAEL IGNACIO
CERDEIRA BRAVO DE MANSILLA, ALFONSO

PEREZ CHAVARRIA, JOAQUIN MIGUEL
SANCHEZ SECO VIVAR, CARLOS JAVIER

EMASFA, S.L. ,

SIGNES ASESORES, S.L. ,
CONSULTORES FINANCIEROS LABORALES, S.L. ,

MORENO DEL PINO, NICOLAS

BARTOMEU FERRANDO, JOAN
UGARTE ASOCIADOS SERVICIOS EMPRESARIALES, S.L. ,

IBERGEST ASESORIA, S.L.L. ,

INVERTIA SOLUCIONES, S.L. ,

ASEFISTEN, S.L. ,
VENZAL CONTRERAS, FRANCISCO JAVIER

FOCUS PARTNERS, S.L. ,

ALONSO PAREDES, JOSE IGNACIO
TRAMITES FACILES SANTANDER ASESORES Y CONSULTORES, S.L.L. ,

ASESORIA JIMENEZ, S.C. ,

MARTINEZ GARCIA, CARLOS
SANTIVERI GESTIO I ASSESSORAMENT, S.L. ,
NAVARRO UNAMUNZAGA, FRANCISCO JAVIER

BENALWIND, S.L. ,

CELDRAN CARMONA, JOSE MARIA

CERDAN GARCIA, INMACULADA

NEGOCONT BILBAO 98, S.L. ,

ESCRIBANO ABOGADOS, S.L. ,

DOBLE A AVILA ASESORES, S.L. ,

MEDINA VALLES, JUAN CARLOS

GALIOT ASESORES, S.L. ,

XESTADEM, S.L. ,
CAUCE CONSULTORES DE NEGOCIO, S.L. ,

ASSESSORIA DOMINGO VICENT, S.L. ,
TECNICOS AUDITORES CONTABLES Y TRIBUTARIOS EN SERVICIOS DE ASESORAMIENTO, S.L. ,

AMENEIROS GARCIA, JOSE
LAJUSER GESTIONES Y ASESORAMIENTOS, S.L. ,

SERRANO RODRIGUEZ, RAFAEL

MERINO MARTINEZ, CESAR JOAQUIN

MORENO CAMPOS, JOAQUIN

BOADO ORORBIA, LEOPOLDO

RENTEK 2005, S.L. ,

NACHER NAVARRO, MARIA VANESSA

RUBIO BERNARDEAU, ANTONIA MILAGROSA

EUROFISC CONSULTING, S.L. ,
ARANZABAL SERVICIOS FINANCIEROS, S.L. ,
MARTINEZ BERMUDEZ, JOSE FRANCISCO

MONCHONIS TRASCASAS, PEDRO

PISONERO PEREZ, JAVIER

FUCHS , KARL JOHANN MAX

ARANE PROMOCION Y GESTION, S.L. ,

DORRONSORO URDAPILLETA, S.L. ,

PEÑA NAVAL, JESUS

CASAS ROYO, SATURIO

REAMOBA, S.L. ,

AURELIO ALVAREZ SALAMANCA, S.L. ,

MASDEU BALLART, MONTSERRAT
DE LA FUENTE TORRES, ANAIS BEATRIZ

INGARBO, S.L. ,

GONZALEZ BORINAGA, IVANA

GONZALEZ TABOADA, JOSE

CAURIA PROMOCIONES, S.L. ,
FUSTER Y G. ANDRES ASOCIADOS, S.L. ,

DURFERAL, S.L. ,
ESCALONA BELINCHON, JOSE ANTONIO

CUBERO PATRIMONIOS, S.L. ,

VIÑA ARASA, RICARDO

SAFIN 2062, S.L. ,

VALOR AFEGIT OSONA, S.L. ,

QUEIJA CONSULTORES, S.L. ,

ROJAS TRONCOSO, PEDRO

CONSULTING DONOSTI, S.L. ,

LOPEZ FERNANDEZ, RAQUEL

CASTRO VEGA, XOSE

FASER 89, S.L. ,
SERVICIOS FINANCIEROS GABIOLA, S.L. ,
SAFE SERVICIOS DE ASESORAMIENTO FISCAL DE LA EMPRESA, S.L. ,

P V 1, S.L. ,

GESTORIA RUIZ MILLAN, S.L. ,

SANCHEZ LOPEZ, MIGUEL

ARILLA CIUDAD ASESORES, S.L. ,

CASADO HERRERO, JOSEFA

ASFIPA , S.L. ,

ORTIZ ACUÑA, FRANCISCO

SILJORINE, S.L. ,

ASESORES Y CONSULTORES, C.B. ,

BARBESULA MAR, S.L. ,

ADMINISTRACIONES TERESA

PATRICIA CELDRAN, S.L. ,

MATEO59 AGENTE DE SEGUROS VINCULADO, S.L. ,

BALIBREA LUCAS, MIGUEL ANGEL

FUENTES & GESCOM, S.L. ,

URBANSUR GLOBAL, S.L. ,
JAVIER CARRETERO Y ASOCIADOS, S.L. ,

KNUCHEL , FRITZ

ARIAS DELGADO, MARIA MERCEDES

VICENTE JUAN ASESORES, S.L. ,

BLANCO RODRIGUEZ, JUAN ANTONIO

AURVIR & PEÑA CONSULTORES, S.L. ,

FERNANDEZ MORAY, EVA MARIA

LUQUE FERNANDEZ, JULIA

GESCOFI OFICINAS, S.L. ,

HERNANDEZ MANRESA, JOSEFA

BOALAR INVESTMENT, S.L. ,

MORGA GUIRAO, MARIA PILAR

PALAU DE LA NOGAL, JORGE IVAN
PERUCHET GRUP CONSULTOR D'ENGINYERIA, S.C.P. ,
GUARAS JIMENEZ, MARIA RESURRECCION

XESPRODEM ASESORES, S.L.L. ,

GARCIA RUBIO, ELENA
ASESORIA FINANCIERA IBAIGANE, S.L. ,

ROCHE BLASCO Y ROCHE ASESORES, S.L. ,
BALLESTER VAZQUEZ, IGNACIO JAVIER

VEJERIEGA CONSULTING, S.L. ,

SISTEMA ASESORES FERROL, S.L. ,

PAREDES VERA, GRACIA

JAYLA CELA, S.L. ,

GONZALEZ MARIN, MANUEL

PEREZ PEREZ, JOSE MANUEL

GOMEZ VELILLA, MARIA BRIGIDA

GESTIONA MADRIDEJOS, S.L. ,

MOLLEJA BELLO, MARIA CARMEN

MARCELINO DIAZ Y BARREIROS, S.L. ,

NASH ASESORES, S.L.U. ,

CLUB AVOD, S.L. ,

BUFETE CHAMIZO GALAVIS, S.L. ,

FINCAS DELLAKUN, S.L. ,
GABINETE JURIDICO-FINANCIERO SERRANO, S.L. ,

RELAÑO CAÑAVERAS, CRISTOBAL

J. RETA ASOCIADOS, S.L. ,
JARVEST GESTION DE INVERSIONES, S.L. ,

DELFOS ASESORIA FISCAL, S.L. ,

GRUP SBD ASSESSORAMENT I GESTIO, S.L. ,

GESAL ASESORIA, S.L. ,

VINYES SABATA, MERCÉ

GEORKIAN BABAYAN, LEILA
CENTRE FINANCER BERENGUER SAPENA XABIA, S.L. ,

CRITERION SONSULTING, S.L. ,

GLOBAL AVANTIS, S. COOP. V. ,
GARAY GURBINDO, FELICIDAD MARIA ANGELES

GRUPO BABAC, S.L. ,
M.C.I. BUREAU CONSULTING DE GESTION, S.L. ,
BLASCO SAMPIETRO, FRANCISCO JAVIER

INSUAS SARRIA, S.L. ,
ASESORIA MERCANTIL DE ZALLA, S.L. ,

SOCOGADEM, S.L. ,
CASADO RODRIGUEZ, MARIA MARBELLA
GESTION DE PATRIMONIOS E INVERSION INMOBILIARIA MADRID 2002, S.L. ,

CROWE LEGAL Y TRIBUTARIO, S.L.P. ,

MARAÑON OTEIZA, MARIA CRISTINA

ASOCIADOS BILBOINFORM 2000, S.L. ,

GRUPAMERO ADMINISTRACION, S.L. ,

SARRI SOLE, FRANCESC XAVIER

GOMEZ FERNANDEZ, JOSE IGNACIO

ASFITO, S.L. ,

SIMON BENITO, JOSE JUAN

SACRISTAN ASESORES, S.L. ,

MARTIN MAYOR, ANTONIO

MUÑOZ BONET, JOAQUIN BERNARDO

CORSAN FINANCE, S.L. ,
LEASING E INVERSION EMPRESARIAL, S.L. ,

CEJUDO RODRIGUEZ, JUAN CARLOS

RETAMERO VEGA, MANUEL

SAENZ DE TEJADA ASESORES, S.L. ,

SANTOS HERRERA, MERCEDES
ASESORES DE EMPRESA Y GESTION ADMINISTRATIVA MARIN & MARIN, S.L. ,
CAMPOS DE PALACIOS ASESORES CORREDURIA DE SEGUROS, S.L. ,
ASESORIA INTEGRAL DE FARMACIAS Y EMPRESAS, S.L.L. ,
TURBON ASESORES LEGALES Y TRIBUTARIOS, S.L. ,

VIGUE PUJOL, S.L. ,
ASESORIA DE EMPRESAS CARANZA, S.L. ,

SAGEM XX, S.L. ,

GUTIERREZ GARCIA, AZAHARA

PLANO IZAGUIRRE, JOSE DANIEL

IBERFIS GESTION FINANCIERA, S.L. ,

ASESORIA ERAKIN AHOLKULARITZA, S.L. ,
MIQUEL VALLS ECONOMISTES & ASSOCIATS, S.L.P. ,

POUS ANDRES, JUAN

EL PINOS GESTION LABORAL, S.C. ,

SAURA MARTINEZ, PEDRO
LTA ASESORES LEGALES Y TRIBUTARIOS, S.L. ,
PEREZ ASESORIA Y SERVICIOS EMPRESARIALES, S.L. ,

ASESORIA INFIS, S.L. ,
MARTIN VALENCIANO, FERNANDO 000680010S, S.L.N.E. ,

VERGEL CRESPO, MARIA ISABEL

FELEZ BIELSA, S.L. ,

VICENTE GONZALEZ, ANGEL

REINA GARCIA, ANA ESTHER

PADILLA MOLINA, MARIA

IRIGOYEN GARCIA, VICTORIA EUGENIA
SISTHEMA GESTION EMPRESARIAL, S.L. ,
MAYORAL MURILLO, FRANCISCO JAVIER EUSEBIO

GRAÑON LOPEZ, LUIS ALBERTO

BEHOBIDE PERALTA, JORGE

FORNIES & GUELBENZU, S.L. ,

PEREZ ALVAREZ, LAURA

MALMAGRO BLANCO, ANTONIO

CARCELLER SUAREZ, RAMON
ARTI INVERSIONES Y PATRIMONIOS, S.L. ,

GOROSTARZU DIAZ, MIGUEL ANGEL

LAUKI AHOLKULARITZA, S.L. ,

ANDIPLAN, S.L. ,
ASEM INDAFISA GESTION EMPRESARIAL, S.L. ,

SERVICIOS FINANCIEROS AZMU, S.L. ,

CARCOLE ARDEVOL, JOSE

BATISTE ANGLES, AMADEO

GONZALEZ ESPARZA, JUANA MARIA
PREVISION PERSONAL CORREDURIA DE SEGUROS, S.A. ,
GARZON SERVICIOS EMPRESARIALES, S.L. ,

DEL RIO USABEL, IDOIA

BIZKAIBOLSA, S.A. ,

GAVAMAR 2011, S.L. ,
ASSESSORAMENTS I SERVEIS LLEIDA, S.L. ,

PEREZ SANTOS, ALFONSO

BAZAR NAVAS, S.L. ,

RAMOS CAGIAO, AMPARO

GESTORIA ROYO LOPEZ, S.L. ,
CASTILLO MARZABAL, FRANCISCO JOSE

DELGADO RUIZ, DIEGO

SAURINA DELGADO ADVOCATS, S.L. ,

POU ADVOCATS, S.L.P. ,

GOMEZ VALVERDE, ANTONIO

SIRVAL, S.A. ,

YUSTE SORIANO, MARIA BELEN

ORTIZ MARTIN, FRANCISCO EULOGIO
GESTORIA ADMINISTRATIVA SAN JOSE, S.L. ,

NAVARRO SAENZ, MARIA MAR

GAYCA ASESORES, S.L. ,

SOLYGES CIUDAD RODRIGO, S.L.U. ,

MARESME CONSULTORS, S.L. ,

IGLESIAS SEXTO, JOSE LUIS

TOLOCONSULTING, S.L. ,

PERDOMO PEÑA, PATRICIA

IGNACIO CONSTANTINO, S.L. ,

FELIX AHOLKULARITZA, S.L. ,

MARDEBONI, S.L.P. ,
AVELLANEDA GARCIA, ANGEL FERNANDO

REMON SAENZ, CESAR
CONSULTORIA CIUDADANA EN GESTION Y SEGUROS, S.L.U. ,
TELLECHEA ABASCAL, PEDRO MANUEL

FERPAPER, S.L. ,

TRAYSERCAN, S.L. ,

ASESORES E INVERSORES EPILA, S.L. ,
TORRE DE LA CUESTA CORREDURIA DE SEGUROS, S.L. ,
SAFOR CONSULTORES INMOBILIARIOS, S.L. ,

NAVES DIAZ ASSOCIATS, S.L. ,

GARCIA MATEO ASESORES, S.L.U. ,

ARTEAGA PARDO, JOSE

PLANNING ASESORES, S.C. ,

BIOK ZERBITZUAK, S.L. ,
MITECA PROMOCIONES E INVERSIONES, S.L. ,

ALBENDIZ GONZALEZ, IRENE
INVERSIONES 16 DE SERVICIOS FINANCIEROS E INMOBILIARIOS, S.L. ,

LOPEZ DELGADO, MARIA DEL PILAR

LIARTE BENEDI, MARIA INMACULADA

ARUFE ESPIÑA, PABLO

FRANCES MICO, CARMELO

GRUPO DTM CONSULTING, S.L. ,

SINDIN RODRIGUEZ, NOELIA

ASESORIA CERVANTES, S.L. ,

ZURAWKA , ERHARD RUDOLF

AZ BILBAO GESTION INTEGRAL, S.L. ,

ANAI INTEGRA, S.L. ,

BASTANTE PATON, RAMON FELIX

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

TECNIFISCAL, S.L. ,

BLANCO PARRONDO, C.B. ,

RODRIGUEZ ALVAREZ, MARIA ISABEL

LOPEZ TORRES, PATRICIA

JIMENEZ PINEDA, MERCEDES

INVERSUR 4 CUATROS, S.L. ,

CENTRE CORPORATIU INI 6, S.L. ,

LANAU SERRA, MARIA FRANCISCA

MERELAS CASTRO, SONIA

INDICE GESTION, S.L. ,

NIETO GONZALEZ, RUFINO

INVERSIONES GEFONT, S.L. ,
VICENTE OYA AMATE Y DOS MAS, C.B. ,

SENDA GESTION, S.L. ,

LAMBERT , JONATHAN RAYMOND

SOTO PASTOR, RAFAEL

AFIANZA FINANCIERA, S.L. ,

ASSESSORIA BAIX PENEDES, S.L. ,
RECUENCO BENEDICTO, JOSEFINA MATILDE

HERMO MARTINEZ, MARTA

ANDRES SANTA, JOSE

NICCALIA, S.L. ,

GONZALEZ SOCAS, ANTONIA MARINA

BELCASTI, S.L ,

ALL ABOUT FUNDS, S.L. ,

JIMENEZ LORENTE, MANUEL
ESTUDIO FINANCIERO AVANZADO, S.L. ,
LAGUNA SEBASTIANES, FRANCISCO MANUEL

ASTILLERO GARCIA, MIGUEL ANGEL

LENADER, S.L. ,
INPOL DESARROLLOS URBANISTICOS, S.L. ,

CORDERO DE OÑA, FRANCISCO

CHAMORRO MULTISERVICIOS, S.L. ,

RENTA JUBILADOS, S.L. ,

LADRON GALAN, FRANCISCO

CUELLAR MERCANTIL ASESORIA, S.L. ,

INNOVACIONES FINANCIERAS, S.L. ,

MORENO SILVERIA, MARIA ISABEL

POISY, S.L. ,

SEVA VERA, JAVIER
ADMINISTRACION LEGAL DE COMUNIDADES, S.L. ,

MARTINEZ VERA, MARIA ESTRELLA

MAYORDOMO PULPON, ALBERTO

ASESORIA MARCOS FERNANDEZ, S.L. ,

BLANCO IGLESIAS, IGNACIO

PAZOS SANCHEZ, JAVIER

FEO CLEMENTE, ALEJANDRO

G Y G ABOGADOS, S.L. ,

MARTIN RAMIREZ, FRANCISCO

CRESPO MINCHOLED, YOLANDA
SOMOZA RODRIGUEZ ESCUDERO, OSCAR JOSE FELIX
ASSESSORAMENT MIRA MARTINEZ, S.L. ,

GOMEZ GOMEZ, DAMIAN
GESTION INTEGRAL CONTRERAS, S.L.P.U. ,

BAFINCA ESTUDIO FINANCIERO, S.L. ,

ASESORIA BELLAVISTA, S.L. ,
VIVIAL ASESORAMIENTO Y ALQUILERES, S.L. ,

BERNABEU JUAN, ANTONIO JOSE
THINKCO CONSULTORIA DE NEGOCIO, S.L. ,

APUNTES CONTABLES, S.L. ,

DOMINGO BALTA, MARIANO
MARTIN GARCIA -ESTRADA ABOGADOS, S.C. ,

IB2CLOUD, S.L. ,

ASESORIA LABORDA, S.C. ,

REYES LANZAROTE, FRANCISCA

ANDEX CONSULTORES, S.L. ,

INMOGEST2012, S.L. ,

PALAZON GARCIA, JOSE MIGUEL

HIDALGO PEREZ, JOSE ANTONIO

PUIG SEMPERE, FILOMENA

MORUNO GONZALEZ, MIGUEL ANGEL

ALONSO ZAPICO, JUAN DE DIOS

RODRIGUEZ MUÑOZ, JOAQUIN JOSE
MUÑOZ PINEDA, FRANCISCO ANTONIO

PANIAGUA VALDES, MILAGROS

DONAIRE MOLANO, LUIS

LABORDA CARNICER, FELIPE

ASESORIA ATAMAN, S.L. ,

ROSADO PROIMAGEN, S.L. ,

PAZ BARKBY, ALISON SUSAN

LUJAN FALCON, JUAN CARLOS

ANTUÑA SCHUTZE, MARTA

LEFISUR ASESORES, S.L. ,

IBAÑEZ ZORRILLA, MARIA IZASKUN

FLUVIA PEIRO, MARIOLA

LOPEZ GRANADOS, JOSE MARIA

AVANTIS ASESORES JURIDICOS, S.L. ,
FERNANDEZ COLIN, MIGUEL MARCELO

PEREZ ANDREU, ALEJANDRO

SOLER ASCASO, Mª LOURDES

CERRATO LLERENA, MARIA DE LOS ANGELES

ASESORIA CAMINO, S.L. ,

PEREZ CORDOBA, VICTOR MIGUEL

SEGURALIA 2050, S.L. ,

DE EUGENIO FERNANDEZ, JOAQUIN

RUALI CONSULTANTS, S.L. ,

ADA SEQUOR, S.L. ,

IZQUIERDO - PARDO, S.L.P. ,

CASTRESANA URIARTE, RODOLFO

DE LA TORRE PEREZ, NOELIA

CABRERA MARTIN, MIGUEL ANGEL

DIAZ Y FERRAZ ASOCIADOS, S.L. ,

NOVOSELOVA , ELENA
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ESCRIVA DE ROMANI, S.L. ,

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PEREZ POYATOS, EMILIO JOSE

OSYPAR GESTION, S.L. ,
CLAVELL & SAINZ DE LA MAZA ASESORES, S.L. ,

ROLO GESTION E INVERSION, S.L. ,

FERRE REVILLA, NATALIA

ASESORIA RANGEL 2002, S.L. ,

CASTELLANO GARCIA, PABLO JOSE

GONZALEZ ALONSO, REBECA

BADALONA ASESORES, S.C.C.L. ,

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AFIANZA GESTION EMPRESARIAL, S.L. ,
ILURCE ASESORES Y CONSULTORES, S.L. ,

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MARTINEZ GOMEZ, MIGUEL AMARO

PERTUSA MONERA, ENCARNACIÓN

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ASESORIA GESTION PATRIMONIAL DE ENTIDADES RELIGIOSAS, S.L. ,

EUROTAX ABOGADOS, S.L. ,

MUÑOZ CALVO, FERNANDO JOAQUIN

DIAZ FRANCO, MARIA ANTONIA

CARRETERO E IZQUIERDO ASOCIADOS, S.L. ,

LOPEZ BERGUA, MARTI

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RIBAS RUBIO, PEDRO

ORTUÑO FERNANDEZ, JOSE LUIS

GONZALEZ JIMENEZ, FRANCISCO

PEREZ ABAD, JAUME

CASALS REIG, IRMA

CARULLA FELICES, JORDI

GAMEZ MARTINEZ, ANTONIO MANUEL

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ROCA VILA I JURADO ASSOCIATS, S.L.P. ,

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PLANAS VIDAL, PERE DOMINGO

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ASSESSORS EMPRESARIALS ASEMAX, S.L.P.U. ,

DOMENECH GIMENO GESTIO, S.L. ,

FISLAC ASESORES, S.L. ,

JOSFRAN ASSESSORS, S.L. ,

IXPE ASSESSORS 94, S.L. ,

BONMATI COMPTABLE, S.L. ,

ORDENACIONES CONTABLES, S.L. ,

SERGESA ASSESSORS, S.L. ,
ASSESSORIA BUFET JURIDIC SM&TA, S.L. ,

HIDALGO GESTIO, S.L. ,

GESTORIA ARENYS, S.L.P. ,

UNIGLOBAL CONSULTING, S.L. ,

APEKONO 1964, S.L. ,

ASSESSORIA MARGARIT, S.L.P ,
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NORMA-3 ON LINE, S.L. ,

EDISATEL ASESORES, S.L. ,

ASSESMERCAT, S.L.P. ,

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OBLA 2012 CONSULTING, S.L. ,

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ESPINAR MEDINA, RICARDO

CAO GONZALEZ, NIEVES ESPERANZA

CRESPO CRESPO, ANGEL MANUEL

CASTILLO BLANCA, ENRIQUE

TWOINVER IBERICA, S.L. ,

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IBERBROKERS ASESORES LEGALES Y TRIBUTARIOS, S.L. ,

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LINEA CONTABLE, S.L. ,

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MENDEZ HERNANDEZ, CAYETANO

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LEON ACOSTA, MANUEL TOMAS

SALAMERO MORENO, JOAQUIN

MARIA CARMEN PEREZ AZNAR, S.L.P. ,

LOGROSA SOLUCIONES, S.L. ,

OTC ORIENTA PYMES, S.L. ,

GONZALEZ RAMIREZ, JOSE

CALVO HERNAN, ALICIA

GONZALEZ GONZALEZ, JOSE MANUEL

OVIEDO PEREZ, ZULEMA
SERVICIOS INTEGRALES CANARIOS, S.L. ,

OTERO ALVAREZ, JULIA
GESTINSERVER CONSULTORES, S.L.U. ,

ORUS RODES, RICARDO

SAUN FUERTES, MARIA JOSE
MITJAVILA Y ASOCIADOS ESTUDIO JURIDICO FISCAL, S.L. ,

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BAENA ASESORES Y CONSULTORES EMPRESARIALES, S.L. ,

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LOPEZ FRAILE, LUIS ANTONIO
RENTA INMOBILIARIA ARAGONESA, S.L. ,

BACHS RABASCALL, JOSEP

ESPIÑA GALLEGO, ANA MARIA

VACCEOS GESTORES, S.L. ,

ARAGESTIN, S.L. ,

SABALLS GESTIO, S.L. ,

ABRAHAM MORA, JUAN PEDRO

SEOANE MENDEZ, ROBERTO

GARCIA ROSALES, JUAN ANTONIO
ABOGADOS & ASESORES EUROPEOS, S.L. ,

ABELENDA MONTES, MANUEL

TARIN MOMPO, S.L.P. ,

SANZ FUENTES, LUIS ALBERTO

BARQUIN VITORERO, BEATRIZ

BAGUR CARRERAS ASSESSORS, S.L. ,
MARTINEZ VECINO, MARIA CONCEPCION

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MARTIN PEREZ ASSESSMENT, S.L.P. ,

T & P SAFOR GESTIO, S.L. ,
GOMEZ DE MAINTENANT, MARTA MARIA
RODRIGUEZ RODRIGUEZ, MARIA DEL CARMEN

RUIZ PEREZ, MARIA VICTORIA

ROMAN CAMPOS, MARIA ETELVINA
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TARSIUS FINANCIAL ADVICE, S.L. ,

FIRVIDA PLAZA, BELEN

CHOGUY, S.L. ,

SERKA ASESORES, S.L. ,

LIT & PITARCH, S.L. ,
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GUERRA CEBALLOS, JUAN LUIS

ASEDORA BSB, S.L. ,
BG ASESORIA DE FINANZAS E INVERSIONES, S.L. ,
ASESORIA Y SERVICIOS DE GESTORIA CABELLO, S.L. ,

INMONAEVA, S.L. ,

GURRIA Y ASOCIADOS, S.C. ,

MOUZO CASTIÑEIRA, JESUS ANTONIO

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PEREZ SIERRA ASESORES, S.L. ,

TOLEDO VALIENTE, MARIA GLORIA

LAMPER IBERICA, S.L. ,

GARCIA CASO, ENCARNACION

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BENEDI LOPEZ, CARLOS JAVIER

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VACA DELGADO, ANDRES JESUS

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ORTIZ ALVAREZ, BENITO

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CRESPO GOMEZ, LUCAS

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HERNANDEZ SANCHEZ, MARIA ISABEL

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JUNQUERA FRESCO, BEATRIZ INMACULADA
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ANDAL DE ASESORAMIENTO Y GESTION, S.L. ,

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SALAET FERRES, MARISA

DEL POZO SANCHEZ, SUSANA

HERAS HERNANDEZ, FERNANDO

DRIS MOHAMED, SAMIR

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VAZQUEZ FERREIRO, ALFONSO

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GARCIA DAUDER, VICENTE

CASTAÑEDA PEREZ, PABLO

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SOBALER Y RODRIGUEZ ASESORIA Y GESTION, S.L. ,

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HERNANDEZ ALEJANDRO, JOSE MANUEL

NARANJO PEREZ, JUAN CARLOS

CURROS NEIRA, FRANCISCO JAVIER

COLLET I DURAN, S.L. ,

SUMA LEGAL, S.L. ,

ASESORIA ADOLFO SUAREZ, S.L. ,

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PRESTACIONS DE ASESORAMENTO EMPRESARIAL, S.L. ,

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GESTIONES Y SOLUCIONES EFFICAX, S.L. ,

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RAMOS SOBRIDO, JOSE ANDRES
AROSTEGUI ARGALUZA, MARIA VICTORIA

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BRAVOSOL GESTION, S.L. ,

CONSULTORES LEONESES, S.L. ,

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INSERVICE D & B, S.L. ,

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INVERGU 2914, S.L. ,
CENTRO DE NEGOCIOS ASERGALICIA, S.L. ,
MENDOZA MORANTE E INCLAN, S.L.P. ,

SIMON MARTIN, ANTONIO MIGUEL

GESDIA ASESORES, S.L.U. ,

ASESORIA FISCAL LULL, S.L. ,

LLUIS GARRUDO Y ASOCIADOS, S.L. ,

F. D. PANTIGA, S.L. ,

PERELLO Y TOMAS, S.L. ,

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ILIEVA NENKOVA, KATIA
TOPE MEDITERRANEA ASSEGURANCES, S.L. ,

TORMOS MARTINEZ, ISIDRO

VAZQUEZ SANTOS, CRISTINA

IDF ALL FINANCING, S.L. ,

NOVELLA MORALES, MANUEL

LLUCIA GUITERAS, S.L. ,

LOPEZ RUBAL, ANTONIO
ACOSTA Y RUIZ CONSULTING ASEGURADOR, S.L. ,

GESTORIA GARCIA NAVARRO, S.L.P. ,
CENTRAL INTERNACIONAL DE SERVICIOS Y ASESORAMIENTO, S.L. ,

LEO GESTION, S.L.U. ,

GARATE MINTEGUI, FRANCISCO

MAYTE COSTAS ASESORES, S.L. ,

3IMPULSA, S.C.P. ,

COSCULLUELA SIN, JOSE LUIS

BERTOMEU GONZALEZ, KILIAN

SUBIRATS ESPUNY, MARIA DOLORES

PEREZ CAMACHO, MIGUEL ANGEL
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INLASTIME, S.L. ,

CONSULTING JL ARBILLAGA, S.L.P.U. ,

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OFICINA PALMA, ASESORIA Y FORMACION, S.L. ,

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HEVIA PATALLO, TERESA

SERNA MINONDO, MARIA ANTONIA

ALC ASESORES, S.C. ,

CAMACHO MARTIN, ANTONIA

ALLES IST MOGLICH, S.L. ,

BADILLO SUAREZ, MARIA SANDRA

RAMIREZ LOPEZ, AGUSTIN

RIPOLL BARRACHINA, ENRIQUE

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

MARTINEZ GONZALEZ, VANESA

ROSVEGA, S.L. ,
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JUANOLA COCH, MARTI

HOY DE 2004, S.L. ,

VEGA GARCIA, CRISTIAN

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VILLORO OLLE, ROGER

FEMIDA CONSULTING, S.L. ,

RIOJA ROMAN, RAQUEL

TORRES PEREZ, JOSE ARISTIDES

DE QUINTANA PEREZ, ANNA

DUQUE MEDRANO, JUAN CARLOS

HELP CONTROL DE GESTION, S.L. ,

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CERCUNS CANDALIGA, JOSEFINA

BONDIA VIVES, YESICA

ALONSO Y SERODIO ASESORES, S.L. ,

PEDRO LOPEZ PINTADO E HIJOS, S.L. ,

PINTOR ZAMORA, GUADALUPE

BUFET PUIG I ASSOCIATS, S.L.P. ,
ABOGAP SERVICIOS INTEGRALES, S.L.U. ,

SANCHEZ HERNANDEZ, IVAN

MADRONA MARTINEZ, MIRIAM

BUFET ENRIC LLINAS, S.L.P. ,

RODON I VERGES ASSOCIATS, S.L. ,
FRANCISCO JOSE PEÑUELA SANCHEZ, S.L. ,

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ZALTYS, S.L. ,

GUILLEN RUIZ, EMILIO

CASILLAS VIGARA, JUAN

ZUBIZARRETA UNCETA, AITOR

CANO LOBATO, BEATRIZ

LOPE CARVAJAL, JUAN JESUS

GALLARDO GALLARDO, BEATRIZ ANA

GIMENO CACHO, MARIA CRISTINA

GONZALEZ MONZON, MARIO

RUIPEREZ MATOQUE, PIERRE
BAHAMONDE GONZALEZ, JORGE JUAN

REZA MONTES, FRANCISCO JAVIER

MENDIZABAL GOIBURU, AGUSTIN

XESDEZA, S.L. ,

ASIEXCAN, S.R.L. ,

ALVARO CAMPILLO, EVA MARIA

GARCIA SANCHEZ, LUIS

INVERSIONES IZARRA 2000, S.L. ,

LEMES ASESORES FISCALES, S.L. ,

MG ECONOMISTES, S.L.U.P. ,

M. L. BROKERS, S.L. ,

MARBAR ASESORES 2014, S.L. ,

GRELA CASTRO, MARCELINO

GONZALEZ & PARDAVILA, S.C. ,

CAMPOS CRESPO, PRISCILA

ALARCON CINTAS, ANTONIO

AYZAGAR SOTO, JAVIER

ORTEGA ALTUNA, FERNANDO MARIA

COSTA GARCIA, ROSA MARIA

ASESORES DO BAIXO MIÑO, S.L. ,

VIÑAS GRABOLEDA ASSESORS, S.L. ,

MELCHOR GOMEZ, CANDIDO DANIEL

ASEBIL - HERBLA ASESORES, S.L. ,

CLUSTER ASESORES, S.L. ,

TORRES DIAZ, ANTONIO
AUREA JURISTAS Y ASESORES FISCALES, S.L.P. ,

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ABADIA EXPLOTACIONES HOTELERAS, S.L. ,

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EZEQUIEL & SANCHEZ CONSULTORES, S.L. ,

ORTEGAL A ESTACA, S.L. ,

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CLAVE OPTIMA BUSINESS, S.L.U. ,

SEMPERE & PICO ASESORES, S.L. ,
DE FALGUERA MARTINEZ-ALARCON, ANTONIO

UREÑA FERNANDEZ, FEDERICO
ICIAR VILLANUEVA CORREDURIA DE SEGUROS, S.L. ,

GESTORIA LLURBA GARZON, S.L. ,

SERRANO VACAS, JUAN CARLOS
ALTOLAGUIRRE AGUIRREBENGOA, MARIA JOSEFA

ARTAJO JARQUE, FERNANDO MARIA

MB ASESORES 2012, S.L.P. ,

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ARCAYANA CONSULTING, S.L. ,

BLAUSERVEIS PROFESSIONALS, S.L. ,

GESTORIA ESTRADA OSONA, S.L.P. ,
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TIRAMAT INVERSIONS, S.L. ,

MARTIN NADAL, ALBERTO

GARCIA LORENZO, JAVIER

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MYLNIKAVA , LIUDMILA

CAMPS CARBONELL, JOAQUIN

PUERTAS VALLES, MARIA LUISA

JOSE MARIA GARCIA FRAU, S.L. ,

BOSCH BATLE CONSULTORIA, S.L. ,

HORTELANO GARCIA, RICARDA

BARDERA CALVO, GEMMA MARIA

SANTANA GONZALEZ, TEODOMIRO

GASCON VAL, JESUS

MACIAS GUERRERO, MANUEL

GESTAE VALENCIA, S.L. ,

BUFETE CANOVAS, S.C.P. ,

LANERO PEREZ, MIGUEL ANGEL

JUESAS FERNANDEZ, ENRIQUE

FLORES MOLERO, GREGORIO
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ARCHS PRETEL, FRANCISCO

ESCRIBANO BUENO, JOSE ALBERTO

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BENCHMARK 5 V'S, S.L. ,

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AYALA GONZALEZ, VICTOR RAMON

ASESORIA DEUSTO, S.L. ,
GESTIONS EMPRESARIALS CABIROL, S.L. ,

CLAPES ESQUERDA, RAMON LUIS

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TEIKEL WEALTH MANAGEMENT, S.L. ,

GRADO CONSULTORES, S.L. ,

SALOR XVI, C.B. ,

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INFOGES PYME, S.L. ,

TELEMEDIDA Y GAS, S.L. ,

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ASESORIA Y SEGUROS PUERTO DE LA TORRE, S.L. ,

CABRERA CABRERA, VICENTE

CERTIS MEDIUM, S.L. ,

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ROS PEREZ, XAVIER
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GUERRA MENGUAL, MARCOS

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ABELLA LOPEZ, ROGELIO

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CUTTER BUSINESS, S.L. ,

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PILAR RAMON ALVAREZ, S.L. ,

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POLO PRIETO, BORJA

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DE PASCUAL MASPONS, AGUSTIN

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RGR ACTIVOS E INVERSIONES, S.L. ,

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GONZALEZ GONZALEZ, MARIA ANGELES

AGUT RODRIGO, OMAR

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GRANADOS ASSESSORS CONSULTORS, S.L. ,

MON JURIDIC RDJ, S.L. ,

ECONOMIALEGAL, S.L. ,
ASESORIA EMPRESARIAL LAS MARINAS, S.L. ,
ASSESSORIA AREA ECONOMICA LEGAL, S.L. ,

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DIENTE ALONSO, SERGIO

REY GONZALEZ, NICOLAS

CISTERO BOFARULL, MARIA

CHAVARRI GONZALEZ, ALVARO

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LOPEZ GARCIA, ANTONIO PEDRO

AFISEG II, S.L. ,

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PADILLA CABRERA, ROMINA DEL CARMEN

AEQUUS ABOGADOS, S.L. ,
CATDINV CORPORATE FINANCE, S.L.L. ,

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HUGUET CABRERA, SERGIO

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ALONSO FERNANDEZ, AGUSTIN

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VERDU CASTELL, JOSEP MANEL

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BAY NAMRATA, S.L. ,

ANDISARU, S.L. ,

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AIMER AGRONOMIA, S.L.U. ,

AMOEDO GONZALEZ, DANIEL

MESA VIÑAS, ARGEO

WU ZOU, REBECA

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SILBERT-4, S.L. ,

POPIN DE LOS MARES, S.L. ,

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A 5 ASESORES CONSULTORES, S.L. ,

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ARROYO SANTIAGO, MANUEL

ROZAS NEIRA, ADRIAN

EROSMARVAL 2013, S.L. ,

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SABATER Y SALVADADOR ABOGADOS, S.L. ,

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ALAMO MARTINEZ, GUILLERMO

GONZALEZ FEO, SERGIO

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GONZALEZ PARRA, RICARDO

IBAÑEZ SANCHEZ, JAVIER

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GARCIA PUJADAS, MONTSERRAT

SERVICAT ASESORES, S.L. ,

ARBO MASNOU ASSESSORIA, S.L.U. ,

CAMPS ALBERCH, ENRIC

PORRAS JURADO, JUAN

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

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DE GUILLERMO DE SAN SEGUNDO, MARIA SONSOLES

HENCHE MUÑOZ, GREGORIA

TABACO MARTIN, JUAN ANTONIO

E.C. ASESORES 2006, S.L. ,

SANTOS PAEZ, SILVIA

BHEX ASESORES, S.L.P. ,

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FERNANDEZ PLACIN, ERIC

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SUBIRON GARAY, RAFAEL

GALVEZ RUIZ, PEDRO FRANCISCO

ALVAREZ ALVAREZ, LORETO

ASEMVA 1999, S.L. ,

ALONSO JUAREZ, JAVIER
ENTIDAD INTEGRAL DE ACCION Y AYUDA SOCIAL 'EIA' ,

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QUIRALTE FUENTES, RUBEN

TUTUSAUS LASHERAS, MONTSERRAT

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Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

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PERDOMO PEREZ, ROCIO

DUAMAR ASESORES, S.L. ,

GONZALEZ GOMEZ, JAVIER ANTONIO
DOMINGO & ASSOCIATS SERVEIS PROFESIONALS, S.L. ,

MANZANARES RODRIGUEZ, JAVIER

BARRERA VAZQUEZ, JAVIER
GALSAN ASESORES TRIBUTARIOS, S.L. ,
GRUP 5 ASESORES TRIBUTARIOS, S.L. ,

SERVEIS ALDOMA MAS, S.L. ,

MASSA LARIO, JOAQUIN

CHACON GUTIERREZ, ABEL

ABELLA MESTANZA, ENRIQUE

PUCHE I RECARENS, S.L. ,

PRABER ASESORES, S.L. ,

RUIZ SORIA, ANTONIO
MARTINEZ FRUCTUOSO, MARIA DEL CARMEN

SERDECO ASESORES, S.L. ,
ASESORIA JURIDICO ADMINISTRATIVO GESGAR, S.L. ,

JONDAL ASSESSORS, S.L. ,

DIAZ JUAN, JORGE

NESAL GESTORES, S.L. ,

CARBALLO PADRON, GILBERTO

INIGO LOPEZ, LUIS ALBERTO

LOBATO MENDEZ, JAIME

GEMAP, S.L.P. ,

CORPORATE GLOBAL ORDER, S.L.P. ,

AISF PARTNERS, S.L. ,
TARRAGA ENAMORADO ASESORES, S.L. ,

CAV PICASSENT ASESORIA, S.L. ,

RIBAS DEL VALLE, JAIME
ASESORIA INTEGRAL NEW CHANCE, S.L.P. ,

CRESPO PEDRA, MIGUEL

GRUP ALEMANY MONTFORT, S.L.P. ,

PEGUERO LANZOS, FERNANDO
BPRADOS ASESORES FINANCIEROS, S.L. ,

OKAPI SES SALINES, S.L.U. ,

ALBESA BATALLA, DAVID

RUIZ PEREZ, DANIEL

BUSINESS ACTION, S.L. ,

BUSTOS QUIROGA, MARIA FELISA

TRADESCO, S.A. ,

CHAPA DEVESA, ROBERTO BENITO

BARRIADA GARCIA, PEDRO JOAQUIN

CARNIAGO GRACIA, ROBERTO

BARRADO JIMENEZ, JOAQUIN
PEREZ-MARSA MILLET & CALATAYUD ABOGADOS, S.L.P. ,

GONZALEZ CALVO, ENRIQUE

GARCIA PANDO, ISIDORO

GIBERT GATELL, JOSEP

ORGAZ REDAJO, JOSE EMILIO

NEBREDA MUÑOZ, MARIA TERESA

RBS GLOBAL CONSULTING, S.L. ,
MARTIN & ASOCIADOS NEW BUSINESS, S.L. ,

ARIZA MARCHAL, INES

NICULAU ADVOCATS, S.L. ,

BELATELES INVERSIONES, S.L. ,

LINARES LOPEZ, MANUEL

MASCARO VECINO, INMACULADA

INVERPA MEDITERRANEO, S.L. ,
GABINETE JURIDICO LABORAL ALBACETE, S.L. ,

FREEDOM INVESTMENTS, S.L. ,

BAEZA MOTA, JOSE MANUEL

OLLER CARRILLO, SIMON

FINQUES GERMANS NABAU, S.L. ,
LAZARO CONSULTORS I ASSESSORS, S.L. ,

INGLES LACASA, RAFAEL
CS GRUPO CONSULTOR ALTA 2000, S.L. ,
AVANZA ABOGADOS Y ASESORES, S.L. ,

PLANAS ILLAS, LAURA

LEGIBUS SALVIS, S.L. ,

SANDIN SISTO, GUSTAVO DANIEL

MARTIN MOLINERO, CARLOS JESUS
ASESORIA CONSULTORIA TERRASA MELLADO, S.L. ,

ROA DELGADO, JUAN JOSE
UBEDA HERRERO ASESORES LEGALES Y TRIBUTARIOS, S.L.P. ,

VARELA SANCHEZ, MARÍA ALMUDENA

MAP ESFISA, S.L. ,

ACEBES MAYA, DAVID

MIRALLES ESPUNY, EDUARD

RODRIGUEZ FERNANDEZ, ENRIQUE

GARCIA LATORRE, ANTONIO DAVID

RODRIGUEZ MASA, JUAN LUIS
HERNANDEZ MONTUENGA, PEDRO LUIS
GABINETE DE TECNICAS EMPRESARIALES GABITEC, S.L. ,

TORRALBO HINOJOSA, SERGIO JESÚS
ACTIO LEX CONSULTORES LEGALES, S.L.P. ,

OFITEC ASESORES, S.L. ,

GUERRA PADILLA, JAVIER

ALBERDI ALBEA, JOSÉ RAMÓN

GESTORIA OFISEM, S.L. ,

TRUC PEBE SALLENT, S.L. ,

HEALTH & CARE INVESTMENT, S.L. ,

MONTAÑO PEREZ, DANIEL

PASCUAL HERRERO, MIGUEL
EXPERTOS CONTABLES Y TRIBUTARIOS, S.L. ,

FORCEN LOPEZ, MARIA ESTHER
SERVICIOS DE CONSULTING MARQUES, S.L. ,

GESTORIA CORONA, S.L.P. ,

SALINAS MARTINEZ, FRANCISCA

ARROYO PEREZ, JOABANA

CONCORDES TAX & LEGAL S.L. ,

RODRIGUEZ NIEVES, BERNARDINO

GARCIA BENITEZ, ALBERTO JESUS

ESPERT ZANON, GONZALO

ECONOMIS LOW COST GESTION S.L. ,
ASSESSORAMENT EMPRESARIAL CABRE I ASSOCIATS, S.L. ,

PREVENALICANTE 2015, S.L. ,

PUGA LOPEZ, MARIA DOLORES

ROS RUIZ, ANA
MARQUEZ GODINO, FRANCISCO PASCUAL

DATACONTROL ASESORES, S.L. ,

LOPEZ SEQUERA, PEDRO

OREGUI ASESORES, S.L. ,

FERNANDEZ GUTIERREZ, OSCAR BAUDILIO
INTERFINANCIAL SOLUCIONES, S.L.U. ,

MIGUEL BENITO, JOSE ANDRES

ASESORIA RA-ES, S.L. ,

BRUNET COMAS, FRANCESCA MARIA
GOMEZ-LANDERO GUIJARRO, MARIA LUISA

RODRIGUEZ RUIZ, JUAN ANTONIO

HALTIA CAPITAL EAFI, S.L. ,

ABEMPATRI, S.L. ,
PLUS GESTIO ASSESSORS LEGALS I TRIBUTARIS, S.L. ,

AGENJO CALDERON, JUAN LUIS

MAGAÑA PLAZA, PEDRO ANTONIO

MERA RANCAÑO, MANUEL

SANTANDREU ROSSELLO, PERE
GONZALEZ GONZALEZ, VICTOR JAVIER

TRABA PUENTE, SANDRA

ASESORIA RAMILO E BOTANA, S.L. ,

CARNE SALES, MARIA JOSE

OTERO Y PEREZ CONSULTORES, S.L. ,

ARDORA CORPORATE, S.L. ,
ASSESSORAMENT INTEGRAL MAESTRAT, S.L. ,

GARCIA ARRIBAS, MARIA SAGRARIO

SERNA CABRERO, PEDRO ANTONIO

COBO RIVAS, RAMON
RODRIGUEZ CAÑIZARES, ANTONIO JAVIER

ALAMILLO ALVAREZ, CRISTINA

SAINZ TAJADURA, MARIA VICTORIA

GAITAN PERLES, JUAN JOSE

RAMIS FERRER, FRANCISCO

PROGESEM, S.L. ,

WHITE ORR, ROBERT HENRY
CONSULTORES FINANCIEROS LEONESES, S.L. ,
LUIS CARDONA AGENCIA DE SEGUROS, S.L.U. ,

RODRIGUEZ MARTINEZ, RAFAEL

TORRES CLEMENTE, MARIA DEL MAR

SARACLAU, S.L. ,

NAHARRO GATA, MANUEL
ALF CONSULTORES Y SERVICIOS FINANCIEROS Y SEGUROS, S.L. ,

DIMANA ASESORES, S.L. ,
CENTRO DE ESTUDIOS ROMO & CAMPOS, S.L. ,

LOPEZ FIDALGO, MARIA MONICA

MORANTE REDONDO, MANUEL ANGEL

RUBIO SIERRA, FRANCISCO JOSE

BLAI GABINET DE SERVEIS, S.L. ,

DE CAMBRA AGOGADOS, S.L. ,
YLLANA Y CABRERIZO CONSULTORES, S.L. ,

JARA GUERRERO, FRANCISCO

PONCE VELAZQUEZ, JOSEFA

CARREÑO FALCON, PEDRO

VASALLO RAPELA ASESORES, S.L. ,
AFER ASSESSORIA FISCAL I COMPTABLE, S.L. ,

BRAVO MASA, Mª INMACULADA

GUIJARRO BACO, JUAN JOSE

ABREU PEÑA, ANDRES SERGIO

BOTELLO NUÑEZ, FELIPE

SUAREZ RODRIGUEZ, Mª DEL CARMEN

CERVIÑO OTERO, MARIA LUZ

NODA MORALES, HECTOR JOSE
ZUZENBIDE KONTUAK KOOP ELK TXIKIA ,
HERNANDEZ VELAZQUEZ, JOSE GREGORIO

DOMINGUEZ RODES, JUAN LUIS

BALDOVI GONZALEZ, DIANA
BUFETE MANOTAS ABOGADOS, S.L.P. ,

THE GADO GROUP. S.L. ,

CORONADO MANSILLA, DIEGO

CASSO MAYOR, FRANCISCA
MACIAS FONTANILLO, ISAAC SANTIAGO

FABRA VERGE, TERESA ROSARIO
INTEGRAL ARANDA ASESORIA DE EMPRESAS, S.L. ,

ASESORIA GILMARSA, S.L. ,

HERNANDEZ PRIETO, MIGUEL ANGEL

SANCHEZ GARCIA, YOLANDA

OPERATIVO CONSULTING, S.L.U. ,

ZUBIZUA, S.L. ,

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX XIV: Merger by absorption of Banco Bilbao Vizcaya Argentaria (Portugal), S.A. and BBVA Renting, S.A.U. (BBVA Renting)

a) Balance sheet of BBVA Portugal, S.A. as of December 31, 2017

ASSETS	Thousand of Euros	LIABILITIES	Thousand of Euros
Cash and deposits at Central Banks	782.839	Resources of central banks	100.000
Deposits at other credit institutions	100.282	Financial liabilities held for trading negociación	42.235
Financial assets held for trading	51.078	Resources of other credit institutions crédito	1.496.736
Financial assets available for sale	12.199	Resources of customers	2.287.511
Loans and advances to credit institutions	29.692	Hedging derivatives	5.406
Loans and advances to customers	3.021,538	Provisions	10.067
Non-current assets held for sale	1.212	Current tax liabilities	38
Other tangible assets	68.106	Deferred tax liabilities	753
Intangible assets	32.771	Other liabilities	53.266
Investments in branches, associates and joint ventures conjuntos	17.210	TOTAL LIABILITIES	3.996.012
Current tax assets	586	Equity	530.000
Deferred Tax Assets	69.100	Share premium	7.008
Other assets	151.494	Revaluation reserves	(62.253)
TOTAL ASSETS	4.221,849	Other reserves and earnings carried forward	(254.253)
		Net earnings for the period	5.335
		TOTAL EQUITY	225.837
		TOTAL EQUITY AND LIABILITIES	4.221.849

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b) Balance sheet of BBVA Renting as of December 31, 2017

ASSETS	Thousand of Euros	LIABILITIES	Thousand of Euros
NON-CURRENT ASSETS	485.604	EQUITY	101.456
Tangible assets	-	STOCKHOLDERS' FUNDS	102.884
Intangible assets	**103**	**Capital**	**50.123**
Computer software	103	Registered capital	50.123
Non-current investments in group companies and associates	-	**Share Premium**	**5.927**
Equity instruments	-	**Reserves**	**38.164**
Non-current investments	**484.838**	Legal and statutory reserves	10.149
Other financial assets	2.867	Other reserves	28.015
Loans to third parties	481.971	**Profit/(loss) for the period**	**8.670**
Deferred tax assets	**663**	VALUATION ADJUSTMENTS	(1.428)
CURRENT ASSETS	169.683	NON-CURRENT LIABILITIES	531.430
Non-current assets held for sale	**6.261**	**Non-current provisions**	**305**
Trade and other receivables	-	Other provisions	305
Public entities, other	-	**Non-current payables**	**4.918**
Current investments	**140.396**	Derivatives	2.040
Loans to third parties	140.396	Other financial liabilities	2.878
Prepayments for current assets	**6**	**Group companies and associates, non-current plazo**	**526.207**
Cash and cash equivalents	**23.020**	CURRENT LIABILITIES	22.401
Cash	**23.020**	**Current payables**	**48**
TOTAL ASSETS	655.287	Other financial liabilities	48
		Group companies and associates, current	**2787**
		Trade and other payables	**18.334**
		Suppliers	17.216
		Public entities, other	1.118
		Current accruals	**1.232**
		TOTAL EQUITY AND LIABILITIES	655.287

Translation of the Financial Statements originally issued in Spanish and prepared in accordance with Circular 4/2017 (see Notes 1 and 52). In the event of a discrepancy, the Spanish-language version prevails.

c) List of assets transferred that are subject to amortization

List of goods transferred by BBVA Portugal (Millions of euros)

	Previous years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	TOTAL
Property	82,806	1,482	522	1,195	1,726	741	758	623	68	72	24	90,017
Fixtures	13,605	460	751	604	495	1,230	758	200	44	30	-	18,177
Computer equipment	19,880	317	275	803	633	633	706	385	89	-	4	23,725
Furniture	8,359	250	184	191	435	282	316	232	41	-	67	10,357
TOTAL GROSS COST	124,650	2,509	1,732	2,793	3,289	2,886	2,538	1,440	242	102	95	142,276

Accrued depreciation Properties	(12,977)
Accrued depreciation Fixture	(1,568)
Accrued depreciation Computer software	(24,291)
Accrued depreciation Furniture	(10,014)
TOTAL ACCRUED DEPRECIATION 31.12.2017	**(48,850)**
TOTAL IMPAIRMENT 31.12.2017	**(257)**
TOTAL NET COST 31.12.2017	**93,169**

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.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Management report for the year ended December 31, 2018

Contents

About BBVA

Banco Bilbao Vizcaya Argentaria, S.A. (the "Bank" or "BBVA") is a private-law entity governed by the rules and regulations applicable to banks operating in Spain.

BBVA S.A is a bank founded in 1857 that is part of the BBVA Group, a global financial services group with a vision focused on the customer. 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 Bank has a solid position in Spain and, for its development activity, has representative offices in more than 15 countries. 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.

This Management Report includes information on the Bank's performance in 2018 and the rest of the activity more related to the stakeholders, in the chapters of the Non-financial information report.

The management report of BBVA, S.A. has been prepared from the individual accounting and management records of Banco Bilbao Vizcaya Argentaria, SA.

BBVA is the parent company of the BBVA Group (hereinafter, "the Group"). It is an internationally diversified group with a significant presence in the business of traditional retail banking, asset management and wholesale banking.

The financial information included in this management report is presented in accordance with the criteria established by the Bank of Spain Circular 4/2017, on Public and Confidential Financial Reporting Rules and Formats for Financial Statements, and its subsequent amendments.

Balance sheet, business activity and earnings

The key figures in the Bank's balance sheet with respect to its main business are as follow:

The Bank's total balance sheet as of December 31, 2018 stood at €399,940 million (€400,083 million in 2017). At the close of 2018, "Financial Assets at Amortized Cost" amounted to €219,127 million, compared with €252,586 million for the previous year. As of December 31, 2018, customer deposits at amortized cost stood at €192,419 million (€194,645 million in 2017).

In 2018, the Bank had a net profit after tax of €2,316 million euros (€2,083 million in 2017).

Administration costs have increased from €4,038 million in 2017 to €4,077 million in 2018.

Gross income for 2018 totaled €8,412 million, compared with €9,220 million in 2017.

Net interest income in 2018 stood at €3,491 million (€3,463 million in 2017).

Risk management

BBVA's risk management system is outlined in Note 5, Risk Management, of the accompanying Financial Statements.

BBVA Group solvency and capital ratios

The BBVA Group´s capital ratios

BBVA Group's solvency and capital ratios required by the regulation in force are outlined in Note 28 of the accompanying Financial Statements.

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, S.A 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 Bank, 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 **non-financial information report** in the Bank's Management Report, which is attached to the Financial Statements for the 2018 fiscal year.

Calculation of the non-financial key performance indicators included (KPI) in this 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 Bank 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 of the non-financial information report of the Bank 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.

Organizational chart

At the end of 2018, the Board of Directors of BBVA approved a new organizational structure, aimed at fostering the Group and Bank´s transformation and businesses, while further specifying responsibilities for executive functions.

The main aspects of the new organizational structure are as follows:

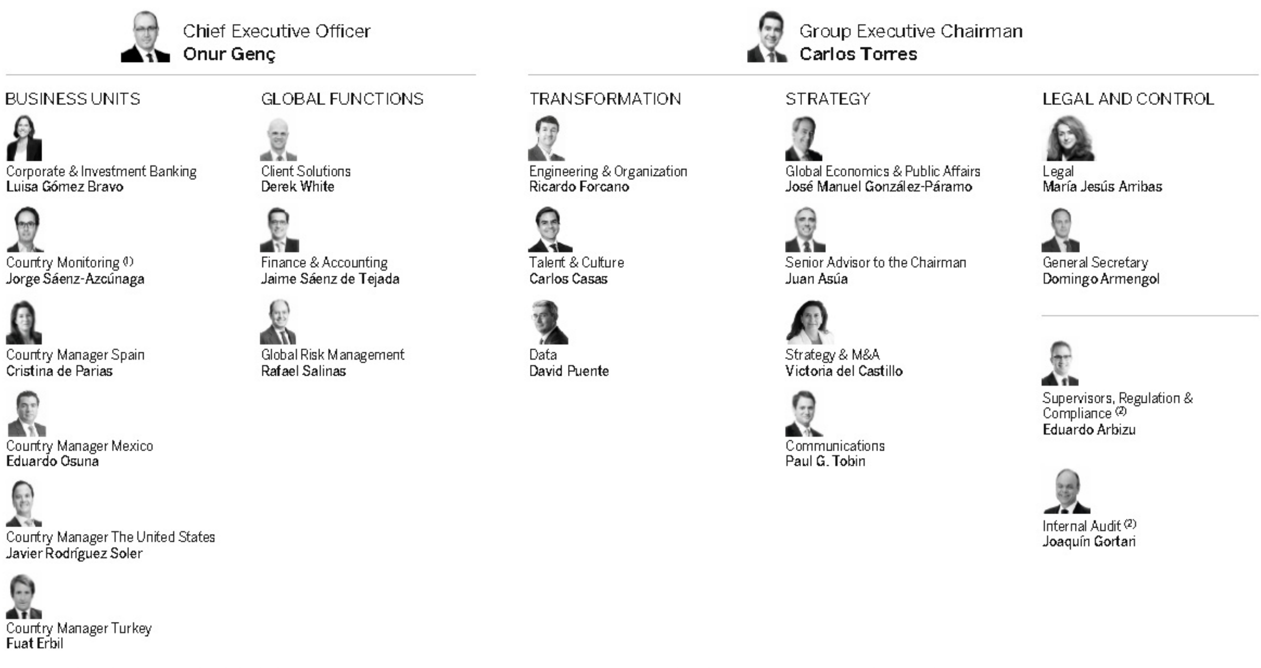
- The **Group Executive Chairman** is responsible for the management and well-functioning of the Board of Directors, the supervision of the management of the Group, the institutional representation, and leading and boosting the Group's strategy and its transformation process.

  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 and Bank´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 Bank'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 Bank's overall strategy, within the framework of the Group.

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 Bank's strategic **vision**, within the framework of the Group, 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 Bank's transformation strategy, within the framework of the Group, 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

The main focus of the Bank, within the framework of the BBVA Group, 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 Bank, within the framework of 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 Bank 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. 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 Bank has 4.8 million digital customers and 4.0 million mobile customers, + 11.5% and + 18.9% in 2018 with respect to the figures of the previous year, respectively, reaching the tipping point of 60% of total active clients in digital customers.

Furthermore, a significant boost to **digital channel sales** is being made. In 2018, 45% of sales in the Bank were made through digital channels compared to 29% 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 Bank, within the framework of 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 Bank, within the framework of 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 23 basis points on the close of 2017.

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 Bank's efficiency ratio stood at 53.8%.

6. A first class workforce

BBVA´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.

The Bank, within the framework of the 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 Bank´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**

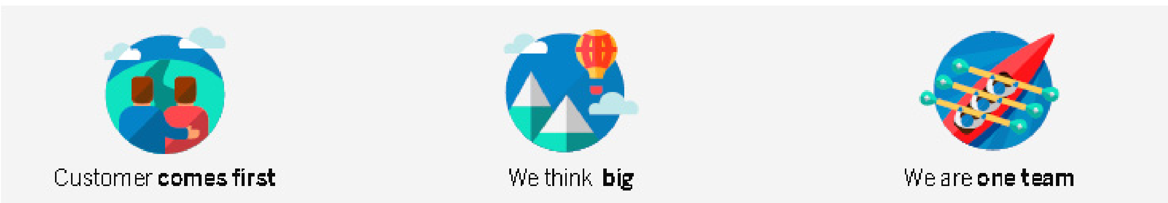
   It is not about innovating for its own sake but instead to have a significant impact on the lives of people, enhancing their opportunities. BBVA Group is ambitious, constantly seeking to improve, not settling for doing things reasonably well, but instead seeking excellence as standard.

   - **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.



- We are empathetic
- We have integrity
- We meet their needs

- We are ambitious
- We break the mold
- We amaze our customers

- I am committed
- I trust others
- I am BBVA

The Values are reflected in the daily life of all Bank 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 Bank. 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 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 in the implementation of its values in the Group. In the workshops organized by the Bank, more than 23,000 employees (about 20% of the total) participated in the corporate headquarters in Madrid (BBVA City), through activities in the branch network; and the online and individual version of the workshop that was made available to all employees through an ad-hoc webapp for this event.

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.

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 Bank, within the framework 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:

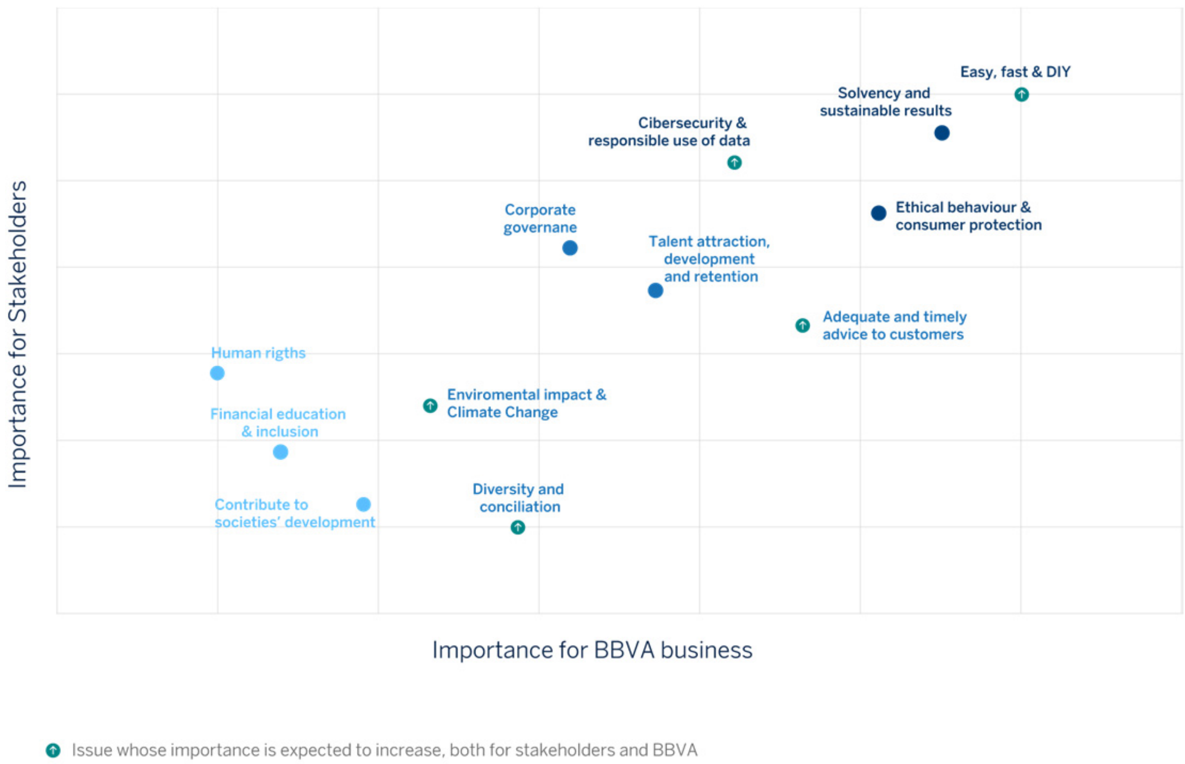
1. Identification of relevant issues for each of the stakeholders based on interviews with the teams they interact with. These, in turn, relied on information that was obtained from the usual listening and dialog tools.

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**.



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 Bank'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 business and support areas of the Bank, within the framework of the Group 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.

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 in 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**, the Bank ranked first in the NPS indicator in Spain.

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 Bank 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 relationship with the Bank, look out for their interests and make BBVA the most transparent and clearest bank. 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. 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 in the Bank, through training provided in workshops directed principally to digital project teams. In addition, Two new editions of the Clear Language in BBVA program were launched; the online course TCR Apply and the TCR training was extended to the legal departments.

The project is **coordinated** by a global team working together with a local TCR.

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 Bank, within the framework of 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.

The Bank´s **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 Bank 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 Bank, 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 the Bank, these registered a significant decrease in 2018 (-61.1 %), in Spain. It also improved the average time for **resolving** claims (10 days compared to 25 the previous year).

Customer Care Service and Customer Ombudsman in Spain

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 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 82,074 cases in 2018, 52% less than in 2017, of which 79,290 were resolved by the Customer Care Service and concluded in the same year, which represents 97% of the total. 2,784 claims remained pending of analysis. On the other hand, 42,190 claims were not admitted for processing as they did not meet the requirements set out in OM ECO/734. Nearly 60% of the claims received corresponded to mortgage loans, mainly mortgage arrangement expenses.

Complaints handled by Customer Care Service by complaint type (BBVA, S.A. Percentage)

Type	2018	2017
Resources	30	9
Assets products/ loans	40	80
Insurances	0	0
Collection and payment services	5	2
Financial counselling and quality service	3	2
Credit cards	14	4
Securities and equity portfolios	1	1
Other	7	2
Total	**100**	**100**

Complaints handled by Customer Care Service according to resolution (BBVA, S.A. Number)

	2018	2017
In favor of the person submitting the complaint	25,383	28,456
Partially in favor of the person submitting the complaint	18,107	89,585
In favor of the BBVA	35,800	51,023
Total	**79,290**	**169,064**

Activity report of the customer ombudsman in Spain

In 2018, the Customer Ombudsman, 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 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 Bank 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 2,291 cases. Of these, 96 have not been finally admitted for processing as they did not meet the requirements of Ministerial Order (OM) ECO/734/2004, and 79 remained as pending as of 31-12-18.

Complaints handled by the Customer Ombudsman office by complaint type (BBVA, S.A. Number)

Type	2018	2017
Insurance and welfare products	25	377
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	105	69
Other	116	95
Total	**2,295**	**1,438**

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 (BBVA, S.A. Number)

	2018	2017
In favor of the person submitting the complaint	-	-
Partially in favor of the person submitting the complaint	1,077	704
In favor of the BBVA Group	1,038	527
Processing suspended	1	8
Total	**2,116**	**1,239**

48.7% 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 277 in 2018.

In 2018, the Bank 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 the Bank 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 Bank'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. During the year, no significant event was registered in the Bank that could activate business continuity strategies.

With regard to **personal data protection**, the project for the implementation of the General Data Protection Regulation (GDPR) was finalized in the companies and branches of the Bank, within the framework of the Group 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 Bank, 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 Bank, within the framework of 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 Bank 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 Bank 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 Bank had 26,042 employees located in more than 15 countries, 50.2% of whom were women and 49.8% men. The average age of the staff was 44.2 years. The average length of service in the Organization was 18.0 years, with a turnover of 0.6% in 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 Bank employees were invited to participate in this system in a 360º review, while the group of 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 Bank 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, professionals joined the Bank, with one of the focuses being the attraction, recruitment and incorporation of **new capacities** profiles needed by BBVA in its transformation process.

As a result of the initiatives involving brand positioning and promotion of the professional **opportunities** available at BBVA through various channels.

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 Bank, 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 Bank'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 Bank'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.

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 of the training provided in the Bank. The main new development in online training in 2018 was the B-Token, 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, S. A.)

	2018
Total investment intraining (millions of euros)	24,1
Investment intraining per employee (euros) (2)	926
Hours of training per employee (3)	62,6
Employees who received training (%)	95
Satisfaction with the training (rating out of 10)	8,3
Amounts received from FORCEM for training in Spain (millions of euros)	3,3

(1) Investment in training for BBVA S. A. as of 31, December, 2018 (including foreign branches).

(2) Ratio calculated considering the BBVA´s workforce at the end of each year (26,042).
(2) Ratio calculated considering the workforce of BBVA with Access to the training.

Training data by professional category and gender (BBVA, S.A. 2018. Number)

	Number of employees with training			Training hours		
	Total	Male	Female	Total	Male	Female
Management team (1)	960	728	232	44,821	32,381	12,439
Middle men	1,720	1,085	635	82,615	52,869	29,722
Specialists	5,201	2,676	2,525	285,388	155,152	130,237
Sales force	13,372	5,916	7,456	1,014,682	563,330	451,353
Base positions	2,898	1,504	1,394	84,000	40,474	43,525
Total	**24,151**	**11,909**	**12,242**	**1,511,506**	**844,206**	**667,276**

(1) The management team includes the highest range of the Bank´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 50.2%

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.

Finally, the Bank has a protocol for the **prevention** of sexual harassment since 2010. In particular, in this protocol, 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, S.A. Number)

	2018			2017		
	Number of employees	**Male**	**Female**	**Number of employees**	**Male**	**Female**
Spain	25,419	12,583	12,836	26,048	13,004	13,044
The United States	166	108	58	131	83	48
France	72	46	26	72	44	28
United Kingdom	126	87	39	125	87	38
Italy	50	28	22	51	28	23
Germany	41	24	17	44	27	17
Belgium	24	15	9	27	17	10
Hong Kong	89	46	43	85	42	43
China	23	8	15	18	6	12
Japan	3	2	1	3	2	1
Singapore	8	1	7	8	1	7
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
Cuba	1	1	-	1	1	-
Total	**26,042**	**12,958**	**13,084**	**26,633**	**13,351**	**13,282**

The average age of the Bank´s employees stood at 42.8 years at the end of 2018, with a distribution by age group between 25 and 45 years (64%), 1% are under 25 years and 35% are older than 45. The seniority in the Bank stood at 16.3% years, is higher in men (17.0 years) than in women (15.5 years).

Employee distribution by professional category and gender (BBVA, S.A. Percentage)

	2018			2017		
	Total	Male	Female	Total	Male	Female
Management team [(1)]	4.2	76.9	23.1	4.0	77.3	22.7
Middle men	7.6	63.5	36.5	7.0	63.9	36.1
Specialists	22.1	51.5	48.5	22.0	51.9	48.1
Sales force	53.4	44.4	55.6	53.4	44.9	55.1
Base positions	12.7	52.2	47.8	13.6	52.6	47.4
Total	**100.0**	**49.8**	**50.2**	**100.0**	**50.1**	**49.9**

[(1)] The management team includes the highest range of the Bank´s management.

Employee distribution by type of contract and gender (BBVA, S.A. Percentage)

	2018			2017		
	Total	Male	Female	Total	Male	Female
Permanent employee. Whole day	96.3	50.9	49.1	96.5	51.2	48.8
Permanent employee. Part-time	2.0	5.0	95.0	1.9	3.7	96.3
Temporary employee	1.7	37.3	62.7	1.6	38.5	61.5
Total	**100.0**	**49.8**	**50.2**	**100.0**	**50.1**	**49.9**

Employee distribution by type of contract and stages (BBVA, S.A. Percentage)

	2018				2017			
	Total	<25	25-45	>45	Total	<25	25-45	>45
Permanent employee. Whole day	96.3	0.4	58.2	41.4	96.5	0.4	60.7	39.0
Permanent employee. Part-time	2.0	0.0	84.7	15.3	1.9	0.0	85.7	14.3
Temporary employee	1.7	14.5	77.3	8.2	1.6	18.3	77.7	4.0
Total	**100.0**	**0.7**	**59.0**	**40.3**	**100.0**	**0.6**	**61.4**	**37.9**

Employee distribution by professional category and type of contract (BBVA, S. A. 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)]	99,9	0,1	0,0	99,8	0,2	0,0
Middle men	98,5	1,5	0,0	97,7	2,3	0,0
Specialists	96,3	3,0	0,7	96,5	2,9	0,6
Sales forcé	96,6	1,8	1,6	97,4	1,6	1,0
Base positions	92,6	2,1	5,3	91,3	2,0	6,7
Group average	**96,3**	**2,0**	**1,7**	**96,5**	**1,9**	**1,6**

[(1)] The management team includes the highest range of the Bank´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.

As of December 31, **2018**, BBVA had 215 people with different capabilities in the Bank's workforce, in Spain. In addition, progress is being made in the accessibility of the branch network, with the corporate headquarters in Madrid (BBVA City) being accessible. And in 2018, a new mobile application was launched to facilitate cashier operations for blind people with mild physical or intellectual disabilities.

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 current regulation in force, 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 Bank, 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.

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 the Bank 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
Number of withdrawn	7,220	10,421
Total number of withdrawn hours by illness or accident during the year	2,171,846	2,326,768
Number of accidents with medical withdrawn	200	156
Absenteeism rate (%)	2.8	2.6

Note: BBVA Spain includes the Bank and other entities in Spain.

In 2018, BBVA, S.A registered a total of 174 cases of **work-related accidents**, most of them commuting accident which represent 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). No case of occupational disease was registered.

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.

Recruitment of employees by gender (BBVA, S. A. Number)

	2018			2017		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**
Total	1.971	783	1.188	1.925	775	1.150
Of which new hires are [1]:	539	329	210	713	449	264

[1] Including hires through consolidations.

The turnover of employees in the Bank is 0.6% in 2018 (the same as in 2017), measured as the number of voluntary redundancies (excluding early retirement) among the number of employees at the beginning of the year.

Discharge of employees by discharge type and gender (BBVA, S. A. Number)

	2018			2017		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**
Retirement and early retirement	519	367	152	834	619	215
Voluntary redundancies	82	37	45	165	109	56
Resignations	196	110	86	173	116	57
Dismissals	58	36	22	45	27	18
Others [1]	1.673	605	1.068	1.642	552	1.090
Total	**2.528**	**1.155**	**1.373**	**2.859**	**1.423**	**1.436**

[1] Others include permanent termination and death.

Dismissals by category and age stages (BBVA, S.A. Number)

	2018				2017			
	Total	**<25**	**25-45**	**>45**	**Total**	**<25**	**25-45**	**>45**
Management team [1]	13	-	2	11	8	-	3	5
Middle men	3	-	-	3	6	-	3	3
Specialists	6	-	2	4	18	-	11	7
Sales force	27	-	18	9	1	-	1	-
Base positions	9	-	2	7	12	-	5	7
Total	**58**	**-**	**24**	**34**	**45**	**-**	**23**	**22**

[1] The management team includes the highest range of the Bank´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 the Bank.

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 Bank's level of social responsibility.

In September **2018**, BBVA celebrated its first Global Volunteer Work Week. BBVA employees in Spain carried out volunteer and solidarity activities, organized by the Bank, by employees and by other non-governmental organizations, 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 Bank, within the framework of 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 Bank, 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 Bank, within the framework of the Group, BBVA 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 BBVA, S.A as a whole is -7.7%. 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.

In this sense, the Bank has launched various initiatives to encourage 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 S.A.	(7,7)	(8,1)

(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, S.A. Euros)

	2018	2017
Management team (1)	236,734	231.189
Middle men	117,100	115,467
Specialists	61,429	60,094
Base Positions	42,996	42,008

(1) The management team includes the highest range of the Bank´s management.

Total average remuneration by age stages and gender (BBVA, S.A. Euros)

	2018			2017		
	Female	Male	Total	Female	Male	Total
<25 años	30.382	33.716	32.214	29.210	30.323	29.789
25-45 años	53.504	70.879	61.136	51.861	69.326	59.568
>45 años	62.548	85.133	75.694	60.915	81.049	72.959

The remunerations of the members of the Board is disclosed at an individual level and by remunerative concept in the Note 49 to the Financial Statements of the Bank. 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 Bank's pension policy is compatible with the Entity's business strategy, objectives and long-term interests.

Contributions to the **social security systems** of the Bank'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 Bank provides a local framework of application, which 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 in concept 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 Bank'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 Group´s 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 BBVA, 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.

BBVA has a **monitoring tool** implemented in Spain, and continues 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 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.

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, the main focus of the Bank 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, 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 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 Bank, 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 new products Committee implemented in the Bank.
- 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.
- Participation in projects to improve and update business processes and the computer systems that support them, in order to ensure their alignment with the best practices of protecting the interests of customers.
- 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 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, that covers practically the entire group affected.

Other standards of conduct

One of the main mechanisms for managing conduct risk in the Bank 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: 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.

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´s 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'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 Bank´s 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**, 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.

Within the general training program in this area, there is an online course that describes matters such as the basic principles related to the Bank'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 taken on by the Bank 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 Bank 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 the detection and evaluation of social risks from a human rights perspective, in 2017, a **due diligence process** was carried out 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 committee in Spain.

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:

- Financing: BBVA is pledging to mobilize €100 billion in green and social financing, sustainable infrastructures and agriculture, social entrepreneurship and financial inclusion.
- Manage the environmental and social risks associated with the Bank's activity, to minimize its potential direct and indirect negative impacts.
- Engage with all stakeholders to collectively promote the contribution of the financial sector to sustainable development.

Both the Bank's Environmental Commitment and its climate change and sustainable development Strategy, within the framework of the Group, are approved by the CEO, with the support of senior management.

As of December 31, 2018, the accompanying Financial Statements of the Bank 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 Bank 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. On its part, the Bank continued to promote the **green loans** market and participated in various transactions, 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 Bank´s employee pension plan. The **goal** 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 Bank continues to work on improving its model, making it more complete and sound every day.

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.

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 Bank, within the framework of 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 Bank 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, pushing 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 Bank and its customers.

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 Spain in 2018 have been very positive, resulting in savings of 8% in electricity, 6% in paper and 14% in water. In addition, 100% of consumption of renewable energy is of renewable origin and the percentage of people working in buildings built under sustainability standards reaches 49%.

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 (BBVA Spain)		
	2018 [1]	**2017**
People working in the certified buildings (%) [1]	49	49
Electricity usage per person (MWh)	5.76	6.25
Energy coming from renewable sources (%)	100	100
CO2 emissions per person (T) [2]	0.72	0.62
Water consumption per person (m3)	8.73	10.11
People working in buildings with alternative sources of water supply (%)	21	20
Paper consumption per person (T)	0.07	0.08
People working in buildings with separate waste collection certificate (%)	49	49

Note: indicators calculated based on employees and external staff.

[1] Including ISO 14001 and LEED certifications.

[2] Emissions calculated according to the market-based method.

To achieve these targets, BBVA continued its efforts to minimize its **environmental footprint** through initiatives in the Bank, most notably:

- Power supply agreement through a PPA (Power Purchase Agreement): for the purchase and sale of green energy in Spain, that includes the construction of a wind farm that guarantees the production of 80 gigawatts, available from 2020.
- 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.
- Renewal of environmental management system certifications under the ISO 14001:2015 standard, with a total of 19 Bank buildings in Spain.
- Measures to reduce paper consumption through digitalization processes of the documents used in offices.
- Participation in the Earth Hour campaign in 21 cities in Spain with a total of 35 buildings and 8 offices that turned off their lights.
- 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 in July 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.

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 Bank allocated €28,1 million to social initiatives. 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.

In 2018, BBVA continued to push forward the main **focus** of action of the Community Investment Plan for the 2016-2018 period, which include:

- **Financial education**, aimed at promoting the acquisition of financial skills and competencies to enable people to make informed financial decisions.
- **Social entrepreneurship**, designed to support the most vulnerable entrepreneurs and those whose companies have a positive social impact.
- **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, the Bank has 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, 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.

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.

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.

The Bank contributes to the dissemination of knowledge through the activities of BBVA Research, that studies the evolution of the economy and offers economic studies, reports and analyses to shareholders, investors and the general public; and the OpenMind 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.

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 relation to contributions to foundations and non-profit entities, BBVA prepared a donation management standard, which plans to update in 2019, to promote greater consistency in all geographical areas, to optimize its management and to continue strengthening the management of anti-corruption risks.

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 Bank´s behaves, within the framework of the Group 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 for the community.
- 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 and that is the reason why it voluntarily disclosed all major tax payments in the countries where it has a significant presence.

The Bank´s total tax contribution in Spain, 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.

Global Tax contribution (BBVA Spain. Millions of euros)

	2018	2017
Own taxes	1,301	1,263
Third-party taxes	1,386	1,438
Total tax contribution	**2,669**	**2,701**

Note: BBVA Spain includes the tax group in the country.

Offshore financial centers

The Bank, within the framework of the Group, 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.

Branch at offshore entities (BBVA. 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

Other tax information by countries

Tax information by countries (BBVA, S. A. Millions of euros)								
	2018				2017			
Country	**CIT payments cash balances**	**CIT expense**	**PBT [1]**	**Subsidies**	**CIT payments cash balances**	**CIT expense**	**PBT [1]**	**Subsidies**
Spain [2]	532	102	2,252	-	445	286	2,222	-
Of which:								
Spanish Tax Group Dividends	-	-	919	-	-	-	841	-
Foreign subsidiaries Dividends	-	53	2,077	-	-	96	2,443	
Sale of BBVA Chile	-	138	864	-	-	-	-	-
Impairment of Garanti	-	-	(1,517)	-	-	-	-	-
France	14	12	36	-	15	9	36	-
United Kingdom	3	2	21	-	1	18	44	-
Belgium	-	-	2	-	-	-	(1)	-
Portugal	4	23	42	-	-	-	-	-
Italy	8	7	23	-	4	16	43	-
The United States	38	9	63	-	16	16	56	-
Japan	-	-	-	-	-	-	(4)	-
Singapore	1	1	7	-	1	1	5	-
Germany	17	1	16	-	25	13	29	-
Hong-Kong	-	1	14	-	-	-	16	-
Taiwan	-	-	(2)	-	-	(1)	(4)	-
South Korea	-	-	-	-	-	-	(1)	-
China	-	-	(1)	-	-	-	(2)	-
Switzerland	7	-	-	-	5	-	-	-
Turkey	9	-	-	-	8	-	-	-
Argentina	1	-	-	-	-	-	-	-
Chile	205	-	-	-	-	-	-	-
Colombia	4	-	-	-	6	-	-	-
Paraguay	4	-	-	-	3	-	-	-
Peru	4	-	-	-	6	-	-	-
Total	**850**	**159**	**2,474**	**-**	**536**	**357**	**2,440**	**-**

[1] PBT: Profit Before Taxes.

[2] Including dividends from foreign subsidiaries which are taxed in their home country.

During 2018, BBVA 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.

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 Bank´s Procurement Model, within the framework of the Group 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 Spain)

	2018	2017
Number of suppliers [(1)]	1,308	1,377
Volume provided by suppliers (millions of euros) [(1)]	2,667	2,381
Average payment term to suppliers (days)	46	50
Suppliers commitment index [(2)]	n.av.	80
Number of approved suppliers	1,285	1,112

n.av.= not available.

[(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.

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 Bank'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 Bank'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 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 98%, which account for 90% 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, they represent 97% of their purchases in 2018 and 93% of the total turnover, which facilitates contributions to the economic and social development of the countries in which the Group is present. 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 in 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.

Average period payment to suppliers

The average period payment to suppliers during the year 2018 is 24 days, below the maximum legal limit of 60 days established by Law 15/2010 of July 5, for which measures are put into place combating late payment in commercial transactions. The calculation of the average period for payment was made as established in the Act.

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, S. A. 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	3/10-11
0.1.b	Geographical presence	102-3 Location of headquarters 102-4 Location of operations 102-6 Markets served	3
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)	10-11
0.1.d	Main factors and trends that may affect your future evolution	102-15 Main impacts, risks, and opportunities	7-10
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	3
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	42
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	48-50
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	48-49
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	-	48
1.1.1.2	On environmental assessment or certification procedures	-	50
1.1.1.3	On the resources dedicated to the prevention of environmental risks	-	48
1.1.4	On the application of the precautionary principle	102-11 Precautionary principle or approach	48
1.1.5	About the resources dedicated to the prevention of environmental risks	-	46
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	49-50
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	49-50
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	49-50
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	49-50
1.1.4.3	Energy use, direct and indirect	302-1 Energy use within the organization 302-2 Energy use outside of the organization	49-50
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	49-50
1.1.4.5	Use of renewable energies	302-1 Energy use within the organization	49-50
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)	49-50
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	49-50
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	49-50
1.1.16	**Protection of biodiversity**		
1.1.6.1	Measures taken to protect or restore biodiversity	304-3 Protected or restored habitats	50
1.1.6.2	Impacts caused by activities or operations in protected areas	304-2 Significant impacts of activities, products, and services on biodiversity	50
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	26
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	26
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	26
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	28
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	29
2.2.1.3	Number of dismissals by sex, age, and professional classification	401-1 New employee hiring and staff rotation	32
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	35
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	35
2.2.1.6	The average remuneration of directors and executives, including variable remuneration, allowances, and compensation	-	ACGR/35
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	35
2.2.1.8	Implementation of employment termination policies	-	32
2.2.1.9	Employees with disabilities	405-1 Diversity in governing bodies and employees	30
2.2.2	**Work organization**		
2.2.2.1	Work schedule organization	-	44
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	31
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	31
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	31
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	31
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	31
2.2.4.2	Percentage of employees covered by collective agreement by country	102-41 Collective bargaining agreements	31
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	31
2.2.5	**Training**		
2.2.5.1	Policies implemented for training activities	404-2 Programs to improve employee abilities and transition assistance programs	26-27
2.2.5.2	The total amount of training hours by professional category	404-1 Average training hours per year per employee	27
2.2.6	**Universal accessibility for people with disabilities**		
2.2.6.1	Universal accessibility for people with disabilities	-	30
2.2.7	**Equality**		
2.2.7.1	Measures taken to promote equal treatment and opportunities between women and men	401-3 Parental leave	27-30

2.2.7.2	Equality plans (Section III of Organic Law 3/2007, of March 22, for effective equality of women and men), measures adopted to promote employment, protocols against sexual and gender-based harassment, integration, and the universal accessibility of people with disabilities	-	27-30
2.2.7.3	Policy against any type of discrimination and, where appropriate, diversity management	406-1 Cases of discrimination and corrective actions taken	27-30
3.	**Respect for human rights**		
3.1	**General information**		
3.1.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	43-45
3.1.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	43-45
3.1.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	43-45
3.2	**Detailed information**		
3.2.1	Application of due diligence procedures in the field of human rights; prevention of the risks of violation of human rights and, where appropriate, measures to mitigate, manage, and repair possible abuses committed	102-16 Values, principles, standards, and codes of conduct 102-17 Advisory mechanisms and ethical concerns 410-1 Security personnel trained in human rights policies or procedures 412-1 Operations subject to revisions or impact assessments on human rights 412-2 Training of employees in human rights policies or procedures 412-3 Significant investment agreements and contracts with clauses	43-45
3.2.2	Claims regarding cases of human rights violations	Non-compliance with laws and regulations pertaining to social and economic issues	43-45
3.2.3	Promotion and compliance with the provisions contained in the related fundamental Conventions of the International Labor Organization with respect for freedom of association and the right to collective bargaining; the elimination of discrimination in employment and occupation; the elimination of forced or compulsory labor; and the effective abolition of child labor.	406-1 Cases of discrimination and corrective actions taken 407-1 Operations and suppliers whose right to freedom of association and collective bargaining may be at risk 408-1 Operations and suppliers with significant risk of child labor cases 409-1 Operations and suppliers with significant risk of forced or compulsory labor cases	43-45
4.	**Anti-bribery and anti-corruption measures**		
4.1	**General information**		
4.1.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	36-42
4.1.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	36-42

4.1.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	36- 42
4.2	**Detailed information**		
4.2.1	Measures taken to prevent corruption and bribery	102-16 Values, principles, standards and codes of conduct 102-17 Advisory mechanisms and ethical concerns 205-1 Operations evaluated for risks related to corruption 205-2 Communication and training on anti-corruption policies and procedures 205-3 Confirmed cases of corruption and measures taken	42
4.2.2	Anti-money laundering measurers	102-16 Values, principles, standards and codes of conduct 102-17 Advisory mechanisms and ethical concerns	37-38
4.2.3	Contributions to foundations and non-profit entities	201-1 Direct economic value generated and distributed	51-52
5.	**Information on the company**		
5.1	**General information**		
5.1.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	51-52
5.1.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	51-52
5.1.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	51-52
5.2	**Detailed information**		
5.2.1	**Commitment by the company to sustainable development**		
5.2.1.1	Impact of the company's activities on employment and local development	204-1 Proportion of spending on local suppliers 413-1 Operations with local community participation, impact evaluations and development programs	51-52
5.2.1.2	The impact of company activity on local populations and on the territory	204-1 Proportion of spending on local suppliers 411-1 Cases of violations of the rights of indigenous peoples 413-1 Operations with local community participation, impact evaluations, and development programs 413-2 Operations with significant negative impacts in local communities, either real or potential	51-52
5.2.1.3	The relationships maintained with representatives of the local communities and the modalities of dialog with these	102-43 Approach to interest group participation	51-52
5.2.1.4	Actions of association or sponsorship	-	51-52
5.2.2	**Subcontractors and suppliers**		

5.2.2.1	The inclusion of social, gender equality and environmental issues in the purchasing policy	308-1 New suppliers that have passed screening and selection filters according to environmental criteria 414-1 New suppliers that have passed screening and selection filters according to social criteria	56-59
5.2.2.2	Consideration of social and environmental responsibility in relations with suppliers and subcontractors	308-1 New suppliers that have passed screening and selection filters according to environmental criteria 414-1 New suppliers that have passed screening and selection filters according to social criteria	56-59
5.2.2.3	Supervision systems and audits, and their results	308-2 Negative environmental impacts in the supply chain and actions taken 414-2 Negative social impacts on the supply chain and actions taken	56-59
5.2.3	**Consumers**		
5.2.3.1	Customer health and safety measures	416-1 Evaluation of health and safety impacts of the categories of products or services	21-24
5.2.3.2	Claims systems, complaints received and their resolution	102-43 Approach to interest group participation 102-44 Key issues and concerns mentioned 418-1 Fundamental claims relating to violations of the customer's privacy and loss of customer data	21-24
5.2.4	**Tax information**		
5.2.4.1	Benefits obtained by country	201-1 Direct economic value generated and distributed	54-55
5.2.4.2	Taxes on paid benefits	201-1 Direct economic value generated and distributed	54-55
5.2.4.3	Public subsidies received	201-4 Financial assistance received from the government	54-55

Other information

Risk exposure

The BBVA Group's risk management system and risk exposure are described in Note 7, Risk Management of the accompanying Financial Statements. 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. Following the result of the exercise, mitigation action plans were carried out in 2018. The 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 risk 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.
- Review of the catalog of reputational risk indicators in order to improve the handling of any potential events that may occur.
- Incorporation of local reputational risk specialists in the New Product Committees in Spain.

Contractual obligations and off-balance sheet operations

Information on contingent risks and commitments can be found in Note 29 Commitments and guarantees given of the accompanying Financial Statements. Information on purchase and sale commitments and future payment obligations can be found in Note 31 Purchase and sale commitments and future payment obligations of the accompanying 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 Bank 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 Bank is continuing to develop, within the framework of the Group, 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.
  - *Software*: multiple global functionalities have been constructed, reused by various of the Group's geographical 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 with good results.

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 and similar

At the time of preparing the accompanying Financial Statements, the Bank 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.

Capital and treasury stock

Information about common stock and transactions with treasury stock is detailed in Notes 23 and 26 of the accompanying Financial Statements.

Shareholder remuneration and allocation of earnings

Information about shareholder remuneration and application of earnings can be found in Note 3 of the accompanying Financial Statements.

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 20.4 of the accompanying 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 Financial Statements).

From January 1, 2019 to the date of preparation of these Financial Statements, no other subsequent events not mentioned above in these Financial Statements have taken place that could significantly affect the Bank's earnings or its equity position.

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)

ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED COMPANIES

A. OWNERSHIP STRUCTURE

A.1 Fill in the following table on the company's share capital:

Date of last modification	Share capital (EUR)	Number of shares	Number of voting rights
24/04/2017	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:

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:

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

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.

- 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 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.

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.

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				
			% distance voting		
Date of General Meeting	**% physically present**	**% present by proxy**	**Electronic vote**	**Other**	**Total**
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%

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

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

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:

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.

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

	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.

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).

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

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.

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.

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.

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.

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

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

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:

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

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.

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.

- 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**

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.

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:

- 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:

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.

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 78 managers and	**Description of the agreement** The Bank has no commitments to provide severance pay to directors.

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%

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.

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.

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:

- 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.

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.

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.

- 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:

- 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 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.

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:

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 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.

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,

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.

- 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, 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.

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).

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 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.

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.

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.

- 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.

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.

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.

- 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

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.

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.

- 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:

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.

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.

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

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

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

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.

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:

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.

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.

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

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.

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.

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 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 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.

- 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:

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 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.

- 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 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.

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 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.

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

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.

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 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

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. 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 articles 49 of the Spanish Code of Commerce and 262.5 of the revised Corporate Enterprise Act, 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") which forms part of the Bank's 2018 Directors' Report.

The contents of the 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 Bank's 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 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.

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 Bank 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 Bank'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 Bank 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. 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 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