BBVA Creating Opportunities

Consolidated Financial Statements, Management Report and Auditors´ Report for the year 2017

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

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

Independent Auditors' Report on the Consolidated Annual Accounts

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

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

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

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and consolidated financial position of the Banco Bilbao Vizcaya Argentaria Group as of 31 December 2017, and the results of its consolidated operations and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

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

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

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

Key Audit Matters

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

Impairment of the Loans and Receivables Portfolio
See Notes 2, 7, 13 and 47 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
The process for estimating the impairment of the loans and receivables portfolio associated with credit risk in accordance with International Accounting Standard 39: *Financial Instruments: Recognition and Measurement* (IAS 39) is significant and complex. For the individual analysis, these provisions consider the estimates of future business performance and the market value of collateral provided for credit transactions; for the collective analysis, these provisions are based on automated processes that incorporate voluminous databases, models, and assumptions for the provision estimates of complex design and implementation. In accordance with Regulation (EU) No. 2016/2067 of the European Commission of November 22, 2016, the Group must apply International Financial Reporting Standard, *Financial Instruments* (IFRS 9) to the classification and measurement of financial instruments from January 1, 2018. As this is a complex and relevant process, the Group has carried out a project to implement this standard with the aim of complying with its requirements relating to the classification and measurement of financial instruments and the impairment of financial assets, which impact is described in Note 2.3 to the consolidated annual accounts.	Our audit approach included assessing the relevant controls associated with the processes for estimating impairment of the loans and receivables portfolio, and performing substantive procedures on such estimate. Our procedures related to the control environment focused on the following key areas and involved our credit risk specialists: • Governance: identification of the credit risk management framework and relevant controls. • Accounting policies: assessment of the alignment with the applicable accounting standard. • Refinancing and restructuring transactions: assessment of the criteria and policies in place for the refinancing and restructuring of lending operations. • Testing of the relevant controls relating to the information available for the monitoring of loans and receivables. • Collateral and guarantees: evaluation of the design of the relevant guarantee management and valuation controls. • Provision estimation process: both in terms of collective provisions and those for individually significant loans • Databases: evaluation of the completeness, accuracy, quality and recency of the data and of the control and management process in place

Impairment of the Loans and Receivables Portfolio See Notes 2, 7, 13 and 47 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
	Our substantive procedures in relation to the estimation of impairment of the loans and receivables portfolio comprised the following: • With regard to the impairment of individually significant loans, we selected a sample from the population for which there was objective evidence of impairment and assessed the sufficiency of the provisions recorded. • With respect to the impairment provisions estimated collectively, we evaluated the methodology used by the Group, performed an assessment of the completeness of the input into the calculation engine, as well as validated the appropriate operation of the calculation engine. In relation to the Group's implementation of IFRS 9, we performed audit procedures related to compliance with the implementation plan, the review of conceptual definitions, and the criteria and methodologies, and performed control and substantive procedures on the analysis of the Group regarding the classification of financial instruments and on the models for estimating provisions for impairment of credit risk. Finally, we have evaluated whether the information disclosed in the notes to the consolidated financial statements is adequate, in accordance with the criteria of the applicable accounting standard.

Classification and Measurement of Financial Instruments See Notes 2.2.1, 8, 10, 11 and 12 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
The classification and measurement of financial instruments, for the purpose of their valuation may require an elevated level of judgment and complex estimates, and in determining the criteria to be applied in their subsequent measurement. In the absence of a quoted price in an active market (level 2 and 3 financial instruments), the fair value of financial instruments is determined using complex valuation techniques which may take into consideration direct or indirect unobservable market data and complex pricing models which require an elevated level of judgment Also, due to the relevance of certain equity instruments classified as available for sale, we considered that there is an inherent risk associated with the determination of the existence and valuation of impairment in these instruments.	Our audit approach included assessing the relevant controls associated with the classification and measurement processes for financial instrument portfolios, as well as performing substantive procedures thereon. Our procedures related to the control environment focused on the following key areas and involved our market risk specialists: • Understanding of the strategy and operations of the financial markets in which the Group operates • Governance: identification of the market risk framework and relevant controls. • Transaction origination process: evaluation of the transaction settlement processes and custody of deposits. • Classification of transactions: assessment of the application of the Group's policies and of the procedures implemented to identify and classify financial instruments. • Measurement estimation process: assessment of the relevant valuation controls. • Databases: evaluation of the completeness, accuracy, quality and recency of the data and of the control and management process in place With regards to the substantive procedures related to the classification and measurement of financial instruments, we selected a sample of the Group’s financial assets and derivatives, and evaluated the appropriateness of their measurement and classification. We also assessed the most significant valuation models. In relation to the determination of objective evidence of impairment for available for sale investments, we have evaluated the methodology applied and the conclusion reached by the Group regarding the existence of objective evidence of impairment as of 31 December 2017.

Measurement of Intangible Assets – Goodwill See Notes 2.2.8 and 18 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
The Group has recorded goodwill primarily relating to the acquisition of entities in the United States and Turkey. Valuation of this asset requires the identification of cash-generating units (CGUs), the calculation of the book value for each CGU, the estimation of the recoverable amount of the CGUs, and the identification of triggering events that may be indicators of impairment. This estimation entails, among other things, financial projections that consider macroeconomic assumptions, internal circumstances of the entity and its competitors, discount rates or future business performance. Therefore, there is a high degree of judgment and complexity in the accounting and valuation of goodwill.	As part of our audit procedures, we tested the key processes and controls established by management in relation to the Group's process for identifying CGUs and the annual evaluation of potential impairment of goodwill. Additionally, we have performed substantive procedures in relation to the evaluation carried out by Management on the potential impairment of goodwill, particularly on the accuracy of the information used by Management for each CGU, the reasonableness of the valuation methodology used and the assumptions and valuation hypothesis considered, in particular those factors to which the determination of recoverable value is more sensitive.

Risks Associated with Information Technology

Key audit matter	*How the matter was addressed in our audit*
The Group has a complex technological operating environment with major data processing centers in Spain and Mexico, which provide support to different subsidiaries in different countries, an independent data processing environment in Spain for the insurance activity, separate data processing centers in Turkey, Argentina and Venezuela, and other data processing services in the United States and Latin American countries. Given the significant dependence by the businesses of the Group on information technology (IT) systems, it is critical to evaluate the controls over the principal technology risks.	In accordance with our audit methodology, our assessment of the IT systems encompassed two areas: IT general controls and IT automated controls in key processes. Our assessment of IT general controls encompassed the evaluation of existing general controls of technological platforms on which the applications are housed. During the audit we performed control tests on the relevant applications applicable to the critical areas of our work. In this phase of our evaluation of the general controls we assessed, among others, controls related to the following activities: access to programs and data; program changes; program development; and computer operations. With respect to the IT automated controls in key processes, during our audit we determined the key business processes, and for those processes we identified the principal applications and automated controls in place for information flows. For the principal information systems, IT platforms and applications considered key for our audit of the Group, we analyzed the threats and vulnerabilities associated with the completeness, accuracy and availability of information, and identified and tested the design and the operating effectiveness of the controls implemented to respond to these risks.

Other Information: Consolidated Directors' Report

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

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

a) A specific level applicable to non-financial information, as well as certain information included in the Annual Corporate Governance Report (ACGR), as defined in article 35.2. b) of the Audit Law 22/2015, which consists of merely checking that this information has been provided in the consolidated directors' report and if not, to report on this matter.

b) A general level applicable to the rest of the information included in the consolidated directors' report, which consists of assessing and reporting on the consistency of this information with the consolidated annual accounts, based on knowledge of the Bank obtained during the audit of the aforementioned consolidated annual accounts and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

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

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

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

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

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional report for the Bank's Audit and Compliance Committee

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

Appointment Period

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

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

Luis Martin

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

13 February 2018

AUDITORES
INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

KPMG AUDITORES, S.L.

Año 2018 Nº 01/18/02811
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Informe de auditoría de cuentas sujeto a la normativa de auditoría de cuentas española o internacional

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CONSOLIDATED MANAGEMENT REPORT

Consolidated balance sheets as of December 31, 2017, 2016 and 2015

ASSETS (Millions of Euros)	Notes	2017	2016 (*)	2015 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	9	**42,680**	**40,039**	**29,282**
FINANCIAL ASSETS HELD FOR TRADING	10	**64,695**	**74,950**	**78,326**
Derivatives		35,265	42,955	40,902
Equity instruments		6,801	4,675	4,534
Debt securities		22,573	27,166	32,825
Loans and advances to central banks		-	-	-
Loans and advances to credit institutions		-	-	-
Loans and advances to customers		56	154	65
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	11	**2,709**	**2,062**	**2,311**
Equity instruments		1,888	1,920	2,075
Debt securities		174	142	173
Loans and advances to central banks		-	-	-
Loans and advances to credit institutions		-	-	62
Loans and advances to customers		648	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS	12	**69,476**	**79,221**	**113,426**
Equity instruments		3,224	4,641	5,116
Debt securities		66,251	74,580	108,310
LOANS AND RECEIVABLES	13	**431,521**	**465,977**	**471,828**
Debt securities		10,339	11,209	10,516
Loans and advances to central banks		7,300	8,894	17,830
Loans and advances to credit institutions		26,261	31,373	29,317
Loans and advances to customers		387,621	414,500	414,165
HELD-TO-MATURITY INVESTMENTS	14	**13,754**	**17,696**	**-**
HEDGING DERIVATIVES	15	**2,485**	**2,833**	**3,538**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	15	**(25)**	**17**	**45**
JOINT VENTURES, ASSOCIATES AND UNCONSOLIDATED SUBSIDIARIES	16	**1,588**	**765**	**879**
Joint ventures		256	229	243
Associates		1,332	536	636
INSURANCE AND REINSURANCE ASSETS	23	**421**	**447**	**511**
TANGIBLE ASSETS	17	**7,191**	**8,941**	**9,944**
Property, plants and equipment		6,996	8,250	8,477
For own use		6,581	7,519	8,021
Other assets leased out under an operating lease		415	732	456
Investment properties		195	691	1,467
INTANGIBLE ASSETS	18	**8,464**	**9,786**	**10,052**
Goodwill		6,062	6,937	6,915
Other intangible assets		2,402	2,849	3,137
TAX ASSETS	19	**16,888**	**18,245**	**17,779**
Current		2,163	1,853	1,901
Deferred		14,725	16,391	15,878
OTHER ASSETS	20	**4,359**	**7,274**	**8,565**
Insurance contracts linked to pensions		-	-	-
Inventories		229	3,298	4,303
Other		4,130	3,976	4,263
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	21	**23,853**	**3,603**	**3,369**
TOTAL ASSETS		**690,059**	**731,856**	**749,855**

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

The accompanying Notes 1 to 57 and Appendices I to XIII are an integral part of the consolidated financial statements as of December 31, 2017.

Consolidated balance sheets as of December 31, 2017, 2016 and 2015

LIABILITIES AND EQUITY (Millions of Euros)	Notes	2017	2016 (*)	2015 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	**10**	**46,182**	**54,675**	**55,202**
Trading derivatives		36,169	43,118	42,149
Short positions		10,013	11,556	13,053
Deposits from central banks		-	-	-
Deposits from credit institutions		-	-	-
Customer deposits		-	-	-
Debt certificates		-	-	-
Other financial liabilities		-	-	-
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**11**	**2,222**	**2,338**	**2,649**
Deposits from central banks		-	-	-
Deposits from credit institutions		-	-	-
Customer deposits		-	-	-
Debt certificates		-	-	-
Other financial liabilities		2,222	2,338	2,649
Of which: Subordinated liabilities		-	-	-
FINANCIAL LIABILITIES AT AMORTIZED COST	**22**	**543,713**	**589,210**	**606,113**
Deposits from central banks		37,054	34,740	40,087
Deposits from credit institutions		54,516	63,501	68,543
Customer Deposits		376,379	401,465	403,362
Debt certificates		63,915	76,375	81,980
Other financial liabilities		11,850	13,129	12,141
Of which: Subordinated liabilities		17,316	17,230	16,109
HEDGING DERIVATIVES	**15**	**2,880**	**2,347**	**2,726**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**15**	**(7)**	**-**	**358**
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	**23**	**9,223**	**9,139**	**9,407**
PROVISIONS	**24**	**7,477**	**9,071**	**8,852**
Provisions for pensions and similar obligations	25	5,407	6,025	6,299
Other long term employee benefits		67	69	68
Provisions for taxes and other legal contingencies		756	418	616
Provisions for contingent risks and commitments		578	950	714
Other provisions		669	1,609	1,155
TAX LIABILITIES	**19**	**3,298**	**4,668**	**4,656**
Current		1,114	1,276	1,238
Deferred		2,184	3,392	3,418
OTHER LIABILITIES	**20**	**4,550**	**4,979**	**4,610**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE		**17,197**	**-**	**-**
TOTAL LIABILITIES		**636,736**	**676,428**	**694,573**

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

The accompanying Notes 1 to 57 and Appendix I to XIII are an integral part of the consolidated financial statements as of December 31, 2017.

Consolidated balance sheets as of December 31, 2017, 2016 and 2015

LIABILITIES AND EQUITY (Continued) (Millions of Euros)	Notes	2017	2016 (*)	2015 (*)
SHAREHOLDERS' FUNDS		**55,136**	**52,821**	**50,639**
Capital	**26**	**3,267**	**3,218**	**3,120**
Paid up capital		3,267	3,218	3,120
Unpaid capital which has been called up		-	-	-
Share premium	**27**	**23,992**	**23,992**	**23,992**
Equity instruments issued other than capital		**-**	**-**	**-**
Other equity instruments		**54**	**54**	**35**
Retained earnings	**28**	**25,474**	**23,688**	**22,588**
Revaluation reserves	**28**	**12**	**20**	**22**
Other reserves	**28**	**(44)**	**(67)**	**(98)**
Reserves or accumulated losses of investments in subsidiaries, joint ventures and associates		(44)	(67)	(98)
Other		-	-	-
Less: Treasury shares	**29**	**(96)**	**(48)**	**(309)**
Profit or loss attributable to owners of the parent		**3,519**	**3,475**	**2,642**
Less: Interim dividends	**4**	**(1,043)**	**(1,510)**	**(1,352)**
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**30**	**(8,792)**	**(5,458)**	**(3,349)**
Items that will not be reclassified to profit or loss		**(1,183)**	**(1,095)**	**(859)**
Actuarial gains or (-) losses on defined benefit pension plans		(1,183)	(1,095)	(859)
Non-current assets and disposal groups classified as held for sale		-	-	-
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates		-	-	-
Other adjustments		-	-	-
Items that may be reclassified to profit or loss		**(7,609)**	**(4,363)**	**(2,490)**
Hedge of net investments in foreign operations [effective portion]		1	(118)	(274)
Foreign currency translation		(9,159)	(5,185)	(3,905)
Cash flow hedges [effective portion]		(34)	16	(49)
Available-for-sale financial assets		1,641	947	1,674
Non-current assets and disposal groups classified as held for sale		(26)	-	-
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates		(31)	(23)	64
MINORITY INTERESTS (NON-CONTROLLING INTEREST)	**31**	**6,979**	**8,064**	**7,992**
Valuation adjustments		(3,378)	(2,246)	(1,333)
Other		10,358	10,310	9,325
TOTAL EQUITY		**53,323**	**55,428**	**55,282**
TOTAL EQUITY AND TOTAL LIABILITIES		**690,059**	**731,856**	**749,855**

MEMORANDUM ITEM (OFF-BALANCE SHEET EXPOSURES) (Millions of Euros)	Notes	2017	2016 (*)	2015 (*)
Guarantees given	33	47,671	50,540	49,876
Contingent commitments	33	108,881	117,573	135,733

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

The accompanying Notes 1 to 57 and Appendix I to XIII are an integral part of the consolidated financial statements as of December 31, 2017.

Consolidated income statements for the years ended December 31, 2017, 2016 and 2015

CONSOLIDATED INCOME STATEMENTS (Millions of Euros)	Notes	2017	2016 (*)	2015 (*)
Interest income	37.1	29,296	27,708	24,783
Interest expense	37.2	(11,537)	(10,648)	(8,761)
NET INTEREST INCOME	6	**17,758**	**17,059**	**16,022**
Dividend income	38	334	467	415
Share of profit or loss of entities accounted for using the equity method	39	4	25	174
Fee and commission income	40	7,150	6,804	6,340
Fee and commission expense	40	(2,229)	(2,086)	(1,729)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	41	985	1,375	1,055
Gains (losses) on financial assets and liabilities held for trading, net	41	218	248	(409)
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	41	(56)	114	126
Gains (losses) from hedge accounting, net	41	(209)	(76)	93
Exchange differences, net	41	1,030	472	1,165
Other operating income	42	1,439	1,272	1,315
Other operating expense	42	(2,223)	(2,128)	(2,285)
Income from insurance and reinsurance contracts	43	3,342	3,652	3,678
Expense from insurance and reinsurance contracts	43	(2,272)	(2,545)	(2,599)
GROSS INCOME	6	**25,270**	**24,653**	**23,362**
Administration costs	44	(11,112)	(11,366)	(10,836)
Personnel expenses	44.1	(6,571)	(6,722)	(6,273)
Other administrative expenses	44.2	(4,541)	(4,644)	(4,563)
Depreciation and amortization	45	(1,387)	(1,426)	(1,272)
Provisions or reversal of provisions	46	(745)	(1,186)	(731)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	47	(4,803)	(3,801)	(4,272)
Financial assets measured at cost		-	-	-
Available- for-sale financial assets		(1,127)	(202)	(23)
Loans and receivables		(3,677)	(3,597)	(4,248)
Held to maturity investments		1	(1)	-
NET OPERATING INCOME		**7,222**	**6,874**	**6,251**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates		-	-	-
Impairment or reversal of impairment on non-financial assets	48	(364)	(521)	(273)
Tangible assets		(42)	(143)	(60)
Intangible assets		(16)	(3)	(4)
Other assets		(306)	(375)	(209)
Gains (losses) on derecognition of non financial assets and subsidiaries, net	49	47	70	(2,135)
Negative goodwill recognized in profit or loss	18	-	-	26
Profit (loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	50	26	(31)	734
OPERATING PROFIT BEFORE TAX	6	**6,931**	**6,392**	**4,603**
Tax expense or income related to profit or loss from continuing operations	19	(2,169)	(1,699)	(1,274)
PROFIT FROM CONTINUING OPERATIONS		**4,762**	**4,693**	**3,328**
Profit from discontinued operations, net		-	-	-
PROFIT		**4,762**	**4,693**	**3,328**
Attributable to minority interest [non-controlling interest]	31	1,243	1,218	686
Attributable to owners of the parent	6	3,519	3,475	2,642

	Notes	2017	2016 (*)	2015 (*)
EARNINGS PER SHARE (Euros)	5	**0.48**	**0.49**	**0.37**
Basic earnings per share from continued operations		0.48	0.49	0.37
Diluted earnings per share from continued operations		0.48	0.49	0.37
Basic earnings per share from discontinued operations		-	-	-
Diluted earnings per share from discontinued operations		-	-	-

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

The accompanying Notes 1 to 57 and Appendix I to XIII are an integral part of the consolidated financial statements as of December 31, 2017.

Consolidated statements of recognized income and expenses for the years ended December 31, 2017, 2016 and 2015

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSES (MILLIONS OF EUROS)	2017	2016 (*)	2015 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	**4,762**	**4,693**	**3,328**
OTHER RECOGNIZED INCOME (EXPENSES)	**(4,467)**	**(3,022)**	**(4,280)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(91)**	**(240)**	**(74)**
Actuarial gains and losses from defined benefit pension plans	(96)	(303)	(135)
Non-current assets available for sale	-	-	-
Entities under the equity method of accounting	-	-	8
Income tax related to items not subject to reclassification to income statement	5	63	53
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(4,376)**	**(2,782)**	**(4,206)**
Hedge of net investments in foreign operations [effective portion]	**80**	**166**	**88**
Valuation gains or (losses) taken to equity	112	166	88
Transferred to profit or loss	-	-	-
Other reclassifications	(32)	-	-
Foreign currency translation	**(5,110)**	**(2,167)**	**(2,911)**
Valuation gains or (losses) taken to equity	(5,119)	(2,120)	(3,154)
Transferred to profit or loss	(22)	(47)	243
Other reclassifications	31	-	-
Cash flow hedges [effective portion]	**(67)**	**80**	**4**
Valuation gains or (losses) taken to equity	(122)	134	47
Transferred to profit or loss	55	(54)	(43)
Transferred to initial carrying amount of hedged items	-	-	-
Other reclassifications	-	-	-
Available-for-sale financial assets	**719**	**(694)**	**(3,196)**
Valuation gains or (losses) taken to equity	384	438	(1,341)
Transferred to profit or loss	347	(1,248)	(1,855)
Other reclassifications	(12)	116	-
Non-current assets held for sale	**(20)**	**-**	**-**
Valuation gains or (losses) taken to equity	-	-	-
Transferred to profit or loss	-	-	-
Other reclassifications	(20)	-	-
Entities accounted for using the equity method	**(13)**	**(89)**	**861**
Income tax	**35**	**(78)**	**948**
TOTAL RECOGNIZED INCOME/EXPENSES	**295**	**1,671**	**(952)**
Attributable to minority interest [non-controlling interests]	110	305	(594)
Attributable to the parent company	185	1,366	(358)

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

The accompanying Notes 1 to 57 and Appendix I to XIII are an integral part of the consolidated financial statements as of December 31, 2017.

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

Consolidated statements of changes in equity for the years ended December 31, 2017, 2016 and 2015

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (MILLIONS OF EUROS)

												Non-controlling interest		
2017	Capital (Note 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves (Note 28)	Other reserves (Note 28)	(-) Treasury shares (Note 29)	Profit or loss attributable to owners of the parent	Interim dividends (Note 4)	Accumulated other comprehensive income (Note 30)	Valuation adjustments (Note 31)	Other (Note 31)	Total
Balances as of January 1, 2017	**3,218**	**23,992**	**-**	**54**	**23,688**	**20**	**(67)**	**(48)**	**3,475**	**(1,510)**	**(5,458)**	**(2,246)**	**10,310**	**55,428**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,519**	**-**	**(3,334)**	**(1,133)**	**1,243**	**295**
Other changes in equity	**50**	**-**	**-**	**-**	**1,786**	**(8)**	**24**	**(48)**	**(3,475)**	**467**	**-**	**-**	**(1,195)**	**(2,400)**
Issuances of common shares	50	-	-	-	(50)	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	9	-	(9)	-	-	(900)	-	-	(290)	(1,189)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,674)	-	-	-	-	-	(1,674)
Sale or cancellation of treasury shares	-	-	-	-	1	-	-	1,626	-	-	-	-	-	1,627
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	-	1,932	(8)	41	-	(3,475)	1,510	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(22)	-	-	-	-	-	-	-	-	-	(22)
Other increases or (-) decreases in equity	-	-	-	22	(107)	-	(7)	-	-	(144)	-	-	(905)	(1,141)
Balances as of December 31, 2017	**3,267**	**23,992**	**-**	**54**	**25,474**	**12**	**(44)**	**(96)**	**3,519**	**(1,043)**	**(8,792)**	**(3,378)**	**10,358**	**53,323**

The accompanying Notes 1 to 57 and Appendix I to XIII are an integral part of the consolidated financial statements as of December 31, 2017.

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

Consolidated statements of changes in equity for the years ended December 31, 2017, 2016 and 2015

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (MILLIONS OF EUROS)

												Non-controlling interest		
2016 (*)	Capital (Note 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves (Note 28)	Other reserves (Note 28)	(-) Treasury shares (Note 29)	Profit or loss attributable to owners of the parent	Interim dividends (Note 4)	Accumulated other comprehensive income (Note 30)	Valuation adjustments (Note 31)	Other (Note 31)	Total
Balances as of January 1, 2016	**3,120**	**23,992**	**-**	**35**	**22,588**	**22**	**(98)**	**(309)**	**2,642**	**(1,352)**	**(3,349)**	**(1,333)**	**9,325**	**55,281**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,475**	**-**	**(2,109)**	**(913)**	**1,218**	**1,671**
Other changes in equity	**98**	**-**	**-**	**19**	**1,100**	**(2)**	**31**	**260**	**(2,642)**	**(158)**	**-**	**-**	**(233)**	**(1,526)**
Issuances of common shares	98	-	-	-	(98)	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	93	-	(93)	-	-	(1,301)	-	-	(234)	(1,535)
Purchase of treasury shares	-	-	-	-	-	-	-	(2,004)	-	-	-	-	-	(2,004)
Sale or cancellation of treasury shares	-	-	-	-	(30)	-	-	2,264	-	-	-	-	-	2,234
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	-	1,166	(2)	126	-	(2,642)	1,352	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(16)	3	-	-	-	-	-	-	-	-	(12)
Other increases or (-) decreases in equity	-	-	-	35	(34)	-	(2)	-	-	(210)	-	-	2	(209)
Balances as of December 31, 2016	**3,218**	**23,992**	**-**	**54**	**23,688**	**20**	**(67)**	**(48)**	**3,475**	**(1,510)**	**(5,458)**	**(2,246)**	**10,310**	**55,428**

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

The accompanying Notes 1 to 57 and Appendix I to XIII are an integral part of the consolidated financial statements as of December 31, 2017.

Consolidated statements of changes in equity for the years ended December 31, 2017, 2016 and 2015

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (MILLIONS OF EUROS)

												Non-controlling interest		
2015 (*)	Capital (Note 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves (Note 28)	Other reserves (Note 28)	(-) Treasury shares (Note 29)	Profit or loss attributable to owners of the parent	Interim dividends (Note 4)	Accumulated other comprehensive income (Note 30)	Valuation adjustments (Note 31)	Other (Note 31)	Total
Balances as of January 1, 2015	**3,024**	**23,992**	**-**	**66**	**20,281**	**23**	**633**	**(350)**	**2,618**	**(841)**	**(348)**	**(53)**	**2,563**	**51,609**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,642**	**-**	**(3,000)**	**(1,280)**	**686**	**(953)**
Other changes in equity	**96**	**-**	**-**	**(32)**	**2,308**	**(1)**	**(731)**	**41**	**(2,618)**	**(512)**	**-**	**-**	**6,075**	**4,626**
Issuances of common shares	96	-	-	-	(96)	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	86	-	(86)	-	-	(1,222)	-	-	(146)	(1,368)
Purchase of treasury shares	-	-	-	-	-	-	-	(3,278)	-	-	-	-	-	(3,278)
Sale or cancellation of treasury shares	-	-	-	-	6	-	-	3,319	-	-	-	-	-	3,325
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	-	2,423	(1)	(645)	-	(2,618)	841	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(48)	14	-	-	-	-	-	-	-	-	(34)
Other increases or (-) decreases in equity	-	-	-	16	(126)	-	-	-	-	(131)	-	-	6,221	5,980
Balances as of December 31, 2015	**3,120**	**23,992**	**-**	**35**	**22,588**	**22**	**(98)**	**(309)**	**2,642**	**(1,352)**	**(3,349)**	**(1,333)**	**9,325**	**55,281**

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

The accompanying Notes 1 to 57 and Appendix I to XIII are an integral part of the consolidated financial statements as of December 31, 2017.

Consolidated statements of cash flows for the years ended December 31, 2017, 2016 and 2015

CONSOLIDATED STATEMENTS OF CASH FLOWS (MILLIONS OF EUROS)	Notes	2017	2016 (*)	2015 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)	51	2,055	6,623	23,101
1. Profit for the year		4,762	4,693	3,328
2. Adjustments to obtain the cash flow from operating activities:		8,526	6,784	18,327
Depreciation and amortization		1,387	1,426	1,272
Other adjustments		7,139	5,358	17,055
3. Net increase/decrease in operating assets		(4,894)	(4,428)	(12,954)
Financial assets held for trading		5,662	1,289	4,691
Other financial assets designated at fair value through profit or loss		(783)	(2)	337
Available-for-sale financial assets		5,032	14,445	3,360
Loans and receivables		(14,503)	(21,075)	(20,498)
Other operating assets		(302)	915	(844)
4. Net increase/decrease in operating liabilities		(3,916)	1,273	15,674
Financial liabilities held for trading		(6,057)	361	(2,475)
Other financial liabilities designated at fair value through profit or loss		19	(53)	120
Financial liabilities at amortized cost		2,111	(7)	21,422
Other operating liabilities		11	972	(3,393)
5. Collection/Payments for income tax		(2,423)	(1,699)	(1,274)
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	51	2,902	(560)	(4,411)
1. Investment		(2,339)	(3,978)	(6,416)
Tangible assets		(777)	(1,312)	(2,171)
Intangible assets		(564)	(645)	(571)
Investments in joint ventures and associates		(101)	(76)	(41)
Subsidiaries and other business units		(897)	(95)	(3,633)
Non-current assets held for sale and associated liabilities		-	-	-
Held-to-maturity investments		-	(1,850)	-
Other settlements related to investing activities		-	-	-
2. Divestments		5,241	3,418	2,005
Tangible assets		518	795	224
Intangible assets		47	20	2
Investments in joint ventures and associates		18	322	1
Subsidiaries and other business units		936	73	9
Non-current assets held for sale and associated liabilities		1,002	900	1,683
Held-to-maturity investments		2,711	1,215	-
Other collections related to investing activities		9	93	86
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	51	(98)	(1,113)	127
1. Payments		(5,763)	(4,335)	(5,717)
Dividends		(1,698)	(1,599)	(879)
Subordinated liabilities		(2,098)	(502)	(1,419)
Treasury stock amortization		-	-	-
Treasury stock acquisition		(1,674)	(2,004)	(3,273)
Other items relating to financing activities		(293)	(230)	(146)
2. Collections		5,665	3,222	5,844
Subordinated liabilities		4,038	1,000	2,523
Treasury shares increase		-	-	-
Treasury shares disposal		1,627	2,222	3,321
Other items relating to financing activities		-	-	-
D) EFFECT OF EXCHANGE RATE CHANGES		(4,266)	(3,463)	(6,781)
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)		594	1,489	12,036
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		44,955	43,466	31,430
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (E+F)	51	45,549	44,955	43,466

COMPONENTS OF CASH AND EQUIVALENT AT END OF THE YEAR (Millions of Euros)	Notes	2017	2016 (*)	2015 (*)
Cash		6,416	7,413	7,192
Balance of cash equivalent in central banks		39,132	37,542	36,275
Other financial assets		-	-	-
Less: Bank overdraft refundable on demand		-	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	51	45,549	44,955	43,466

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

The accompanying Notes 1 to 57 and Appendix I to XIII are an integral part of the consolidated financial statements as of December 31, 2017.

BBVA Group

Notes to the Consolidated Financial Statements

1. Introduction, basis for the presentation of the Consolidated Financial Statements, 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 inspection at the Bank's registered address (Plaza San Nicolás, 4 Bilbao) as noted on its web site (www.bbva.com).

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

As of December 31, 2017, the BBVA Group had 331 consolidated entities and 76 entities accounted for using the equity method (see Notes 3 and 16 and Appendix I to V).

The Consolidated Financial Statements of the BBVA Group for the year ended December 31, 2016 were approved by the shareholders at the Annual General Meetings ("AGM") on March 17, 2017.

BBVA Group's consolidated financial statements and the financial statements for the Bank and the majority of the remaining entities within the Group have been prepared as of December 31, 2017, and are pending approval by their respective AGMs. Notwithstanding, the Board of Directors of the Bank understands that said financial statements will be approved without changes.

1.2 Basis for the presentation of the Consolidated Financial Statements

The BBVA Group's Consolidated Financial Statements are presented in accordance with the International Financial Reporting Standards endorsed by the European Union (hereinafter, "EU-IFRS") applicable as of December 31, 2017, considering the Bank of Spain Circular 4/2004, of December, 22 (and as amended thereafter), and with any other legislation governing financial reporting applicable to the Group in Spain.

The BBVA Group's accompanying Consolidated Financial Statements for the year ended December 31, 2017 were prepared by the Group's Directors (through the Board of Directors held on February 12, 2018) by applying the principles of consolidation, accounting policies and valuation criteria described in Note 2, so that they present fairly the Group's total consolidated equity and financial position as of December 31, 2017, together with the consolidated results of its operations and cash flows generated during the year ended December 31, 2017.

These Consolidated Financial Statements were prepared on the basis of the accounting records kept by the Bank and each of the other entities in the Group. Moreover, they include the adjustments and reclassifications required to harmonize the accounting policies and valuation criteria used by the Group (see Note 2.2).

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

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

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

1.3 Comparative information

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

During 2017, there were no significant changes to the existing structure of the BBVA Group's operating segments in comparison to 2016 (Note 6). Certain prior year balances have been reclassified to conform to current period presentation.

1.4 Seasonal nature of income and expenses

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

1.5 Responsibility for the information and for the estimates made

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

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

- Impairment on certain financial assets (see Notes 7, 12, 13, 14 and 16).
- The assumptions used to quantify certain provisions (see Note 24) and for the actuarial calculation of post-employment benefit liabilities and commitments (see Note 25).
- The useful life and impairment losses of tangible and intangible assets (see Notes 17, 18, 20 and 21).
- The valuation of goodwill and price allocation of business combinations (see Note 18).
- The fair value of certain unlisted financial assets and liabilities (see Notes 7, 8, 10, 11 and 12).
- The recoverability of deferred tax assets (See Note 19).
- The exchange rate and the inflation rate of Venezuela (see Notes 2.2.16 and 2.2.20).

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

1.6 BBVA Group's Internal Control over Financial Reporting

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

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

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

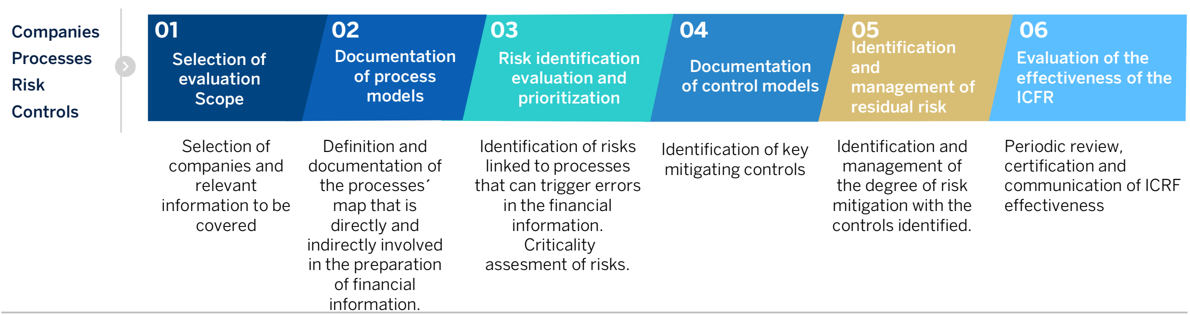
The ICFR is a dynamic model that evolves continuously over time to reflect the reality of the BBVA Group's businesses and processes, as well as the risks and controls designed to mitigate them. It is subject to a continuous evaluation by the internal control units located in the different entities of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

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

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

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

BBVA's INTERNAL CONTROL OVER FINANCIAL REPORTING



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

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

The description of the ICFR for financial information in the Corporate Governance Annual Report, which is included within the Management Report attached to the consolidated financial statements for the year ended December 31, 2017.

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

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

2.1 Principles of consolidation

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

- Subsidiaries

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

  Note 3 includes information related to the main subsidiaries in the Group as of December 31, 2017. Appendix I includes other significant information on these entities.

- Joint ventures

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

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

- Associates

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

  However, certain entities in which the Group owns 20% or more of the voting rights are not included as Group associates, since the Group does not have the ability to exercise significant influence over these entities. Investments in these entities, which do not represent material amounts for the Group, are classified as "Available-for-sale financial assets".

In contrast, some investments in entities in which the Group holds less than 20% of the voting rights are accounted for as Group associates, as the Group is considered to have the ability to exercise significant influence over these entities. As of December 31, 2017, these entities are not significant in the Group.

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

- Structured Entities

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

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

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

- Structured entities subject to consolidation

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

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

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

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

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

- Non-consolidated structured entities

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

As of December 31, 2017, there was no material financial support from the Bank or its subsidiaries to unconsolidated structured entities.

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

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

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

The consolidated financial statements of subsidiaries, associates and joint ventures used in the preparation of the Consolidated Financial Statements of the Group have the same date of presentation as the Consolidated Financial Statements. If financial statements at those same dates are not available, the most recent will be used, as long as these are not older than three months, and adjusted to take into account the most significant transactions. As of December 31, 2017, except for the case of the consolidated financial statements of a subsidiary and five associates and joint-ventures deemed non-significant for which financial statements as of November 30, 2017 were used, the December 31, 2017 financial statements for of all Group entities were utilized.

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

Separate financial statements

The separate financial statements of the parent company of the Group (Banco Bilbao Vizcaya Argentaria, S.A.) are prepared under Spanish regulations (Circular 4/2004 of the Bank of Spain, and subsequent amendments) and following other regulatory requirements of financial information applicable to the Bank. The Bank uses the cost method to account in its separate financial statements for its investments in subsidiaries, associates and joint venture entities, which are consistent with the requirements of Bank of Spain Circular 4/2004 and IAS 27.

Appendix IX shows BBVA's financial statements as of and for the years ended December 31, 2017 and 2016.

2.2 Accounting policies and valuation criteria applied

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

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

2.2.1 Financial instruments

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 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 consolidated income statement in which period the change occurred (see Note 37). The dividends received from other entities, other than associated entities and joint venture entities, are recognized under the heading "Dividend income" in the accompanying consolidated income statement in the period in which the right to receive them arises (see Note 38).

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

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

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

"Available-for-sale financial assets"

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

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

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

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

"Loans and receivables", "Held-to-maturity investments" and "Financial liabilities at amortized cost"

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

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

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

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

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

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

- Differences in the measurement of the hedging items corresponding to the ineffective portions of cash flow hedges are recognized directly in the heading "Gains or losses from hedge accounting, net" in the consolidated income statement (see Note 41).
- In the hedges of net investments in foreign operations, the differences attributable to the effective portions of hedging items are recognized temporarily under the heading "Accumulated other comprehensive income - Items that may be reclassified to profit or loss – Hedging of net investments in foreign transactions" in the consolidated balance sheets with a balancing entry under the heading "Hedging derivatives" of the Assets or Liabilities of the consolidated balance sheets as applicable. These differences in valuation are recognized under the heading "Exchange differences, net" in the consolidated income statement when the investment in a foreign operation is disposed of or derecognized (see Note 41).

Other financial instruments

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

- Equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying asset and are settled by delivery of those instruments are recorded in the consolidated balance sheet at acquisition cost; this may be adjusted, where appropriate, for any impairment loss (see Note 8).
- Accumulated other comprehensive income arising from financial instruments classified at the consolidated balance sheet date as "Non-current assets and disposal groups classified as held for sale" are recognized with the corresponding entry under the heading "Accumulated other comprehensive income- Items that may be reclassified to profit or loss – Non-current assets and disposal groups classified as held for sale" in the accompanying consolidated balance sheets (see note 30).

Impairment losses on financial assets

Definition of impaired financial assets carried at amortized cost

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

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

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

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

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

Impairment on financial assets

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

Impairment of debt instruments measured at amortized cost

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

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

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

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

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

Impairment losses on financial assets individually evaluated for impairment

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

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

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

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

Impairment losses on financial assets collectively evaluated for impairment

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

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

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

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

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

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

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

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

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

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

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

Impairment of equity instruments

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

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

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

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

  Any recovery of previously recognized impairment losses for an investment in an equity instrument classified as available for sale is not recognized in the consolidated income statement, but under the heading " Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Available-for-sale financial assets" in the consolidated balance sheet (see Note 30).

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

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

2.2.2 Transfers and derecognition of financial assets and liabilities

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

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

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

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

2.2.3 Financial guarantees

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.2.5 Tangible assets

Property, plant and equipment for own use

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

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

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

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

Depreciation Rates for Tangible Assets

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

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

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

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

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

Other assets leased out under an operating lease

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

Investment properties

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

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

The BBVA Group’s criteria for determining the recoverable amount of these assets is based on independent appraisals that are no more than one year old at most, unless there are indications of impairment.

2.2.6 Inventories

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

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

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

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

Impairment

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

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

Inventory sales

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

2.2.7 Business combinations

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

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

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

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

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

If this difference is negative, it shall be recognized directly in the income statement under the heading “Gain on Bargain Purchase in business combinations”.

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

2.2.8 Intangible assets

Goodwill

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

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

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

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

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

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

If the carrying amount of the cash-generating unit exceeds the related recoverable amount, the Group recognizes an impairment loss; the resulting loss is apportioned by reducing, first, the carrying amount of the goodwill allocated to that unit and, second, if there are still impairment losses remaining to be recognized, the carrying amount of the remainder of the assets. This is done by allocating the remaining loss in proportion to the carrying amount of each of the assets in the unit. In the event the non-controlling interests are measured at fair value, the deterioration of goodwill attributable to non-controlling interests will be recognized. In any case, an impairment loss recognized for goodwill shall not be reversed in a subsequent period.

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

Other intangible assets

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

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

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

2.2.9 Insurance and reinsurance contracts

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

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

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

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

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

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

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

- Life insurance provisions:

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

  - Provisions for unearned premiums. These are intended for the accrual, at the date of calculation, of the premiums written. Their balance reflects the portion of the premiums received until the closing date that has to be allocated to the period from the closing date to the end of the insurance policy period.

  - Mathematical reserves: Represents the value of the life insurance obligations of the insurance entities at year-end, net of the policyholder's obligations, arising from life insurance contracted.

- Non-life insurance provisions:

  - Provisions for unearned premiums. These provisions are intended for the accrual, at the date of calculation, of the premiums written. Their balance reflects the portion of the premiums received until year-end that has to be allocated to the period between the year-end and the end of the policy period.

- Provisions for unexpired risks: The provision for unexpired risks supplements the provision for unearned premiums by the amount by which that provision is not sufficient to reflect the assessed risks and expenses to be covered by the consolidated insurance subsidiaries in the policy period not elapsed at year-end.

- Provision for claims:

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

- Provision for bonuses and rebates:

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

- Technical provisions for reinsurance ceded:

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

- Other technical provisions:

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

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

2.2.10 Tax assets and liabilities

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

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

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

The "Tax Assets" line item in the accompanying consolidated balance sheets includes the amount of all the assets of a tax nature, and distinguishes between: "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 consolidated balance sheets includes the amount of all the liabilities of a tax nature, except for provisions for taxes, broken down into: "Current" (income tax payable on taxable profit for the year and other taxes payable in the next twelve months) and "Deferred" (the amount of corporate tax payable in subsequent years).

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

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

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

2.2.11 Provisions, contingent assets and contingent liabilities

The heading "Provisions" in the consolidated balance sheets includes amounts recognized to cover the BBVA Group's current obligations arising as a result of past events. These are certain in terms of nature but uncertain in terms of amount and/or settlement date. The settlement of these obligations is deemed likely to entail an outflow of resources embodying economic benefits (see Note 24). The obligations may arise in connection with legal or contractual provisions, valid expectations formed by Group entities relative to third parties in relation to the assumption of certain responsibilities or through virtually certain developments of particular aspects of the regulations applicable to the operation of the entities; and, specifically, future legislation to which the Group will certainly be subject. The provisions are recognized in the consolidated balance sheets when each and every one of the following requirements is met:

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

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

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

Statements, provided that it is probable will give rise to an increase in resources embodying economic benefits.

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

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

2.2.12 Pensions and other post-employment commitments

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

Short-term employee benefits

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

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

Post-employment benefits – Defined-contribution plans

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

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

Post-employment benefits – Defined-benefit plans

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

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

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

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

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

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

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

Other long-term employee benefits

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

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

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

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

In establishing the actuarial assumptions we take into account that:

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

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

2.2.13 Equity-settled share-based payment transactions

Provided they constitute the delivery of such equity instruments following the completion of a specific period of services, equity-settled share-based payment transactions are recognized as an expense for services being provided by employees, by way of a balancing entry under the heading "Shareholders' funds – Other equity instruments" in the consolidated balance sheet (Note 44.1.1). These services are measured at fair value for the employees services received, unless such fair value cannot be calculated reliably. In such case, they are measured by reference to the fair value of the equity instruments granted, taking into account the date on which the commitments were granted and the terms and other conditions included in the commitments.

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

2.2.14 Termination benefits

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

2.2.15 Treasury shares

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

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

2.2.16 Foreign-currency transactions and exchange differences

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

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

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

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

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

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

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

Conversion of functional currencies to euros

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

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

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

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

Venezuela

Local financial statements of the Group subsidiaries in Venezuela are expressed in Venezuelan Bolivar, and converted into euros for the consolidated financial statements, as indicated below, since Venezuela is a country with strong exchange restrictions and has different rates officially published:

- Since December 31, 2015, the Board of Directors considers that the use of the Venezuelan official exchanges rates for converting bolivars into euros in preparing the Consolidated Financial Statements does not reflect the true picture of the financial statements of the Group and the financial position of the Group subsidiaries in Venezuela.
- Consequently, as of December 31, 2017, 2016 and 2015, the Group has used foreign exchange rates of 18,181, 1,893 and 469 Venezuelan bolivars per euro, respectively in the conversion of the financial statements. These exchanges rates have been calculated taking into account the estimated evolution of inflation in Venezuela, in the absence of published official data (800%, 300%, and 170%, as of December 31, 2017, 2016 and 2015, respectively) (see Note 2.2.20). These inflation rates have been calculated based on the best estimate of the Group, taking into consideration the available information that includes sectorial aspects that affect the Group's subsidiaries in Venezuela.

The summarized balance sheet and income statements of the Group subsidiaries in Venezuela as of December 31, 2017, whose local financial statements are expressed in Venezuelan bolivars comparing their conversion to euros with the estimated exchange rate with the balances that would have result by applying the last published exchange rate, are as follows:

Balance sheet. December 31, 2017 (Millions of euros)

	Estimated exchange rate	Official Exchange rate	Variation
Cash and balances with central banks	597	2,287	1,690
Securities portfolio	42	148	107
Loans and receivables	364	1,650	1,285
Tangible assets	60	272	212
Other	28	131	103
TOTAL ASSETS	**1,091**	**4,487**	**3,397**
Deposits from central bank and credit institutions	-	1	1
Customer deposits	839	3,772	2,933
Provisions	5	24	18
Other	127	465	338
TOTAL LIABILITIES	**971**	**4,262**	**3,291**

Income statements December 31, 2017 (Millions of euros)

	Estimated exchange rate	Official Exchange rate	Variation
NET INTEREST ICOME	**90**	**410**	**319**
GROSS INCOME	**70**	**319**	**249**
Administration costs	55	249	194
NET OPERATING INCOME	**15**	**70**	**54**
OPERATING PROFIT BEFORE TAX	**12**	**53**	**41**
Tax expense or (-) income related to profit or loss from continuing operation	20	90	70
PROFIT	**(8)**	**(38)**	**(29)**
Attributable to minority interest [non-controlling interests]	(4)	(16)	(13)
Attributable to owners of the parent	(5)	(21)	(17)

2.2.17 Recognition of income and expenses

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

- Interest income and expenses and similar items:

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

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

- Commissions, fees and similar items:

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

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

- Non-financial income and expenses:

  These are recognized for accounting purposes on an accrual basis.

- Deferred collections and payments:

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

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

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

2.2.19 Leases

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

When the consolidated entities act as the lessor of an asset under finance leases, the aggregate present values of the lease payments receivable from the lessee plus the guaranteed residual value (normally the exercise price of the lessee's purchase option on expiration of the lease agreement) are recognized as financing provided to third parties and, therefore, are included under the heading "Loans and receivables" in the accompanying consolidated balance sheets (see Note 13).

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

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

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

2.2.20 Entities and branches located in countries with hyperinflationary economies

In order to assess whether an economy is under hyperinflation, the country's economic environment is evaluated, analyzing whether certain circumstances exist, such as:

- The country's population prefers to keep its wealth or savings in non-monetary assets or in a relatively stable foreign currency;
- Prices may be quoted in a relatively stable foreign currency;
- Interest rates, wages and prices are linked to a price index;
- The cumulative inflation rate over three years is approaching, or exceeds, 100%.

The fact that any of these circumstances is present will not be a decisive factor in considering an economy hyperinflationary, but it does provide some reasons to consider it as such.

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

The breakdown of the General Price Index ("GPI") and the inflation index used as of December 31, 2017, 2016 and 2015 for the inflation restatement of the financial statements of the Group companies located in Venezuela is as follows:

General Price Index	2017	2016	2015
GPI	84,886.50	9,431.60	2,357.90
Average GPI	27,714.47	5,847.74	1,460.50
Inflation of the period (*)	800.0%	300.0%	170.0%

(*) At the date of preparation of consolidated financial statements of each year, the Venezuelan government had not released the official inflation figures at the end of the year. Therefore, the Group estimates the inflation rate applicable to the preparation of the Consolidated Financial Statements for each year, based on the best estimate of BBVA Research of the Group, considering other estimates made by various international organizations.

The impact on the consolidated financial statements that would result from applying the latest official inflation data published against the Group's estimate of the inflation index would not be significant due to its correlation with the estimated exchange rate (see Note 2.2.16).

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

2.3 Recent IFRS pronouncements

Changes introduced in 2017

The following amendments to the IFRS standards or their interpretations (hereinafter "IFRIC") became effective after January 1, 2017. They have not had a significant impact on the BBVA Group's Consolidated Financial Statements corresponding to the year ended December 31, 2017.

IAS 12 – "Income Taxes. Recognition of Deferred Tax Assets for Unrealized Losses"

The amendments made to IAS 12 clarify the requirements on recognition of deferred tax assets for unrealized losses. The following aspects are clarified:

An unrealized loss on a debt instrument measured at fair value gives rise to a deductible temporary difference regardless of whether the holder expects to recover its carrying amount by holding the debt instrument until maturity or by selling the debt instrument.

An entity assesses the utilization of deductible temporary differences in combination with other deductible temporary differences. In circumstances in which tax laws restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the appropriate type.

An entity's estimate of future taxable profit can include the recovery of its assets for amounts more than their carrying amounts if there is sufficient evidence to conclude that it is probable that the entity will achieve this.

An entity's estimate of future taxable profit excludes tax deductions resulting from the reversal of deductible temporary difference.

IAS 7 – "Statement of Cash Flows. Disclosure Initiative"

The amendments to IAS 7 introduce the following new disclosure requirements related to changes in liabilities arising from financing activities, to enable users of financial statements to evaluate changes in those liabilities: changes from financing cash flows; changes arising from obtaining or losing control of subsidiaries or other businesses; the effect of changes in foreign exchange rates; changes in fair values; and other changes.

Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows arising from financing activities. Additionally, the disclosure requirements also apply to changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Annual improvements cycle to IFRSs 2014-2016 – Minor amendments to IFRS 12

The annual improvements cycle to IFRSs 2014-2016 includes minor changes and clarifications to IFRS 12 – Disclosure of Interests in Other Entities. The European Union has not yet approved the adoption of the amendments.

Standards and interpretations issued but not yet effective as of December 31, 2017

New International Financial Reporting Standards together with their interpretations had been published at the date of preparation of the accompanying Consolidated Financial Statements, but are not obligatory as of June 30, 2017. Although in some cases the IASB permits early adoption before they come into force, the BBVA Group has not done such application in advance. The most relevant are the following:

IFRS 9 - "Financial instruments"

As of July, 24, 2014, IASB issued IFRS 9 which replaces IAS 39 on financial statements from January 2018 onwards and includes new classification and measurement requirements of financial assets and liabilities, impairment requirements of financial assets and hedge accounting policy (See Note 56).

Since the initial drafts of the standards were published, the Group has been analyzing their implications once in effect in 2018, both in terms of classification of the portfolios and the valuation models for financial instruments and, in particular, the models for calculating impairment of financial assets using expected loss models.

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

The Project sets the definition of accounting policies and processes on the implementation of the Standard, which has implications both on the financial statements and on the Group´s daily operations (initial and subsequent risk assessment, changes in systems, management metrics, etc.), and also on the models used for the presentation of financial statements.

The main requirements of IFRS 9 are:

Classification and measurement of financial instruments

Financial assets

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

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

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

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

During 2017, the Group reviewed the existing business models in the geographic areas where it operates to establish their classification in accordance with IFRS 9, taking into account the special characteristics of the local structures and organizations, as well as the type of products.

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

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

The Group has segmented the portfolio of instruments for carrying out the SPPI test by differentiating products with standard contracts (all the instruments have identical contractual characteristics and are broadly used), for which the Group has carried out the SPPI test by reviewing the standard framework contract. Those products with similar characteristics, but not identical, compliance has been assessed through a sampling exercise of contracts. Finally, 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 are expected affecting both financial assets and, as the case may be, financial liabilities related to those assets. In general, there will be a greater volume of assets valued at fair value with changes in the income statement and the valuation method of some instruments will also be changed according to the one that best reflects the business model to which they belong. Changes in the valuation model in order not to exceed the criterion of payment of principal and interest are not significant

As of December 31, 2017, the Group had certain investments in asset instruments classified as available-for-sale which, in accordance with IFRS 9, starting in 2018 the Group will designate these investments 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 will be reported in other cumulative comprehensive income. Impairment losses will not be recognized to profit and loss, and gains or losses will not be reclassified to the income statement in the case of divestment. The remaining investments held by the Group as of December 31, 2017 in equity instruments classified as available-for-sale will be accounted at fair value through changes in profit or loss.

Financial liabilities

IFRS 9 largely maintains the requirements under IAS 39 for classifying financial liabilities. Thus, save for the above mentioned changes derived from the business model allocation of assets associated to them, the classification of financial liabilities in accordance with IAS 39 will not be changed. However, a new aspect introduced by IFRS 9 is the recognition of changes in the fair value of the financial liabilities to which the fair value option is applied. In this case, the changes in the fair value attributable the credit risk itself should be recognized as other comprehensive income, while the rest of the variation will be 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 some accounting asymmetry.

Financial assets impairments

IFRS 9 replaces the "incurred loss" model in IAS 39 with one of "expected credit loss". The new impairment model will be applied to financial assets valued at amortized cost; 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.

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 operations when they are initially recognized; the second comprises the operations for which a significant increase in credit risk has been identified since its initial recognition and the third one, the impaired operations.

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

- Expected loss at 12 months: expected credit loss that arises from possible default events within the 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 the possible default events over the expected life of the financial instrument.

All this will require 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.

For the purposes of the implementation of IFRS 9 project, the BBVA Group has applied the following definitions:

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 entry into force of IFRS 9. Both qualitative and quantitative indicators have been considered.

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

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

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.

Credit impaired asset

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

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

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

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

Significant increase in credit risk

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

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

- Quantitative criterion: the Group uses a quantitative analysis based on comparing the current expected probability of default over the life of the transaction with the original adjusted expected probability of default, so that both values are comparable in terms of expected default probability for their residual life. The thresholds used for considering a significant increase in risk take into account special cases according to geographic areas and portfolios. Depending on how old current operations are, at the time of entry into force of the standard, some simplification will be made to compare the probabilities of default between the current and the original moment, based on the best information available at that moment.

- Qualitative criterion: most indicators for detecting significant risk increase are included in the Group's systems through rating/scoring systems or macroeconomic scenarios, so quantitative analysis covers the majority of circumstances. The Group plans to 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, the instruments in which one of the following circumstances occurs are considered Stage 2:

- More than 30 days past due. Default of more than 30 days is a presumption that can be refuted 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
- They are subject to special watch by the Risks units because they show negative signs in their credit quality, even though there may be no objective evidence of impairment
- Refinance or restructuring that does not show evidence of impairment

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

Thus the classification of financial instruments subject to impairment under the new IFRS 9 will be 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– significantly increased in credit risk**

  When the credit risk of a financial asset has increased significantly since the initial recognition, the value correction for losses of that financial instrument will be calculated as the expected credit loss during the entire life of the asset.

- **Stage 3 - Impaired**

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

Based on the impairment methodology described below, the Group has estimated that the application of the impairment requirements under IFRS 9 as of January 1, 2018 will give rise to additional impairment losses.

Method for calculating expected loss

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

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

The Group plans to measure the expected loss both individually and collectively. The purpose of the Group's individual measurement is to estimate expected losses for significant impaired risks, or risks 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 will 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 operation.
- Rating or scoring tools.
- Credit risk score or rating.
- Type of collateral.
- Amount of time at default for stage 3.
- Segment.
- Qualitative criteria which can have a significant increase in risk.
- Collateral value if it has an impact on the probability of a default event.

The estimated losses are derived from the following parameters:

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

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

To determine whether there is a significant increase in credit risk as of January 1, 2018 that is not reflected in the published ratings, the Group has also revised the changes in bond yields, and when they are available, the prices of CDS, together with the news and regulatory information available on the issuers.

Use of present, past and future information

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

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

The approach used by the Group consists of using first the most probable scenario (baseline scenario) consistent with that used in the Group's internal management processes, and then applying an additional adjustment, calculated by considering the weighted average of expected losses in other economic scenarios (one more positive and the other more negative).

Hedge accounting

IFRS 9 will also affect hedge accounting, because the focus of the Standard is different from that of the current IAS 39, as it tries to align the accounting requirements with economic risk management. IFRS 9 will also permit to apply hedge accounting to a wider range of risks and hedging instruments. The Standard does not address the accounting for macro hedging strategies. To avoid any conflict between the current macro hedge accounting and the new general hedge accounting requirements, IFRS 9 includes an accounting policy choice to continue applying hedge accounting according to IAS 39.

Macro-hedges accounting is being developed as a separate project. The companies have the option to continue applying the hedge accounting as established by IAS39 until the project is completed. According to the analysis carried out, the Group will continue applying IAS 39 to its hedge accounting to the implementation date of IFRS 9.

Estimated impact of adopting IFRS 9

The Group has assessed the estimated impact on its consolidated financial statements of the initial application of IFRS 9. The estimated impact of adopting this standard on the Group's capital as of January 1, 2018 is based on the assessments made to date. It is summed up below. The final impacts of adopting the standards as of January 1, 2018 may change because:

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

As of the date of preparing these Annual Accounts, the estimated impact on the CET1 fully-loaded ratio would be a reduction of approximately 31 basis points and the average estimated impact on the volume of provisions would be an increase of approximately 10% on the current level of provisions. This increase in provisions is mainly due to non-impaired risks that would be classified within Stage 2, which are the risks most affected by the change in the calculation methodology of provisions. By geographies, the increase in provisions is centered in Spain and Mexico. Finally, based on the analysis carried out to date, the impact on consolidated equity as a result of changes in classification and valuation of financial instruments is not expected to be significant.

However, the European Parliament and Commission have established a mechanism for applying IFRS 9 on capital ratios, transitional and of voluntary application by the entities. It is the intention of the Group to adhere to that provision.

Amended IFRS 7 - “Financial instruments: Disclosures”

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

IFRS 15 - “Revenue from contracts with customers”

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

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

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

This Standard will be applied to the accounting years starting on or after January 1, 2018, although early adoption is permitted. It does not have a significant impact on the Consolidated Financial Statements.

IFRS 15 – "Clarifications to IFRS 15 Revenue from Contracts with Customers"

The amendments to the Revenue Standard clarify how some of the underlying principles of the new Standard should be applied. Specifically, they clarify how to:

- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract.
- Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided) and
- Determine whether the revenue from granting a license should be recognized at a point in time or over time.

In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

The amendments will be applied at the same time as the IFRS 15, i.e. to the accounting periods beginning on or after January 1, 2018, although early application is permitted. It does not have a significant impact on the Consolidated Financial Statements.

Amended IFRS 10 – "Consolidated Financial Statements" and Amended IAS 28 - "Investments in Associates and Joint Ventures"

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

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

IFRS 16 – "Leases"

On January 13, 2016 the IASB issued the IFRS 16 which will replace IAS 17. The new standard introduces a single lessee accounting model and will require a lessee to recognize 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, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor will continue to classify its leases as operating leases or finance leases, and account for those two types of leases differently.

The standard will be applied to the accounting years starting on or after January 1, 2019, although early application is permitted if IFRS 15 is also applied.

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

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

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

These amendments will be applied to the accounting periods beginning on or after January 1, 2018, although early application is permitted. It does not have a significant impact on the Consolidated Financial Statements.

Amended IFRS 4 "Insurance Contracts"

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

The deferral approach or temporary exemption, that gives entities whose predominant activities are connected with insurance the option to defer the application of IFRS 9 and continue applying IAS 39 until 2021.

The overlay approach, that gives all issuers of insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the additional accounting volatility that may arise from applying IFRS 9 compared to applying IAS 39 before applying the forthcoming insurance contracts Standard.

These modifications will be applied to the accounting periods beginning on or after January 1, 2018, although early application is permitted. It does not have a significant impact on the Consolidated Financial Statements.

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

The annual improvements cycle to IFRSs 2014-2016 includes minor changes and clarifications to IFRS 1-Frist-time Adoption of International Financial Reporting Standards and IAS 28 – Investments in Associates and Joint Ventures, which will be applied to the accounting periods beginning on or after January 1, 2018, although early application is permitted to amendments to IAS 28. It does not have a significant impact on the Consolidated Financial Statements.

IFRIC 22- Foreign Currency Transactions and Advance Consideration

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

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

The interpretation will be applied to the accounting periods beginning on or after January 1, 2018, although early application is permitted. It does not have a significant impact on the Consolidated Financial Statements.

Amended IAS 40 – Investment Property

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

The amendments will be applied to the accounting periods beginning on or after January 1, 2018, although early adoption is allowed. It does not have a significant impact on the Consolidated Financial Statements.

IFRS 17 – Insurance Contracts

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

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

the fulfilment cash flows, that comprises the estimate of future cash flows, an adjustment to reflect the time value of money and the financial risk associated with the future cash flows and a risk adjustment for non-financial risk; and

the contractual service margin that represents the unearned profit.

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

The new Standard will be applied to the accounting periods beginning on or after January 1, 2021, although early adoption is allowed.

IFRIC 23– Uncertainty over Income Tax Treatments

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

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

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

The interpretation will be applied to the accounting periods beginning on or after January 1, 2019, although early application is permitted.

Amended IFRS 9 – Prepayment Features with Negative Compensation

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

The amendments will be applied to the accounting periods beginning on or after January 1, 2019, although early application is permitted.

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

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

The amendments will be applied to the accounting periods beginning on or after January 1, 2019, although early application is permitted.

Annual improvements cycle to IFRSs 2015-2017

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

3. BBVA Group

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

Appendices I and II provide relevant information as of December 31, 2017 on the Group's subsidiaries, consolidated structured entities, and investments in associate entities and joint venture entities. Appendix III shows the main changes in investments for the year ended December 31, 2017, and Appendix IV gives details of the consolidated subsidiaries which, are more than 10% owned by non-Group shareholders as of December 31, 2017.

The following table sets forth information related to the Group's total assets as of December 31, 2017, 2016 and 2015, broken down by the Group's entities according to their activity:

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

	2017	2016	2015
Banks and other financial services	659,414	699,592	717,981
Insurance and pension fund managing companies	26,134	26,831	25,741
Other non-financial services	4,511	5,433	6,133
Total	**690,059**	**731,856**	**749,855**

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

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

- Spain

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

- Mexico

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

- South America

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

  The Group owns more than 50% of most of the entities based in these countries. Appendix I shows a list of the entities which, although less than 50% owned by the BBVA Group as of December 31, 2017, are consolidated (see Note 2.1).

- The United States

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

- Turkey

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

- Rest of Europe

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

- Asia-Pacific

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

Main transactions in the Group in 2017

Investments

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

Ongoing divestitures

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

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

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

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

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

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

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

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

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

Main transaction in the Group in 2016

Mergers

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

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

Main transactions in the Group in 2015

During 2015, the Group consolidated Garanti from the date of effective control (third quarter) and recorded the acquisition of Catalunya Banc (second quarter). These effects impact on the period-on-period comparison of all the income statements was affected with the previous first semester results.

Investments

Acquisition of an additional 14.89% of Garanti

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

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

On July 27, 2015, after obtaining all the required regulatory approvals, the Group materialized said participation increase after the acquisition of the new shares. As of December 31, 2015, the Group's interest in Garanti was 39.9%.

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

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

Measuring the above-mentioned stake in Garanti Bank at fair value resulted in a negative impact in “Gains or (-) losses on derecognition of non-financial assets and subsidiaries, net” in the consolidated income statement of the BBVA Group for the second semester of 2015, which resulted in a net negative impact in the Profit attributable to owners of the parent of the BBVA Group in 2015 amounting to €1,840 million. Such accounting impact does not translate into any additional cash outflow from BBVA. Most of this impact was generated by the exchange rate differences due to the depreciation of the TL against Euro since the initial acquisition by BBVA of the 25.01% stake in Garanti Bank up to the date of effective control. As of December 31, 2015, these exchange rate differences were already recorded as Other Comprehensive Income reducing the stock shareholder’s equity of the BBVA Group.

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

The Group estimated according to the acquisition method, the fair values assigned to the assets acquired and the liabilities assumed from Garanti, along with the identified intangible assets, and cash payment made by the BBVA Group in consideration of the transaction was recorded under the heading "Intangible assets - Goodwill" in the accompanying consolidated balance sheets as of December 31, 2017 (see Note 18.1).

Acquisition of Catalunya Banc

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

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

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

Divestitures

Partial sale of China CITIC Bank Corporation Limited (CNCB)

On January 23, 2015 the BBVA Group signed an agreement to sell 4.9% in China CITIC Bank Corporation Limited (CNCB) to UBS AG, London Branch (UBS), who entered into transactions pursuant to which such CNCB shares will be transferred to a third party and the ultimate economic benefit of ownership of such CNCB shares will be transferred to Xinhu Zhongbao Co., Ltd (Xinhu) (the Relevant Transactions). On March 12, 2015, after having obtained the necessary approvals, BBVA completed the sale.

The selling price to UBS is HK$ 5.73 per share, amounting to a total of HK$ 13,136 million, equivalent to approximately €1,555 million (with an exchange rate of EUR/HK$=8.45 as of the date of the closing).

In addition to the above mentioned 4.9%, during the first semester of 2015 various sales were made in the market to total a 6.34% participation sale. The impact of these sales on the consolidated financial statements of the BBVA Group was a gain net of taxes of approximately €705 million. This gain gross of taxes was recognized under "Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" in 2015 consolidated financial statements.

Sale of the participation in Citic International Financial Holding (CIFH)

On December 23, 2014, the BBVA Group signed an agreement to sell its participation of 29.68% in Citic International Financial Holdings Limited (hereinafter "CIFH"), to China CITIC Bank Corporation Limited (hereinafter "CNCB"). CIFH is a non-listed subsidiary of CNCB domiciled in Hong Kong. The selling price is HK$8,162 million.

On August 27, 2015, BBVA completed the sale of this participation. The impact on the consolidated financial statements of the BBVA Group was not significant.

4. Shareholder remuneration system

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

This fully in cash shareholders' remuneration policy would be composed, for each 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"

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

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

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

On September, 28 2016, BBVA's Board of Directors resolved to execute the second of the share capital increases to be charged to voluntary reserves, as agreed by the AGM held on March 11, 2016. As a result of this increase, the Bank's share capital increased by €42,266,085.33 through the issuance of 86,257,317 newly-issued BBVA ordinary shares at 0.49 euros par value, given that 87.85% of owners of the rights of free allocation opted to receive newly-issued BBVA ordinary shares. The remaining 12.15% of the owners of the rights of free allocation exercised the commitment assumed by BBVA, and as a result, BBVA acquired 787,374,942 rights (at a gross price of €0.08 each) for a total amount of €62,989,995.36. This amount is recorded in "Total Equity-Dividends and Remuneration" of the consolidated balance sheet as of December 31, 2016 (see Note 26).

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

Cash Dividends

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

- The Board of Directors, at its meeting held on June 22, 2016, approved the payment in cash of €0.08 (€0.0648 net of withholding tax) per BBVA share as the first gross interim dividend against 2016 results. The total amount paid to shareholders on July 11, 2016, after deducting treasury shares held by the Group's companies, amounted to €517 million and is recognized under the headings "Total Equity- Interim Dividends" of the consolidated balance sheet as of December 31, 2016.
- The Board of Directors, at its meeting held on December 21, 2016, approved the payment in cash of €0.08 (€0.0648 withholding tax) per BBVA share, as the second gross interim dividend against 2016 results. The total amount paid to shareholders on January 12, 2017, after deducting treasury shares held by the Group's Companies, amounted to €525 million and is recognized under the heading "Total Equity- Interim Dividends" of the consolidated balance sheet as of December 31, 2016.
- The Board of Directors, at its meeting held on September 27, 2017, approved the payment in cash of €0.09 (€0.0729 net of withholding tax) per BBVA share, as the first gross interim dividend against 2017 results. The total amount paid to shareholders on October 10, 2017, after deducting treasury shares held by the Group's companies, amounted to €599 million and is recognized under the heading "Total Equity- Interim Dividends" of the consolidated balance sheet as of December 31, 2017.

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

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

Proposal on allocation of earnings for 2017

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

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

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

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

5. Earnings per share

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

The Bank issued additional share capital in 2017, 2016 and 2015 (see Note 26). In accordance with IAS 33, when there is a capital increase, earnings per share, basic and diluted, should be recalculated for previous periods applying a corrective factor to the denominator (the weighted average number of shares outstanding) This corrective factor is the result of dividing the fair value per share immediately before the exercise of rights by the theoretical ex-rights fair value per share. The basic and diluted earnings per share for 2016 were recalculated on this basis.

The calculation of earnings per share is as follows:

Basic and Diluted Earnings per Share

	2017	2016 (*)	2015 (*)
Numerator for basic and diluted earnings per share (millions of euros)			
Profit attributable to parent company	3,519	3,475	2,642
Adjustment: Additional Tier 1 securities (1)	(301)	(260)	(212)
Profit adjusted (millions of euros) (A)	**3,218**	**3,215**	**2,430**
Profit from discontinued operations (net of non-controlling interest) (B)	**-**	**-**	**-**
Denominator for basic earnings per share (number of shares outstanding)	**-**	**-**	**-**
Weighted average number of shares outstanding (2)	6,642	6,468	6,290
Weighted average number of shares outstanding x corrective factor (3)	6,642	6,592	6,647
Adjusted number of shares - Basic earning per share (C)	**6,642**	**6,592**	**6,647**
Adjusted number of shares - diluted earning per share (D)	**6,642**	**6,592**	**6,647**
Earnings per share	**0.48**	**0.49**	**0.37**
Basic earnings per share from continued operations (Euros per share)A-B/C	0.48	0.49	0.37
Diluted earnings per share from continued operations (Euros per share)A-B/D	0.48	0.49	0.37
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, recognized in equity (see Note 22.3).
(2) Weighted average number of shares outstanding (millions of euros), excluding weighted average of treasury shares during the period.
(3) Corrective factor, due to the capital increase with pre-emptive subscription right, applied for the previous years.
(*) Data recalculated due to the mentioned corrective factor (see Notes 26 and 29).

As of December 31, 2017, 2016 and 2015, 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.

6. Operating segment reporting

The information about operating segments is presented in accordance with IFRS 8. Operating segment reporting represents a basic tool in the oversight and management of the BBVA Group's various activities. The BBVA Group compiles reporting information on disaggregated business activities. These business activities are then aggregated in accordance with the organizational structure determined by the BBVA Group and, ultimately, into the reportable operating segments themselves.

During 2017, there have not been significant changes in the reporting structure of the operating segments of the BBVA Group compared to the structure existing at the end of 2016. The structure of the operating segment is as follows:

- Banking activity in Spain

  As in previous years, includes the Retail Network in Spain, Corporate and Business Banking (CBB), Corporate & Investment Banking (CIB), BBVA Seguros and Asset Management units in Spain. It also includes the portfolios, finance and structural interest-rate positions of the euro balance sheet.

- Non Core Real Estate

  Includes specialist management in Spain of loans to developers in difficulties and real-estate assets mainly comprised foreclosed assets, originated from both residential mortgages and loans to developers. New loan production to developers or loans to those that are not in difficulties are managed by Banking activity in Spain.

- The United States

Includes the Group's business activity in the country through the BBVA Compass group and the BBVA New York branch.

- Mexico

Includes all the banking and insurance businesses in the country.

- Turkey

Includes the activity of the Garanti Group.

- South America

Includes BBVA's banking and insurance businesses in the region.

- Rest of Eurasia

Includes business activity in the rest of Europe and Asia, i.e. the Group´s retail and wholesale businesses in the area.

Lastly, the Corporate Center is comprised of the rest of the assets and liabilities that have not been allocated to the operating segments. It includes: the costs of the head offices that have a corporate function; management of structural exchange-rate positions; specific issues of capital instruments to ensure adequate management of the Group's global solvency; portfolios and their corresponding results, whose management is not linked to customer relations, such as industrial holdings; certain tax assets and liabilities; funds due to commitments with employees; goodwill and other intangibles.

The breakdown of the BBVA Group's total assets by operating segments as of December 31, 2017, 2016 and 2015, is as follows:

Total Assets by Operating Segments (Millions of euros)	2017	2016 (1)	2015 (1)
Banking Activity in Spain	319,417	335,847	343,793
Non Core Real Estate	9,714	13,713	17,122
United States	80,493	88,902	86,454
Mexico	89,344	93,318	99,591
Turkey	78,694	84,866	89,003
South America	74,636	77,918	70,657
Rest of Eurasia	17,265	19,106	19,579
Subtotal Assets by Operating Segments	**669,563**	**713,670**	**726,199**
Corporate Center	20,496	18,186	23,656
Total Assets BBVA Group	**690,059**	**731,856**	**749,855**

(1) The figures corresponding to 2016 and 2015 have been restated in order to allow homogenous comparisons due to changes in the scope of operating segments.

The attributable profit and main earning figures in the consolidated income statements for the years ended December 31, 2017, 2016 and 2015 by operating segments are as follows:

Main Margins and Profits by Operating Segments (Millions of euros)

		Operating Segments									
		BBVA Group	Spain	Non Core Real Estate	United Sates	Mexico	Turkey	South America	Rest of Eurasia	Corporate Center	Adjustments (2)
2017	**Notes**										
Net interest income		17,758	3,738	71	2,158	5,437	3,331	3,200	180	(357)	-
Gross income		25,270	6,180	(17)	2,919	7,080	4,115	4,451	468	73	-
Operating profit /(loss) before tax		6,931	1,866	(673)	784	2,948	2,147	1,691	177	(2,009)	-
Profit	**55.2**	**3,519**	**1,381**	**(501)**	**511**	**2,162**	**826**	**861**	**125**	**(1,844)**	
2016 (1)											
Net interest income		17,059	3,877	60	1,953	5,126	3,404	2,930	166	(455)	-
Gross income		24,653	6,416	(6)	2,706	6,766	4,257	4,054	491	(31)	-
Operating profit /(loss) before tax		6,392	1,268	(743)	612	2,678	1,906	1,552	203	(1,084)	-
Profit	**55.2**	**3,475**	**905**	**(595)**	**459**	**1,980**	**599**	**771**	**151**	**(794)**	
2015 (1)											
Net interest income		16,022	4,015	71	1,811	5,387	2,194	3,202	176	(432)	(404)
Gross income		23,362	6,803	(28)	2,631	7,081	2,434	4,477	465	(183)	(318)
Operating profit /(loss) before tax		4,603	1,540	(716)	685	2,772	853	1,814	103	(1,172)	(1,276)
Profit	**55.2**	**2,642**	**1,080**	**(496)**	**517**	**2,094**	**371**	**905**	**70**	**(1,899)**	-

(1) The figures corresponding to 2016 and 2015 have been restated (see Note 1.3).

(2) Since the third quarter of 2015, BBVA has consolidated Garanti (39.9% owned as of December 31, 2015). In prior periods, Garanti's revenues and costs are reflected in the segment information only in the proportion of BBVA´s ownership (25.01%). This column includes adjustments resulting from the accounting of the investment in Garanti group using the equity method (versus reflecting the revenues and costs of Garanti only in proportion of BBVA´s ownership Garanti as stated in the management information). This column also includes inter-segment adjustments (see Note 2).

The accompanying Consolidated Management Report presents the consolidated income statements and the balance sheets by operating segments in more detail.

7. Risk management

7.1 General risk management and control model

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

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

- Governance and organization.
- Risk Appetite Framework.
- Decisions and processes.
- Assessment, monitoring and reporting.
- Infrastructure.

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

7.1.1 Governance and organization

BBVA Group´s risk governance model is characterized by a special involvement of its corporate bodies, both in setting the risk strategy and in the ongoing monitoring and supervision of its implementation.

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

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

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

Corporate bodies

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

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

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

Lastly, the Board has set up a Board committee specialized in risks, the Risk Committee, that assists the Board and the Executive Committee in determining the Group's risk strategy and the risk limits and policies, respectively, analyzing and assessing beforehand the proposals submitted to those bodies. The Board of Directors has the exclusive authority to amend the 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 proper monitoring of the risk strategy implementation and of the Group's risk profile. The risk function regularly reports on the development of the Group's Risk Appetite Framework metrics to the Board and to the Executive Committee, after the analysis by the Risk Committee, whose role in this monitoring and control work is particularly relevant.

Risk Function: CRO. Organizational structure and committees

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

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

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

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

- The corporate area's risk units develop and submit to the Group CRO the proposal for the Group's Risk Appetite Framework, the corporate policies, rules and global procedures and infrastructures within the framework approved by the corporate bodies; they ensure their application and report either directly or through the CRO to the Bank's corporate bodies. Their functions include:
    - Management of the different types of risks at Group level in accordance with the strategy defined by the corporate bodies.
    - Risk planning aligned with the risk appetite framework principles defined by the Group.

  - Monitoring and control of the Group's risk profile in relation to the risk appetite framework approved by the Bank's corporate bodies, providing accurate and reliable information with the required frequency and in the necessary format.
  - Prospective analyses to enable an evaluation of compliance with the risk appetite framework in stress scenarios and the analysis of risk mitigation mechanisms.
  - Management of the technological and methodological developments required for implementing the Model in the Group.
  - Design of the Group's Internal Control model and definition of the methodology, corporate criteria and procedures for identifying and prioritizing the risk inherent in each unit's activities and processes.
  - Validation of the models used and the results obtained by them in order to verify their adaptation to the different uses to which they are applied.
- The risk units in the business units develop and present to the Chief Risk Officer of the geographical and/or business area the risk appetite framework proposal applicable in each geographical and/or business area, independently and always within the Group's strategy/Risk Appetite Framework. They also ensure that the corporate policies and rules approved and applied consistently at a Group level, adapting them if necessary to local requirements; that they are provided with appropriate infrastructures for management and control of their risks, within the global risk infrastructure framework defined by the corporate areas; and that they report to their corporate bodies and/or to senior management, as appropriate.

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

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

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 levels 1 and 2 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 the Special Monitoring list.
- Monitoring, Assessment & Reporting Committee: It guarantees and ensures the appropriate development of aspects related to risk identification, assessment, monitoring and reporting, with an integrated and cross-cutting vision.
- Asset Allocation Committee: The executive 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 profit subject to an appropriate risk-adjusted return on equity.

- Technology & Analytics Committee: It ensures an appropriate decision-making process regarding the development, implementation and use of the tools and models required to achieve an appropriate management of those risks to which the BBVA Group is exposed.
- Global 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.
- Corporate Operational and Outsourcing Risk Admission Committee: It identifies and assesses the operational risks of new businesses, new products and services, and outsourcing initiatives.
- Retail Risk Committee: It ensures the alignment of the practices and processes of the retail credit risk cycle with the approved risk tolerance and with the business growth and development objectives established in the corporate strategy of the Group.
- Asset Management Global Risk Steering Committee: its purpose is to develop and coordinate the strategies, policies, procedures, and infrastructure necessary to identify, assess, measure and manage the material risks facing the bank in the operation of businesses linked to BBVA Asset Management.
- Global Insurance Risk Committee: its purpose is to guarantee the alignment and the communication between all the Insurance Risk Units in the BBVA Group. It will do this by promoting the application of standardized principles, policies, tools and risk metrics in the different regions with the aim of maintaining proper integration of insurance risk management in the Group.
- COPOR: its purpose is to analyze and make decision in relation to the operations of the various geographies in which Global Markets is present.

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

Under this organizational scheme, the risk management function ensures 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 there is an adequate internal regulatory framework, a process and measures defined for each type of risk identified in the Group (and for those other types of risk that may potentially affect the Group). It controls their application and operation, as well as ensuring the integration of the risk strategy into the Group's management. In this regard, the Internal Risk Control unit verifies the performance of their duties by the units that develop the risk models, manage the processes and execute the controls. Its scope of action is global, from the geographical point of view and the type of risks.

The Group's Head of Internal Risk Control is responsible for the function and reports on its activities and informs of its work plans to the CRO and to the Board's 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.

7.1.2 Risk Appetite Framework

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

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

Risk appetite framework is expressed through the following elements:

Risk Appetite Statement

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

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

Core metrics

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

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

combined with a moderate risk profile that limits the credit losses even under stress situations; all focused on allowing income stability and maximizing the risk-adjusted profitability.

The core metrics define, in quantitative terms, the principles and the target risk profile set out in the risk appetite statement and are in line with the strategy of the Group. Each metric has three thresholds (traffic-light approach) ranging from a standard business management to higher deterioration levels: Management reference, Maximum appetite and Maximum capacity. The 2017 Group's Core metrics are:

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

By type of risk metrics

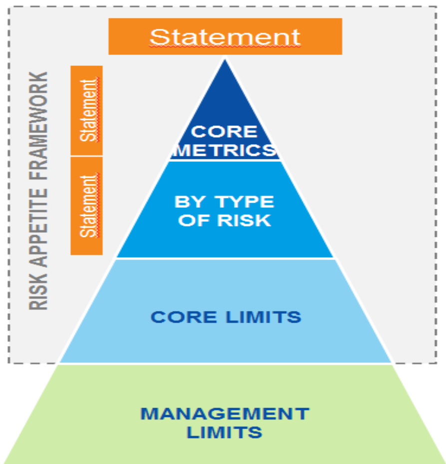
Based on the core metrics, statements are established for each type of risk reflecting the main principles governing the management of that risk and several metrics are calibrated, compliance with which enables compliance with the core metrics and the risk appetite statement of the Group. By type of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

Basic limits structure (core limits)

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

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

The following graphic summarizes the structure of BBVA's Risk Appetite Framework:



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

The Group Risk Appetite Framework expresses the levels and types of risk that the Bank is willing to assume to be able to implement its strategic plan with no relevant deviations, even in situations of stress. The Risk Appetite Framework is integrated into the management and the processes for defining the Risk Appetite Framework proposals and strategic and budgetary planning at Group level are coordinates.

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

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7.1.3 Decisions and processes

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

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

Standardized regulatory framework

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

This process aims for the following objectives:

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

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

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

Risk planning

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

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

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

Comprehensive management

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

The risk management cycle is composed of five elements:

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

7.1.4 Assessment, monitoring and reporting

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

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

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

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

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

7.1.5 Infrastructure

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

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

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

The principles that govern the Group risk technology are:

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

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

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

7.1.6 Risk culture

The Group promotes the development of a risk culture that ensure consistent application of the risk management and control model in the Group, and that guarantees that the risk function is understood and internalized at all levels of the organization.

The culture transfers the implications that are involved in the Group's activities and businesses to all the levels of the organization. The risk culture is organized through a number of levers, including the following:

- Communication: promotes the dissemination of the Model, and in particular the principles that must govern risk management in the Group, in a consistent and integrated manner across the organization, through the most appropriate channels. GRM has a number of communication channels to facilitate the transmission of information and knowledge among the various teams in the function and the Group, adapting the frequency, formats and recipients based on the proposed goal, in order to strengthen the basic principles of the risk function. The risk culture and the management model thus emanate from the Group's corporate bodies and senior management and are transmitted throughout the organization.
- Training: its main aim is to disseminate and establish the model of risk management across the organization, ensuring standards in the skills and knowledge of the different persons involved in the risk management processes.
- Well defined and implemented training ensures continuous improvement of the skills and knowledge of the Group's professionals, and in particular of the GRM area, and is based on four aspects that aim to develop each of the needs of the GRM group by increasing its knowledge and skills in different fields such as: finance and risks, tools and technology, management and skills, and languages.
- Motivation: the aim in this area is for the incentives of the risk function teams to support the strategy for managing those teams and the function's values and culture at all levels. Includes compensation and all those elements related to motivation – working environment, etc. which contribute to the achievement Model objectives.

7.2 Risk factors

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

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

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

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

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

- Macroeconomic and geopolitical risks

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

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

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

- Regulatory and reputational risks
  - Financial institutions are exposed to a complex and ever-changing regulatory 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 (such as IFRS9, Basel IV, etc.) 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. Negative news or inappropriate behavior can significantly damage the Group's reputation and affect its ability to develop a sustainable business. The attitudes and behaviors of the group and its members are governed by the principles of integrity, honesty, long-term vision and 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 which economic consequences are difficult to determine. The Group manages and monitors these proceedings to defend its interests, where necessary allocating the corresponding provisions to cover them, following the expert criteria of internal lawyers and external attorneys responsible for the legal handling of the procedures, in accordance with applicable legislation.

7.3 Credit risk

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

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

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

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

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

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

Retail risks: in general, the decisions are formalized according to the scoring tools, within the general framework for action of each business area with regard to risks. The changes in weighting and variables of these tools must be validated by the 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.

7.3.1 Credit risk exposure

In accordance with IFRS 7 "Financial Instruments: Disclosures", the BBVA Group's maximum credit risk exposure (see definition below) by headings in the balance sheets as of December 31, 2017, 2016 and 2015 is provided below. It does not consider the availability of collateral or other credit enhancements to guarantee compliance with payment obligations. The details are broken down by financial instruments and counterparties.

Maximum Credit Risk Exposure (Millions of euros)

	Notes	2017	2016	2015
Financial assets held for trading		**29,430**	**31,995**	**37,424**
Debt securities	10.1	22,573	27,166	32,825
Government		20,716	24,165	29,454
Credit institutions		816	1,652	1,765
Other sectors		1,041	1,349	1,606
Equity instruments	10.1	6,801	4,675	4,534
Loans and advances to customers		56	154	65
Other financial assets designated at fair value through profit or loss	11	**2,709**	**2,062**	**2,311**
Loans and advances to customers		648	-	62
Debt securities		174	142	173
Government		93	84	132
Credit institutions		63	47	29
Other sectors		18	11	11
Equity instruments		1,888	1,920	2,075
Available-for-sale financial assets		**70,761**	**79,553**	**113,710**
Debt securities	12.1	66,273	74,739	108,448
Government		53,378	55,047	81,579
Credit institutions		3,902	5,011	8,069
Other sectors		8,993	14,682	18,800
Equity instruments	12.1	4,488	4,814	5,262
Loans and receivables		**444,320**	**482,011**	**490,580**
Loans and advances to central banks	13.2	7,300	8,894	17,830
Loans and advances to credit institutions	13.2	26,297	31,416	29,368
Loans and advances to customers	13.3	400,369	430,474	432,856
Government		32,525	34,873	38,611
Agriculture		3,876	4,312	4,315
Industry		52,026	57,072	56,913
Real estate and construction		29,671	37,002	38,964
Trade and finance		47,951	47,045	43,576
Loans to individuals		172,868	192,281	194,288
Other		61,452	57,889	56,188
Debt securities	13.4	10,354	11,226	10,526
Government		4,412	4,709	3,275
Credit institutions		31	37	125
Other sectors		5,911	6,481	7,126
Held-to-maturity investments		**13,765**	**17,710**	**-**
Government		12,620	16,049	-
Credit institutions		1,056	1,515	-
Other sectors		89	146	-
Derivatives (trading and hedging)	10.4 - 15	**45,628**	**54,122**	**49,350**
TOTAL FINANCIAL ASSETS RISK		**606,613**	**667,454**	**693,375**
Loan commitments given	33	94,268	107,254	123,620
Financial guarantees given	33	16,545	18,267	19,176
Other Commitments given	33	45,738	42,592	42,813
Total Maximum Credit Exposure		**763,165**	**835,567**	**878,984**

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

- In the case of financial assets recognized in the consolidated balance sheets, exposure to credit risk is considered equal to its carrying amount (not including impairment losses), with the sole exception of derivatives and hedging derivatives.
- The maximum credit risk exposure on financial guarantees granted is the maximum that the Group would be liable for if these guarantees were called in, and that is their carrying amount.
- The calculation of risk exposure for derivatives is based on the sum of two factors: the derivatives fair value and their potential risk (or "add-on").

The first factor, fair value, reflects the difference between original commitments and fair values on the reporting date (mark-to-market). As indicated in Note 2.2.1, derivatives are accounted for as of each reporting date at fair value in accordance with IAS 39.

The second factor, potential risk ('add-on'), is an estimate of the maximum increase to be expected on risk exposure over a derivative fair value (at a given statistical confidence level) as a result of future changes in the fair value over the remaining term of the derivatives.

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

The breakdown by counterparty and product of loans and advances, net of impairment losses, classified in the different headings of the assets, as of December 31, 2017, 2016 and 2015 is shown below:

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

December 2017 (Millions of euros)

	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
On demand and short notice	-	222	-	270	7,663	2,405	10,560
Credit card debt	-	6	-	3	1,862	13,964	15,835
Trade receivables		1,624	-	497	20,385	198	22,705
Finance leases	-	205	-	36	8,040	361	8,642
Reverse repurchase loans	305	1,290	13,793	10,912	-	-	26,300
Other term loans	6,993	26,983	4,463	5,763	125,228	155,418	324,848
Advances that are not loans	2	1,964	8,005	1,044	1,459	522	12,995
Loans and advances	**7,301**	**32,294**	**26,261**	**18,525**	**164,637**	**172,868**	**421,886**
of which: mortgage loans [Loans collateralized by immovable property]		*998*	-	*308*	*37,353*	*116,938*	*155,597*
of which: other collateralized loans		*7,167*	*13,501*	*12,907*	*24,100*	*9,092*	*66,767*
of which: credit for consumption						*40,705*	*40,705*
of which: lending for house purchase						*114,709*	*114,709*
of which: project finance loans					*16,412*		*16,412*

December 2016 (Millions of euros)

	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
On demand and short notice	-	373	-	246	8,125	2,507	11,251
Credit card debt	-	1	-	1	1,875	14,719	16,596
Trade receivables		2,091	-	998	20,246	418	23,753
Finance leases	-	261	-	57	8,647	477	9,442
Reverse repurchase loans	81	544	15,597	6,746	-	-	22,968
Other term loans	8,814	29,140	7,694	6,878	136,105	167,892	356,524
Advances that are not loans	-	2,410	8,083	2,082	1,194	620	14,389
Loans and advances	**8,894**	**34,820**	**31,373**	**17,009**	**176,192**	**186,633**	**454,921**
of which: mortgage loans [Loans collateralized by immovable property]		*4,722*	*112*	*690*	*44,406*	*132,398*	*182,328*
of which: other collateralized loans		*3,700*	*15,191*	*8,164*	*21,863*	*6,061*	*54,979*
of which: credit for consumption						*44,504*	*44,504*
of which: lending for house purchase						*127,606*	*127,606*
of which: project finance loans					*19,269*		*19,269*

December 2015 (Millions of euros)	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
On demand and short notice	-	783	-	38	8,356	2,050	11,228
Credit card debt	-	1	-	2	1,892	15,057	16,952
Trade receivables		3,055	-	800	19,605	411	23,871
Finance leases	-	301	-	420	7,534	1,103	9,357
Reverse repurchase loans	149	326	11,676	4,717	9	-	16,877
Other term loans	10,017	31,971	8,990	5,968	134,952	168,729	360,626
Advances that are not loans	7,664	2,108	8,713	2,261	919	863	22,528
Loans and advances	**17,830**	**38,544**	**29,379**	**14,206**	**173,267**	**188,213**	**461,438**
of which: mortgage loans [Loans collateralized by immovable property]		*4,483*	*264*	*656*	*43,961*	*135,102*	*184,466*
of which: other collateralized loans		*3,868*	*12,434*	*6,085*	*22,928*	*6,131*	*51,446*
of which: credit for consumption						*40,906*	*40,906*
of which: lending for house purchase						*126,591*	*126,591*
of which: project finance loans					*21,141*		*21,141*

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

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

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

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

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

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

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

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

Collateralized loans granted by the Group as of December 31, 2017, 2016 and 2015 excluding balances deemed impaired, is broken down in Note 13.2.

- Financial guarantees, other contingent risks and drawable by third parties: These have the counterparty's personal guarantee.

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

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

Scoring

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

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

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

Rating

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

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

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

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

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

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

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

The table below outlines the distribution of exposure, including derivatives, by internal ratings, to corporates, financial entities and institutions (excluding sovereign risk), of BBVA, S.A., Bancomer, Garanti Bank, Compass and subsidiaries in Spain as of December 31, 2017, 2016 and 2015:

	December 2017		December 2016		December 2015	
Credit Risk Distribution by Internal Rating	Amount (Millions of Euros)	%	Amount (Millions of Euros)	%	Amount (Millions of Euros)	%
AAA/AA+/AA/AA-	38,124	12.04%	35,430	11.84%	27,913	9.17%
A+/A/A-	68,638	21.68%	58,702	19.62%	62,798	20.64%
BBB+	40,626	12.83%	43,962	14.69%	43,432	14.27%
BBB	28,194	8.90%	27,388	9.15%	28,612	9.40%
BBB-	51,845	16.37%	41,713	13.94%	40,821	13.41%
BB+	29,088	9.19%	32,694	10.92%	28,355	9.32%
BB	17,009	5.37%	19,653	6.57%	23,008	7.56%
BB-	15,656	4.94%	13,664	4.57%	12,548	4.12%
B+	11,180	3.53%	10,366	3.46%	8,597	2.83%
B	9,101	2.87%	4,857	1.62%	5,731	1.88%
B-	2,962	0.94%	3,687	1.23%	3,998	1.31%
CCC/CC	4,223	1.33%	7,149	2.39%	18,488	6.08%
Total	**316,649**	**100.00%**	**299,264**	**100.00%**	**304,300**	**100.00%**

7.3.4 Past due but not impaired and impaired secured loans risks

The table below provides details by counterpart and by product of past due risks but not considered to be impaired, as of December 31, 2017, 2016 and 2015, listed by their first past-due date; as well as the breakdown of the debt securities and loans and advances individually and collectively estimated, and the specific allowances for individually estimated and for collectively estimated (see Note 2.2.1):

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	-	-		**66**	**38**	**(28)**	**(21)**	**-**
Loans and advances	**3,432**	**759**	**503**	**19,401**	**10,726**	**(8,675)**	**(4,109)**	**(29,938)**
Central banks	-	-	-	-	-	-	-	-
General governments	75	3	13	171	129	(42)	(69)	(27)
Credit institutions	-	-	-	11	5	(6)	(30)	(5)
Other financial corporations	2	0	-	12	6	(7)	(19)	(5)
Non-financial corporations	843	153	170	10,791	5,192	(5,599)	(1,939)	(18,988)
Households	2,512	603	319	8,417	5,395	(3,022)	(2,052)	(10,913)
TOTAL	**3,432**	**759**	**503**	**19,467**	**10,764**	**(8,703)**	**(4,130)**	**(29,938)**
Loans and advances by product, by collateral and by subordination								
On demand (call) and short notice (current account)	77	12	11	389	151	(238)		
Credit card debt	397	66	118	629	190	(439)		
Trade receivables	115	8	9	515	179	(336)		
Finance leases	138	66	47	431	155	(276)		
Reverse repurchase loans	-	-	-	-	-	-		
Other term loans	2,705	606	317	17,417	10,047	(7,370)		
Advances that are not loans	1	-	1	20	3	(16)		
of which: mortgage loans (Loans collateralized by immovable property)	1,345	360	164	11,388	7,630	(3,757)		
of which: other collateralized loans	592	137	43	803	493	(310)		
of which: credit for consumption	1,260	248	207	1,551	457	(1,093)		
of which: lending for house purchase	1,034	307	107	5,730	4,444	(1,286)		
of which: project finance loans	13	-	25	1,165	895	(271)		

(*) Corresponding to €2,763 million of specific allowances for financial assets, individually estimated and €5,940 million of specific allowances for financial assets collectively estimated.

December 2016 (Millions of euros)	Past due but not impaired			Impaired assets	Carrying amount of the impaired assets	Specific allowances for financial assets, individually and collectively estimated	Collective allowances for incurred but not reported losses	Accumulated write-offs
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days					
Debt securities	-	-	-	**272**	**128**	**(144)**	**(46)**	**(1)**
Loans and advances	**3,384**	**696**	**735**	**22,925**	**12,133**	**(10,793)**	**(5,224)**	**(29,346)**
Central banks	-	-	-	-	-	-	-	-
General governments	66	-	2	295	256	(39)	(13)	(13)
Credit institutions	3	-	82	10	3	(7)	(36)	(5)
Other financial corporations	4	7	21	34	8	(25)	(57)	(6)
Non-financial corporations	968	209	204	13,786	6,383	(7,402)	(2,789)	(18,020)
Households	2,343	479	426	8,801	5,483	(3,319)	(2,329)	(11,303)
TOTAL	**3,384**	**696**	**735**	**23,197**	**12,261**	**(10,937)**	**(5,270)**	**(29,347)**
Loans and advances by product, by collateral and by subordination								
On demand (call) and short notice (current account)	79	15	29	562	249	(313)		
Credit card debt	377	88	124	643	114	(529)		
Trade receivables	51	15	13	424	87	(337)		
Finance leases	188	107	59	516	252	(264)		
Reverse repurchase loans	-	-	82	1	-	(1)		
Other term loans	2,685	469	407	20,765	11,429	(9,336)		
Advances that are not loans	5	-	21	14	2	(12)		
of which: mortgage loans (Loans collateralized by immovable property)	1,202	265	254	16,526	9,008	(5,850)		
of which: other collateralized loans	593	124	47	1,129	656	(275)		
of which: credit for consumption	1,186	227	269	1,622	455	(1,168)		
of which: lending for house purchase	883	194	105	6,094	4,546	(1,548)		
of which: project finance loans	138	-	-	253	105	(147)		

December 2015 (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	-	-	-	**81**	**46**	**(35)**	**(113)**	**-**
Loans and advances	**3,445**	**825**	**404**	**25,358**	**12,527**	**(12,831)**	**(5,911)**	**(26,143)**
Central banks	-	-	-	-	-	-	-	-
General governments	154	278	2	194	157	(37)	(30)	(19)
Credit institutions	-	-	-	25	9	(17)	(34)	(5)
Other financial corporations	7	1	14	67	29	(38)	(124)	(5)
Non-financial corporations	838	148	48	16,254	7,029	(9,225)	(3,096)	(15,372)
Households	2,446	399	340	8,817	5,303	(3,514)	(2,626)	(10,743)
TOTAL	**3,445**	**825**	**404**	**25,439**	**12,573**	**(12,866)**	**(6,024)**	**(26,143)**
Loans and advances by product, by collateral and by subordination						**0**		
On demand (call) and short notice (current account)	134	13	7	634	204	(430)		
Credit card debt	389	74	126	689	161	(528)		
Trade receivables	98	26	22	628	179	(449)		
Finance leases	136	29	21	529	222	(307)		
Reverse repurchase loans	1	-	-	1	1	(1)		
Other term loans	2,685	682	227	22,764	11,747	(11,017)		
Advances that are not loans	2	-	-	113	13	(99)		
of which: mortgage loans (Loans collateralized by immovable property)	1,342	266	106	16,526	9,767	(6,877)		
of which: other collateralized loans	589	102	27	1,129	809	(339)		
of which: credit for consumption	957	164	220	1,543	404	(1,139)		
of which: lending for house purchase	616	174	110	5,918	4,303	(1,615)		
of which: project finance loans	3	-	1	276	66	(211)		

The breakdown of loans and advances of loans and receivables, impaired and accumulated impairment by sectors as of December 31, 2017, 2016 and 2015 is as follows:

December 2017 (Millions of euros)

	Non-performing	Accumulated impairment or Accumulated changes in fair value due to credit risk	Non-performing loans and advances as a % of the total
General governments	**171**	**(111)**	**0.5%**
Credit institutions	**11**	**(36)**	**-**
Other financial corporations	**12**	**(26)**	**0.1%**
Non-financial corporations	**10,791**	**(7,538)**	**6.3%**
Agriculture, forestry and fishing	166	(123)	4.3%
Mining and quarrying	177	(123)	3.7%
Manufacturing	1,239	(955)	3.6%
Electricity, gas, steam and air conditioning supply	213	(289)	1.8%
Water supply	29	(11)	4.5%
Construction	2,993	(1,708)	20.1%
Wholesale and retail trade	1,706	(1,230)	5.9%
Transport and storage	441	(353)	4.2%
Accommodation and food service activities	362	(222)	4.3%
Information and communication	984	(256)	17.0%
Real estate activities	1,171	(1,100)	7.9%
Professional, scientific and technical activities	252	(183)	3.8%
Administrative and support service activities	188	(130)	6.3%
Public administration and defense, compulsory social security	4	(6)	1.9%
Education	31	(25)	3.4%
Human health services and social work activities	75	(68)	1.7%
Arts, entertainment and recreation	69	(38)	4.6%
Other services	690	(716)	4.3%
Households	**8,417**	**(5,073)**	**4.7%**
LOANS AND ADVANCES	**19,401**	**(12,784)**	**4.5%**

December 2016 (Millions of euros)

	Non-performing	Accumulated impairment or Accumulated changes in fair value due to credit risk	Non-performing loans and advances as a % of the total
General governments	**295**	**(52)**	**0.8%**
Credit institutions	**10**	**(42)**	**-**
Other financial corporations	**34**	**(82)**	**0.2%**
Non-financial corporations	**13,786**	**(10,192)**	**7.4%**
Agriculture, forestry and fishing	221	(188)	5.1%
Mining and quarrying	126	(83)	3.3%
Manufacturing	1,569	(1,201)	4.5%
Electricity, gas, steam and air conditioning supply	569	(402)	3.2%
Water supply	29	(10)	3.5%
Construction	5,358	(3,162)	26.3%
Wholesale and retail trade	1,857	(1,418)	6.2%
Transport and storage	442	(501)	4.5%
Accommodation and food service activities	499	(273)	5.9%
Information and communication	112	(110)	2.2%
Real estate activities	1,441	(1,074)	8.7%
Professional, scientific and technical activities	442	(380)	6.0%
Administrative and support service activities	182	(107)	7.3%
Public administration and defense, compulsory social security	18	(25)	3.0%
Education	58	(31)	5.4%
Human health services and social work activities	89	(88)	1.8%
Arts, entertainment and recreation	84	(51)	5.1%
Other services	691	(1,088)	4.2%
Households	**8,801**	**(5,648)**	**4.6%**
LOANS AND ADVANCES	**22,925**	**(16,016)**	**5.0%**

December 2015 (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	**194**	**(67)**	**0.5%**
Credit institutions	**25**	**(51)**	**0.1%**
Other financial corporations	**67**	**(162)**	**0.5%**
Non-financial corporations	**16,254**	**(12,321)**	**8.8%**
Agriculture, forestry and fishing	231	(180)	5.4%
Mining and quarrying	192	(114)	4.7%
Manufacturing	1,947	(1,729)	5.8%
Electricity, gas, steam and air conditioning supply	250	(395)	1.4%
Water supply	44	(23)	5.2%
Construction	6,585	(4,469)	30.1%
Wholesale and retail trade	1,829	(1,386)	6.3%
Transport and storage	616	(607)	6.4%
Accommodation and food service activities	567	(347)	7.0%
Information and communication	110	(100)	2.3%
Real estate activities	1,547	(1,194)	9.1%
Professional, scientific and technical activities	944	(454)	12.8%
Administrative and support service activities	224	(148)	6.9%
Public administration and defense, compulsory social security	18	(25)	2.8%
Education	26	(19)	2.6%
Human health services and social work activities	82	(91)	1.8%
Arts, entertainment and recreation	100	(63)	6.6%
Other services	942	(977)	6.1%
Households	**8,817**	**(6,140)**	**4.5%**
LOANS AND ADVANCES	**25,358**	**(18,742)**	**5.5%**

The changes during the years 2017, 2016 and 2015 of impaired financial assets and contingent risks are as follow:

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

	2017	2016	2015
Balance at the beginning	**23,877**	**26,103**	**23,234**
Additions	10,856	11,133	14,872
Decreases (*)	(7,771)	(7,633)	(6,720)
Net additions	**3,085**	**3,500**	**8,152**
Amounts written-off	(5,758)	(5,592)	(4,989)
Exchange differences and other	(615)	(134)	(295)
Balance at the end	**20,590**	**23,877**	**26,103**

(*) Reflects the total amount of impaired loans derecognized from the consolidated 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 Notes 20 and 21 to the consolidated financial statement for additional information).

The changes during the years 2017, 2016 and 2015 in financial assets derecognized from the accompanying consolidated balance sheet as their recovery is considered unlikely (hereinafter "write-offs"), is shown below:

Changes in Impaired Financial Assets Written-Off from the Balance Sheet (Millions of Euros)	Notes	2017	2016	2015
Balance at the beginning		**29,347**	**26,143**	**23,583**
Acquisition of subsidiaries in the year		-	-	1,362
Increase:		5,986	5,699	6,172
Decrease:		(4,442)	(2,384)	(4,830)
Re-financing or restructuring		(9)	(32)	(28)
Cash recovery	47	(558)	(541)	(490)
Foreclosed assets		(149)	(210)	(159)
Sales of written-off		(2,284)	(45)	(54)
Debt forgiveness		(1,121)	(864)	(3,119)
Time-barred debt and other causes		(321)	(692)	(980)
Net exchange differences		(752)	(111)	(144)
Balance at the end		**30,139**	**29,347**	**26,143**

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

7.3.5 Impairment losses

Below are the changes in the years ended December 31, 2017, 2016 and 2015, in the provisions recognized on the accompanying consolidated balance sheets to cover estimated impairment losses in loans and advances and debt securities, according to the different headings under which they are classified in the accompanying consolidated balance sheet:

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

December 2017 (Millions of euros)

	Opening balance	Increases due to amounts set aside for estimated loan losses during the period	Decreases due to amounts reversed for estimated loan losses during the period	Decreases due to amounts taken against allowances	Transfers between allowances	Other adjustments	Closing balance	Recoveries recorded directly to the statement of profit or loss
Equity instruments								
Specific allowances for financial assets, individually and collectively estimated	**(10,937)**	**(7,484)**	**2,878**	**4,503**	**1,810**	**526**	**(8,703)**	**558**
Debt securities	**(144)**	**(26)**	**6**	**-**	123	13	**(28)**	**-**
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	(15)	(5)	4	-	16	-	-	-
Other financial corporations	(26)	(4)	2	-	-	13	(16)	-
Non-financial corporations	(103)	(17)	-	-	107	-	(12)	-
Loans and advances	**(10,793)**	**(7,458)**	**2,872**	**4,503**	**1,687**	**513**	**(8,675)**	**558**
Central banks	-	-	-	-	-	-	-	-
General governments	(39)	(70)	37	14	1	15	(42)	1
Credit institutions	(7)	(2)	2	-	-	1	(6)	-
Other financial corporations	(25)	(287)	3	38	227	38	(7)	-
Non-financial corporations	(7,402)	(3,627)	1,993	3,029	(228)	636	(5,599)	345
Households	(3,319)	(3,472)	837	1,422	1,687	(177)	(3,022)	212
Collective allowances for incurred but not reported losses on financial assets	**(5,270)**	**(1,783)**	**2,159**	**1,537**	**(1,328)**	**557**	**(4,130)**	**-**
Debt securities	(46)	(8)	30	1	-	3	(21)	-
Loans and advances	(5,224)	(1,776)	2,128	1,536	(1,328)	554	(4,109)	-
Total	**(16,206)**	**(9,267)**	**5,037**	**6,038**	**482**	**1,083**	**(12,833)**	**558**

December 2016 (Millions of euros)	Opening balance	Increases due to amounts set aside for estimated loan losses during the period	Decreases due to amounts reversed for estimated loan losses during the period	Decreases due to amounts taken against allowances	Transfers between allowances	Other adjustments	Closing balance	Recoveries recorded directly to the statement of profit or loss
Equity instruments								
Specific allowances for financial assets, individually and collectively estimated	**(12,866)**	**(6,912)**	**2,708**	**5,673**	**(123)**	**583**	**(10,937)**	**540**
Debt securities	**(35)**	**(167)**	**6**	**64**	(10)	(2)	**(144)**	**-**
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	(20)	-	-	5	-	-	(15)	-
Other financial corporations	(15)	(29)	3	26	(10)	(1)	(26)	-
Non-financial corporations	-	(138)	3	33	-	(1)	(103)	-
Loans and advances	**(12,831)**	**(6,745)**	**2,702**	**5,610**	**(113)**	**585**	**(10,793)**	**540**
Central banks	-	-	-	-	-	-	-	-
General governments	(37)	(2)	20	6	(27)	2	(39)	1
Credit institutions	(17)	(2)	3	-	10	(3)	(7)	-
Other financial corporations	(38)	(34)	9	22	10	6	(25)	-
Non-financial corporations	(9,225)	(3,705)	2,158	3,257	(278)	391	(7,402)	335
Households	(3,514)	(3,002)	511	2,325	172	189	(3,319)	205
Collective allowances for incurred but not reported losses on financial assets	**(6,024)**	**(1,558)**	**1,463**	**88**	**775**	**(15)**	**(5,270)**	**1**
Debt securities	(113)	(11)	15	1	64	-	(46)	-
Loans and advances	(5,911)	(1,546)	1,449	87	711	(15)	(5,224)	-
Total	**(18,890)**	**(8,470)**	**4,172**	**5,762**	**652**	**568**	**(16,206)**	**541**

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

December 2015 (Millions of euros)

	Opening balance	Increases due to amounts set aside for estimated loan losses during the period	Decreases due to amounts reversed for estimated loan losses during the period	Decreases due to amounts taken against allowances	Transfers between allowances	Other adjustments	Closing balance	Recoveries recorded directly to the statement of profit or loss
Equity instruments								
Specific allowances for financial assets, individually and collectively estimated	**(10,519)**	**(6,172)**	**1,435**	**5,162**	**388**	**(3,160)**	**(12,866)**	**490**
Debt securities	**(33)**	**(6)**	**8**	**-**	-	(3)	**(35)**	**-**
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	(17)	(2)	1	-	(1)	-	(20)	-
Other financial corporations	(16)	(4)	7	-	1	(3)	(15)	-
Non-financial corporations	-	-	-	-	-	-	-	-
Loans and advances	**(10,487)**	**(6,166)**	**1,427**	**5,162**	**388**	**(3,156)**	**(12,831)**	**490**
Central banks	-	-	-	-	-	-	-	-
General governments	(24)	(16)	17	3	(12)	(6)	(37)	-
Credit institutions	(18)	(11)	5	-	9	(2)	(17)	1
Other financial corporations	(21)	(276)	2	23	231	3	(38)	-
Non-financial corporations	(7,610)	(3,229)	1,169	2,580	(298)	(1,837)	(9,225)	301
Households	(2,814)	(2,635)	234	2,555	459	(1,313)	(3,514)	187
Collective allowances for incurred but not reported losses on financial assets	**(3,829)**	**(578)**	**576**	**110**	**(486)**	**(1,817)**	**(6,024)**	**-**
Debt securities	(42)	(9)	6	-	(67)	(1)	(113)	-
Loans and advances	(3,787)	(569)	570	110	(420)	(1,816)	(5,911)	-
Total	**(14,348)**	**(6,750)**	**2,011**	**5,272**	**(98)**	**(4,977)**	**(18,890)**	**490**

7.3.6 Refinancing and restructuring operations

Group policies and principles with respect 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).

For quantitative information on refinancing and restructuring operations see Appendix XII.

7.4 Market risk

7.4.1 Market risk trading portfolios

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

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

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

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

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

Most of the headings on the Group's balance sheet subject to market risk are positions whose main metric for measuring their market risk is VaR. This table shows the accounting lines of the consolidated balance sheet as of December 31, 2017, 2016 and 2015 in which there is a market risk in trading activity subject to this measurement:

Headings of the balance sheet under market risk (Millions of euros)

	December 2017		December 2016		December 2015	
	Main market risk metrics - VaR	Main market risk metrics - Others (*)	Main market risk metrics - VaR	Main market risk metrics - Others (*)	Main market risk metrics - VaR	Main market risk metrics - Others (*)
Assets subject to market risk						
Financial assets held for trading	59,008	441	64,623	1,480	64,370	4,712
Available for sale financial assets	5,661	24,083	7,119	28,771	8,234	50,088
Of which: Equity instruments	-	2,404	-	*3,559*	-	*4,067*
Derivatives - Hedging accounting	829	1,397	1,041	1,415	528	1,888
Liabilities subject to market risk						
Financial liabilities held for trading	42,468	2,526	47,491	2,223	42,550	6,277
Derivatives - Hedging accounting	1,157	638	1,305	689	1,128	806

(*) Includes mainly assets and liabilities managed by ALCO.

Although the prior table shows details the financial positions subject to market risk, it should be noted that the data are for information purposes only and do not reflect how the risk is managed in trading activity, where it is not classified into assets and liabilities.

With respect to the risk measurement models used in BBVA Group, the Bank of Spain has authorized the use of the internal model to determine bank capital requirements deriving from risk positions on the BBVA S.A. and BBVA Bancomer trading book, which jointly account for around 70% and 66% of the Group's trading-book market risk as of December 31, 2017 and 2016. For the rest of the geographical areas (mainly South America, Garanti and BBVA Compass), bank capital for the risk positions in the trading book is calculated using the standard model.

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

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

VaR figures are estimated following two methodologies:

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

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

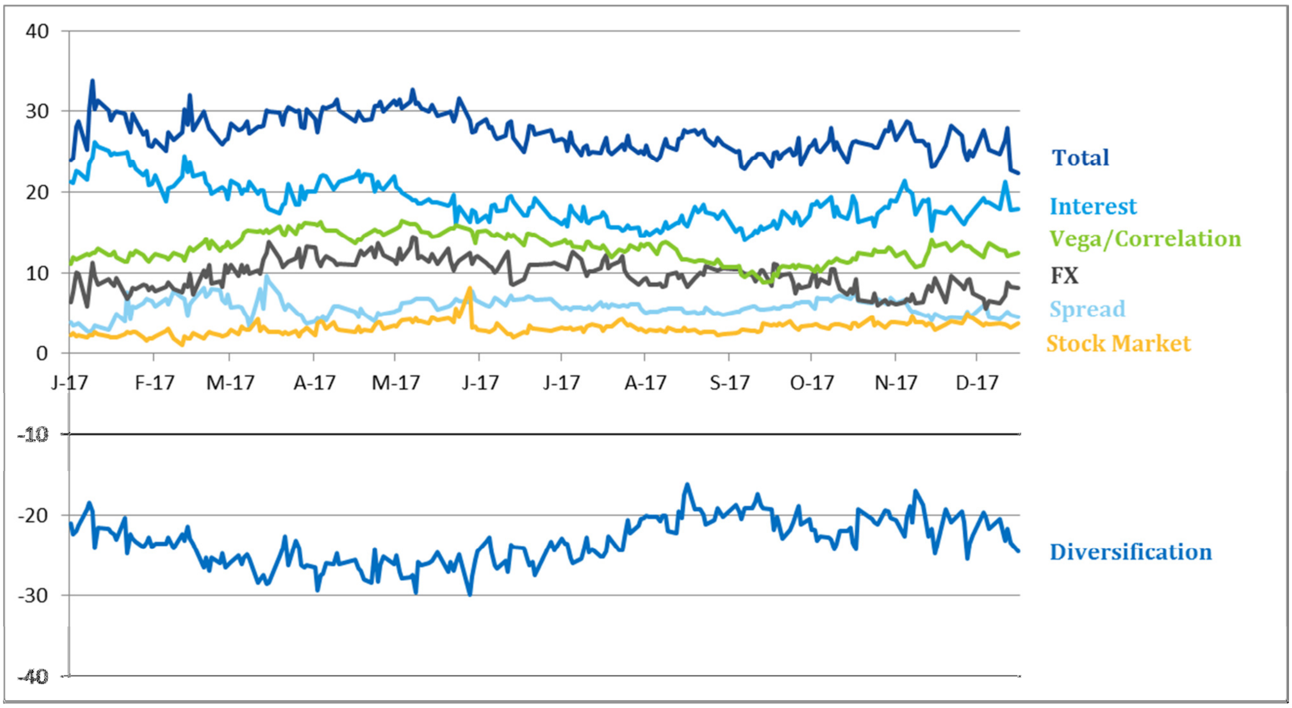
At the same time, and following the guidelines established by the Spanish and European authorities, BBVA incorporates metrics in addition to VaR with the aim of meeting the Bank of Spain's regulatory requirements with respect to the calculation of bank capital for the trading book. Specifically, the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

- VaR: In regulatory terms, the VaR charge incorporates the stressed VaR charge, and the sum of the two (VaR and stressed VaR) is calculated. This quantifies the losses associated with the movements of the two risk factors inherent to market operations (interest rates, FX, RV, credit, etc.). Both VaR and stressed VaR are rescaled by a regulatory multiplier set at three and by the square root of ten to calculate the capital charge.
- Specific Risk: Incremental Risk Capital ("IRC") Quantification of the risks of default and downgrading of the credit ratings of the bond and credit derivative positions in the portfolio. The specific capital risk by IRC is a charge exclusively used in the geographical areas with the internal model approved (BBVA S.A. and Bancomer). The capital charge is determined according to the associated losses (at 99.9% in a 1-year horizon under the hypothesis of constant risk) due to the rating migration and/or default state the issuer of an asset. In addition, the price risk is included in sovereign positions for the items specified.
- Specific Risk: Securitization and correlation portfolios. Capital charge for securitizations and the correlation portfolio to include the potential losses associated at the level of rating a specific credit structure (rating). Both are calculated by the standard method. The scope of the correlation portfolios refers to the FTD-type market operation and/or tranches of market CDOs and only for positions with an active market and hedging capacity.

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

Market risk in 2017

The Group's market risk remains at low levels compared with the risk aggregates managed by BBVA, particularly in terms of credit risk. This is due to the nature of the business. During year ended December 31, 2017 the average VaR was €27 million, below the figure of 2016, with a high on January 11, 2017 of €34 million. The evolution in the BBVA Group's market risk during 2017, measured as VaR without smoothing (see Glossary) with a 99% confidence level and a 1-day horizon (shown in millions of Euros) is as follows:



By type of market risk assumed by the Group's trading portfolio, the main risk factor for the Group continues to be that linked to interest rates, with a weight of 48% of the total at the end of year ended December 31, 2017 (this figure includes the spread risk). The relative weight has decreased compared with the close of 2016 (58%). Exchange-rate risk accounts 14%, increasing its proportion with respect to December 2016 (13%), while equity, volatility and correlation risk have increased, with a weight of 38% at the close of 2017 (vs. 29% at the close of 2016).

As of December 31, 2017, 2016 and 2015 the balance of VaR was €22 million, €26 million and €24 million, respectively. These figures can be broken down as follows:

VaR by Risk Factor (Millions of euros)

	Interest/Spread Risk	Currency Risk	Stock-market Risk	Vega/Correlation Risk	Diversification Effect(*)	Total
December 2017						
VaR average in the period	25	10	3	13	(23)	27
VaR max in the period	27	11	2	12	(19)	34
VaR min in the period	23	7	4	14	(26)	22
End of period VaR	23	7	4	14	(26)	22
December 2016						
VaR average in the period	28	10	4	11	(23)	29
VaR max in the period	30	16	4	11	(23)	38
VaR min in the period	21	10	1	11	(20)	23
End of period VaR	29	7	2	12	(24)	26
December 2015						
VaR average in the period						24
VaR max in the period	32	5	3	9	(18)	30
VaR min in the period	20	6	3	9	(17)	21
End of period VaR	21	9	3	11	(20)	24

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

Validation of the model

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

Two types of backtesting have been carried out during 2017, 2016 and 2015:

- "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 end of the year ended December 31, 2016 and the end of the year ended December 31, 2016, it was carried out the backtesting of the internal VaR calculation model, comparing the daily results obtained with the estimated risk level estimated by the internal VaR calculation model. At the end of the semester the comparison showed the internal VaR calculation model was working correctly, within the "green" zone (0-4 exceptions), thus validating the internal VaR calculation model, as has occurred each year since the internal market risk model was approved for the Group.

Stress test analysis

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

Historical scenarios

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

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

Simulated scenarios

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

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

The impact of the stress test under multivariable simulation of the risk factors of the portfolio (*Expected shortfall* 95% to 20 days) as of December 31, 2017 is as follows:

	Millions of Euros							
	Europe	**Mexico**	**Peru**	**Venezuela**	**Argentina**	**Colombia**	**Chile**	**Turkey**
Expected Shortfall	(75)	(29)	(8)	-	(8)	(8)	(9)	(1)

7.4.2 Structural risk

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

Structural interest-rate risk

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

ALCO monitors the interest-rate risk metrics and the Assets and Liabilities Management unit carries out the management proposals for the structural balance sheet. The management objective is to ensure the stability of net interest income and book value in the face of changes in market interest rates, while respecting the internal solvency and limits in the different balance-sheets and for BBVA Group as a whole; and complying with current and future regulatory requirements.

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

In order to evaluate its effectiveness, the model is subjected to regular internal validation, which includes backtesting. 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 "accounts with no explicit maturity", 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 hypotheses are reviewed and adapted, at least on an annual basis, to signs of changes in behavior, kept properly documented and reviewed on a regular basis in the internal validation processes.

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

The table below shows the profile of average sensitivities to net interest income and value of the main entities in BBVA Group in 2017 (certain information within this table is provisional. Its distribution should not be significantly affected):

Sensitivity to Interest-Rate Analysis - December 2017

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

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

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

The BBVA Group maintains, overall in its Balance Sheet Management Units ("BSMUs"), a positive sensitivity in its net interest income to an increase in interest rates. The higher relative net interest income sensitivities are observed in mature markets, particularly Europe, where however, the negative sensitivity in its net interest income to a decrease in interest rates is limited by the downward path scope in interest rates. The Group maintains a moderate risk profile, according to its target risk, through effective management of its balance sheet structural risk.

Structural exchange-rate risk

In BBVA Group, structural exchange-rate risk arises from the consolidation of holdings in subsidiaries with functional currencies other than the euro. Its management is centralized in order to optimize the joint handling of permanent foreign currency exposures, taking into account the diversification.

The corporate Assets and Liabilities Management unit, through ALCO, designs and executes hedging strategies with the main purpose of controlling the potential negative effect of exchange-rate fluctuations on capital ratios and on the equivalent value in euros of the foreign-currency earnings of the Group's subsidiaries, considering transactions according to market expectations and their cost.

The risk monitoring metrics included in the framework of limits are integrated into management and supplemented with additional assessment indicators. At corporate level they are based on probabilistic metrics that measure the maximum deviation in the Group's Capital, CET1 ("Common Equity Tier 1") ratio, and net attributable profit. The probabilistic metrics make it possible to estimate the joint impact of exposure to different currencies taking into account the different variability in exchange rates and their correlations.

The suitability of these risk assessment metrics is reviewed on a regular basis through backtesting exercises. The final element of structural exchange-rate risk control is the analysis of scenarios and stress with the aim of identifying in advance possible threats to future compliance with the risk appetite levels set, so that any necessary preventive management actions can be taken. The scenarios are based both on historical situations simulated by the risk model and on the risk scenarios provided by BBVA Research.

2017 has been characterized by the depreciation against the euro of the main currencies of the geographies where the Group operates: US Dollar (-12%), Mexican peso (-8%) and Turkish lira (-18%).

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

Structural equity risk

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

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

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

Structural equity risk, measured in terms of economic capital, has decreased in the period mainly due to the sale of stakes. The aggregate sensitivity of the BBVA Group's consolidated equity to a 1% fall in the price of shares of the companies making up the equity portfolio remained at around -€32 million as of December 31, 2017 and -€38 million as of December 31, 2016. This estimate takes into account the exposure in shares valued at market prices, or if not applicable, at fair value (excluding the positions in the Treasury Area portfolios) and the net delta-equivalent positions in derivatives on the same underlyings.

7.4.3 Financial Instruments offset

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

In addition, the Group has presented as gross amounts assets and liabilities on the consolidated balance sheet for which there are master netting arrangements in place, but for which there is no intention of settling net. The most common types of events that trigger the netting of reciprocal obligations are bankruptcy of the entity, surpassing certain level of indebtedness threshold, failure to pay, restructuring and dissolution of the entity.

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

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

A summary of the effect of the compensation (via netting and collateral) for derivatives and securities operations is presented below as of December 31, 2017, 2016 and 2015:

December 2017 (Millions of euros)

	Notes	Gross Amounts Recognized (A)	Gross Amounts Offset in the Condensed Consolidated Balance Sheets (B)	Net Amount Presented in the Condensed Consolidated Balance Sheets (C=A-B)	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets (D)		Net Amount (E=C-D)
					Financial Instruments	Cash Collateral Received/ Pledged	
Trading and hedging derivatives	10, 15	49,333	11,584	37,749	27,106	7,442	3,202
Reverse repurchase, securities borrowing and similar agreements		26,426	56	26,369	26,612	141	(384)
Total Assets		**75,759**	**11,641**	**64,118**	**53,717**	**7,583**	**2,818**
Trading and hedging derivatives	10, 15	50,693	11,644	39,049	27,106	8,328	3,615
Repurchase, securities lending and similar agreements		40,134	56	40,078	40,158	21	(101)
Total liabilities		**90,827**	**11,701**	**79,126**	**67,264**	**8,349**	**3,514**

December 2016 (Millions of euros)

	Notes	Gross Amounts Recognized (A)	Gross Amounts Offset in the Condensed Consolidated Balance Sheets (B)	Net Amount Presented in the Condensed Consolidated Balance Sheets (C=A-B)	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets (D)		Net Amount (E=C-D)
					Financial Instruments	Cash Collateral Received/ Pledged	
Trading and hedging derivatives	10, 15	59,374	13,587	45,788	32,146	6,571	7,070
Reverse repurchase, securities borrowing and similar agreements		25,833	2,912	22,921	23,080	174	(333)
Total Assets		**85,208**	**16,499**	**68,709**	**55,226**	**6,745**	**6,738**
Trading and hedging derivatives	10, 15	59,545	14,080	45,465	32,146	7,272	6,047
Repurchase, securities lending and similar agreements		49,474	2,912	46,562	47,915	176	(1,529)
Total liabilities		**109,019**	**16,991**	**92,027**	**80,061**	**7,448**	**4,518**

December 2015 (Millions of euros)

	Notes	Gross Amounts Recognized (A)	Gross Amounts Offset in the Condensed Consolidated Balance Sheets (B)	Net Amount Presented in the Condensed Consolidated Balance Sheets (C=A-B)	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets (D)		Net Amount (E=C-D)
					Financial Instruments	Cash Collateral Received/ Pledged	
Trading and hedging derivatives	10, 15	52,244	7,805	44,439	30,350	5,493	8,597
Reverse repurchase, securities borrowing and similar agreements		21,531	4,596	16,935	17,313	24	(402)
Total Assets		**73,775**	**12,401**	**61,374**	**47,663**	**5,517**	**8,195**
Trading and hedging derivatives	10, 15	53,298	8,423	44,876	30,350	9,830	4,696
Repurchase, securities lending and similar agreements		72,998	4,596	68,402	68,783	114	(495)
Total liabilities		**126,296**	**13,019**	**113,278**	**99,133**	**9,944**	**4,201**

7.5 Liquidity risk

7.5.1 Liquidity risk management

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

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

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

LCR ratio in Europe came into force on 1st October 2015. With an initial 60% minimum requirement, progressively increased (phased-in) up to 100% in 2018. Throughout the year 2017, LCR level at BBVA Group has been comfortably above 100%. As of December 2017, the ratio level is 128%.

Although this regulatory requirement is mandatory at a Group level and Eurozone banks, all subsidiaries are well above this minimum. In any case, it should be noted that liquidity excesses in subsidiaries are not deemed transferable when calculating the consolidated ratio. Taking into account the impact of these High Quality Liquid Assets excluded, LCR ratio would be 149%, which is +21% above.

LCR main LMU

	December 2017
Group	**128%**
Eurozone(*)	151%
Bancomer	148%
Compass(**)	144%
Garanti	134%

(*)Perimeter: Spain, Portugal and Rest of Eurasia
(**)Compass LCR calculated according to local regulation (Fed Modified LCR)

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

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

For the purpose of establishing the (maximum) target levels for LtSCD in each LMU and providing an optimal funding structure reference in terms of risk appetite, GRM-Structural Risks identifies and assesses the economic and financial variables that condition the funding structures in the various geographical areas. The behavior of the indicators reflects that the funding structure remained robust in 2017, 2016 and 2015, in the sense that all the LMUs maintain levels of self-funding with stable customer funds higher than the required levels.

LtSCD by LMU

	December 2017	December 2016	December 2015
Group (average)	**110%**	**113%**	**116%**
Eurozone	108%	113%	116%
Bancomer	109%	113%	110%
Compass	109%	108%	112%
Garanti	122%	124%	128%
Other LMUs	108%	107%	111%

The second core element in liquidity and funding risk management is to achieve proper diversification of the funding structure, avoiding excessive reliance on short-term funding and establishing a maximum level of short-term borrowing comprising both wholesale funding as well as funds from 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, with special relevance being given to 30-day maturities.

Each entity maintains an individual liquidity buffer, both Banco Bilbao Vizcaya Argentaria SA and its subsidiaries, including BBVA Compass, BBVA Bancomer, Garanti Bank and the Latin American subsidiaries. The table below shows the liquidity available by instrument as of December 31, 2017 and 2016 for the most significant entities:

December 2017 (Millions of euros)

	BBVA Eurozone (1)	BBVA Bancomer	BBVA Compass	Garanti Bank	Other
Cash and balances with central banks	15,634	8,649	2,150	6,692	6,083
Assets for credit operations with central banks	47,429	5,731	24,039	5,661	6,333
Central governments issues	26,784	3,899	2,598	5,661	6,274
Of Which: Spanish government securities	*20,836*	-	-	-	-
Other issues	*20,645*	*1,831*	*7,023*	-	*58*
Loans	-	-	*14,417*	-	-
Other non-eligible liquid assets	7,986	575	621	1,607	345
ACCUMULATED AVAILABLE BALANCE	71,050	14,955	26,810	13,959	12,761
AVERAGE BALANCE	67,823	13,896	27,625	13,862	13,211

(1) It includes Spain, Portugal and Rest of Eurasia.

December 2016 (Millions of euros)

	BBVA Eurozone (1)	BBVA Bancomer	BBVA Compass	Garanti Bank	Other
Cash and balances with central banks	16,038	8,221	1,495	4,758	6,504
Assets for credit operations with central banks	50,706	4,175	26,865	4,935	4,060
Central governments issues	30,702	1,964	1,084	4,935	3,985
Of Which: Spanish government securities	*23,353*	-	-	-	-
Other issues	*20,005*	*2,212*	*8,991*	-	*75*
Loans	-	-	*16,790*	-	-
Other non-eligible liquid assets	6,884	938	662	1,478	883
ACCUMULATED AVAILABLE BALANCE	73,629	13,335	29,022	11,171	11,447
AVERAGE BALANCE	68,322	13,104	27,610	12,871	11,523

(1) It includes Banco Bilbao Vizcaya Argentaria, S.A. and Banco Bilbao Vizcaya Argentaria (Portugal), S.A.

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

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

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

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

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

Below is a matrix of residual maturities by contractual periods based on supervisory prudential reporting as of December 31, 2017 and 2016:

December 2017. Contractual Maturities (Millions of euros)

	Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 9 Months	9 to 12 Months	1 to 2 Years	2 to 3 Years	3 to 5 Years	Over 5 Years	Total
ASSETS											
Cash, cash balances at central banks and other demand deposits	8,179	31,029	-	-	-	-	-	-	-	-	**39,208**
Deposits in credit entities	252	4,391	181	169	120	122	116	112	157	1,868	**7,488**
Deposits in other financial institutions	1	939	758	796	628	447	1,029	681	806	1,975	**8,060**
Reverse repo, securities borrowing and margin lending	18,979	2,689	1,921	541	426	815	30	727	226	-	**26,354**
Loans and Advances	267	21,203	26,323	23,606	15,380	17,516	43,973	35,383	50,809	123,568	**358,028**
Securities' portfolio settlement	1	1,579	4,159	4,423	2,380	13,391	5,789	11,289	12,070	44,666	**99,747**

December 2017. Contractual Maturities (Millions of euros)

	Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 9 Months	9 to 12 Months	1 to 2 Years	2 to 3 Years	3 to 5 Years	Over 5 Years	Total
LIABILITIES											
Wholesale funding	-	3,648	4,209	4,238	1,227	2,456	5,772	6,432	18,391	30,162	**76,535**
Deposits in financial institutions	6,831	5,863	1,082	2,335	392	1,714	930	765	171	1,429	**21,512**
Deposits in other financial institutions and international agencies	10,700	4,827	3,290	1,959	554	1,328	963	286	355	1,045	**25,307**
Customer deposits	233,068	45,171	18,616	11,428	8,711	10,368	7,607	2,612	1,833	2,034	**341,448**
Security pledge funding	-	35,502	2,284	1,405	396	973	64	23,009	338	1,697	**65,668**
Derivatives, net	-	(18)	(110)	(116)	(135)	(117)	(336)	(91)	(106)	(419)	**(1,448)**

December 2016. Contractual Maturities (Millions of euros)

	Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 9 Months	9 to 12 Months	1 to 2 Years	2 to 3 Years	3 to 5 Years	Over 5 Years	Total
ASSETS											
Cash, cash balances at central banks and other demand deposits	23,191	13,825	-	-	-	-	-	-	-	-	**37,016**
Deposits in credit entities	991	4,068	254	155	48	72	117	87	122	4,087	**10,002**
Deposits in other financial institutions	1	1,192	967	675	714	532	1,330	918	942	336	**7,608**
Reverse repo, securities borrowing and margin lending	-	20,232	544	523	-	428	500	286	124	189	**22,826**
Loans and Advances	591	20,272	25,990	22,318	16,212	15,613	44,956	35,093	55,561	133,589	**370,195**
Securities' portfolio settlement	-	708	3,566	3,688	2,301	4,312	19,320	10,010	16,662	51,472	**112,039**

December 2016. Contractual Maturities (Millions of euros)

	Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 9 Months	9 to 12 Months	1 to 2 Years	2 to 3 Years	3 to 5 Years	Over 5 Years	Total
Wholesale funding	419	7,380	2,943	5,547	3,463	5,967	7,825	5,963	14,016	31,875	**85,397**
Deposits in financial institutions	6,762	5,365	1,181	2,104	800	2,176	746	1,156	859	3,714	**24,862**
Deposits in other financial institutions and international agencies	15,375	6,542	8,624	3,382	2,566	1,897	1,340	686	875	2,825	**44,114**
Customer deposits	206,140	49,053	25,522	15,736	11,863	11,343	8,619	5,060	781	936	**335,052**
Security pledge funding	-	38,153	3,561	1,403	1,004	912	1,281	640	23,959	1,712	**72,626**
Derivatives, net	-	(2,123)	(95)	(190)	(111)	(326)	(132)	(82)	(105)	(47)	**(3,210)**

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

The matrix shows the retail nature of the funding structure, with a loan portfolio being mostly funded by customer deposits. On the outflows side of the matrix, the "demand" maturity bucket mainly contains the retail customers sight accounts whose behavior shows a high level of stability. According to internal methodology they are estimated to mature on average around three years.

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

In Mexico, sound liquidity position, the dependence on wholesale financing remains low and closely associated with the securities portfolios. In 2017, BBVA Bancomer made local issuances at 3 and 5 years for 7000 million of Mexican pesos.

In the United States, the containment of the cost of liabilities has led to a slightly increase in the credit gap. At the end of December, 2017 BBVA Compass successfully issued 5 year senior debt for USD 750 million.

Comfortable liquidity situation in Turkey supported by the favorable market conditions, with slight Credit Gap increase due to lending growth under the government's Credit Guarantee Fund program. During 2017, Garanti realized USD 2,000 million foreign currency and 1,700 million of Turkish liras long term issuances. Additionally syndicate loans have been rolled over in the second and fourth quarter, with a new 2 years tenor.

The liquidity position of the rest of subsidiaries has continued to be sound, maintaining a solid liquidity position in all the jurisdictions in which the Group operates. Access to capital markets of these subsidiaries has also been maintained with recurring issuances in the local market.

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

7.5.2 Asset encumbrance

As of December 31, 2017 and 2016, the encumbered (those provided as collateral for certain liabilities) and unencumbered assets are broken down as follows:

December 2017 (Millions of euros)	Encumbered assets		Non-Encumbered assets	
	Book value of Encumbered assets	Market value of Encumbered assets	Book value of non-encumbered assets	Market value of non-encumbered assets
Equity instruments	2,297	2,297	9,616	9,616
Debt Securities	28,700	29,798	84,391	84,391
Loans and Advances and other assets	79,604	-	485,451	-

December 2016 (Millions of euros)

	Encumbered assets		Non-Encumbered assets	
	Book value of Encumbered assets	Market value of Encumbered assets	Book value of non-encumbered assets	Market value of non-encumbered assets
Equity instruments	2,214	2,214	9,022	9,022
Debt Securities	40,114	39,972	90,679	90,679
Loans and Advances and other assets	94,718		495,109	

The committed value of "Loans and Advances and other assets" corresponds mainly to loans linked to the issue of covered bonds, territorial bonds or long-term securitized bonds (see Note 22.3) as well as those used as a guarantee to access certain funding transactions with central banks. Debt securities and equity instruments respond to underlying that are delivered in repos with different types of counterparties, mainly clearing houses or credit institutions, and to a lesser extent central banks. Collateral provided to guarantee derivative operations is also included as committed assets.

As of December 31, 2017 and 2016, collateral pledge mainly due to repurchase agreements and securities lending, and those which could be committed in order to obtain funding are provided below:

December 2017. Collateral received (Millions of euros)

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Nominal amount of collateral received or own debt securities issued not available for encumbrance
Collateral received	**23,881**	**9,630**	**201**
Equity instruments	103	5	-
Debt securities	23,715	9,619	121
Loans and Advances and other assets	63	6	80
Own debt securities issued other than own covered bonds or ABSs	**3**	**161**	**-**

December 2016. Collateral received (Millions of euros)

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Nominal amount of collateral received or own debt securities issued not available for encumbrance
Collateral received	**19,921**	**10,039**	**173**
Equity instruments	58	59	-
Debt securities	19,863	8,230	28
Loans and Advances and other assets	-	1,750	144
Own debt securities issued other than own covered bonds or ABSs	**5**	**-**	**-**

The guarantees received in the form of reverse repos or security lending transactions are committed by their use in repos, as is the case with debt securities.

As of December 31, 2017 and 2016, financial liabilities issued related to encumbered assets in financial transactions as well as their book value were as follows:

December 2017. Sources of encumbrance (Millions of euros)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Book value of financial liabilities	**118,704**	**133,312**
Derivatives	11,843	11,103
Loans and Advances	87,484	98,478
Outstanding subordinated debt	19,377	23,732
Other sources	**305**	**1,028**

December 2016. Sources of encumbrance (Millions of euros)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Book value of financial liabilities	**134,387**	**153,632**
Derivatives	9,304	9,794
Loans and Advances	96,137	108,268
Outstanding subordinated debt	28,946	35,569
Other sources	**-**	**2,594**

7.6 Operational Risk

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

Operational risk is inherent to all banking activities, products, systems and processes. Its origins are diverse (processes, internal and external fraud, technology, human resources, commercial practices, disasters, suppliers). Operational risk management is a part of the BBVA Group global risk management structure.

Operational risk management framework

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

- Active management of operational risk and its integration into day-to-day decision-making means:
  - Knowledge of the real losses associated with this type of risk.
  - Identification, prioritization and management of real and potential risks.
  - The existence of indicators that enable the Bank to analyze operational risk over time, define warning signals and verify the effectiveness of the controls associated with each risk.
- The above helps create a proactive model for making decisions about control and business, and for prioritizing the efforts to mitigate relevant risks in order to reduce the Group's exposure to extreme events.
- Improved control environment and strengthened corporate culture.
- Generation of a positive reputational impact.
- Model based on three lines of defense, aligned with international industry practices.

Operational Risk Management Principles

Operational risk management in BBVA Group should:

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

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

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

7.7 Risk concentration

Policies for preventing excessive risk concentration

In order to prevent the build-up of excessive concentrations of credit risk at the individual, country and sector levels, BBVA Group maintains maximum permitted risk concentration indices updated at individual and portfolio sector levels tied to the various observable variables within the field of credit risk management.

Together with the limits for individual concentration, the Group uses the Herfindahl index to measure the concentration of the Group's portfolio and the banking group's subsidiaries. At the BBVA Group level, the index reached implies a "very low" degree of concentration.

The limit on the Group’s exposure or financial commitment to a specific customer therefore depends on the customer’s credit rating, the nature of the risks involved, and the Group’s presence in a given market, based on the following guidelines:

- The aim is, as much as possible, to reconcile the customer's credit needs (commercial/financial, short-term/long-term, etc.) with the interests of the Group.

- Any legal limits that may exist concerning risk concentration are taken into account (relationship between risks with a customer and the capital of the shareholder´s entity that assumes them), the markets, the macroeconomic situation, etc.

Risk concentrations by geography

The breakdown of the main figures in the most significant foreign currencies in the accompanying consolidated balance sheets is set forth in Appendix XII.

Sovereign risk concentration

Sovereign risk management

The risk associated with the transactions involving sovereign risk is identified, measured, controlled and tracked by a centralized unit integrated in the BBVA Group's Risk Area. Its basic functions involve the preparation of reports in the countries where sovereign risk exists (called "financial programs"), tracking such risks, assigning ratings to these countries and, in general, supporting the Group in terms of reporting requirements for any transactions involving sovereign risk. The risk policies established in the financial programs are approved by the relevant risk committees.

The country risk unit tracks the evolution of the risks associated with the various countries to which the Group are exposed (including sovereign risk) on an ongoing basis in order to adapt its risk and mitigation policies to any macroeconomic and political changes that may occur. Moreover, it regularly updates its internal ratings and forecasts for these countries. The methodology is based on the assessment of quantitative and qualitative parameters which are in line with those used by certain multilateral organizations such as the International Monetary Fund (IMF) and the World Bank, rating agencies and export credit organizations.

For additional information on sovereign risk in Europe see Appendix XII.

Valuation and impairment methods

The valuation methods used to assess the instruments that are subject to sovereign risks are the same ones used for other instruments included in the relevant portfolios and are detailed in Note 8.

Specifically, the fair value of sovereign debt securities of European countries has been considered equivalent to their listed price in active markets (Level 1 as defined in Note 8).

Risk related to the developer and Real-Estate sector in Spain

One of the main Group activities of the Group in Spain is focused on developer and mortgage loans. The policies and strategies established by the Group to deal with risks related to the developer and real-estate sector are explained below:

Policies and strategies established by the Group to deal with risks related to the developer and real-estate sector

BBVA has teams specializing in the management of the Real-Estate Sector risk, given its economic importance and specific technical component. This specialization is not only in the Risk-Acceptance teams, but throughout the handling, commercial, problem risks and legal, etc. It also includes the research department of the BBVA Group (BBVA Research), which helps determine the medium/long-term vision needed to manage this portfolio. Specialization has been increased and the management teams in the areas of recovery and the Real Estate Unit itself have been reinforced.

The policies established to address the risks related to the developer and real-estate sector, aim to accomplish, among others, the following objectives: to avoid concentration in terms of customers, products and regions; to estimate the risk profile for the portfolio; and to anticipate possible worsening of the portfolio.

Specific policies for analysis and admission of new developer risk transactions

In the analysis of new operations, the assessment of the commercial operation in terms of the economic and financial viability of the project has been one of the constant points that have helped ensure the success and transformation of construction land operations for customers' developments.

With regard 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 in the developer sector: avoidance of large corporate transactions, which had already reduced their share in the years of greatest market growth; non active 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 based on the rate of progress of the projects.

These actions have enabled BBVA to identify possible impairment situations, by always keeping an eye on BBVA's position with each customer (whether or not as first creditor). In this regard, key aspects include management of the risk policy to be followed with each customer, contract review, 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 (see Note 7.3.6). In the developer and real estate sector, they are based on clear solvency and viability criteria for projects, with demanding terms for additional guarantees and legal compliance, given a refinancing tool that standardizes criteria and 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 reducing 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 customers' sales directly, using BBVA's own channel (BBVA Services and its branches), creating incentives for sale and including sale orders for BBVA. In exceptional case we have even accepted partial haircuts, with the aim of making the sale easier.
- In the case of ongoing home construction, the strategy has been to help and promote the completion of the construction 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, the fact that the risk of rustic land is not significant simplifies the management. Urban management and liquidity control to tackle urban planning costs are also subject to special monitoring.

For quantitative information about the risk related to the developer and Real-Estate sector in Spain see Appendix XII.

8. Fair value

8.1 Fair value of financial instrument

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

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

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

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 financial assets and liabilities before being contracted. Local management responsible for valuation, which are independent from the business (see Note 7) are members of these committees.

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

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

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

- Level 1: Measurement using market observable quoted prices for the financial instrument in question, secured from independent sources and trading in active markets - according to the Group policies. This level includes, listed equity instruments, some debt securities, some derivatives and mutual funds.
- Level 2: Measurement that applies techniques using inputs drawn from observable market data.
- Level 3: Measurement using techniques where some of the material inputs are not derived from market observable data. As of December 31, 2017, the affected instruments accounted for

approximately 0.13% of financial assets and 0.02% of the Group's financial liabilities registered at fair value. Model selection and validation is undertaken by control areas outside the market area.

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

Fair Value and Carrying Amount (Millions of euros)

		2017		2016		2015	
	Notes	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS							
Cash, cash balances at central banks and other demand deposits	9	42,680	42,680	40,039	40,039	29,282	29,282
Financial assets held for trading	10	64,695	64,695	74,950	74,950	78,326	78,326
Financial assets designated at fair value through profit or loss	11	2,709	2,709	2,062	2,062	2,311	2,311
Available-for-sale financial assets	12	69,476	69,476	79,221	79,221	113,426	113,426
Loans and receivables	13	431,521	438,991	465,977	468,844	471,828	480,539
Held-to-maturity investments	14	13,754	13,865	17,696	17,619	-	-
Derivatives – Hedge accounting	15	2,485	2,485	2,833	2,833	3,538	3,538
LIABILITIES							
Financial liabilities held for trading	10	46,182	46,182	54,675	54,675	55,202	55,202
Financial liabilities designated at fair value through profit or loss	11	2,222	2,222	2,338	2,338	2,649	2,649
Financial liabilities at amortized cost	22	543,713	562,230	589,210	594,190	606,113	613,247
Derivatives – Hedge accounting	15	2,880	2,880	2,347	2,347	2,726	2,726

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 cost (including their fair value), although this value is not used when accounting for these instruments.

8.1.1 Fair value of financial instrument recognized at fair value, according to valuation criteria

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

Fair Value of financial Instruments by Levels

		2017			2016			2015		
	Notes	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS										
Financial assets held for trading	10	29,057	35,349	289	32,544	42,221	184	37,922	40,240	164
Loans and advances to customers		-	56	-	-	154	-	-	65	-
Debt securities		21,107	1,444	22	26,720	418	28	32,381	409	34
Equity instruments		6,688	33	80	4,570	9	96	4,336	106	93
Derivatives		1,262	33,815	187	1,254	41,640	60	1,205	39,661	36
Financial assets designated at fair value through profit or loss	11	2,061	648	-	2,062	-	-	2,246	2	62
Loans and advances to customers		-	648	-	-	-	-	-	-	-
Loans and advances to credit institutions		-	-	-	-	-	-	-	-	62
Debt securities		174	-	-	142	-	-	173	-	-
Equity instruments		1,888	-	-	1,920	-	-	2,074	2	-
Available-for-sale financial assets		57,381	11,082	544	62,125	15,894	637	97,113	15,477	236
Debt securities		54,850	10,948	454	58,372	15,779	429	92,963	15,260	86
Equity instruments		2,531	134	90	3,753	115	208	4,150	217	150
Hedging derivatives	15	-	2,483	2	41	2,792	-	59	3,478	-
LIABILITIES										
Financial liabilities held for trading	10	11,191	34,866	125	12,502	42,120	53	14,074	41,079	50
Derivatives		1,183	34,866	119	952	42,120	47	1,037	41,079	34
Short positions		10,008	-	6	11,550	-	6	13,038	-	16
Financial liabilities designated at fair value through profit or loss	11	-	2,222	-	-	2,338	-	-	2,649	-
Derivatives – Hedge accounting	15	274	2,606	-	94	2,189	64	-	2,594	132

The heading “Available-for-sale financial assets” in the accompanying consolidated balance sheets as of December 31, 2017, 2016 and 2015, additionally includes €469 million, €565 and €600 million for equity instruments, respectively, for financial assets accounted for at cost, as indicated in the section of this Note entitled “Financial instruments at cost”.

Financial instruments carried at fair value corresponding to the companies that belong to Banco Provincial Group in Venezuela whose balance is denominated in *“bolivares fuertes”* are classified under Level 3 in the above tables (see Note 2.2.20).

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

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

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

	Level 2	Level 3	Valuation technique(s)	Observable inputs	Unobservable inputs
ASSETS					
Financial assets held for trading	**35,349**	**289**			
Loans and advances	56	-	Present-value method (Discounted future cash flows)	- Issuer´s credit risk - Current market interest rates	
Debt securities	1,444	22	Present-value method (Discounted future cash flows) Observed prices in non active markets	- Issuer´s credit risk - Current market interest rates - Non active makets prices	- Prepayment rates - Issuer´s credit risk - Recovery rates
Equity instruments	33	80	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	33,815	187			
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		
Other					
Financial assets designated at fair value through profit or loss	648	-			
Loans and advances	648	-	Present-value method (Discounted future cash flows)	- Issuer credit risk - Current market interest rates	- Prepayment rates - Issuer credit risk - Recovery rates
Debt securities	-	-	Present-value method (Discounted future cash flows)	- Issuer credit risk - Current market interest rates	- Prepayment rates - Issuer credit risk - Recovery rates
Equity instruments	-	-	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
Available-for-sale financial assets	**11,082**	**544**			
Debt securities	10,948	454	Present-value method (Discounted future cash flows) Oberved prices in non active markets	- Issuer´s credit risk - Current market interest rates - Non active market prices	- Prepayment rates - Issuer credit risk - Recovery rates
Equity instruments	134	90	Comparable pricing (Observable price in a similar market) Present-value method	- Brokers quotes - Market operations - NAVs published	- NAV provided by the administrator of the fund
Hedging derivatives	**2,483**	**2**			
Interest rate			Interest rate products (Interest rate swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White y LGM Other Interest rate options: Black, Hull-White y LGM Constant Maturity Swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	
Equity			Future and Equity Forward: Discounted future cash flows Equity Options: Local Volatility, Momentum adjustment		
Foreign exchange and gold			Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local Volatility, moments adjustment		
Credit			Credit Derivatives: Default model and Gaussian copula		
Commodities			Commodities: Momentum adjustment and Discounted cash flows		

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

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

	Level 2	Level 3	Valuation technique(s)	Observable inputs	Unobservable inputs
LIABILITIES					
Financial liabilities held for trading	**34,866**	**125**			
Derivatives	34,866	119			
Interest rate			Interest rate products (Interest rate swaps, Call money Swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White y LGM Other Interest rate options: Black, Hull-White y LGM Constant Maturity Swaps: SABR		- Beta - Correlation between tenors - 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 - Assets correlation
Foreign exchange and gold			Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local Volatility, moments adjustment		- Volatility of volatility - Assets correlation
Credit			Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Commodities			Commodities: Momentum adjustment and Discounted cash flows		
Short positions	-	-	Present-value method (Discounted future cash flows)		- Correlation default - Credit spread - Recovery rates - Interest rate yield
Financial liabilities designated at fair value through profit or loss	**2,222**	**-**	Present-value method (Discounted future cash flows)	- Prepayment rates - Issuer´s credit risk - Current market interest rates	
Derivatives – Hedge accounting	**2,606**	**-**			
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		- Correlatio default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Commodities			Commodities: Momentum adjustment and Discounted cash flows		

Quantitative information of unobservable inputs used to calculate Level 3 valuations is presented below as of December 31, 2017:

Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Average	Max	Units
Debt Securities	Net Present Value	Credit Spread	-	78.27	399.93	b.p.
		Recovery Rate	7.70%	32.70%	34.58%	%
	Comparable pricing		0.00%	82.15%	207.70%	%
Equity instruments	Net Asset Value					
	Comparable pricing					
Credit Option	Gaussian Copula	Correlation Default	35.19%	43.92%	57.82%	%
Corporate Bond Option	Black 76	Price Volatility	-	-	-	vegas
Equity OTC Option	Heston	Forward Volatility Skew	56.63	56.63	56.63	vegas
	Local Volatility	Dividends				
		Volatility	1.89	22.96	77.03	vegas
FX OTC Options	Black Scholes/Local Vol	Volatility	0.78	7.67	15.47	vegas
Interest Rate Option	Libor Market Model	Beta	0.25	9.00	18.00	%
		Correlation Rate/Credit	(100)	-	100	%
		Credit Default Volatility	-	-	-	vegas

The main techniques used for the assessment of the 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

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

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

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

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

The amounts recognized in the consolidated balance sheet as of December 31, 2017 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 €-153 million and €138 million respectively. The impact recorded under "Gains or (-) losses on financial assets and liabilities held for trading, net" in the consolidated income statement as for the years ended 2017 and 2016 corresponding to the mentioned adjustments was a net impact of -€23 million and €46 million respectively. Additionally, as of December 31, 2017, €-10 million related to the "Funding Valuation Adjustments" ("FVA") were recognized in the consolidated balance sheet.

Financial assets and liabilities classified as Level 3

The changes in the balance of Level 3 financial assets and liabilities included in the accompanying consolidated balance sheets during 2017, 2016 and 2015, are as follows:

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

	2017		2016		2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Balance at the beginning	**822**	**116**	**463**	**182**	**601**	**98**
Group incorporations	-	-	-	-	148	-
Changes in fair value recognized in profit and loss (*)	(24)	(21)	33	(86)	124	(100)
Changes in fair value not recognized in profit and loss	(45)	-	(81)	(3)	27	(123)
Acquisitions, disposals and liquidations (**)	32	320	438	(25)	(510)	89
Net transfers to Level 3	106	(39)	16	-	145	-
Exchange differences and others	(55)	(250)	(47)	49	(71)	219
Balance at the end	**835**	**125**	**822**	**116**	**463**	**182**

(*) Profit or loss that is attributable to gains or losses relating to those financial assets and liabilities held as of December 31, 2017, 2016 and 2015. Valuation adjustments are recorded under the heading "Gains (losses) on financial assets and liabilities, net".

(**) Of which, in 2017, the assets roll forward is comprised of €432 million of acquisitions, €348 millions of disposals and €51 millions of liquidations. The liabilities roll forward is comprised of €403 million of acquisitions and €83 millions of liquidations.

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

Transfers between levels

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

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

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

Transfer Between Levels. December 2017 (Millions of euros)

From:	Level 1		Level 2		Level 3	
To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level2
ASSETS						
Financial assets held for trading	14	1	38	7	-	-
Available-for-sale financial assets	101	50	130	25	-	-
Total	**115**	**50**	**169**	**31**	**-**	**-**
LIABILITIES-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

The amount of financial instruments that were transferred between levels of valuation for the year ended December 31, 2017 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 represents mainly debt securities, 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 1 to Level 3 generally affect equity instruments, using variables not obtained from observable date in the market.

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, 2017, the effect on profit for the period and total equity of changing the main unobservable inputs used for the measurement of Level 3 financial instruments for other reasonably possible unobservable inputs, taking the highest (most favorable input) or lowest (least favorable input) value of the range deemed probable, would be as follows:

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

	Potential Impact on Consolidated Income Statement		Potential Impact on Total Equity	
	Most Favorable Hypothesis	**Least Favorable Hypothesis**	**Most Favorable Hypothesis**	**Least Favorable Hypothesis**
ASSETS	**7**	**(18)**	**-**	**-**
Financial assets held for trading	-	(3)	-	-
Debt securities	4	(12)	-	-
Equity instruments	3	(3)	-	-
Derivatives	-	-	12	(20)
Available-for-sale financial assets	-	-	8	(8)
Debt securities	-	-	4	(12)
Equity instruments	-	-	-	-
LIABILITIES	**-**	**-**	**-**	**-**
Financial liabilities held for trading	1	-	-	-
Total	**7**	**(18)**	**12**	**(20)**

8.1.2 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 are presented below:

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

The following table presents the fair value of key financial instruments carried at amortized cost in the accompanying consolidated balance sheets as of December 31, 2017, 2016 and 2015, 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)

		2017			2016			2015		
	Notes	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS										
Cash, cash balances at central banks and other demand deposits	9	41,969	-	711	39,373	-	666	28,961	-	322
Loans and receivables		-	9,475	429,517	-	10,991	457,853	-	7,681	472,858
Held-to-maturity investments		13,708	138	19	17,567	11	41	-	-	-
LIABILITIES										
Financial liabilities at amortized cost		-	-	562,230	-	-	594,190	-	-	613,247

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

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

	Level 2	Level 3	Valuation technique(s)	Main inputs used
ASSETS				
Loans and receivables	**9,475**	**429,517**		
Central Banks	-	7,300	Present-value method (Discounted future cash flows)	- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to credit institutions	-	26,654		- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to customers	134	394,562		- Credit spread - Prepayment rates - Interest rate yield
Debt securities	9,341	999		- Credit spread - Interest rate yield
Held-to-maturity investments	**138**	**19**		
Debt securities	138	19	Present-value method (Discounted future cash flows)	- Credit spread - Interest rate yield
LIABILITIES				
Financial liabilities at amortized cost	**-**	**562,230**		
Central Banks	-	37,057	Present-value method (Discounted future cash flows)	- Issuer´s credit risk - Prepayment rates - Interest rate yield
Loans and advances to credit institutions	-	54,496		
Loans and advances to customers	-	381,947		
Debt securities	-	59,272		
Other financial liabilities	-	29,549		

Financial instruments at cost

As of December 31, 2017, 2016 and 2015 there were equity instruments and certain discretionary profit-sharing arrangements in some entities which were recognized at cost in the Group's consolidated balance sheets because their fair value could not be reliably determined, as they were not traded in organized markets and reliable unobservable inputs are not available. On the above dates, the balances of these financial instruments recognized in the portfolio of available-for-sale financial assets amounted to €469 million, €565 million and €600, respectively.

The table below outlines such financial instruments carried at cost that were sold during the year ended December 31, 2017, 2016 and 2015:

Sales of financial instruments carried at cost (Millions of euros)

	2017	2016	2015
Amount of Sale (A)	21	201	33
Carrying Amount at Sale Date (B)	15	58	22
Gains (Losses) (A-B)	**6**	**142**	**11**

8.2 Assets measured at fair value on a non-recurring basis

As indicated in Note 2.2.4, non-current assets held for sale are measured at the lower of their fair value less costs to sell and its carrying amount. As of December 31, 2017 nearly the entire book value of the non-current assets held for sale from foreclosures or recoveries approximate their fair value (see Note 20 and 21). The global valuation of the portfolio of assets has been carried out using a statistical methodology based on real estate and local macroeconomic variables.

Valuation standards

The overall rating of the portfolio of assets has been carried out using a statistical methodology based on real estate and local macroeconomic variables.

The details of each property which has been based each of the assessments are specified in the data sheet valuation of each asset.

Valuation Methodology

Overall valuation of real estate assets portfolio

The overall valuation of the portfolio of real estate assets was performed from the latest appraisal values available. This value was adjusted based on the following:

- Analysis of the property sales performed during the year and comparison of the cost to sell these properties to the appraisal values obtained most recently. From this analysis derived a conclusion by type of property and location.
- Individual valuation of a material sample of the entire portfolio considering type of properties. The results obtained from these valuations have been compared with the adjusted values of the above analysis, obtaining a second conclusion by type and location.

Individual valuation of real estate assets sample

The basic methods used in the valuation were as follows:

- Comparative Market Method: the property under study is compared with others with similar characteristics which have been recently sold or are for sale on the market, making a comparative analysis, making adjustments due to factors that can cause differences, such as location, size, dimensions, shape, topography, access, urban classification, type of construction, age, storage, distribution, function, or design.
- Dynamic Residual Method (DRM): this is considered the most accurate method to conduct an appraisal of poorly developed or undeveloped land, where there is minimal planning (use and a gross floor area) or a more defined development planning, since in these cases the market is often not very transparent. It starts from the consideration that the development and sale of finished real estate product is conceived from the beginning as a business project, as such it involves a risk, taking place in a time frame in which an initial capital investment occurs generating income and expenses. As such business project, the goal is to maximize profits and therefore the principle of highest and best use.
- Yield Method (DCF): the value of assets is determined by the profits that they could generate in the future (projections) discounted at an appropriate rate of discount. This is an overall assessment, reflecting the economic potential and profitability.

To calculate the value, once the market conditions have been analyzed, the following factors are taken into consideration:

- Size, location, and type of property.
- Current condition of the property market, sales price trends and rental competition in the real estate market or industry risk, adjusted based on the statistical information of local real estate and macroeconomic variables.
- The fullest and best use of the asset, which must be legally allowed, physically possible, economically viable, and provide the maximum possible value, supported in economic terms. Analysis of the fullest

and best use contemplates its current condition, whether free and available, based on the mentioned appraisals.

- Market Value of the property, considering this as vacant and available for use, analyzing factors such as location, size, physical characteristics, similar transactions and value adjustments proposed by the current economic conditions.

Valuation Criteria

Real estate properties have been appraised individually considering a hypothetical stand-alone sale and not as part of a real estate portfolio type of sale.

The portfolio of Non-current assets and disposal groups classified as held for sale by type of asset and inventories as of December 31, 2017, 2016 and 2015 is provided below by hierarchy of fair value measurements:

Fair Value at Non-current assets and disposal groups classified as held for sale and inventories by levels (Millions of euros)

	Notes	2017			2016			2015		
		Level 2	Level 3	Total	Level 2	Level 3	Total	Level 2	Level 3	Total
Non-current assets and disposal groups classified as held for sale										
Housing		3,085	226	3,310	2,059	301	2,360	2,192	98	2,291
Offices, warehouses and other		661	98	759	326	105	431	353	53	406
Land		855	130	984	-	150	150	12	236	248
TOTAL	**21**	**4,600**	**454**	**5,054**	**2,385**	**556**	**2,941**	**2,557**	**388**	**2,945**
Inventories										
Housing		21	-	21	903	-	903	1,452	-	1,452
Offices, warehouses and other		27	-	27	620	-	620	647	-	647
Land		-	18	-	-	1,591	1,591	-	2,056	2,056
TOTAL	**20**	**48**	**18**	**65**	**1,523**	**1,591**	**3,114**	**2,099**	**2,056**	**4,155**

Since the amount classified in Level 3 is not significant compared to the total consolidated assets and that the inputs used in the valuation (DRM or DFC), are very diverse based on the type and geographic location (being the typical ones used in the valuation of real estate assets of this type), they have not been disclosed.

9. Cash and cash balances at central banks and other demands deposits and Financial liabilities measured at amortized cost

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

Cash, cash balances at central banks and other demand deposits (Millions of euros).

	2017	2016	2015
Cash on hand	6,220	7,413	7,192
Cash balances at central banks	31,718	28,671	18,445
Other demand deposits	4,742	3,955	3,646
Total	**42,680**	**40,039**	**29,282**

Financial liabilities measured at amortized cost. Deposits from Central Banks (Millions of Euros).

	Notes	2017	2016	2015
Deposits from Central Banks		30,899	30,091	21,022
Repurchase agreements	35	6,155	4,649	19,065
Total	**22**	**37,054**	**34,740**	**40,087**

10. Financial assets and liabilities held for trading

10.1 Breakdown of the balance

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

Financial Assets and Liabilities Held-for-Trading (Millions of euros)

	Notes	2017	2016	2015
ASSETS-				
Derivatives		35,265	42,955	40,902
Debt securities	7.3.1	22,573	27,166	32,825
Loans and advances	7.3.1	56	154	65
Equity instruments	7.3.1	6,801	4,675	4,534
Total		**64,695**	**74,950**	**78,326**
LIABILITIES-				
Derivatives		36,169	43,118	42,149
Short positions		10,013	11,556	13,053
Total		**46,182**	**54,675**	**55,202**

10.2 Debt securities

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

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

	Notes	2017	2016	2015
Issued by Central Banks		1,371	544	214
Issued by public administrations		19,344	23,621	29,240
Issued by financial institutions		816	1,652	1,766
Other debt securities		1,041	1,349	1,606
Total		**22,573**	**27,166**	**32,825**

10.3 Equity instruments

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

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

	2017	2016	2015
Shares of Spanish companies			
Credit institutions	617	781	804
Other sectors	603	956	1,234
Subtotal	**1,220**	**1,737**	**2,038**
Shares of foreign companies			
Credit institutions	345	220	255
Other sectors	5,236	2,718	2,241
Subtotal	**5,581**	**2,938**	**2,497**
Total	**6,801**	**4,675**	**4,534**

10.4 Derivatives

The derivatives portfolio arises from the Group's need to manage the risks it is exposed to in the normal course of business and also to market products amongst the Group's customers. As of December 31, 2017, 2016 and 2015, trading derivatives were mainly contracted in over-the-counter (OTC) markets, with counterparties, consisting primarily of foreign credit institutions, and are related to foreign-exchange, interest-rate and equity risk.

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

Derivatives by type of risk / by product or by type of market - December 2017 (Millions of Euros)

	Assets	Liabilities	Notional amount - Total
Interest rate	**22,606**	**22,546**	**2,152,490**
OTC options	2,429	2,581	212,554
OTC other	20,177	19,965	1,916,920
Organized market options	-	-	600
Organized market other	-	-	22,416
Equity	**1,778**	**2,336**	**95,573**
OTC options	495	1,118	34,140
OTC other	83	90	8,158
Organized market options	1,200	1,129	48,644
Organized market other	-	-	4,631
Foreign exchange and gold	**10,371**	**10,729**	**380,404**
OTC options	245	258	24,447
OTC other	10,092	10,430	348,857
Organized market options	-	3	104
Organized market other	34	37	6,997
Credit	**489**	**517**	**30,181**
Credit default swap	480	507	27,942
Credit spread option	-	-	200
Total return swap	9	9	2,039
Other	-	-	-
Commodities	**3**	**3**	**36**
Other	**18**	**38**	**561**
DERIVATIVES	**35,265**	**36,169**	**2,659,246**
of which: OTC - credit institutions	*21,016*	*22,804*	*898,209*
of which: OTC - other financial corporations	*8,695*	*9,207*	*1,548,919*
of which: OTC - other	*4,316*	*2,986*	*128,722*

Derivatives by type of risk / by product or by type of market - December 2016 (Millions of Euros)

	Assets	Liabilities	Notional amount - Total
Interest rate	**25,770**	**25,322**	**1,556,150**
OTC options	3,331	3,428	217,958
OTC other	22,339	21,792	1,296,183
Organized market options	1	-	1,311
Organized market other	100	102	40,698
Equity	**2,032**	**2,252**	**90,655**
OTC options	718	1,224	44,837
OTC other	109	91	5,312
Organized market options	1,205	937	36,795
Organized market other	-	-	3,712
Foreign exchange and gold	**14,872**	**15,179**	**425,506**
OTC options	417	539	27,583
OTC other	14,436	14,624	392,240
Organized market options	3	-	175
Organized market other	16	16	5,508
Credit	**261**	**338**	**19,399**
Credit default swap	246	230	15,788
Credit spread option	-	-	150
Total return swap	2	108	1,895
Other	14	-	1,565
Commodities	**6**	**6**	**169**
Other	**13**	**22**	**1,065**
DERIVATIVES	**42,955**	**43,118**	**2,092,945**
of which: OTC - credit institutions	*26,438*	*28,005*	*806,096*
of which: OTC - other financial corporations	*8,786*	*9,362*	*1,023,174*
of which: OTC - other	*6,404*	*4,694*	*175,473*

Derivatives by type of risk / by product or by type of market - December 2015 (Millions of Euros)

	Assets	Liabilities	Notional amount - Total
Interest rate	**22,425**	**23,152**	**1,289,986**
OTC options	3,291	3,367	208,175
OTC other	19,134	19,785	1,069,909
Organized market options	-	-	-
Organized market other	-	-	11,902
Equity	**3,223**	**3,142**	**108,108**
OTC options	1,673	2,119	65,951
OTC other	112	106	4,535
Organized market options	1,437	918	34,475
Organized market other	1	-	3,147
Foreign exchange and gold	**14,706**	**15,367**	**439,546**
OTC options	387	458	41,706
OTC other	14,305	14,894	395,327
Organized market options	1	-	109
Organized market other	13	16	2,404
Credit	**500**	**441**	**33,939**
Credit default swap	436	412	30,283
Credit spread option	-	-	300
Total return swap	-	28	1,831
Other	64	-	1,526
Commodities	**31**	**37**	**118**
Other	**16**	**10**	**675**
DERIVATIVES	**40,902**	**42,149**	**1,872,373**
of which: OTC - credit institutions	*23,385*	*28,343*	*974,604*
of which: OTC - other financial corporations	*9,938*	*8,690*	*688,880*
of which: OTC - other	*6,122*	*4,177*	*156,828*

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

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

Financial assets and liabilities designated at fair value through profit or loss (Millions of euros)

	Notes	2017	2016	2015
ASSETS-				
Equity instruments		1,888	1,920	2,075
Unit-linked products		1,621	1,749	1,960
Other securities		266	171	115
Debt securities		174	142	173
Loans and advances to customers		648	-	62
Total	**7.3.1**	**2,709**	**2,062**	**2,311**
LIABILITIES-				
Other financial liabilities		2,222	2,338	2,649
Unit-linked products		2,222	2,338	2,649
Total		**2,222**	**2,338**	**2,649**

As of December 31, 2017, 2016 and 2015, the most significant balances within financial assets and liabilities designated at fair value through profit or loss related to assets and liabilities linked to insurance products where the policyholder bears the risk ("Unit-Link"). This type of product is sold only in Spain, through BBVA Seguros SA, insurance and reinsurance and in Mexico through Seguros Bancomer S.A. de CV.

Since the liabilities linked to insurance products in which the policyholder assumes the risk are valued the same way as the assets associated to these insurance products, there is no credit risk component borne by the Group in relation to these liabilities.

12. Available-for-sale financial assets

12.1 Available-for-sale financial assets - Balance details

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

Available-for-Sale Financial Assets (Millions of euros)

	Notes	2017	2016	2015
Debt securities	7.3.1	66,273	74,739	108,448
Impairment losses		(21)	(159)	(139)
Subtotal		**66,251**	**74,580**	**108,310**
Equity instruments	7.3.1	4,488	4,814	5,262
Impairment losses		(1,264)	(174)	(146)
Subtotal		**3,224**	**4,641**	**5,116**
Total		**69,476**	**79,221**	**113,426**

12.2 Debt securities

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

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

	Amortized Cost (*)	Unrealized Gains	Unrealized Losses	Book Value
Domestic Debt Securities				
Spanish Government and other general governments agencies debt securities	22,765	791	(17)	23,539
Other debt securities	1,951	114	-	2,066
Issued by Central Banks	-	-	-	-
Issued by credit institutions	891	72	-	962
Issued by other issuers	1,061	43	-	1,103
Subtotal	**24,716**	**906**	**(17)**	**25,605**
Foreign Debt Securities				
Mexico	**9,755**	**45**	**(142)**	**9,658**
Mexican Government and other general governments agencies debt securities	8,101	34	(120)	8,015
Other debt securities	1,654	11	(22)	1,643
Issued by Central Banks	-	-	-	-
Issued by credit institutions	212	1	(3)	209
Issued by other issuers	1,442	10	(19)	1,434
The United States	**12,479**	**36**	**(198)**	**12,317**
Government securities	8,625	8	(133)	8,500
US Treasury and other US Government agencies	3,052	-	(34)	3,018
States and political subdivisions	5,573	8	(99)	5,482
Other debt securities	3,854	28	(65)	3,817
Issued by Central Banks	-	-	-	-
Issued by credit institutions	56	1	-	57
Issued by other issuers	3,798	26	(65)	3,759
Turkey	**5,052**	**48**	**(115)**	**4,985**
Turkey Government and other general governments agencies debt securities	5,033	48	(114)	4,967
Other debt securities	19	1	(1)	19
Issued by Central Banks	-	-	-	-
Issued by credit institutions	19	-	(1)	19
Issued by other issuers	-	-	-	-
Other countries	**13,271**	**533**	**(117)**	**13,687**
Other foreign governments and other general governments agencies debt securities	6,774	325	(77)	7,022
Other debt securities	6,497	208	(40)	6,664
Issued by Central Banks	1,330	2	(1)	1,331
Issued by credit institutions	2,535	139	(19)	2,654
Issued by other issuers	2,632	66	(19)	2,679
Subtotal	**40,557**	**661**	**(572)**	**40,647**
Total	**65,273**	**1,567**	**(589)**	**66,251**

(*) The amortized cost includes portfolio gains/losses linked to insurance contracts in which the policyholder assumes the risk in case of redemption.

Available-for-sale financial assets: Debt Securities. December 2016 (Millions of euros)

	Amortized Cost (*)	Unrealized Gains	Unrealized Losses	Book Value
Domestic Debt Securities				
Spanish Government and other general governments agencies debt securities	22,427	711	(18)	23,119
Other debt securities	2,305	117	(1)	2,421
Issued by Central Banks	-	-	-	-
Issued by credit institutions	986	82	-	1,067
Issued by other issuers	1,319	36	(1)	1,354
Subtotal	**24,731**	**828**	**(19)**	**25,540**
Foreign Debt Securities				
Mexico	**11,525**	**19**	**(343)**	**11,200**
Mexican Government and other general governments agencies debt securities	9,728	11	(301)	9,438
Other debt securities	1,797	8	(42)	1,763
Issued by Central Banks	-	-	-	-
Issued by credit institutions	86	2	(1)	87
Issued by other issuers	1,710	6	(41)	1,675
The United States	**14,256**	**48**	**(261)**	**14,043**
Government securities	8,460	9	(131)	8,337
US Treasury and other US Government agencies	1,702	1	(19)	1,683
States and political subdivisions	6,758	8	(112)	6,654
Other debt securities	5,797	39	(130)	5,706
Issued by Central Banks	-	-	-	-
Issued by credit institutions	95	2	-	97
Issued by other issuers	5,702	37	(130)	5,609
Turkey	**5,550**	**73**	**(180)**	**5,443**
Turkey Government and other general governments agencies debt securities	5,055	70	(164)	4,961
Other debt securities	495	2	(16)	482
Issued by Central Banks	-	-	-	-
Issued by credit institutions	448	2	(15)	436
Issued by other issuers	47	-	(1)	46
Other countries	**17,923**	**634**	**(203)**	**18,354**
Other foreign governments and other general governments agencies debt securities	7,882	373	(98)	8,156
Other debt securities	10,041	261	(105)	10,197
Issued by Central Banks	1,657	4	(2)	1,659
Issued by credit institutions	3,269	96	(54)	3,311
Issued by other issuers	5,115	161	(49)	5,227
Subtotal	**49,253**	**773**	**(987)**	**49,040**
Total	**73,985**	**1,601**	**(1,006)**	**74,580**

(*) The amortized cost includes portfolio gains/losses linked to insurance contracts in which the policyholder assumes the risk in case of redemption.

Available-for-sale financial assets: Debt Securities. December 2015 (Millions of euros)

	Amortized Cost (*)	Unrealized Gains	Unrealized Losses	Book Value
Domestic Debt Securities				
Spanish Government and other general governments agencies debt securities	38,763	2,078	(41)	40,799
Other debt securities	4,737	144	(11)	4,869
Issued by Central Banks	-	-	-	-
Issued by credit institutions	2,702	94	-	2,795
Issued by other issuers	2,035	50	(11)	2,074
Subtotal	**43,500**	**2,221**	**(53)**	**45,668**
Foreign Debt Securities				
Mexico	**12,627**	**73**	**(235)**	**12,465**
Mexican Government and other general governments agencies debt securities	10,284	70	(160)	10,193
Other debt securities	2,343	4	(75)	2,272
Issued by Central Banks	-	-	-	-
Issued by credit institutions	260	1	(7)	254
Issued by other issuers	2,084	3	(68)	2,019
The United States	**13,890**	**63**	**(236)**	**13,717**
Government securities	6,817	13	(41)	6,789
US Treasury and other US Government agencies	2,188	4	(15)	2,177
States and political subdivisions	4,629	9	(26)	4,612
Other debt securities	7,073	50	(195)	6,927
Issued by Central Banks	-	-	-	-
Issued by credit institutions	71	5	(1)	75
Issued by other issuers	7,002	45	(194)	6,852
Turkey	**13,414**	**116**	**(265)**	**13,265**
Turkey Government and other general governments agencies debt securities	11,801	111	(231)	11,682
Other debt securities	1,613	4	(34)	1,584
Issued by Central Banks	-	-	-	-
Issued by credit institutions	1,452	3	(30)	1,425
Issued by other issuers	162	1	(4)	159
Other countries	**22,803**	**881**	**(490)**	**23,194**
Other foreign governments and other general government agencies debt securities	9,778	653	(76)	10,356
Other debt securities	13,025	227	(414)	12,838
Issued by Central Banks	2,277	-	(4)	2,273
Issued by credit institutions	3,468	108	(88)	3,488
Issued by other issuers	7,280	119	(322)	7,077
Subtotal	**62,734**	**1,132**	**(1,226)**	**62,641**
Total	**106,234**	**3,354**	**(1,278)**	**108,310**

(*) The amortized cost includes portfolio gains/losses linked to insurance contracts in which the policyholder assumes the risk in case of redemption.

The credit ratings of the issuers of debt securities in the available-for-sale portfolio as of December 31, 2017, 2016 and 2015, are as follows:

Debt Securities by Rating

	December 2017		December 2016		December 2015	
	Fair Value (Millions of Euros)	%	Fair Value (Millions of Euros)	%	Fair Value (Millions of Euros)	%
AAA	687	1.0%	4,922	6.6%	1,842	1.7%
AA+	10,738	16.2%	11,172	15.0%	10,372	9.6%
AA	507	0.8%	594	0.8%	990	0.9%
AA-	291	0.4%	575	0.8%	938	0.9%
A+	664	1.0%	1,230	1.6%	1,686	1.6%
A	683	1.0%	7,442	10.0%	994	0.9%
A-	1,330	2.0%	1,719	2.3%	4,826	4.5%
BBB+	35,175	53.1%	29,569	39.6%	51,885	47.9%
BBB	7,958	12.0%	3,233	4.3%	23,728	21.9%
BBB-	5,583	8.4%	6,809	9.1%	5,621	5.2%
BB+ or below	1,564	2.4%	2,055	2.8%	2,639	2.4%
Without rating	1,071	1.6%	5,261	7.1%	2,789	2.6%
Total	**66,251**	**100.0%**	**74,580**	**100.0%**	**108,310**	**100.0%**

12.3 Equity instruments

The breakdown of the balance under the heading "Equity instruments" of the accompanying financial statements as of December 2017, 2016 and 2015, is as follows:

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

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity instruments listed				
Listed Spanish company shares	2,189	-	(1)	2,188
Credit institutions	-	-	-	-
Other entities	2,189	-	(1)	2,188
Listed foreign company shares	215	33	(7)	241
United States	11	-	-	11
Mexico	8	25	-	33
Turkey	4	1	-	5
Other countries	192	7	(7)	192
Subtotal	**2,404**	**33**	**(8)**	**2,429**
Unlisted equity instruments				
Unlisted Spanish company shares	33	29	-	62
Credit institutions	4	-	-	4
Other entities	29	29	-	58
Unlisted foreign companies shares	665	77	(8)	734
United States	498	40	(6)	532
Mexico	1	-	-	1
Turkey	15	6	(2)	19
Other countries	151	31		182
Subtotal	**698**	**106**	**(8)**	**796**
Total	**3,102**	**139**	**(16)**	**3,224**

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

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity instruments listed				
Listed Spanish company shares	3,690	17	(944)	2,763
Credit institutions	-	-	-	-
Other entities	3,690	17	(944)	2,763
Listed foreign company shares	793	289	(15)	1,066
United States	16	22	-	38
Mexico	8	33	-	41
Turkey	5	1	-	6
Other countries	763	234	(15)	981
Subtotal	**4,483**	**306**	**(960)**	**3,829**
Unlisted equity instruments				
Unlisted Spanish company shares	57	2	(1)	59
Credit institutions	4	-	-	4
Other entities	53	2	(1)	55
Unlisted foreign companies shares	708	46	(2)	752
United States	537	13	-	550
Mexico	1	-	-	1
Turkey	18	7	(2)	24
Other countries	152	26	-	178
Subtotal	**766**	**48**	**(3)**	**811**
Total	**5,248**	**355**	**(962)**	**4,641**

Available-for-sale financial assets: Equity Instruments. December 2015 (Millions of euros)

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity instruments listed				
Listed Spanish company shares	3,402	17	(558)	2,862
Credit institutions	-	-	-	-
Other entities	3,402	17	(558)	2,862
Listed foreign company shares	1,027	392	(44)	1,375
United States	41	21	-	62
Mexico	9	42	(10)	40
Turkey	6	4	(5)	6
Other countries	972	325	(29)	1,267
Subtotal	**4,430**	**409**	**(602)**	**4,236**
Unlisted equity instruments				
Unlisted Spanish company shares	74	5	(1)	78
Credit institutions	4	1	-	6
Other entities	69	3	(1)	72
Unlisted foreign companies shares	701	108	(7)	802
United States	549	5	-	554
Mexico	1	-	-	1
Turkey	21	13	(6)	27
Other countries	130	91	(1)	220
Subtotal	**775**	**113**	**(8)**	**880**
Total	**5,204**	**522**	**(610)**	**5,116**

12.4 Gains/losses

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

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

	2017	2016	2015
Balance at the beginning	**947**	**1,674**	**3,816**
Valuation gains and losses	321	400	(1,222)
Amounts transferred to income	356	(1,181)	(1,844)
Other reclassifications	(10)	116	-
Income tax	27	(62)	924
Balance at the end	**1,641**	**947**	**1,674**
Of which:			
Debt securities	*1,557*	*1,629*	*1,769*
Equity instruments	*84*	*(682)*	*(95)*

Debt securities

In 2017, the debt securities recoveries recognized in the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss- Available- for-sale financial assets" in the accompanying consolidated income statement amounted to €4 million. In the 2016 and 2015 the impairment recognized were €157 and €1 million, respectively (see Note 47).

For the rest of debt securities, 94.7% of the unrealized losses recognized under the heading "Accumulated other comprehensive income - Items that may be reclassified to profit or loss– Available-for-sale financial assets" and originating in debt securities were generated over more than twelve months. However, no impairment was recognized, as following an analysis of these unrealized losses we concluded that they were temporary due to the following reasons: the interest payment dates of all the fixed-income securities have been satisfied; and because there is no evidence that the issuer will not continue to meet its payment obligations, nor that future payments of both principal and interest will not be sufficient to recover the cost of the debt securities.

Equity instruments

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

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

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

As of December 31, 2017, the Group carried out the analysis described in Note 2.2.1, recording the aforementioned unrealized losses under the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss - Available-for-sale financial assets" in the income statement for the year 2017.

As mentioned above, these losses were recorded in "Accumulated other comprehensive income", therefore, as of December 31, 2017, the total equity of the Group is not affected (see Note 32.1).

13. Loans and receivables

13.1 Loans and advances - Balance details

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

Loans and Receivables (Millions of euros)	2017	2016	2015
Debt securities	10,339	11,209	10,516
Loans and advances to central banks	7,300	8,894	17,830
Loans and advances to credit institutions	26,261	31,373	29,317
Loans and advances to customers	387,621	414,500	414,165
Total	**431,521**	**465,977**	**471,828**

13.2 Loans and advances to central banks and credit institutions

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

Loans and Advances to Central Banks and Credit Institutions (Millions of euros)				
	Notes	**2017**	**2016**	**2015**
Loans and advances to central banks	7.3.1	7,300	8,894	17,830
Loans and advances to credit institutions	7.3.1	26,261	31,373	29,317
Reverse repurchase agreements	35	13,861	15,561	11,749
Other loans		12,400	15,812	17,568
Total		**33,561**	**40,267**	**47,148**
Of which:				
Impairment losses	*7.3.4 / 7.3.1*	*(36)*	*(43)*	*(51)*

13.3 Loans and advances to customers

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

Loans and Advances to Customers (Millions of euros)				
	Notes	**2017**	**2016**	**2015**
On demand and short notice		10,560	11,251	11,228
Credit card debt		15,835	16,596	16,952
Trade receivables		22,705	23,753	23,871
Finance leases		8,642	9,442	9,357
Reverse repurchase loans	35	11,554	7,291	5,052
Other term loans		313,336	339,862	341,554
Advances other than not loans		4,989	6,306	6,151
Total	**7.3.1**	**387,621**	**414,500**	**414,165**
Of which:				
Impaired assets	*7.3.4*	*19,390*	*22,915*	*25,333*
Impairment losses	*7.3.4 / 7.3.1*	*(12,748)*	*(15,974)*	*(18,691)*

As of December 31, 2017, 2016 and 2015, 38%, 34% and 32%, respectively, of "Loans and advances to customers" with maturity greater than one year have fixed-interest rates and 62%, 66% and 68%, respectively, have variable interest rates.

The heading “Loans and receivables – Loans and advances to customers” in the accompanying consolidated balance sheets also includes certain secured loans that, as mentioned in Appendix X and pursuant to the Mortgage Market Act, are linked to long-term mortgage-covered bonds. This heading also includes some loans that have been securitized. The balances recognized in the accompanying consolidated balance sheets corresponding to these securitized loans are as follows:

Securitized Loans (Millions of euros)			
	2017	**2016**	**2015**
Securitized mortgage assets	28,950	29,512	28,955
Other securitized assets	4,143	3,731	3,666
Total	**33,093**	**33,243**	**32,621**

13.4 Debt securities

The breakdown of the balance under this heading in the accompanying consolidated balance sheets, according to the issuer of the debt security, is as follows:

Debt securities (Millions of euros)

	Notes	2017	2016	2015
Government		4,412	4,709	3,275
Credit institutions		31	37	125
Other sectors		5,911	6,481	7,126
Total gross	**7.3.1**	**10,354**	**11,226**	**10,526**
Impairment losses		(15)	(17)	(10)
Total net		**10,339**	**11,209**	**10,516**

In 2016, some debt securities were reclassified from "Available-for-sale financial assets" to “Loans and receivables-Debt securities” since the intention of the Group regarding how to manage such securities is to hold them until maturity. The following table shows the fair value and carrying amounts of these reclassified financial assets:

Debt Securities reclassified to "Loans and receivables" from "Available-for-sale financial assets" (Millions of euros)

	As of Reclassification date		As of December 31, 2017		As of December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
BBVA, S.A.	862	862	715	735	844	863
Total	**862**	**862**	**715**	**735**	**844**	**863**

As of December 31, 2017 and 2016, the amount recognized in the income statement from the valuation at amortized cost of the reclassified financial assets, as well as the impact recognized on the income statement and under the heading “Total Equity - Accumulated other comprehensive income”, if the reclassification was not performed is included in the following table.

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

	As of December 31, 2017			As of December 31, 2016		
	Recognized in	Effect of not Reclassifying in		Recognized in	Effect of not Reclassifying in	
	Income Statement	Income Statement	Equity "Valuation Adjustments"	Income Statement	Income Statement	Equity "Valuation Adjustments"
BBVA, S.A.	26	26	4	22	22	(5)
Total	**26**	**26**	**4**	**22**	**22**	**(5)**

14. Held-to-maturity investments

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

Held-to-maturity investments. Debt Securities (*) (Millions of euros)		
	2017	**2016**
Domestic Debt Securities		
Spanish Government and other general governments agencies debt securities	5,754	8,063
Other debt securities	230	562
Issued by Central Banks	-	-
Issued by credit institutions	203	494
Issued by other issuers	27	68
Subtotal	**5,984**	**8,625**
Foreign Debt Securities	**-**	
Mexico	**-**	**-**
The United States	**-**	**-**
Turkey	**5,400**	**6,184**
Turkey Government and other general governments agencies debt securities	4,515	5,263
Other debt securities	885	921
Issued by Central Banks	-	-
Issued by credit institutions	845	876
Issued by other issuers	40	45
Other countries	**2,370**	**2,887**
Other foreign governments and other general governments agencies debt securities	2,349	2,719
Other debt securities	21	168
Issued by Central Banks	-	-
Issued by credit institutions	-	146
Issued by other issuers	21	22
Subtotal	**7,770**	**9,071**
Total	**13,754**	**17,696**

(*) As of December 31, 2015 the Group BBVA has not registered any balances in this heading.

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

Held to maturity investments. Debt Securities by Rating

	December 2017		December 2016	
	Book value (Millions of Euros)	%	Book value (Millions of Euros)	%
AAA	-	-	-	-
AA+	-	-	-	-
AA	41	0.3%	43	0.2%
AA-	-	-	134	0.8%
A+	55	0.4%	-	-
A	-	-	-	-
A-	-	-	-	-
BBB+	5,667	41.2%	10,472	59.2%
BBB	2,412	17.5%	591	3.3%
BBB-	2,818	20.5%	5,187	29.3%
BB+ or below	1,696	12.3%	-	-
Without rating	1,064	7.7%	1,270	7.2%
Total	**13,754**	**100.0%**	**17,696**	**100.0%**

In 2016, some debt securities were reclassified from "Available-for-sale financial assets" to "Held-to-maturity investments" amounting to €17,650 million. This reclassification has been carried out once past the two-year penalty established in IAS-39 standard (penalization which meant not being able to keep maturity portfolio due to the significant sales that occurred in the year 2013) and since the intention of the Group regarding how to manage such securities, is to hold them until maturity. The following table shows the fair value and carrying amounts of these reclassified financial assets:

Debt Securities reclassified to "Held to Maturity Investments" (Millions of euros)

	As of Reclassification date		As of December 31, 2017 (*)		As of December 31, 2016 (*)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
BBVA, S.A.	11,162	11,162	6,521	6,551	9,589	9,635
TURKIYE GARANTI BANKASI, A.S	6,488	6,488	5,381	5,392	6,230	6,083
Total	**17,650**	**17,650**	**11,902**	**11,943**	**15,819**	**15,718**

(*) The decrease in book value is mainly due to amortizations since the date of reclassification.

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

The following table for the years ended December 31, 2017 and 2016, includes the amount recognized in the income statement from the valuation at amortized cost of the reclassified financial assets. The Table also provides the impact recognized on the income statement and under the heading "Total Equity - Accumulated other comprehensive income", if the reclassification had not been performed.

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

	As of December 31, 2017			As of December 31, 2016		
	Recognized in	Effect of not Reclassifying		Recognized in	Effect of not Reclassifying	
	Income Statement	Income Statement	Equity "Accumulated other comprehensive income"	Income Statement	Income Statement	Equity "Accumulated other comprehensive income"
BBVA, S.A.	172	172	(18)	230	230	(86)
TURKIYE GARANTI BANKASI, A.S	545	545	(16)	326	326	(225)
Total	**717**	**717**	**(34)**	**557**	**557**	**(311)**

15. Hedging derivatives and fair value changes of the hedged items in portfolio hedges of interest rate risk

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

Derivatives - Hedge accounting and fair value changes of the hedged items in portfolio hedge of interest rate risk (Millions of euros)

	2017	2016	2015
ASSETS-			
Hedging Derivatives	2,485	2,833	3,538
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(25)	17	45
LIABILITIES-			
Hedging Derivatives	2,880	2,347	2,726
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(7)	-	358

As of December 31, 2017, 2016 and 2015, the main positions hedged by the Group and the derivatives designated 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, interest-rate swaps, inflation and FRA's ("Forward Rate Agreement").
- Net foreign-currency investment hedges: These hedged risks are foreign-currency investments in the Group's foreign subsidiaries. This risk is hedged mainly with foreign-exchange options and forward currency sales and purchases.

Note 7 analyze the Group's main risks that are hedged using these derivatives.

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

Hedging Derivatives Breakdown by type of risk and type of hedge (Millions of euros)

	2017		2016		2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate	**1,141**	**850**	**1,154**	**974**	**1,660**	**875**
OTC options	100	111	125	118	187	128
OTC other	1,041	739	1,029	856	1,473	747
Organized market options	-	-	-	-	-	-
Organized market other	-	-	-	-	-	-
Equity	**-**	**-**	**-**	**50**	**12**	**74**
OTC options	-	-	-	50	-	72
OTC other	-	-	-	-	12	2
Organized market options	-	-	-	-	-	-
Organized market other	-	-	-	-	-	-
Foreign exchange and gold	**625**	**511**	**817**	**553**	**675**	**389**
OTC options	-	-	-	-	-	-
OTC other	625	511	817	553	675	388
Organized market options	-	-	-	-	-	-
Organized market other	-	-	-	-	-	-
Credit	**-**	**-**	**-**	**-**	**-**	**-**
Commodities	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**
FAIR VALUE HEDGES	**1,766**	**1,362**	**1,970**	**1,577**	**2,347**	**1,337**
Interest rate	**244**	**533**	**194**	**358**	**204**	**319**
OTC options	-	-	-	-	-	-
OTC other	242	533	186	358	204	318
Organized market options	-	-	-	-	-	-
Organized market other	2	-	8	-	-	1
Equity	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange and gold	**119**	**714**	**248**	**118**	**242**	**34**
OTC options	-	-	89	70	42	12
OTC other	119	714	160	48	200	22
Organized market options	-	-	-	-	-	-
Organized market other	-	-	-	-	-	-
Credit	**-**	**-**	**-**	**-**	**-**	**-**
Commodities	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**
CASH FLOW HEDGES	**363**	**1,247**	**442**	**476**	**446**	**353**
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	**301**	**15**	**362**	**79**	**47**	**304**
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	**46**	**256**	**55**	**214**	**697**	**732**
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	**9**	**-**	**4**	**-**	**-**	**-**
DERIVATIVES-HEDGE ACCOUNTING	**2,485**	**2,880**	**2,833**	**2,347**	**3,538**	**2,726**
of which: OTC - credit institutions	*1,829*	*2,527*	*2,381*	*2,103*	*3,413*	*2,366*
of which: OTC - other financial corporations	*651*	*234*	*435*	*165*	*95*	*256*
of which: OTC - other	*2*	*120*	*9*	*79*	*29*	*103*

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

Cash Flows of Hedging Instruments (Millions of euros)

	3 Months or Less	From 3 Months to 1 Year	From 1 to 5 Years	More than 5 Years	Total
Receivable cash inflows	144	407	2,237	2,287	5,076
Payable cash outflows	144	491	2,703	2,348	5,686

The above cash flows will have an impact on the Group's consolidated income statements until 2057.

In 2017, 2016 and 2015, there was no reclassification in the accompanying consolidated income statements of any amount corresponding to cash flow hedges that was previously recognized in equity (see note 41).

The amount for derivatives designated as accounting hedges that did not pass the effectiveness test in December 31, 2017. 2016 and 2015 were not material.

16. Investments in joint ventures and associates

16.1 Joint ventures and associates

The breakdown of the balance of "Investments in joint ventures and associates" (see Note 2.1) in the accompanying consolidated balance sheets is as follows:

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

	2017	2016	2015
Joint ventures			
Fideic F 403853 5 Bbva Bancom Ser.Zibata	27	33	44
Fideicomiso 1729 Invex Enajenacion de Cartera	53	57	66
PSA Finance Argentina Compañia Financier	14	21	23
Altura Markets, S.V., S.A.	64	19	20
RCI Colombia	19	17	-
Other joint ventures	79	82	91
Subtotal	**256**	**229**	**243**
Associates Entities			
Metrovacesa Suelo y Promoción, S.A.	697	208	-
Testa Residencial SOCIMI, S.A.U.	444	91	-
Metrovacesa Promoción y Arrendamientos, S.A.	-	67	-
Atom Bank, PLC	66	43	-
Brunara	-	-	54
Metrovacesa	-	-	351
Servired	9	11	92
Other associates	116	116	139
Subtotal	**1,332**	**536**	**636**
Total	**1,588**	**765**	**879**

Details of the joint ventures and associates as of December 31, 2017 are shown in Appendix II.

The following is a summary of the changes in the in December 31, 2017, 2016 and 2015 under this heading in the accompanying consolidated balance sheets:

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

	Notes	2017	2016	2015
Balance at the beginning		**765**	**879**	**4,509**
Acquisitions and capital increases		868	456	464
Disposals and capital reductions		(8)	(91)	(32)
Transfers and changes of consolidation method		-	(351)	(3,850)
Share of profit and loss	39	3	25	174
Exchange differences		(29)	(34)	(250)
Dividends, valuation adjustments and others		(12)	(118)	(136)
Balance at the end		**1,588**	**765**	**879**

The variation during the year 2017 is mainly explained by the increase of BBVA Group stakes in Testa Residencial, S.A. and Metrovacesa Suelo y Promoción, S.A Promociones through its contribution to the capital increases carried out by both entities by contributing assets from the Bank's real estate assets (see Note 21).

During the year 2016, two capital increases in Metrovacesa, S.A were made through a debt swap and a contribution of real estate assets, which provided the Group 357 million euros, after this there was a partial Split of Metrovacesa, S.A in favor of a beneficiary company from a new constitution denominated Metrovacesa Suelo y Promocion, S.A. In the fourth quarter of the year 2016, there was a total split of Metrovacesa, S.A through its extinction and division of its patrimony in three parts, two of which merged with Merlin Properties, SOCIMI, S.A and Testa Residencial, SOCIMI, S.A. As result of the previous mentioned splits, the Group received equity interests in the corresponding beneficiary companies, 6.41% of its capital was received, having been transferred to the heading "Available-for-sale" of the consolidated financial assets as of December 31, 2016.

The variation in 2015 was mainly explained by the change of the method of consolidation of Garanti (see Note 3) and by the capital increase in Metrovacesa, S.A, for compensation credits amounting to 159 million euros.

Appendix III provides notifications on acquisitions and disposals of holdings in subsidiaries, joint ventures and associates, in compliance with Article 155 of the Corporations Act and Article 53 of the Securities Market Act 24/1988.

16.2 Other information about associates and joint ventures

If these entities had been consolidated rather than accounted for using the equity method, the change in each of the lines of balance sheet and the consolidated income statement would not be significant.

As of December 31, 2017, 2016 and 2015 there was no financial support agreement or other contractual commitment to associates and joint ventures entities from the holding or the subsidiaries that are not recognized in the financial statements (see Note 53.2).

As of December 31, 2017, 2016 and 2015 there was no contingent liability in connection with the investments in joint ventures and associates (see Note 53.2).

16.3 Impairment

As described in IAS 36, when there is indicator of impairment, the book value of the associates and joint venture entities should be compared with their recoverable amount, being the latter calculated as the higher between the value in use and the fair value minus the cost of sale. As of December 31, 2017, 2016 and 2015, there were no significant impairments recognized.

17. Tangible assets

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

Tangible Assets. Breakdown by Type of Assets and Changes in the year 2017 (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	Assets Leased out under an Operating Lease	Total
Cost								
Balance at the beginning		**6,176**	**240**	**7,059**	**13,473**	**1,163**	**958**	**15,594**
Additions		49	128	397	574	1	201	776
Retirements		(42)	(29)	(264)	(335)	(90)	(93)	(518)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	(552)	(552)
Transfers		(273)	(57)	(186)	(516)	(698)	-	(1,214)
Exchange difference and other		(420)	(48)	(378)	(844)	(148)	(22)	(1,014)
Balance at the end		**5,490**	**234**	**6,628**	**12,352**	**228**	**492**	**13,072**
Accrued depreciation								
Balance at the beginning		**1,116**	**-**	**4,461**	**5,577**	**63**	**216**	**5,856**
Additions	45	127	-	553	680	13	-	693
Retirements		(26)	-	(235)	(261)	(7)	(21)	(289)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	(134)	(134)
Transfers		(53)	-	(146)	(199)	(31)	-	(230)
Exchange difference and other		(88)	-	(253)	(341)	(25)	16	(350)
Balance at the end		**1,076**	**-**	**4,380**	**5,456**	**13**	**77**	**5,546**
Impairment								
Balance at the beginning		**379**	**-**	**-**	**379**	**409**	**10**	**798**
Additions	48	5	-	-	5	37	-	42
Retirements		(2)	-	-	(2)	(10)	-	(12)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	(10)	(10)
Transfers		(58)	-	-	(58)	(276)	-	(334)
Exchange difference and other		(9)	-	-	(9)	(140)	-	(149)
Balance at the end		**315**	**-**	**-**	**315**	**20**	**-**	**335**
Net tangible assets								
Balance at the beginning		**4,681**	**240**	**2,598**	**7,519**	**691**	**732**	**8,941**
Balance at the end		**4,099**	**234**	**2,248**	**6,581**	**195**	**415**	**7,191**

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

	Notes	For Own Use			Total tangible asset of Own Use	Investment Properties	Assets Leased out under an Operating Lease	Total
		Land and Buildings	Work in Progress	Furniture, Fixtures and Vehicles				
Cost								
Balance at the beginning		**5,858**	**545**	**7,628**	**14,029**	**2,391**	**668**	**17,088**
Additions		30	320	563	913	62	337	1,312
Retirements		(85)	(29)	(468)	(582)	(117)	(97)	(796)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		(7)	-	(1)	(8)	(3)	-	(11)
Transfers		676	(544)	(386)	(254)	(986)	84	(1,156)
Exchange difference and other		(296)	(52)	(277)	(625)	(184)	(34)	(843)
Balance at the end		**6,176**	**240**	**7,059**	**13,473**	**1,163**	**958**	**15,594**
Accrued depreciation								
Balance at the beginning		**1,103**	**-**	**4,551**	**5,654**	**116**	**202**	**5,972**
Additions	45	106	-	561	667	23	-	690
Retirements		(72)	-	(461)	(533)	(10)	(17)	(560)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	-	-
Transfers		(1)	-	(37)	(38)	(55)	55	(38)
Exchange difference and other		(20)	-	(153)	(173)	(11)	(24)	(208)
Balance at the end		**1,116**	**-**	**4,461**	**5,577**	**63**	**216**	**5,856**
Impairment								
Balance at the beginning		**354**	**-**	**-**	**354**	**808**	**10**	**1,172**
Additions	48	48	-	5	53	90	-	143
Retirements		(2)	-	-	(2)	(9)	-	(11)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	-	-
Transfers		(1)	-	-	(1)	(380)	-	(381)
Exchange difference and other		(20)	-	(5)	(25)	(100)	-	(125)
Balance at the end		**379**	**-**	**-**	**379**	**409**	**10**	**798**
Net tangible assets								
Balance at the beginning		**4,401**	**545**	**3,077**	**8,021**	**1,467**	**456**	**9,944**
Balance at the end		**4,681**	**240**	**2,598**	**7,519**	**691**	**732**	**8,941**

Tangible Assets. Breakdown by Type of Assets and Changes in the year 2015 (Millions of euros)

	Notes	For Own Use			Total tangible asset of Own Use	Investment Properties	Assets Leased out under an Operating Lease	Total
		Land and Buildings	Work in Progress	Furniture, Fixtures and Vehicles				
Cost								
Balance at the beginning		**4,168**	**1,085**	**5,904**	**11,157**	**2,180**	**674**	**14,012**
Additions		105	715	1,097	1,917	14	240	2,171
Retirements		(18)	(39)	(146)	(203)	(167)	(74)	(444)
Acquisition of subsidiaries in the year		1,378	78	1,426	2,882	738	-	3,620
Disposal of entities in the year		-	-	-	-	-	-	-
Transfers		718	(1,211)	40	(453)	(235)	(153)	(841)
Exchange difference and other		(494)	(83)	(693)	(1,271)	(139)	(19)	(1,429)
Balance at the end		**5,858**	**545**	**7,628**	**14,029**	**2,391**	**668**	**17,088**
Accrued depreciation								
Balance at the beginning		**1,255**	**-**	**3,753**	**5,008**	**102**	**226**	**5,335**
Additions	45	103	-	512	615	25	-	640
Retirements		(16)	-	(129)	(145)	(10)	-	(155)
Acquisition of subsidiaries in the year		140	-	940	1,080	23	-	1,103
Disposal of entities in the year		-	-	-	-	-	-	-
Transfers		(19)	-	(16)	(35)	(9)	(15)	(59)
Exchange difference and other		(360)	-	(509)	(869)	(15)	(9)	(893)
Balance at the end		**1,103**	**-**	**4,551**	**5,654**	**116**	**202**	**5,972**
Impairment								
Balance at the beginning		**148**	**-**	**16**	**164**	**687**	**6**	**857**
Additions	48	7	-	19	26	30	4	60
Retirements		-	-	(1)	(1)	(64)	-	(65)
Acquisition of subsidiaries in the year		187	-	-	187	295	-	482
Disposal of entities in the year		-	-	-	-	-	-	-
Transfers		9	-	(15)	(6)	(62)	-	(68)
Exchange difference and other		3	-	(19)	(16)	(78)	-	(94)
Balance at the end		**354**	**-**	**-**	**354**	**808**	**10**	**1,172**
Net tangible assets								
Balance at the beginning		**2,764**	**1,085**	**2,135**	**5,985**	**1,392**	**443**	**7,819**
Balance at the end		**4,401**	**545**	**3,077**	**8,021**	**1,467**	**456**	**9,944**

As of December 31, 2017, 2016 and 2015, the cost of fully amortized tangible assets that remained in use were €2,660, €2,313 and 2,663 million respectively while its recoverable residual value was not significant.

As of December 31, 2017, 2016 and 2015 the amount of tangible assets under financial lease schemes on which the purchase option is expected to be exercised was not material.The main activity of the Group is carried out through a network of bank branches located geographically as shown in the following table:

Branches by Geographical Location (Number of branches)

	2017	2016	2015
Spain	3,019	3,303	3,811
Mexico	1,840	1,836	1,818
South America	1,631	1,667	1,684
The United States	651	676	669
Turkey	1,095	1,131	1,109
Rest of Eurasia	35	47	54
Total	**8,271**	**8,660**	**9,145**

The following table shows the detail of the net carrying amount of the tangible assets corresponding to Spanish and foreign subsidiaries as of December 31, 2017, 2016 and 2015:

Tangible Assets by Spanish and Foreign Subsidiaries. Net Assets Values (Millions of euros)

	2017	2016	2015
BBVA and Spanish subsidiaries	2,574	3,692	4,584
Foreign subsidiaries	4,617	5,249	5,360
Total	**7,191**	**8,941**	**9,944**

18. Intangible assets

18.1 Goodwill

The breakdown of the balance under this heading in the accompanying consolidated balance sheets, according to the cash-generating units (CGUs), is as follows:

Goodwill. Breakdown by CGU and Changes of the year (Millions of euros)

	The United States	Turkey	Mexico	Colombia	Chile	Other	Total
Balance as of December 31, 2014	**4,767**	**-**	**638**	**208**	**65**	**20**	**5,697**
Additions	12	788	-	-	-	-	800
Exchange difference	549	(62)	(35)	(31)	(3)	(1)	418
Impairment	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance as of December 31, 2015	**5,328**	**727**	**602**	**176**	**62**	**20**	**6,915**
Additions	-	-	-	-	-	8	8
Exchange difference	175	(101)	(79)	14	6	-	15
Impairment	-	-	-	-	-	-	-
Other	-	(1)	-	-	-	-	(1)
Balance as of December 31, 2016	**5,503**	**624**	**523**	**191**	**68**	**28**	**6,937**
Additions	-	-	24	-	-	-	24
Exchange difference	(666)	(115)	(44)	(22)	(3)	(1)	(851)
Impairment	-	-	-	-	-	(4)	(4)
Other	-	-	(10)	-	(33)	-	(43)
Balance as of December 31, 2017	**4,837**	**509**	**493**	**168**	**32**	**23**	**6,062**

The change in 2015 is mainly as a result of the full consolidation of Garanti since the date of effective control (see Note 3) assigned to the CGU of Turkey and exchange differences due to the appreciation of the US Dollar against the euro and the depreciation of the other currencies.

In 2017 and 2016, there were no significant business combinations.

Impairment Test

As described in Note 2.2.8, the cash-generating units (CGUs) to which goodwill has been allocated are periodically tested for impairment by including the allocated goodwill in their carrying amount. This analysis is performed at least annually and whenever there is any indication of impairment.

Both the CGU's fair values and the fair values assigned to its assets and liabilities had been based on the estimates and assumptions that the Group's Management has deemed most likely given the circumstances. However, some changes to the valuation assumptions used could result in differences in the impairment test result.

Three key assumptions are used when calculating the impairment test. These hypothesis are the ones to which the amount of the recoverable value is most sensitive:

- The forecast cash flows estimated by the Group's management, and based on the latest available budgets for the next 5 years.
- The constant sustainable growth rate for extrapolating cash flows, starting in the fifth year (2022), beyond the period covered by the budgets or forecasts.
- The discount rate on future cash flows, which coincides with the cost of capital assigned to each CGU, and which consists of a risk-free rate plus a premium that reflects the inherent risk of each of the businesses evaluated.

The focus used by the Group's management to determine the values of the hypotheses is based both on its projections and past experience. These values are uniform and use external sources of information. At the same time, the valuations of the most significant goodwill have in general been reviewed by independent experts (not the Group's external auditors) who apply different valuation methods according to each type of asset and liability. The valuation methods used are: The method for calculating the discounted value of future cash flows, the market transaction method and the cost method.

As of December 31, 2017, 2016 and 2015, no indicators of impairment have been identified in any of the main CGUs.

The Group's most significant goodwill corresponds to the CGU in the United States, the main significant hypotheses used in the impairment test of this mentioned CGU are:

Impairment test hypotheses CGU Goodwill in the United States	2017	2016	2015
Discount rate	10.0%	10.0%	9.8%
Sustainable growth rate	4.0%	4.0%	4.0%

Given the potential growth of the sector, in accordance with paragraph 33 of IAS 36, as of December 31, 2017, 2016 and 2015 the Group used a steady growth rate of 4.0% based on the real GDP growth rate of the United States and expected inflation. This 4.0% rate is less than the historical average of the past 30 years of the nominal GDP rate of the United States and lower than the real GDP growth forecasted by the IMF.

The assumptions with a greater relative weight and whose volatility could affect more in determining the present value of the cash flows starting on the fifth year are the discount rate and the sustainable growth rate. Below is shown the increased (or decreased) amount of the recoverable amount as a result of a reasonable variation (in basic points) of each of the key assumptions:

Sensitivity analysis for main hypotheses - USA (Millions of euros)

	Impact of an increase of 50 basis points (*)	Impact of a decrease of 50 basis points (*)
Discount rate	(1.159)	1.371
Sustainable growth rate	661	(559)

(*) Based on historical changes, the use of 50 basis points to calculate the sensitivity analysis would be a reasonable variation with respect to the observed variations over the last five years.

Another assumption used, and with a high impact on the impairment test, is the budgets of the CGU and specifically the effect that changes in interest rates have on cash flows. The rise in interest rates in 2017 and 2016, net interest income would be positively affected and, therefore, the recoverable amount of the CGU would increase.

Goodwill in business combinations in 2017 and 2016

There were no significant business combinations.

Goodwill in business combinations 2015

Catalunya Banc

As stated in Note 3, in the year ended December 31, 2015 the Group acquired 98.4% of the share capital of the Catalunya Banc.

Shown below are details of the carrying amount of the consolidated assets and liabilities of Catalunya Banc prior to its acquisition and the corresponding fair values, gross of tax, which have been estimated in accordance with the IFRS-3 acquisition method.

Valuation and calculation of negative goodwill for the acquisition of stake in Catalunya Banc (Millions of euros)

	Carrying Amount	Fair Value
Acquisition cost (A)	**-**	**1,165**
Cash on hand	616	616
Financial assets held for trading	341	341
Available-for-sale financial assets	1,845	1,853
Loans and receivables	37,509	36,766
Held-to-maturity investments (*)	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	23	23
Derivatives - Hedge accounting	845	845
Non-current assets and disposal groups classified as held for sale	274	193
Investments in subsidiaries, joint ventures and associates	209	293
Tangible assets	908	626
Intangible assets	7	129
Other assets	581	498
Financial Liabilities Held for Trading	(332)	(332)
Financial liabilities at Amortized Cost	(41,271)	(41,501)
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(490)	(490)
Derivatives - Hedge accounting	(535)	(535)
Provisions	(1,248)	(1,667)
Other liabilities	(84)	(84)
Deferred tax	3,312	3,630
Total fair value of assets and liabilities acquired (B)	**-**	**1,205**
Non controlling Interest Catalunya Banc Group (**) (C)	**2**	**2**
Non controlling Interest after purchase (D)	**-**	**12**
Negative Goodwill (A)-(B)+(C)+(D)	**-**	**(26)**

(*) After the purchase, it has been reclassified under the heading "Available-for-sale financial assets"

(**) It corresponds to non-controlling interests that Catalunya Banc held, prior to integration in the BBVA Group

Because the resulting goodwill was negative, the net fair value of identifiable assets acquired and lesser liabilities assumed was initially estimated as of June 30, 2015 in an amount of 22 million euros but subsequently the calculation was modified to 26 million euros a gain was recognized in the accompanying consolidated income statement for 2015 under the heading "Negative Goodwill" (see Note 2.2.7).

Garanti Bank

As stated in Note 3, in the year ended December 31, 2015 the Group acquired 14.89% of the share capital of the Garanti Bank.

Shown below are details of the carrying amount of the consolidated assets and liabilities of Garanti Bank prior to its acquisition and the corresponding fair values, gross of tax, which have been estimated in accordance with the IFRS-3 acquisition method.

Valuation and calculation of goodwill in Garanti Bank (Millions of euros)

	Carrying Amount	Fair Value
Acquisition cost (A)	**-**	**5,044**
Cash on hand	8,915	8,915
Financial assets held for trading	419	419
Financial assets designated at fair value through profit or loss	-	-
Available-for-sale financial assets	14,618	14,773
Loans and receivables	58,495	58,054
Non-current assets and disposal groups classified as held for sale	-	(2)
Investments in subsidiaries, joint ventures and associates	14	21
Hedging Derivatives	785	1,399
Non-current assets held for sale	11	1,188
Other assets	3,715	3,652
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at Amortized Cost	(70,920)	(70,926)
Provisions	(394)	(697)
Other liabilities	(6,418)	(6,418)
Deferred tax	263	182
Total fair value of assets and liabilities acquired (B)	**-**	**10,560**
Non controlling Interest Garanti Group (C)	**5,669**	**5,669**
Non controlling Interest after purchase (D)	**-**	**635**
Goodwill (A)-(B)+(C)+(D)	**-**	**788**

In accordance with the acquisition method, which implies to account at fair value the assets acquired and liabilities of Garanti Bank along with the intangible assets identifies, as well as the cash payment carried out by the Group related to the transaction generates goodwill.

According to IFRS-3, the calculation of goodwill may be modified during a period of one year from the acquisition date, in 2016 the Group finalized said process without significant changes. Among the adjustments to this calculation, Garanti´s brand has been reclassified as an intangible asset with a definite useful life, with its subsequent amortization under "Amortization - Other intangible assets" in the consolidated income statement.

The main significant assumptions used in the impairment test of this mentioned CGU are:

Impairment test assumptions CGU Goodwill in Turkey

	2017	2016	2015
Discount rate	18.0%	17.7%	14.8%
Sustainable growth rate	7.0%	7.0%	7.0%

The assumptions with a greater relative weight and whose volatility could affect more in determining the present value of the cash flows starting on the fifth year are the discount rate and the growth rate. Below is shown the increased (or decreased) amount of the recoverable amount as a result of a reasonable variation (in basic points) of each of the key assumptions:

Sensitivity analysis for main assumptions - Turkey (Millions of euros)

	Impact of an increase of 50 basis points (*)	Impact of a decrease of 50 basis points (*)
Discount rate	(298)	327
Sustainable growth rate	214	(196)

18.2 Other intangible assets

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

Other intangible assets (Millions of euros)	2017	2016	2015
Computer software acquisition expenses	1,682	1,877	1,875
Other intangible assets with an infinite useful life	12	12	26
Other intangible assets with a definite useful life	708	960	1,235
Total	**2,402**	**2,849**	**3,137**

The changes of this heading in December 31, 2017, 2016 and 2015, are as follows:

Other Intangible Assets (Millions of euros)	Notes	2017	2016	2015
Balance at the beginning		**2,849**	**3,137**	**1,673**
Acquisition of subsidiaries in the year		-	-	1,452
Additions		564	645	571
Amortization in the year	45	(694)	(735)	(631)
Exchange differences and other		(305)	(196)	76
Impairment		(12)	(3)	(4)
Balance at the end		**2,402**	**2,849**	**3,137**

As of December 31, 2017, 2016 and 2015, the balance of fully amortized intangible assets that remained in use were €1,380 million, €1,501 million and €1,238 million respectively, while their recoverable value was not significant.

19. Tax assets and liabilities

19.1 Consolidated tax group

Pursuant to current legislation, the BBVA Consolidated Tax Group includes the Bank (as the parent company) and its Spanish subsidiaries that meet the requirements provided for under Spanish legislation regulating the taxation regime for the consolidated profit of corporate groups.

The Group's non-Spanish other banks and subsidiaries file tax returns in accordance with the tax legislation in force in each country.

19.2 Years open for review by the tax authorities

The years open to review in the BBVA Consolidated Tax Group as of December 31, 2017 are 2014 and subsequent years for the main taxes applicable.

The remainder of the Spanish consolidated entities in general have the last four years open for inspection by the tax authorities for the main taxes applicable, except for those in which there has been an interruption of the limitation period due to the start of an inspection.

In the year 2017 as a consequence of the tax authorities examination reviews, inspections were initiated through the year 2013 inclusive, and all such years closed with acceptance during the year 2017. In this way, these inspections did not constitute any material amount of the Consolidated Annual accounts due to the fact that their impact was provisioned.

In view of the varying interpretations that can be made of some applicable tax legislation, the outcome of the tax inspections of the open years that may be conducted by the tax authorities in the future may give rise to contingent tax liabilities which cannot be reasonably estimated at the present time. However, the Group considers that the possibility of these contingent liabilities becoming actual liabilities is remote and, in any case, the tax charge which might arise therefore would not materially affect the Group's accompanying consolidated financial statements.

19.3 Reconciliation

The reconciliation of the Group's corporate income tax expense resulting from the application of the Spanish corporation income tax rate and the income tax expense recognized in the accompanying consolidated income statements is as follows:

Reconciliation of Taxation at the Spanish Corporation Tax Rate to the Tax Expense Recorded for the Period (Millions of euros)

	2017		2016		2015	
	Amount	**Effective Tax %**	**Amount**	**Effective Tax %**	**Amount**	**Effective Tax %**
Profit or (-) loss before tax			**6,392**		**4,603**	
From continuing operations	6,931		6,392		4,603	
From discontinued operations			-		-	
Taxation at Spanish corporation tax rate 30%	2,079		1,918		1,381	
Lower effective tax rate from foreign entities (*)	(307)		(298)		(221)	
Mexico	(100)	27%	(105)	26%	(149)	25%
Chile	(29)	21%	(27)	17%	(28)	18%
Colombia	(3)	29%	22	36%	2	30%
Peru	(16)	27%	(18)	26%	(13)	28%
Turkey	(182)	21%	(176)	21%	-	-
Others	23		6		(33)	
Revenues with lower tax rate (dividends)	(53)		(69)		(65)	
Equity accounted earnings	(2)		(11)		(74)	
Other effects	452		159		253	
Current income tax	**2,169**		**1,699**		**1,274**	
Of which:						
Continuing operations	2,169		1,699		1,274	
Discontinued operations	-		-		-	

(*) Calculated by applying the difference between the tax rate in force in Spain and the one applied to the Group's earnings in each jurisdiction.

The effective income tax rate for the Group in the years ended December 31, 2017, 2016 and 2015 is as follows:

Effective Tax Rate (Millions of euros)

	2017	2016	2015
Income from:			
Consolidated Tax Group	(678)	(483)	(1,426)
Other Spanish Entities	29	52	107
Foreign Entities	7,580	6,823	5,922
Total	**6,931**	**6,392**	**4,603**
Income tax and other taxes	2,169	1,699	1,274
Effective Tax Rate	**31.3%**	**26.6%**	**27.7%**

In the year 2017, the changes in the nominal tax rate on corporate income tax, in comparison with those existing in the previous period, in the main countries in which the Group has a presence, have been in Chile (from 24,00% to 25,5%) and Peru (from 28,0% to 29,5%).

19.4 Income tax recognized in equity

In addition to the income tax expense recognized in the accompanying consolidated income statements, the Group has recognized the following income tax charges for these items in the consolidated total equity:

Tax recognized in total equity (Millions of euros)	2017	2016	2015
Charges to total equity			
Debt securities and others	(355)	(533)	(593)
Equity instruments	(74)	(2)	113
Subtotal	**(429)**	**(535)**	**(480)**
Total	**(429)**	**(535)**	**(480)**

19.5 Current and deferred taxes

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

Tax assets and liabilities (Millions of euros)	2017	2016	2015
Tax assets			
Current tax assets	2,163	1,853	1,901
Deferred tax assets	14,725	16,391	15,878
Pensions	395	1,190	1,022
Financial Instruments	1,453	1,371	1,474
Other assets (investments in subsidiaries)	357	662	554
Impairment losses	1,005	1,390	1,346
Other	870	1,236	981
Secured tax assets (*)	9,433	9,431	9,536
Tax losses	1,212	1,111	965
Total	**16,888**	**18,245**	**17,779**
Tax Liabilities			
Current tax liabilities	1,114	1,276	1,238
Deferred tax liabilities	2,184	3,392	3,415
Financial Instruments	1,427	1,794	1,907
Charge for income tax and other taxes	757	1,598	1,508
Total	**3,298**	**4,668**	**4,653**

(*) Laws guaranteeing the deferred tax assets have been approved in Spain and Portugal in 2013 and 2014.

At the end of year 2017, certain fiscal reforms have taken place in some countries where the Group operates, specifically in the United States, Turkey and Argentina, that will come into force as of January 1, 2018. The main changes are the modification of the tax rates applied for year 2018 but this effect has consequences in the valuation of the deferred tax assets and liabilities at December 2017.The most significant variations of the deferred assets and liabilities in the years 2017, 2016 and 2015 derived from the followings causes:

Deferred tax assets and liabilities (Millions of euros)

	2017		2016		2015	
	Deferred Assets	Deferred Liabilities	Deferred Assets	Deferred Liabilities	Deferred Assets	Deferred Liabilities
Balance at the beginning	**16,391**	**3,392**	**15,878**	**3,418**	**10,391**	**3,177**
Pensions	(795)	-	168	-	120	-
Financials Instruments	82	(367)	(103)	(113)	554	(189)
Other assets	(305)	-	108	-	19	-
Impairment losses	(385)	-	44	-	305	-
Others	(366)	(841)	255	-	76	-
Guaranteed Tax assets	2	-	(105)	-	4,655	-
Tax Losses	101	-	146	-	(242)	-
Charge for income tax and other taxes	-	-	-	87	-	430
Balance at the end	**14,725**	**2,184**	**16,391**	**3,392**	**15,878**	**3,418**

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 evolution of the deferred tax assets and liabilities (without taking into consideration the guaranteed deferred tax asset and the tax losses) in net terms is a decrease of €561 million mainly due to the register in non-current assets and disposal groups held for sale of the mayority of the tax assets and liabilities of Chile, to the regularization of the tax assets and liabilities of the United States due to the tax reform and to the operation of the corporate income tax in which differences between accounting and taxation produce movements in the deferred taxes.
- The increase in tax losses is mainly due to the generation of negative tax bases and deductions during year 2017.

On the deferred tax assets and liabilities contained in the table above, those included in section 19.4 above have been recognized against the entity's equity, and the rest against earnings for the year.

As of December 31, 2017, 2016 and 2015, the estimated amount of temporary differences associated with investments in subsidiaries, joint ventures and associates, which were not recognized deferred tax liabilities in the accompanying consolidated balance sheets, amounted to 376 million euros, 874 million euros and 656 million euros, respectively.

Of the deferred tax assets contained in the above table, the detail of the items and amounts guaranteed by the Spanish and Portuguese governments, broken down by the items that originated those assets is as follows:

Secured tax assets (Millions of euros)

	2017	2016	2015
Pensions	1,897	1,901	1,904
Impairment losses	7,536	7,530	7,632
Total	**9,433**	**9,431**	**9,536**

As of December 31, 2017, non-guaranteed net deferred tax assets of the above table amounted to €3,108 million (€3,568 and €2,924 million as of December 31, 2016 and 2015 respectively), which broken down by major geographies is as follows:

- Spain: Net deferred tax assets recognized in Spain totaled €2,052 million as of December 31, 2017 (€2,007 and €1,437 million as of December 31, 2016 and 2015, respectively). €1,184 million of the figure recorded in the year ended December 31, 2017 for net deferred tax assets related to tax credits and tax loss carry forwards and €868 million relate to temporary differences.

- Mexico: Net deferred tax assets recognized in Mexico amounted to €615 million as of December 31, 2017 (€698 and €608 million as of December 31, 2016 and 2015, respectively). 98,24% of deferred tax assets as of December 31, 2017 relate to temporary differences. The remainders are tax credits carry forwards.
- South America: Net deferred tax assets recognized in South America amounted to €26 million as of December 31, 2017 (€362 and €330 million as of December 31, 2016 and 2015, respectively). All the deferred tax assets relate to temporary differences.
- The United States: Net deferred tax assets recognized in The United States amounted to €180 million as of December 31, 2017 (€345 and €300 million as of December 31, 2016 and 2015, respectively). All the deferred tax assets relate to temporary differences.
- Turkey: Net deferred tax assets recognized in Turkey amounted to €224 million as of December 31, 2017 (€135 and €217 million as of December 31, 2016 and 2015 respectively). As of December 31, 2017, all the deferred tax assets correspond to €13 million of tax credits related to tax losses carry forwards and deductions and €211 million relate to temporary differences.

Based on the information available as of December 31, 2017, including historical levels of benefits and projected results available to the Group for the coming years, it is considered that sufficient taxable income will be generated for the recovery of above mentioned unsecured deferred tax assets when they become deductible according to the tax laws.

On the other hand, the Group has not recognized certain deductible temporary differences, negative tax bases and deductions for which, in general, there is no legal period for offsetting, amounting to approximately 2,284 million euros, which are mainly originated by Catalunya Banc.

20. Other assets and liabilities

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

Other assets and liabilities: Breakdown by nature (Millions of euros)

	2017	2016	2015
ASSETS			
Inventories	229	3,298	4,303
Real estate	226	3,268	4,172
Others	3	29	131
Transactions in progress	156	241	148
Accruals	768	723	804
Prepaid expenses	509	518	558
Other prepayments and accrued income	259	204	246
Other items	3,207	3,012	3,311
Total Assets	**4,359**	**7,274**	**8,565**
LIABILITIES			
Transactions in progress	165	127	52
Accruals	2,490	2,721	2,609
Accrued expenses	1,997	2,125	2,009
Other accrued expenses and deferred income	493	596	600
Other items	1,894	2,131	1,949
Total Liabilities	**4,550**	**4,979**	**4,610**

The heading "Inventories" includes the net book value of land and building purchases that the Group's Real estate entities have available for sale or as part of their business. Balances under this heading include mainly real estate assets acquired by these entities from distressed customers (mostly in Spain), net of their corresponding losses. The roll-forward of our inventories from distressed customers is provided below:

Inventories from Distressed Customers (Millions of euros)

	2017	2016	2015
Balance at the beginning	**8,499**	**9,318**	**9,119**
Business combinations and disposals	-	-	580
Acquisitions	533	336	797
Disposals	(2,288)	(1,214)	(1,188)
Others	(6,653)	59	10
Balance at the end	**91**	**8,499**	**9,318**
Accumulated impairment losses	(26)	(5,385)	(5,291)
Carrying amount	**65**	**3,114**	**4,026**

The impairment included under the heading “Impairment or reversal of impairment on non-financial assets” of the accompanying consolidated financial statements were €307, €375 million and €209 million in 2017, 2016 and 2015, respectively (see Note 48).

As of December 31, 2017, the balance of real estate assets acquired from distressed customers was reclassified to the heading "Non-current assets and disposable groups of items that have been classified as held for sale" (see Note 21) due to the agreement with Cerberus to transfer the Real Estate business in Spain (See Note 3).

21. Non-current assets and disposal groups held for sale

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

Non-current assets and disposal groups classified as held for sale Breakdown by items (Millions of euros)	2017	2016	2015
Foreclosures and recoveries	6,207	4,225	3,991
Foreclosures (*)	6,047	4,057	3,775
Recoveries from financial leases	160	168	216
Other assets from tangible assets	447	1,181	706
Property, plant and equipment	447	378	431
Operating leases (**)	-	803	275
Business sale - Assets (***)	18,623	40	37
Accrued amortization (****)	(77)	(116)	(80)
Impairment losses	(1,348)	(1,727)	(1,285)
Total Non-current assets and disposal groups classified as held for sale	**23,853**	**3,603**	**3,369**

(*) As of December 31, 2017, included mainly the agreement with Cerberus to transfer the "Real Estate" business in Spain (see Note 3)

(**) As of December 31, 2016, included mainly Real Estate Investments from BBVA Propiedad, S.A. which were transferred to Testa Residencial, S.A. in the first quarter of 2017 (see Note 16).

(***) As of December 31, 2017, included mainly the BBVA's stake in BBVA Chile (see Note 3).

(****) Amortization accumulated until related asset reclassified as "non-current assets and disposal groups held for sale".

The changes in the balances of "Non-current assets and disposal groups classified as held for sale" in 2017, 2016 and 2015 are as follows:

Non-current assets and disposal groups classified as held for sale Changes in the year 2017 (Millions of euros)		Foreclosed Assets				
	Notes	Foreclosed Assets through Auction Proceeding	Recovered Assets from Finance Leases	From Own Use Assets (*)	Other assets (**)	Total
Cost (1)						
Balance at the beginning		**4,057**	**168**	**1,065**	**40**	**5,330**
Additions		791	45	1	-	837
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(1,037)	(49)	(131)	-	(1,217)
Transfers, other movements and exchange differences (**)		2,236	(4)	(564)	18,583	20,251
Balance at the end		**6,047**	**160**	**371**	**18,623**	**25,201**
Impairment (2)						
Balance at the beginning		**1,237**	**47**	**443**	**-**	**1,727**
Additions	50	143	14	1	-	158
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(272)	(7)	(42)	-	(321)
Other movements and exchange differences		(6)	(2)	(208)	-	(216)
Balance at the end		**1,102**	**52**	**194**	**-**	**1,348**
Balance at the end of Net carrying value (1)-(2)		**4,945**	**108**	**177**	**18,623**	**23,853**

(*) Net of amortization accumulated until assets were reclassified as non-current assets held for sale

(**) As of December 31, 2017, included mainly the BBVA's stake in BBVA Chile and the agreement with Cerberus to transfer the "Real Estate" business in Spain (see Note 3)

Non-current assets and disposal groups classified as held for sale Changes in the year 2016 (Millions of euros)

	Notes	Foreclosed Assets		From Own Use Assets (*)	Other assets	Total
		Foreclosed Assets through Auction Proceeding	Recovered Assets from Finance Leases			
Cost (1)						
Balance at the beginning		**3,775**	**216**	**626**	**37**	**4,654**
Additions		582	57	23	-	662
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(779)	(77)	(170)	3	(1,023)
Transfers, other movements and exchange differences		480	(28)	586	-	1,037
Balance at the end		**4,057**	**168**	**1,065**	**40**	**5,330**
Impairment (2)						
Balance at the beginning		**994**	**52**	**240**	**-**	**1,285**
Additions	50	129	3	5	-	136
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(153)	(6)	(33)	-	(192)
Other movements and exchange differences		268	(2)	232	-	499
Balance at the end		**1,237**	**47**	**443**	**-**	**1,727**
Balance at the end of Net carrying value (1)-(2)		**2,820**	**121**	**621**	**40**	**3,603**

(*) Net of amortization accumulated until assets were reclassified as non-current assets held for sale

Non-current assets and disposal groups classified as held for sale Changes in the year 2015 (Millions of euros)

	Notes	Foreclosed Assets		From Own Use Assets (*)	Other assets (**)	Total
		Foreclosed Assets through Auction Proceeding	Recovered Assets from Finance Leases			
Cost (1)						
Balance at the beginning		**3,144**	**186**	**241**	**924**	**4,495**
Additions		801	94	79	-	974
Contributions from merger transactions		446	1	163	-	609
Retirements (sales and other decreases)		(586)	(53)	(163)	(887)	(1,688)
Transfers, other movements and exchange differences		(30)	(13)	307	-	264
Balance at the end		**3,775**	**216**	**626**	**37**	**4,654**
Impairment (2)						
Balance at the beginning		**578**	**53**	**70**	**-**	**702**
Additions	50	208	11	66	-	285
Contributions from merger transactions		328	-	75	-	404
Retirements (sales and other decreases)		(117)	(14)	(39)	-	(170)
Other movements and exchange differences		(4)	2	66	-	64
Balance at the end		**994**	**52**	**240**	**-**	**1,285**
Balance at the end of Net carrying value (1)-(2)		**2,781**	**164**	**387**	**37**	**3,369**

(*) Net of amortization accumulated until assets were reclassified as non-current assets held for sale

(**) Business sale agreement (Note 3)

Assets from foreclosures or recoveries

As of December 31, 2017, 2016 and 2015, assets from foreclosures and recoveries, net of impairment losses, by nature of the asset, amounted to €1,924, €2,326 and €2,415 million in assets for residential use; €491, €574 and €486 million in assets for tertiary use (industrial, commercial or office) and €29, €41 and €44 million in assets for agricultural use, respectively.

In December 31, 2017, 2016 and 2015, the average sale time of assets from foreclosures or recoveries was between 2 and 3 years.

During the years 2017, 2016 and 2015, some of the sale transactions for these assets were financed by Group companies. The amount of loans to buyers of these assets in those years amounted to €207, €219 and €179 million, respectively; with an average financing of 73% of the sales price.

As of December 31, 2017, 2016 and 2015, the amount of the profits arising from the sale of Group companies financed assets - and therefore not recognized in the consolidated income statement - amounted to €1, €1 and €18 million, respectively.

22. Financial liabilities at amortized cost

22.1 Breakdown of the balance

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

Financial liabilities measured at amortized cost (Millions of euros)

	Notes	2017	2016	2015
Deposits				
Deposits from Central Banks	9	37,054	34,740	40,087
Deposits from Credit Institutions		54,516	63,501	68,543
Customer deposits		376,379	401,465	403,362
Debt securities issued		63,915	76,375	81,980
Other financial liabilities		11,850	13,129	12,141
Total		**543,714**	**589,210**	**606,113**

22.2 Deposits from credit institutions

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

Deposits from credit institutions (Millions of euros)

	Notes	2017	2016	2015
Term deposits		25,941	30,429	38,153
Demand deposits		3,731	4,651	4,318
Repurchase agreements	35	24,843	28,420	26,072
Other deposits		-	-	-
Total		**54,516**	**63,501**	**68,543**

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

Deposits from Credit Institutions. December 2017 (Millions of euros)

	Demand Deposits & Reciprocal Accounts	Deposits with Agreed Maturity	Repurchase Agreements	Total
Spain	762	3,879	878	5,518
The United States	1,563	2,398	-	3,961
Mexico	282	330	1,817	2,429
Turkey	73	836	44	953
South America	448	2,538	13	2,999
Rest of Europe	526	12,592	21,732	34,849
Rest of the world	77	3,369	360	3,806
Total	**3,731**	**25,941**	**24,843**	**54,516**

Deposits from Credit Institutions. December 2016 (Millions of euros)

	Demand Deposits & Reciprocal Accounts	Deposits with Agreed Maturity	Repurchase Agreements	Total
Spain	956	4,995	817	6,768
The United States	1,812	3,225	3	5,040
Mexico	306	426	2,931	3,663
Turkey	317	1,140	5	1,463
South America	275	3,294	465	4,035
Rest of Europe	896	13,751	23,691	38,338
Rest of the world	88	3,597	509	4,194
Total	**4,651**	**30,429**	**28,420**	**63,501**

Deposits from Credit Institutions. December 2015 (Millions of euros)

	Demand Deposits & Reciprocal Accounts	Deposits with Agreed Maturity	Repurchase Agreements	Total
Spain	951	6,718	593	8,262
The United States	1,892	5,497	2	7,391
Mexico	54	673	916	1,643
Turkey	355	1,423	8	1,786
South America	212	3,779	432	4,423
Rest of Europe	801	15,955	23,140	39,896
Rest of the world	53	4,108	981	5,142
Total	**4,318**	**38,153**	**26,072**	**68,543**

22.3 Customer deposits

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

Customer deposits (Millions of euros)

	Notes	2017	2016	2015
General Governments		23,210	21,396	25,396
Current accounts		223,497	212,604	195,655
Time deposits		116,538	153,388	165,469
Repurchase agreements	35	9,076	13,514	15,744
Subordinated deposits		194	233	285
Other accounts		3,864	330	814
Total		**376,379**	**401,465**	**403,362**
Of which:				
In Euros		*184,150*	*189,438*	*203,053*
In foreign currency		*192,229*	*212,027*	*200,309*

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

Customer Deposits. December 2017 (Millions of euros)

	Demand Deposits	Deposits with Agreed Maturity	Repurchase Agreements	Total
Spain	123,382	39,513	2,664	165,559
The United States	36,728	21,436	-	58,164
Mexico	36,492	11,622	4,272	52,387
Turkey	12,427	24,237	152	36,815
South America	23,710	15,053	2	38,764
Rest of Europe	6,816	13,372	1,989	22,177
Rest of the world	1,028	1,484	-	2,511
Total	**240,583**	**126,716**	**9,079**	**376,379**

Customer Deposits. December 2016 (Millions of euros)

	Demand Deposits	Deposits with Agreed Maturity	Repurchase Agreements	Total
Spain	102,730	56,391	1,901	161,022
The United States	26,997	23,023	263	50,282
Mexico	36,468	10,647	7,002	54,117
Turkey	47,340	14,971	-	62,311
South America	9,862	28,328	21	38,211
Rest of Europe	6,959	19,683	4,306	30,949
Rest of the world	1,190	3,382	-	4,572
Total	**231,547**	**156,425**	**13,493**	**401,465**

Customer Deposits. December 2015 (Millions of euros)

	Demand Deposits	Deposits with Agreed Maturity	Repurchase Agreements	Total
Spain	86,564	70,816	11,309	168,689
The United States	47,071	15,893	24	62,988
Mexico	36,907	10,320	4,195	51,422
Turkey	9,277	26,744	15	36,036
South America	24,574	19,591	304	44,469
Rest of Europe	5,514	22,833	7,423	35,770
Rest of the world	357	3,631	-	3,988
Total	**210,264**	**169,828**	**23,270**	**403,362**

22.4 Debt securities issued (including bonds and debentures)

The breakdown of the balance under this heading, by currency, is as follows:

Debt securities issued (Millions of euros)	2017	2016	2015
In Euros	**38,735**	**45,619**	**51,449**
Promissory bills and notes	1,309	875	471
Non-convertible bonds and debentures	9,418	8,766	10,081
Covered bonds (*)	16,425	24,845	29,672
Hybrid financial instruments	807	468	396
Securitization bonds	2,295	3,693	4,729
Other securities	-	-	-
Subordinated liabilities	8,481	6,972	6,100
Convertible	4,500	4,070	3,030
Convertible perpetual securities	4,500	4,070	3,030
Convertible subordinated debt	-	-	-
Non-convertible	3,981	2,902	3,071
Preferred Stock	107	359	357
Other subordinated liabilities	3,875	2,543	2,714
In Foreign Currencies	**25,180**	**30,759**	**30,531**
Promissory bills and notes	3,157	382	194
Non-convertible bonds and debentures	11,109	15,134	14,976
Covered bonds (*)	650	149	148
Hybrid financial instruments	1,809	2,059	2,422
Securitization bonds	47	3,019	3,077
Other securities	-	-	-
Subordinated liabilities	8,407	10,016	9,715
Convertible	2,085	1,548	1,511
Convertible perpetual securities	2,085	1,548	1,511
Convertible subordinated debt	-	-	-
Non-convertible	6,323	8,467	8,204
Preferred Stock	55	620	616
Other subordinated liabilities	6,268	7,846	7,589
Total	**63,915**	**76,375**	**81,980**

(*) Including mortgage-covered bonds (see Appendix X).

As of December 31, 2017, 71% of "Debt securities issued" have fixed-interest rates and 29% have variable interest rates.

Most of the foreign currency issues are denominated in U.S. dollars.

22.4.1 Non-convertible bonds and debentures

The senior debt issued by BBVA Senior Finance, S.A.U., are guaranteed jointly, severally and irrevocably by the Bank.

22.4.2 Subordinated liabilities

The issuances of BBVA International Preferred, S.A.U., BBVA Subordinated Capital, S.A.U., BBVA Global Finance, Ltd., Caixa Terrassa Societat de Participacions Preferents, S.A.U. and CaixaSabadell Preferents, S.A.U., are jointly, severally and irrevocably guaranteed by the Bank. The balance variances are mainly due to the following transactions:

Convertible perpetual securities

On May 24, 2017, BBVA carried out the fifth issuance of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of €500 million. This issuance is listed in the Global Exchange Market of the Irish Stock Exchange and was targeted only at qualified investors, not being offered to, and not being subscribed for, in Spain or by Spanish residents. The issuance qualifies as additional tier 1 capital of the Bank and the Group in accordance with Regulation EU 575/2013 (see Note 22.3).

Additionally, on November 14, 2017, BBVA carried out the sixth issuance of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of $1,000 million. This issuance is listed in the Global Exchange Market of the Irish Stock Exchange and was targeted only at qualified investors, not being offered to, and not being subscribed for, in Spain or by Spanish residents. The qualification of this issuance as additional tier 1 capital has been requested (see Note 22.3).

The additional four issuances of perpetual contingent convertible securities (additional tier 1 instruments) with exclusion of pre-emptive subscription rights of shareholders (in April 2013 for an amount of $1.5 billion, in February 2014 and February 2015 for an amount of €1.5 billion each one, and in April 2016 for an amount of €1 billion). These issuances were targeted only at qualified investors and foreign private banking clients not being offered to, and not being subscribed for, in Spain or by Spanish residents. The first two issuances are listed in the Singapore Exchange Securities Trading Limited and the last two issuances are listed in the Global Exchange Market of the Irish Stock Exchange. Furthermore, these four issuances qualify as additional tier 1 capital of the Bank and the Group in accordance with Regulation UE 575/2013 (see Note 22.3).

These perpetual securities will be converted into newly issued ordinary shares of BBVA if the CET 1 ratio of the Bank or the Group is less than 5.125%, in accordance with their respective terms and conditions.

These issues may be fully redeemed at BBVA´s option only in the cases contemplated in their respective terms and conditions, and in any case, in accordance with the provisions of the applicable legislation.

Preferred securities

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

Preferred Securities by Issuer (Millions of euros)	2017	2016	2015
BBVA International Preferred, S.A.U. (1)	36	855	842
Unnim Group (2)	98	100	109
Compass Group	19	22	22
BBVA Colombia, S.A.	1	1	1
Other	9	1	-
Total	**163**	**979**	**974**

(1) Listed on the London and New York stock exchanges.

(2) Unnim Group: Issuances prior to the acquisition by BBVA.

These issues were fully subscribed at the moment of the issue by qualified/institutional investors outside the Group and are redeemable at the issuer company’s option after five years from the issue date, depending on the terms of each issue and with prior consent from the Bank of Spain.

Redemption of preferred securities

On March 20, 2017 BBVA International Preferred, S.A.U. carried out the early redemption in full of its Series B preferred securities for an outstanding amount of €164,350,000.

Likewise, on March 22, 2017 BBVA International Preferred, S.A.U. carried out the early redemption in full of its Series A preferred securities for an outstanding amount of €85,550,000.

Finally, on April 18, 2017 BBVA International Preferred, S.A.U. carried out the early redemption in full of its Series C preferred securities for an outstanding amount of USD 600,000,000.

22.5 Other financial liabilities

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

Other financial liabilities (Millions of euros)	Notes	2017	2016	2015
Creditors for other financial liabilities		2,835	3,465	3,303
Collection accounts		3,452	2,768	2,369
Creditors for other payables		5,563	6,370	5,960
Dividend payable but pending payment	4	-	525	509
Total		**11,850**	**13,129**	**12,141**

23. Liabilities under insurance and reinsurance contracts

The Group has insurance subsidiaries mainly in Spain and Latin America (mostly in Mexico). The main product offered by the insurance subsidiaries is life insurance to cover the risk of death (risk insurance) and life-savings insurance. Within life and accident insurance, a distinction is made between freely sold products and those offered to customers who have taken mortgage or consumer loans, which cover the principal of those loans in the event of the customer's death.

There are two types of savings products: individual insurance, which seeks to provide the customer with savings for retirement or other events, and group insurance, which is taken out by employers to cover their commitments to their employees.

The insurance business is affected by different risks, including those that are related to the BBVA Group such as credit risk, market risk, liquidity risk and operational risk and the methodology for risk measurement applied in the insurance activity is similar (see Note 7), although it has a differentiated management due to the particular characteristics of the insurance business, such as the coverage of contracted obligations and the long term of the commitments. Additionally, the insurance business generates certain specific risks, of a probabilistic nature:

- Technical risk: arises from deviations in the estimation of the casualty rate of insurances, either in terms of numbers, the amount of such claims and the timing of its occurrence.
- Biometric risk: depending on the deviations in the expected mortality behavior or the survival of the insured persons.

The insurance industry is highly regulated in each country. In this regard, it should be noted that the insurance industry is undergoing a gradual regulatory transformation through new capital regulations risk-based, which have already been published in several countries.

The most significant provisions recognized by consolidated insurance subsidiaries with respect to insurance policies issued by them are under the heading "Liabilities under -Insurance and reinsurance contracts" in the accompanying consolidated balance sheets.

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

Technical Reserves by type of insurance product (Millions of euros)

	2017	2016	2015
Mathematical reserves	7,961	7,813	8,101
Individual life insurance (1)	5,359	4,791	4,294
Savings	4,391	3,943	3,756
Risk	967	848	526
Others	1	-	12
Group insurance (2)	2,601	3,022	3,807
Savings	2,455	2,801	3,345
Risk	147	221	462
Others	-	-	-
Provision for unpaid claims reported	631	691	697
Provisions for unexpired risks and other provisions	631	635	609
Total	**9,223**	**9,139**	**9,407**

(1) Provides coverage in the event of death or disability.

(2) The insurance policies purchased by employers (other than BBVA Group) on behalf of its employees.

The cash flows of those Liabilities under insurance and reinsurance contracts are shown below:

Maturity (Millions of euros)
Liabilities under Insurance and Reinsurance Contracts

	Up to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
2017	1,560	1,119	1,502	5,042	9,223
2016	1,705	1,214	1,482	4,738	9,139
2015	1,652	1,397	1,495	4,863	9,407

The modeling methods and techniques used to calculate the mathematical reserves for the insurance products are actuarial and financial methods and modeling techniques approved by the respective country's insurance regulator or supervisor. The most important insurance entities are located in Spain and Mexico (which together account for approximately 85% of the insurance revenues), where the modeling methods and techniques are reviewed by the insurance regulator in Spain (General Directorate of Insurance) and Mexico (National Insurance and Bonding Commission), respectively. The modeling methods and techniques used to calculate the mathematical reserves for the insurance products are compliant with IFRS and primarily involve the valuation of the estimated future cash flows, discounted at the technical interest rate for each policy. To ensure this technical interest rate, asset-liability management is carried out, acquiring a portfolio of securities that generate the cash flows needed to cover the payment commitments assumed with the customers.

The table below shows the key assumptions as of December 31, 2017, used in the calculation of the mathematical reserves for insurance products in Spain and Mexico, respectively:

Mathematical Reserves

	Mortality table		Average technical interest type	
	Spain	Mexico	Spain	Mexico
Individual life insurance (1)	GRMF 80-2 GKM 80 / GKMF 95 PERMF 2000 PASEM	Tables of the Comisión Nacional de Seguros y Fianzas 2000-individual	0.26%-3.27%	2.50%
Group insurance (2)	PERMF 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-grupo	Depending on the related portfolio	5.50%

(1) Provides coverage in the case of one or more of the following events: death and disability.

(2) Insurance policies purchased by companies (other than Group BBVA entities) on behalf of their employees.

The heading "Assets under reinsurance and insurance contracts" in the accompanying consolidated balance sheets includes the amounts that the consolidated insurance entities are entitled to receive under the reinsurance contracts entered into by them with third parties and, more specifically, the share of the reinsurer in the technical provisions recognized by the consolidated insurance subsidiaries. As of December 31, 2017, 2016 and 2015, the balance under this heading amounted to €421, €447 million and €511 million, respectively.

24. Provisions

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

Provisions. Breakdown by concepts (Millions of euros)

	Notes	2017	2016	2015
Provisions for pensions and similar obligations	25	5,407	6,025	6,299
Other long term employee benefits	25	67	69	68
Provisions for taxes and other legal contingencies		756	418	616
Provisions for contingent risks and commitments		578	950	714
Other provisions (1)		669	1,609	1,155
Total		**7,477**	**9,071**	**8,852**

(1) During the year 2015 and 2016, provisions corresponding to different concepts and different geographies that are not individually significant individually, except originated of the Purchase Price Agreement of Catalunya Banc and Garanti Group (see Note 18.1).

The change in provisions for pensions and similar obligations for the years ended December 31, 2017, 2016 and 2015 is as follows:

Provisions for pensions and similar obligations. Changes Over the Period (Millions of euros)	Notes	2017	2016	2015
Balance at the beginning		**6,025**	**6,299**	**5,970**
Add				
Charges to income for the year		391	402	687
Interest expenses and similar charges		71	96	108
Personnel expenses	44.1	62	67	57
Provision expenses		258	239	522
Charges to equity (1)	25	140	339	135
Transfers and other changes (2)		(264)	66	440
Less				
Benefit payments	25	(861)	(926)	(925)
Employer contributions	25	(25)	(154)	(8)
Balance at the end		**5,407**	**6,025**	**6,299**

(1) Correspond to actuarial losses (gains) arising from certain defined-benefit post-employment pension commitments and other similar benefits recognized in "Equity" (see Note 2.2.12).

(2) In the year 2015 this line item correspond mainly to the incorporation of Garanti y Catalunya Banc (see Note 3).

Provisions for Taxes, Legal Contingents and Other Provisions. Changes Over the Period (Millions of euros)	2017	2016	2015
Balance at beginning	**2,028**	**1,771**	**1,031**
Additions	868	1,109	334
Acquisition of subsidiaries (*)	-	-	1,256
Unused amounts reversed during the period	(164)	(311)	(205)
Amount used and other variations	(1,306)	(540)	(645)
Balance at the end	**1,425**	**2,028**	**1,771**

(*) In the year 2015 this line item mainly includes the incorporation of Garanti y Catalunya Banc in year 2015 (see Note 3).

Ongoing legal proceedings and litigation

The financial sector is facing an environment of greater regulatory and litigious pressure. In this environment, BBVA is frequently party to individual or collective legal actions arising in the ordinary course of business. According to the procedural status of these proceedings and the criteria of the legal counsel, BBVA considers that, as of December 31, 2017, none of such actions is material, individually or as a whole, and with no significant impact on the operating results, liquidity or financial situation at a Group consolidated or individual level of the Bank. As of December 31, 2017 BBVA´s Management believes that the provisions made in respect of such legal proceedings are adequate.

In the consolidated financial statements for the year 2016, the judicial procedure related to the clauses of limitation of interest rates in mortgage loans with consumers (the so-called "cláusulas suelo") was considered material. In relation to this issue, after the preliminary ruling to the Court of Justice of the European Union (CJEU), and after the analysis carried out on the portfolio of mortgage loans to consumers to which a floor clause had been applied, BBVA endowed a provision of €577 million (with an impact on the attributed profit of approximately €404 million) recorded in the consolidated profit and loss account for 2016, to cover potential claims. This provision has been used for this purpose during the year 2017. The additional provisions that have been made during the year 2017, to cover the possible claims that may arise in relation to this matter, have not been significant.

25. Post-employment and other employee benefit commitments

As stated in Note 2.2.12, the Group has assumed commitments with employees including short-term employee benefits (see Note 44.1), defined contribution and defined benefit plans (see Glossary), healthcare and other long-term employee benefits.

The Group sponsors defined-contribution plans for the majority of its active employees with the plans in Spain and Mexico being the most significant. Most defined benefit plans are closed to new employees with liabilities relating largely to retired employees, the most significant being those in Spain, Mexico, the United States and Turkey. In Mexico, the Group provides medical benefits to a closed group of employees and their family members, both active service and in retirees.

The breakdown of the balance sheet net defined benefit liability as of December 31, 2017, 2016 and 2015 is provided below:

Net Defined Benefit Liability (asset) on the Consolidated Balance Sheet (Millions of euros)			
	2017	**2016**	**2015**
Pension commitments	4,969	5,277	5,306
Early retirement commitments	2,210	2,559	2,855
Medical benefits commitments	1,204	1,015	1,023
Other long term employee benefits	67	69	68
Total commitments	**8,451**	**8,920**	**9,252**
Pension plan assets	1,892	1,909	1,974
Medical benefit plan assets	1,114	1,113	1,149
Total plan assets (1)	**3,006**	**3,022**	**3,124**
Total net liability / asset on the consolidated balance sheet	**5,445**	**5,898**	**6,128**
Of which:			
Net asset on the consolidated balance sheet (2)	*(27)*	*(194)*	*(238)*
Net liability on the consolidated balance sheet for provisions for pensions and similar obligations (3)	*5,407*	*6,025*	*6,299*
Net liability on the consolidated balance sheet for other long term employee benefits (4)	*67*	*69*	*68*

(1) In Turkey, the foundation responsible for managing the benefit commitments holds an additional asset of 142€ million which, in accordance with IFRS regarding the asset ceiling, has not been recognized in the Consolidated Financial Statements, because although it could be used to reduce future pension contributions it could not be immediately refunded to the employer.

(2) Recorded under the heading "Other Assets - Other" of the consolidated balance sheet (see Note 20).

(3) Recorded under the heading "Provisions - Provisions for pensions and similar obligations" of the consolidated balance sheet (see Note 24).

(4) Recorded under the heading "Provisions – Other long-term employee benefits" of the consolidated balance sheet.

The amounts relating to benefit commitments charged to consolidated income statement for the years 2017, 2016 and 2015 are as follows:

Consolidated Income Statement Impact (Millions of euros)	Notes	2017	2016	2015
Interest and similar expenses		**71**	**96**	**108**
Interest expense		294	303	309
Interest income		(223)	(207)	(201)
Personnel expenses		**149**	**154**	**141**
Defined contribution plan expense	44.1	87	87	84
Defined benefit plan expense	44.1	62	67	57
Provisions (net)	46	**343**	**332**	**592**
Early retirement expense		227	236	502
Past service cost expense		3	(2)	26
Remeasurements (*)		31	3	20
Other provision expenses		82	95	44
Total impact on Consolidated Income Statement: Debit (Credit)		**563**	**582**	**841**

(*) Actuarial losses (gains) on remeasurement of the net defined benefit liability relating to early retirements in Spain and other long-term employee benefits that are charged to the income statements (see Note 2.2.12).

The amounts relating to post-employment benefits charged to the consolidated balance sheet correspond to the actuarial gains (losses) on remeasurement of the net defined benefit liability relating to pension and medical commitments before income taxes. As of December 31, 2017, 2016 and 2015 are as follows:

Equity Impact (Millions of euros)	2017	2016	2015
Defined benefit plans	(40)	237	128
Post-employment medical benefits	179	119	7
Total impact on equity: Debit (Credit) (*)	**140**	**356**	**135**

25.1 Defined benefit plans

Defined benefit commitments relate mainly to employees who have already retired or taken early retirement, certain closed groups of active employees still accruing defined benefit pensions, and in-service death and disability benefits provided to most active employees. For the latter, the Group pays the required premiums to fully insure the related liability. The change in these pension commitments during the years ended December 31, 2017, 2016 and 2015 is presented below:

Defined Benefits (Millions of euros)

	2017			2016			2015		
	Defined Benefit Obligation	Plan Assets	Net Liability (asset)	Defined Benefit Obligation	Plan Assets	Net Liability (asset)	Defined Benefit Obligation	Plan Assets	Net Liability (asset)
Balance at the beginning	**8,851**	**3,022**	**5,829**	**9,184**	**3,124**	**6,060**	**8,622**	**2,937**	**5,685**
Current service cost	64	-	64	67	-	67	57	-	57
Interest income or expense	290	223	68	299	207	92	309	201	108
Contributions by plan participants	4	4	0	5	5	-	2	2	-
Employer contributions	-	25	(25)	-	154	(154)	-	8	(8)
Past service costs (1)	231	-	231	235	-	235	530	-	530
Remeasurements:	331	161	171	354	(5)	359	42	(113)	155
Return on plan assets (2)	-	161	(161)	-	(20)	20	-	(106)	106
From changes in demographic assumptions	100	-	100	107	-	107	8	-	8
From changes in financial assumptions	220	-	220	106	-	106	(53)	-	(53)
Other actuarial gain and losses	12	-	12	141	15	125	88	(7)	94
Benefit payments	(1,029)	(169)	(861)	(1,052)	(169)	(883)	(1,086)	(146)	(940)
Settlement payments	-	-	-	(43)	-	(43)	(2)	(17)	15
Business combinations and disposals	-	-	-	-	-	-	795	321	474
Effect on changes in foreign exchange rates	(278)	(258)	(19)	(282)	(293)	11	(136)	(98)	(38)
Conversions to defined contributions	(82)	-	(82)						
Other effects	(1)	(1)	0	84	-	84	50	28	22
Balance at the end	**8,384**	**3,006**	**5,378**	**8,851**	**3,022**	**5,829**	**9,184**	**3,124**	**6,060**
Of which									
Spain	*5,442*	*320*	*5,122*	*6,157*	*358*	*5,799*	*6,491*	*380*	*6,111*
Mexico	*1,661*	*1,602*	*60*	*1,456*	*1,627*	*(171)*	*1,527*	*1,745*	*(219)*
The United States	*360*	*309*	*51*	*385*	*339*	*46*	*362*	*329*	*33*
Turkey	*520*	*424*	*96*	*447*	*348*	*99*	*435*	*337*	*98*

(1) Including gains and losses arising from settlements.

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

The balance under the heading “Provisions - Pensions and other post-employment defined benefit obligations” of the accompanying consolidated balance sheet as of December 31, 2017 includes €341 million relating to post-employment benefit commitments to former members of the Board of Directors and the Bank’s Management (see Note 54).

The most significant commitments are those in Spain and Mexico and, to a lesser extent, in the United States and Turkey. The remaining commitments are located mostly in Portugal and South America. Unless otherwise required by local regulation, all defined benefit plans have been closed to new entrants, who instead are able to participate in the Group´s defined contribution plans.

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

In order to guarantee the good governance of these plans, the Group has established specific benefits committees. These benefit committees include members from the different areas of the business to ensure that all decisions are made taking into consideration all of the associated impacts.

The following table sets out the key actuarial assumptions used in the valuation of these commitments as of December 31, 2017, 2016 and 2015:

Actuarial Assumptions (Millions of euros)

	2017				2016				2015			
	Spain	Mexico	USA	Turkey	Spain	Mexico	USA	Turkey	Spain	Mexico	USA	Turkey
Discount rate	1.24%	9.48%	3.57%	11.60%	1.50%	9.95%	4.04%	11.50%	2.00%	9.30%	4.30%	10.30%
Rate of salary increase	-	4.75%	-	9.90%	1.50%	4.75%	3.00%	9.30%	2.00%	4.75%	3.00%	8.60%
Rate of pension increase	-	2.13%	-	8.40%	-	2.13%	-	7.80%		2.13%		7.10%
Medical cost trend rate	-	7.00%	-	12.60%	-	6.75%	-	10.92%		6.75%		9.94%
Mortality tables	PERM/F 2000P	EMSSA09	RP 2014	CSO2001	PERM/F 2000P	EMSSA97 (adjustment EMSSA09)	RP 2014	CSO2001	PERM/F 2000P	EMSSA 97	RP 2014	CSO2001

In Spain, the discount rate shown as of December, 31, 2017, corresponds to the weighted average rate, the actual discount rates used are 0.50% and 1.75% depending on the type of commitment.

Discount rates used to value future benefit cash flows have been determined by reference to high quality corporate bonds (Note 2.2.12) denominated in Euro in the case of Spain, Mexican peso for Mexico and USD for the United States, and government bonds denominated in new Turkish Lira for Turkey.

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

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

Changes in the main actuarial assumptions may affect the valuation of the commitments. The table below shows the sensitivity of the benefit obligations to changes in the key assumptions:

Sensitivity Analysis (Millions of euros)

	Basis points change	2017		2016	
		Increase	Decrease	Increase	Decrease
Discount rate	50	(352)	386	(367)	401
Rate of salary increase	50	5	(5)	9	(9)
Rate of pension increase	50	23	(22)	28	(27)
Medical cost trend rate	100	290	(225)	263	(204)
Change in obligation from each additional year of longevity	-	155	-	121	-

The sensitivities provided above have been determined at the date of these consolidated financial statements, and reflect solely the impact of changing one individual assumption at a time, keeping the rest of the assumptions unchanged, thereby excluding the effects which may result from combined assumption changes.

In addition to the commitments to employees shown above, the Group has other less material long-term employee benefits. These include long-service awards, which consist of either an established monetary award or some vacation days granted to certain groups of employees when they complete a given number of years of service. As of December 31, 2017, 2016 and 2015, the actuarial liabilities for the outstanding awards amounted to €67 million, €69 million, and €68 million, respectively. These commitments are recorded under the heading "Provisions - Other long-term employee benefits" of the accompanying consolidated balance sheet (see Note 24).

As described above, the Group maintains both pension and medical post-employment benefit commitments with their employees.

25.1.1 Post-employment commitments and similar obligations

These commitments relate mostly to pensions in payment, and which have been determined based on salary and years of service. For most plans, pension payments are due on retirement, death and long term disability.

In addition, during the year 2017, Group entities in Spain offered certain employees the option to take retirement or early retirement (that is, earlier than the age stipulated in the collective labor agreement in force). This offer was accepted by 731 employees (613 and 1,817 employees during years 2016 and 2015, respectively). These commitments include both the compensation and indemnities due as well as the contributions payable to external pension funds during the early retirement period. As of December 31, 2017, 2016 and 2015, the value of these commitments amounted to €2,210 million, €2,559 million and €2,855 million, respectively.

The change in the benefit plan obligations and plan assets as of December 31, 2017 was as follows:

Post-employment commitments 2017 (Millions of euros)					
	Defined Benefit Obligation				
	Spain	Mexico	USA	Turkey	Rest of the world
Balance at the beginning	**6,157**	**455**	**385**	**447**	**392**
Current service cost	4	5	3	21	5
Interest income or expense	78	44	14	45	9
Contributions by plan participants	-	-	-	3	1
Employer contributions	-	-	-	-	-
Past service costs (1)	235	1	-	4	3
Remeasurements:	(46)	48	20	113	(3)
Return on plan assets (2)	-	-	-	-	-
From changes in demographic assumptions	-	22	(2)	-	(3)
From changes in financial assumptions	(33)	18	22	81	4
Other actuarial gain and losses	(13)	7	-	32	(4)
Benefit payments	(906)	(41)	(14)	(24)	(10)
Settlement payments	-	-	-	-	-
Business combinations and disposals	-	-	-	-	-
Effect on changes in foreign exchange rates	-	(41)	(47)	(89)	(9)
Conversions to defined contributions	(82)	-	-	-	-
Other effects	2	-	(2)	-	(1)
Balance at the end	**5,442**	**470**	**360**	**520**	**387**
Of which:					
Vested benefit obligation relating to current employees	111				
Vested benefit obligation relating to retired employees	5,331				

Post-employment commitments 2017 (Millions of euros)	Plan Assets				
	Spain	Mexico	USA	Turkey	Rest of the world
Balance at the beginning	**358**	**514**	**339**	**348**	**349**
Current service cost	-	-	-	-	1
Interest income or expense	5	50	13	36	7
Contributions by plan participants	-	-	-	3	1
Employer contributions	-	1	-	16	8
Past service costs (1)	-	-	-	-	1
Remeasurements:	21	10	11	101	(2)
Return on plan assets (2)	21	10	11	101	(2)
From changes in demographic assumptions	-	-	-	-	-
From changes in financial assumptions	-	-	-	-	-
Other actuarial gain and losses	-	-	-	-	-
Benefit payments	(64)	(40)	(12)	(12)	(7)
Settlement payments	-	-	-	-	-
Business combinations and disposals	-	-	-	-	-
Effect on changes in foreign exchange rates	-	(46)	(41)	(68)	(4)
Conversions to defined contributions	-	-	-	-	-
Other effects	-	-	(1)	-	-
Balance at the end	**320**	**488**	**309**	**424**	**351**

Post-employment commitments 2017 (Millions of euros)	Net Liability (Asset)				
	Spain	Mexico	USA	Turkey	Rest of the world
Balance at the beginning	**5,799**	**(59)**	**46**	**99**	**43**
Current service cost	4	5	3	21	5
Interest income or expense	73	(6)	1	9	2
Contributions by plan participants	-	-	-	-	-
Employer contributions	-	(1)	-	(16)	(8)
Past service costs (1)	235	1	-	4	3
Remeasurements:	(67)	38	9	12	(1)
Return on plan assets (2)	(21)	(10)	(11)	(101)	2
From changes in demographic assumptions	-	22	(2)	-	(3)
From changes in financial assumptions	(33)	18	22	81	4
Other actuarial gain and losses	(13)	7	-	32	(4)
Benefit payments	(842)	(1)	(2)	(11)	(3)
Settlement payments	-	-	-	-	-
Business combinations and disposals	-	-	-	-	-
Effect on changes in foreign exchange rates	-	5	(5)	(21)	(5)
Conversions to defined contributions	(82)	-	-	-	-
Other effects	2	-	(1)	-	(1)
Balance at the end	**5,122**	**(18)**	**51**	**96**	**36**

(1) Including gains and losses arising from settlements.

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

The change in net liabilities (assets) during the years ended 2016 and 2015 was as follows:

Post-employment commitments (Millions of euros)

	2016: Net liability (asset)					2015: Net liability (asset)				
	Spain	Mexico	USA	Turkey	Rest of the world	Spain	Mexico	USA	Turkey	Rest of the world
Balance at the beginning	**6,109**	**(79)**	**35**	**97**	**24**	**5,830**	**(94)**	**38**	**-**	**69**
Current service cost	10	6	4	22	5	9	8	3	2	4
Interest income or expense	98	(7)	1	8	2	123	(10)	1	4	3
Contributions by plan participants	-	-	-	-	-	-	-	-	-	-
Employer contributions	-	(14)	(1)	(17)	(9)	-	(1)	-	-	(7)
Past service costs (1)	240	1	-	4	(4)	550	(15)	-	2	-
Remeasurements:	188	23	10	8	11	112	29	(9)	10	7
Return on plan assets (2)	(35)	23	3	(23)	(8)	-	50	19	(54)	(3)
From changes in demographic assumptions	-	2	(5)	-	(1)	-	-	(7)	15	-
From changes in financial assumptions	192	(22)	13	(23)	37	101	(23)	(18)	(25)	3
Other actuarial gain and losses	31	19	(1)	54	(17)	11	2	(3)	74	7
Benefit payments	(867)	-	(3)	(9)	(2)	(913)	-	(20)	(4)	(3)
Settlement payments	(43)	-	-	-	-	-	-	17	-	-
Business combinations and disposals	-	-	-	-	-	378	-	-	96	-
Effect on changes in foreign exchange rates	-	10	2	(15)	(4)	1	5	4	(11)	(45)
Other effects	63	-	(3)	-	20	23	1	(1)	-	(1)
Balance at the end	**5,799**	**(59)**	**46**	**99**	**42**	**6,109**	**(78)**	**33**	**98**	**23**

(1) Includes gains and losses from settlements.

(2) Excludes interest which is reflected in the line item "Interest income and expenses".

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

In the Spanish entities these commitments are covered by insurance contracts which meet the requirements of the accounting standard regarding the non-recoverability of contributions. However, a significant number of the insurance contracts are with BBVA Seguros, S.A.– a consolidated subsidiary and related party – and consequently these policies cannot be considered plan assets under IAS 19. For this reason, the liabilities insured under these policies are fully recognized under the heading "Provisions – Pensions and other post-employment defined benefit obligations" of the accompanying consolidated balance sheet (see Note 24), while the related assets held by the insurance company are included within the Group´s consolidated assets (registered according to the classification of the corresponding financial instruments). As of December 31, 2017 the value of these separate assets was €2,689 million, representing direct rights of the insured employees held in the consolidated balance sheet, hence these benefits are effectively fully funded.

On the other hand, some pension commitments have been funded through insurance contracts with insurance companies not related to the Group, and can therefore be considered qualifying insurance policies and plan assets under IAS 19. In this case the accompanying consolidated balance sheet reflects the value of the obligations net of the fair value of the qualifying insurance policies. As of December 31, 2017, 2016 and 2015, the fair value of the aforementioned insurance policies (€320, €358 million and €380 million, respectively) exactly match the value of the corresponding obligations and therefore no amount for this item has been recorded in the accompanying consolidated balance sheet.

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

In Mexico, there is a defined benefit plan for employees hired prior to 2001. Other employees participate in a defined contribution plan. External funds/trusts have been constituted locally to meet benefit payments as required by local regulation.

In the United States there are mainly two defined benefit plans, both closed to new employees, who instead are able to join a defined contribution plan. External funds/trusts have been constituted locally to fund the plans, as required by local regulation.

In 2008, the Turkish government passed a law to unify the different existing pension systems under a single umbrella Social Security system. Such system provides for the transfer of the various previously established funds.

The financial sector is in this stage at present, maintaining these pension commitments managed by external pension funds (foundations) established for that purpose.

The Foundation that maintains the assets and liabilities relating to employees of Garanti in Turkey, as per the local regulatory requirements, has registered an obligation amounting to €228 million as of December 31, 2017 pending future transfer to the Social Security system.

Furthermore, Garanti has set up a defined benefit pension plan for employees, additional to the social security benefits, reflected in the consolidated balance sheet.

Until the year 2016, he Bank also had commitments to pay indemnities to certain employees and members of the Group's Senior Management in the event that they cease to hold their positions for reasons other than their own will, retirement, disability or serious dereliction of duties. The amount will be calculated according to the salary and professional conditions of each employee, taking into consideration fixed elements of the remuneration and the length of office at the Bank. Under no circumstances indemnities will be paid in cases of disciplinary dismissal for misconduct upon decision of the employer on grounds of the employee's serious dereliction of duties.

25.1.2 Medical benefit commitments

The change in defined benefit obligations and plan assets during the years 2017, 2016 and 2015 was as follows:

Medical Benefits Commitments

	2017			2016			2015		
	Defined Benefit Obligation	Plan assets	Net liability (asset)	Defined Benefit Obligation	Plan assets	Net liability (asset)	Defined Benefit Obligation	Plan assets	Net liability (asset)
Balance at the beginning	**1,015**	**1,113**	**(98)**	**1,022**	**1,149**	**(127)**	**1,083**	**1,240**	**(157)**
Current service cost	26	-	26	24	-	24	31	-	31
Interest income or expense	101	112	(11)	86	97	(11)	95	109	(14)
Contributions by plan participants	-	-	-	-	-	-	-	-	-
Employer contributions	-	-	-	-	114	(114)	-	-	-
Past service costs (1)	(11)	-	(11)	(5)	-	(5)	1	-	1
Remeasurements:	200	21	179	59	(60)	119	(87)	(94)	7
Return on plan assets (2)	-	21	(21)	-	(60)	60	-	(94)	94
From changes in demographic assumptions	83	-	83	110	-	110	-	-	-
From changes in financial assumptions	128	-	128	(91)	-	(91)	(91)	-	(91)
Other actuarial gain and losses	(10)	-	(10)	39	-	39	4	-	4
Benefit payments	(35)	(33)	(2)	(33)	(30)	(2)	(30)	(30)	-
Settlement payments	-	-	-	-	-	-	(2)	-	(2)
Business combinations and disposals	-	-	-	-	-	-	-	-	-
Effect on changes in foreign exchange rates	(92)	(100)	8	(138)	(156)	18	(69)	(76)	8
Other effects	-	-	-	-	-	-	-	-	-
Balance at the end	**1,204**	**1,114**	**91**	**1,015**	**1,113**	**(98)**	**1,022**	**1,149**	**(127)**

(1) Including gains and losses arising from settlements.

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

In Mexico there is a medical benefit plan for employees hired prior to 2007. New employees from 2007 are covered by a medical insurance policy. An external trust has been constituted locally to fund the plan, in accordance with local legislation and Group policy.

In Turkey employees are currently provided with medical benefits through a foundation in collaboration with the Social Security system, although local legislation prescribes the future unification of this and similar systems into the general Social Security system itself.

The valuation of these benefits and their accounting treatment follow the same methodology as that employed in the valuation of pension commitments.

25.1.3 Estimated benefit payments

As of December 31, 2017, the estimated benefit payments over the next ten years for all the entities in Spain, Mexico, The United States and Turkey are as follows:

Estimated Benefit Payments (Millions of euros)

	2018	2019	2020	2021	2022	2023-2027
Commitments in Spain	753	681	596	500	402	1,101
Commitments in Mexico	78	79	83	90	95	591
Commitments in United States	15	16	17	18	18	101
Commitments in Turkey	25	15	17	20	22	189
Total	**871**	**791**	**713**	**628**	**537**	**1,982**

25.1.4 Plan assets

The majority of the Group´s defined benefit plans are funded by plan assets held in external funds/trusts legally separate from the Group sponsoring entity. However, in accordance with local regulation, some commitments are not externally funded and covered through internally held provisions, principally those relating to early retirements in Spain.

Plan assets are those assets which will be used to directly settle the assumed commitments and which meet the following conditions: they are not part of the Group sponsoring entities assets, they are available only to pay post-employment benefits and they cannot be returned to the Group sponsoring entity.

To manage the assets associated with defined benefit plans, BBVA Group has established investment policies designed according to criteria of prudence and minimizing the financial risks associated with plan assets.

The investment policy consists of investing in a low risk and diversified portfolio of assets with maturities consistent with the term of the benefit obligation and which, together with contributions made to the plan, will be sufficient to meet benefit payments when due, thus mitigating the plans' risks.

In those countries where plan assets are held in pension funds or trusts, the investment policy is developed consistently with local regulation. When selecting specific assets, current market conditions, the risk profile of the assets and their future market outlook are all taken into consideration. In all the cases, the selection of assets takes into consideration the term of the benefit obligations as well as short-term liquidity requirements.

The risks associated with these commitments are those which give rise to a deficit in the plan assets. A deficit could arise from factors such as a fall in the market value of plan assets, an increase in long-term interest rates leading to a decrease in the fair value of fixed income securities, or a deterioration of the economy resulting in more write-downs and credit rating downgrades.

The table below shows the allocation of plan assets of the main companies of the BBVA Group as of December 31, 2017:

Plan Assets Breakdown (Millions of euros)	2017
Cash or cash equivalents	68
Debt securities (Government bonds)	2,178
Property	1
Mutual funds	1
Insurance contracts	4
Other investments	10
Total	**2,261**
Of which:	
Bank account in BBVA	*5*
Debt securities issued by BBVA	*3*

In addition to the above there are plan assets relating to the previously mentioned insurance contracts in Spain and the foundation in Turkey.

The following table provides details of investments in listed securities (Level 1) as of December 31, 2017:

Investments in listed markets	2017
Cash or cash equivalents	68
Debt securities (Government bonds)	2,178
Mutual funds	1
Total	**2,247**
Of which:	
Bank account in BBVA	*5*
Debt securities issued by BBVA	*3*

The remainders of the assets are mainly invested in Level 2 assets in in accordance with the classification established under IFRS 13 (mainly insurance contracts). As of December 31, 2017, almost all of the assets related to employee's commitments corresponded to fixed income securities.

25.2 Defined contribution plans

Certain Group entities sponsor defined contribution plans. Some of these plans allow employees to make contributions which are then matched by the employer.

Contributions are recognized as and when they are accrued, with a charge to the consolidated income statement in the corresponding year. No liability is therefore recognized in the accompanying consolidated balance sheet (see Note 44.1).

26. Common stock

As of December 31, 2017, BBVA's common stock amounted to €3,267,264,424.20 divided into 6,667,886,580 fully subscribed and paid-up registered shares, all of the same class and series, at €0.49 par value each, represented through book-entry accounts. All of the Bank shares carry the same voting and dividend rights, and no single stockholder enjoys special voting rights. Each and every share is part of the Bank's common stock.

The Bank's shares are traded on the Spanish stock market, as well as on the London and Mexico stock markets. BBVA American Depositary Shares (ADSs) traded on the New York Stock Exchange. Also, as of December 31, 2017, the shares of BBVA Banco Continental, S.A., Banco Provincial S.A., BBVA Colombia, S.A., BBVA Chile, S.A., and BBVA Banco Frances, S.A. were listed on their respective local stock markets. BBVA Banco Frances, S.A. is also listed on the Latin American market (Latibex) of the Madrid Stock Exchange and on the New York Stock Exchange.

Additionally, as of December 31, 2017, the shares of BBVA Banco Continental, S.A .; Banco Provincial, S.A .; BBVA Colombia, S.A .; BBVA Chile, S.A .; BBVA Banco Francés, S.A. and Turkiye Garanti Bankasi A.S., were listed on their respective local stock markets. BBVA Banco Francés, S.A. was also quoted in the Latin American market (Latibex) of the Madrid Stock Exchange and the New York Stock Exchange.

As of December 31, 2017, State Street Bank and Trust Co., Chase Nominees Ltd and The Bank of New York Mellon SA NV in their capacity as international custodian/depositary banks, held 12.53%, 6.48%, and 3.80% of BBVA common stock, respectively. Of said positions held by the custodian banks, BBVA is not aware of any individual shareholders with direct or indirect holdings greater than or equal to 3% of BBVA common stock outstanding.

On October 18, 2017, the Blackrock, Inc. reported to the Spanish Securities and Exchange Commission (CNMV) that, it now has an indirect holding of BBVA common stock totaling 5.939%, of which 5.708% are voting rights attributed to shares and 0,231% are voting rights through financial instruments.

BBVA is not aware of any direct or indirect interests through which control of the Bank may be exercised. BBVA has not received any information on stockholder agreements including the regulation of the exercise of voting rights at its annual general meetings or restricting or placing conditions on the free transferability of BBVA shares. No agreement is known that could give rise to changes in the control of the Bank.

The changes in the heading "Paid up Capital" of the accompanying consolidated balance sheets are due to the following common stock increases:

Capital Increase

	Number of Shares	Paid up capital (Millions of Euros)
As of December 31, 2015	**6,366,680,118**	**3,120**
Dividend option - April 2016	113,677,807	56
Dividend option - October 2016	86,257,317	42
As of December 31, 2016	**6,566,615,242**	**3,218**
Dividend Option . April 2017	101,271,338	50
As of December 31, 2017	**6,667,886,580**	**3,267**

"Dividend Option" Program in 2017:

The AGM of BBVA held on March 17, 2017 adopted, under agenda item three, a capital increase to be charged to voluntary reserves to implement the shareholder remuneration system called the "Dividend Option" this year in similar conditions to those agreed in 2014, 2015 and 2016, conferring on the Board of Directors, in accordance with article 297.1.a) of the Spanish Companies Act, the authority to set the date on which the capital increase should be carried out, within one year of the date of approval of the AGM resolution.

By virtue of such resolution, the Board of Directors of BBVA resolved, on March 29, 2017, to execute the capital increase to be charged to voluntary reserves, in accordance with the terms and conditions approved by the AGM mentioned above. As a result, BBVA's share capital was increased by an amount of 49,622,955.62 euros through the issuance of 101,271,338 newly-issued BBVA ordinary shares at 0.49 euros par value each (see Note 4).

"Dividend Option" Program in 2016:

The AGM held on March 11, 2016, under agenda item three, adopted four capital increase resolutions to be charged to voluntary reserves to once again implement the shareholder remuneration program called the "Dividend Option" (see Note 4), conferring on the Board of Directors, in accordance with article 297.1 a) of the Spanish Companies Act, the authority to set the date on which said capital increases should be carried out, within one year of the date of approval of the AGM resolution, including the power not to implement any of the resolutions, when deemed advisable.

On March 31, 2016, the Board of Directors of BBVA approved the execution of the first of the capital increases charged to voluntary reserves, in accordance with the terms and conditions agreed by the aforementioned AGM. As a result of this increase, the Bank's capital increased by €55,702,125.43 through the issuance of 113,677,807 ordinary shares at €0.49 par 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.

"Dividend Option" Program in 2015:

The AGM held on March 13, 2015 under Point Four of the Agenda, adopted four resolutions on capital increase to be charged to voluntary reserves, to once again implement the shareholder remuneration program called the "Dividend Option" (see Note 4), pursuant to article 297.1 a) of the Spanish Corporate Enterprises Act, conferring on the Board of Directors the authority to indicate the date on which said capital increases should be carried out, within one year of the date of the AGM, including the power not to implement any of the resolutions, when deemed advisable.

On March 25, 2015, the Board of Directors of BBVA approved the execution of the first of the capital increases charged to voluntary reserves agreed by the aforementioned AGM. As a result of this increase, the Bank's capital increased by €39,353,896.26 through the issue and circulation of 80,314,074 shares with a €0.49 par value each.

Likewise, on September 30, 2015, the Board of Directors of BBVA approved the execution of the second of the capital increases charged to voluntary reserves agreed by the aforementioned AGM. As a result of this increase, the Bank's capital increased by €30,106,631.94 through the issue and circulation of 61,442,106 shares with a €0.49 par value each.

Convertible and/or exchangeable securities:

The AGM held on March 17, 2017, resolved, under agenda item five, to confer authority to the Board of Directors to issue securities convertible into newly issued BBVA shares, on one or several occasions, within the maximum term of five years to be counted from the approval date of the authorization, up to a maximum overall amount of €8 billion or its equivalent in any other currency. Likewise, the AGM resolved to confer to the Board of Directors the authority to totally or partially exclude shareholders' pre-emptive subscription rights within the framework of a specific issue of convertible securities, although this power was limited to ensure the nominal amount of the capital increases resolved or effectively carried out to cover the conversion of mandatory convertible issuances of this authority (without prejudice to anti-dilution adjustments), with exclusion of pre-emptive subscription rights and of those likewise resolved or carried out with exclusion of pre-emptive subscription rights in use of the authority to increase the share capital conferred by the AGM held on March 17, 2017, under agenda item four, do not exceed the maximum nominal amount, overall, of 20% of the share capital of BBVA at the time of the authorization, this limit not being applicable to contingent convertible issues.

In use of the authority mentioned above, BBVA carried out, on May 24, 2017 the fifth issuance of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of €500 million. This issuance is listed in the Global Exchange Market of the Irish Stock Exchange and was targeted only at qualified investors, not being offered to, and not being subscribed for, in Spain or by Spanish residents. The issuance qualifies as additional tier 1 capital of the Bank and the Group in accordance with Regulation EU 575/2013 (see Note 22.3).

Likewise, in use of such authority, BBVA carried out, on November 14, 2017 the sixth issuance of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of $1,000 million. This issuance is listed in the Global Exchange Market of the Irish Stock Exchange and was targeted only at qualified investors, not being offered to, and not being subscribed for, in Spain or by Spanish residents. The qualification of this issuance as additional tier 1 capital has been requested (see Note 22.3).

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 instrument), with exclusion of pre-emptive subscription rights of shareholders (in April 2013 for an amount of $1.5 billion, in February 2014 and February 2015 for an amount of €1.5 billion each one, and in April 2016 for an amount of €1 billion). These issuances were targeted only at qualified investors and foreign private banking clients not being offered to, and not being subscribed for, in Spain or by Spanish residents. The first two issuances are listed in the Singapore Exchange Securities Trading Limited and the last two issuances are listed in the Global Exchange Market of the Irish Stock Exchange. Furthermore, these four issuances qualify as additional tier 1 capital of the Bank and the Group in accordance with Regulation UE 575/2013 (see Note 22.3).

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 pre-emptive subscription rights in use of the referred authority and those that may be resolved or carried out to cover the conversion of mandatory convertible issues that may equally be made with the exclusion of pre-emptive subscription rights in use of the authority to issue convertible securities conferred by the AGM held on March 17, 2017, under agenda item five (without prejudice to the anti-dilution adjustments) shall not exceed the nominal maximum overall amount of 20% of the share capital of BBVA at the time of the authorization.

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

27. Share premium

As of December 31, 2017, 2016 and 2015, the balance under this heading in the accompanying consolidated balance sheets was €23,992 million.

The amended Spanish Corporation Act expressly permits the use of the share premium balance to increase capital and establishes no specific restrictions as to its use (see Note 26)

28. Retained earnings, revaluation reserves and other reserves

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

Retained earnings, revaluation reserves and other reserves. Breakdown by concepts (Millions of euros)	2017	2016	2015
Legal reserve	644	624	605
Restricted reserve	159	201	213
Reserves for regularizations and balance revaluations	12	20	22
Voluntary reserves	8,643	8,521	6,971
Total reserves holding company (*)	**9,458**	**9,366**	**7,811**
Consolidation reserves attributed to the Bank and dependent consolidated companies.	15,985	14,275	14,701
Total	**25,443**	**23,641**	**22,512**

(*) Total reserves of BBVA, S.A. (see Appendix IX).

28.1 Legal reserve

Under the amended Corporations Act, 10% of any profit made each year must be transferred to the legal reserve. The transfer must be made until the legal reserve reaches 20% of the common stock.

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

28.2 Restricted reserves

As of December 31, 2017, 2016 and 2015, the Bank's restricted reserves are as follows:

Restricted Reserves (Millions of euros)	2017	2016	2015
Restricted reserve for retired capital	88	88	88
Restricted reserve for Parent Company shares and loans for those shares	69	111	123
Restricted reserve for redenomination of capital in euros	2	2	2
Total	**159**	**201**	**213**

The restricted reserve for retired capital resulted from the reduction of the nominal par value of the BBVA shares made in April 2000.

The most significant heading corresponds to restricted reserves related to the amount of shares issued by the Bank in its possession at each date, as well as the amount of customer loans outstanding at those dates that were granted for the purchase of, or are secured by, the Parent Company shares.

Finally, pursuant to Law 46/1998 on the Introduction of the Euro, a restricted reserve is recognized as a result of the rounding effect of the redenomination of the Parent Company common stock in euros.

28.3 Retained earnings, revaluation reserves and other reserves by entity

The breakdown, by company or corporate group, under the heading "Reserves" in the accompanying consolidated balance sheets is as follows:

Retained earnings, Revaluation reserves and Other reserves (Millions of euros)

	2017	2016	2015
Accumulated income and Revaluation reserves			
Holding Company	15,625	14,101	14,763
BBVA Bancomer Group	9,442	9,108	8,178
BBVA Seguros, S.A.	(215)	(62)	261
Corporacion General Financiera, S.A.	1,202	1,187	1,192
BBVA Banco Provincial Group	1,749	1,752	1,751
BBVA Chile Group	951	1,264	1,115
BBVA Paraguay	108	98	90
Compañía de Cartera e Inversiones, S.A.	(20)	(27)	(16)
Anida Grupo Inmobiliario, S.L.	515	528	527
BBVA Suiza, S.A.	(57)	(1)	(4)
BBVA Continental Group	681	611	506
BBVA Luxinvest, S.A.	25	16	33
BBVA Colombia Group	926	803	656
BBVA Banco Francés Group	999	827	621
Banco Industrial De Bilbao, S.A.	25	61	33
Uno-E Bank, S.A	-	-	(62)
Gran Jorge Juan, S.A.	(47)	(30)	(40)
BBVA Portugal Group	(436)	(477)	(511)
Participaciones Arenal, S.L.	(183)	(180)	(180)
BBVA Propiedad S.A.	(503)	(431)	(412)
Anida Operaciones Singulares, S.L.	(4,881)	(4,127)	(3,962)
Grupo BBVA USA Bancshares	(794)	(1,053)	(1,459)
Garanti Turkiye Bankasi Group	751	127	-
Unnim Real Estate	(576)	(477)	(403)
Bilbao Vizcaya Holding, S.A.	145	139	73
Pecri Inversión S.L.	(73)	(75)	(78)
Other	127	25	(62)
Subtotal	**25,486**	**23,708**	**22,610**
Reserves or accumulated losses of investments in joint ventures and associates			
Metrovacesa, S.A.	-	-	(143)
Metrovacesa Suelo, S.A.	(53)	(52)	-
Other	9	(15)	45
Subtotal	**(44)**	**(67)**	**(98)**
Total	**25,443**	**23,641**	**22,512**

For the purpose of allocating the reserves and accumulated losses to the consolidated entities and to the parent company, the transfers of reserves arising from the dividends paid and transactions between these entities are taken into account in the period in which they took place.

29. Treasury shares

In the years ended December 31, 2017, 2016 and 2015 the Group entities performed the following transactions with shares issued by the Bank:

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

	2017		2016		2015	
	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros
Balance at beginning	**7,230,787**	**48**	**38,917,665**	**309**	**41,510,698**	**350**
+ Purchases	238,065,297	1,674	379,850,939	2,004	431,321,283	3,273
- Sales and other changes	(231,956,502)	(1,622)	(411,537,817)	(2,263)	(433,914,316)	(3,314)
+/- Derivatives on BBVA shares	-	(4)	-	(1)	-	-
+/- Other changes	-	-	-	-	-	-
Balance at the end	**13,339,582**	**96**	**7,230,787**	**48**	**38,917,665**	**309**
Of which:						
Held by BBVA, S.A.	-	-	*2,789,894*	*22*	*1,840,378*	*19*
Held by Corporación General Financiera, S.A.	*13,339,582*	*96*	*4,440,893*	*26*	*37,077,287*	*290*
Held by other subsidiaries	-	-	-	-	-	-
Average purchase price in Euros	7.03		5.27		7.60	
Average selling price in Euros	6.99		5.50		7.67	
Net gain or losses on transactions (Shareholders' funds-Reserves)		1		(30)		6

The percentages of treasury shares held by the Group in the years ended December 31, 2017, 2016 and 2015 are as follows:

Treasury Stock

	2017			2016			2015		
	Min	Max	Closing	Min	Max	Closing	Min	Max	Closing
% treasury stock	0.004%	0.278%	0.200%	0.081%	0.756%	0.110%	0.000%	0.806%	0.613%

The number of BBVA shares accepted by the Group in pledge of loans as of December 31, 2017, 2016 and 2015 is as follows:

Shares of BBVA Accepted in Pledge

	2017	2016	2015
Number of shares in pledge	64,633,003	90,731,198	92,703,291
Nominal value	0.49	0.49	0.49
% of share capital	0.97%	1.38%	1,46%

The number of BBVA shares owned by third parties but under management of a company within the Group as of December 31, 2017, 2016 and 2015 is as follows:

Shares of BBVA Owned by Third Parties but Managed by the Group

	2017	2016	2015
Number of shares owned by third parties	34,597,310	85,766,602	92,783,913
Nominal value	0.49	0.49	0.49
% of share capital	0.52%	1.31%	1,46%

30. Accumulated other comprehensive income (loss)

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

Accumulated other comprehensive income (Millions of euros)	2017	2016	2015
Items that will not be reclassified to profit or loss	**(1,183)**	**(1,095)**	**(859)**
Actuarial gains or (-) losses on defined benefit pension plans	(1,183)	(1,095)	(859)
Non-current assets and disposal groups classified as held for sale	-	-	-
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates	-	-	-
Other adjustments	-	-	-
Items that may be reclassified to profit or loss	**(7,609)**	**(4,363)**	**(2,490)**
Hedge of net investments in foreign operations [effective portion]	1	(118)	(274)
Foreign currency translation	(9,159)	(5,185)	(3,905)
Hedging derivatives. Cash flow hedges [effective portion]	(34)	16	(49)
Available-for-sale financial assets	1,641	947	1,674
Debt instruments	1,557	1,629	1,769
Equity instruments	84	(682)	(95)
Non-current assets and disposal groups classified as held for sale	(26)	-	-
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates	(31)	(23)	64
Total	**(8,792)**	**(5,458)**	**(3,349)**

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

The majority of the balance is related to the conversion to euros of the financial statements balances from consolidated entities whose functional currency is not euros. In this regard, the increase in item "Foreign currency translation" in the above table in the year 2017 is mainly related to the depreciation of the Mexican peso and the Turkish lira (see Note 2.2.16).

31. Non-controlling interest

The breakdown by groups of consolidated entities of the balance under the heading “Non-controlling interest” of total equity in the accompanying consolidated balance sheets is as follows:

Non-Controlling Interests (Millions of euros)	2017	2016	2015
BBVA Colombia Group	65	67	58
BBVA Chile Group	399	377	314
BBVA Banco Continental Group	1,059	1,059	913
BBVA Banco Provincial Group	78	97	100
BBVA Banco Francés Group	420	243	220
Garanti Group	4,903	6,157	6,302
Other entities	55	64	86
Total	**6,979**	**8,064**	**7,992**

The decrease in the heading “Minority interest” corresponds to the acquisition of the 9.95% of Garanti Group (see Note 3).

These amounts are broken down by groups of consolidated entities under the heading “Profit - Attributable to non-controlling interests” in the accompanying consolidated income statements:

Profit attributable to Non-Controlling Interests (Millions of euros)	2017	2016	2015
BBVA Colombia Group	7	9	11
BBVA Chile Group	51	40	42
BBVA Banco Continental Group	208	193	211
BBVA Banco Provincial Group	(2)	(2)	-
BBVA Banco Francés Group	93	55	76
Garanti Group	883	917	316
Other entities	4	8	30
Total	**1,244**	**1,218**	**686**

Dividends distributed to non-controlling interest of the Group during the year 2017 are: BBVA Banco Continental Group €104 million, BBVA Chile Group €11 million, BBVA Banco Francés Group €8 million, Garanti Group €158 million, BBVA Colombia Group €3 million, and other Spanish entities accounted for €8 million.

32. Capital base and capital management

32.1 Capital base

As of December 31, 2017, 2016 and 2015, equity is calculated in accordance with current regulation on minimum capital base requirements for Spanish credit institutions –both as individual entities and as consolidated group– and how to calculate them, as well as the various internal capital adequacy assessment processes they should have in place and the information they should disclose to the market.

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

As a result of the Supervisory Review and Evaluation Process (SREP) carried out by the European Central Bank (ECB), BBVA has received a communication from the ECB requiring BBVA to maintain, effective from the 1st of January 2018, a (i) CET1 phased-in capital of 8.438% at a consolidated level and 7.875% at an individual level; and (ii) a phased-in total capital ratio of 11.938% at the consolidated level and 11.375% at the individual level.

This total consolidated capital ratio of 11.938% includes: i) the minimum CET1 capital ratio required under Pillar 1 (4.5%); ii) Pillar 1 Additional Tier 1 capital requirements (1.5%); iii) Pillar 1 Tier 2 capital requirements (2%); iv) Pillar 2 CET1 capital requirements (1.5%); v) the capital conservation buffer (CCB) (1.875% CET1 phased-in) and vi) the Other Systemic Important Institution buffer (OSII) (0.563% CET1 phased-in).

Since BBVA has been excluded from the list of global systemically important financial institutions in 2017 (which is updated every year by the Financial Stability Board (FSB)), as of January 1, 2018, the G-SIB buffer will not apply to BBVA in 2018, (notwithstanding the possibility that the FSB or the supervisor may include BBVA on it in the future).

However, the supervisor has informed BBVA that it is included on the list of other systemically important financial institutions, and a D-SIB buffer of 0.75% of the fully-loaded ratio applies at the consolidated level. It will be implemented gradually from January 1, 2016 to January 1, 2019.

The Group's bank capital in accordance with the aforementioned applicable regulation, considering entities scope required by the above regulation, as of December 31, 2017, 2016 and 2015, is shown below:

Eligible capital resources (Millions of euros)	Notes	December 2017 (*) (**)	December 2016 (***)	December 2015
Capital	26	3,267	3,218	3,120
Share premium	27	23,992	23,992	23,992
Retained earnings, revaluation reserves and other reserves	28	25,443	23,641	22,512
Other equity instruments, net	28	54	54	35
Treasury shares	29	(96)	(48)	(309)
Attributable to the parent company	6	3,519	3,475	2,642
Attributable dividend	4	(1,043)	(1,510)	(1,352)
Total equity		**55,136**	**52,821**	**50,640**
Accumulated other comprehensive income	30	(8,792)	(5,458)	(3,349)
Non-controlling interest	31	6,979	8,064	8,149
Shareholders' equity		**53,323**	**55,428**	**55,440**
Intangible assets		(6,627)	(5,675)	(3,901)
Fin. treasury shares		(48)	(82)	(95)
Indirect treasury shares		(134)	(51)	(415)
Deductions		**(6,809)**	**(5,808)**	**(4,411)**
Temporary CET 1 adjustments		(273)	(129)	(788)
Capital gains from the Available-for-sale debt instruments portfolio		*(256)*	*(402)*	*(796)*
Capital gains from the Available-for-sale equity portfolio		*(17)*	*273*	*8*
Differences from solvency and accounting level		(189)	(120)	(40)
Equity not eligible at solvency level		**(462)**	**(249)**	**(828)**
Other adjustments and deductions		**(3,715)**	**(2,001)**	**(1,647)**
Common Equity Tier 1 (CET 1)		**42,337**	**47,370**	**48,554**
Additional Tier 1 before Regulatory Adjustments		**6,296**	**6,114**	**5,302**
Total Regulatory Adjustments of Additional Tier 1		**(1,656)**	**(3,401)**	**(5,302)**
Tier 1		**46,977**	**50,083**	**48,554**
Tier 2		**9,137**	**8,810**	**11,646**
Total Capital (Total Capital=Tier 1 + Tier 2)		**56,114**	**58,893**	**60,200**
Total Minimum equity required		**40,238**	**37,923**	**38,125**

(*) Provisional data.

(**) Includes updates on the calculation of Structural FX RWA, pending confirmation by ECB and the subordinated debt (Tier2) issued by Garanti pending approval by ECB.

(***) Figures originally reported in the Prudential Relevance Report corresponding to the year 2016, without restatements.

Capital Base (Millions of euros)	2017 (*)	2016	2015
Tier 1 (thousand of euros) (a)	46,977	50,083	48,554
Exposure (thousand of euros) (b)	700,443	747,216	766,589
Leverage ratio (a)/(b) (percentage)	6.71%	6.70%	6.33%

(*) Provisional data

As of December 31, 2017, the phased-in Common Equity Tier 1 (CET1) stood at 11.7%, accounting a decrease with respect to December 2016 of 47 basis points. The negative effect on the minority interests and deductions due to the regulatory phase-in calendar of 80% in 2017 compared to 60% in 2016 has an impact of -56 basis points which is compensated by the organic generation of capital leaning against the recurrence of the results, net of dividends paid and remunerations.

It should be noted that CET1 ratio was affected by corporate transactions carried out during 2017, in particular the acquisition of an additional 9.95% stake in Garanti and the sale of 1.7% in CNCB. Both transactions had a combined negative impact on the ratio of -13 basis points (see Note 3).

Additionally, BBVA Group has registered a negative charge in the income statements of 2017 up to €1,123 million due to the unrealized losses from its shares in Telefonica. However, this impact does not affect the equity or the capital ratio since these unrealized losses were already accounted for (see Note 12.4).

During 2017 BBVA Group continued to strengthen its capital position with the issuance of new perpetual securities eventually convertible into shares, classified as additional TIER1 equity instruments (contingent convertible) amounting to €500 million and $1,000 million (the latter in the American market, with the prospectus registered at the Securities and Exchange Commission and not yet included in the Group's TIER1 capital as of December 31, 2017).

Regarding TIER2, BBVA, S.A. issued subordinated debts with a total amount of €1,500 million; and Garanti issued a subordinated debt of $750 million.

Finally, the total phased-in capital ratio stood at 15.5% reflecting the effects discussed above.

These levels are above the requirements established by the ECB in its SREP letter and the systemic buffers applicable to BBVA Group for the CET1 ratio in 2017 (11.125%).

Risk-weighted assets decreased approximately by 7% compared to December 31, 2016, mainly explained by the impact of the general depreciation of certain local currencies and the efficient management and allocation of capital in line with the strategic objectives of the Group.

A reconciliation of the balance sheet to the accounting and regulatory scope (provisional data) as of December 31, 2017 is provided below:

Public balance sheet headings (Millions of euros)

	Public balance sheet	Insurance companies and real estate companies (1)	Jointly-controlled entities and other adjustments (2)	Regulatory balance sheet
Cash and balances with central banks and other demand deposits	42,680	-	24	42,704
Financial assets held for trading	64,695	2,206	-	66,901
Other financial assets designated at fair value through profit or loss	2,709	(2,061)	-	648
Available for sale financial assets	69,476	(19,794)	-	49,682
Loans and receivables	431,521	(1,805)	764	430,480
Held to maturity investments	13,754	-	-	13,754
Hedgind derivatives	2,485	(90)	(1)	2,394
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(25)	-	-	(25)
Investments in entities accounted for using the equity method	1,588	3,294	(80)	4,802
Non-current assets held for sale	23,853	(334)	3	23,522
Other	37,323	595	5	37,923
Total assets	**690,059**	**(17,989)**	**715**	**672,785**

(1) Correspond to balances of entities fully consolidated in the public balance sheet but consolidated by the equity method in the regulatory balance sheet.

(2) Correspond to intragroup adjustments and other consolidation adjustments.

32.2 Capital management

Capital management in the BBVA Group has a twofold aim:

- Maintain a level of capitalization according to the business objectives in all countries in which it operates and, simultaneously,
- Maximize the return on shareholders' funds through the efficient allocation of capital to the different units, a good management of the balance sheet and appropriate use of the various instruments forming the basis of the Group's equity: shares, preferred securities and subordinate debt.

This capital management is carried out determining the capital base and the solvency ratios established by the prudential and minimum capital requirements also have to be met for the entities subject to prudential supervision in each country.

The current regulation allows each entity to apply its own internal ratings-based (IRB) approach to risk assessment and capital management, subject to Bank of Spain approval. The BBVA Group carries out an integrated management of these risks in accordance with its internal policies and its internal capital estimation model has received the Bank of Spain's approval for certain portfolios (see Note 7).

33. Commitments and guarantees given

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

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

	Notes	2017	2016	2015
Loan commitments given	7.3.1	**94,268**	**107,254**	**123,620**
of which: defaulted		*537*	*411*	*446*
Central banks		*1*	*1*	*8*
General governments		*2,198*	*4,354*	*3,823*
Credit institutions		*946*	*1,209*	*1,239*
Other financial corporations		*3,795*	*4,155*	*4,032*
Non-financial corporations		*58,133*	*71,710*	*71,583*
Households		*29,195*	*25,824*	*42,934*
Financial guarantees given	7.3.1	**16,545**	**18,267**	**19,176**
of which: defaulted		*278*	*278*	*146*
Central banks		-	-	-
General governments		*248*	*103*	*100*
Credit institutions		*1,158*	*1,553*	*1,483*
Other financial corporations		*3,105*	*722*	*1,621*
Non-financial corporations		*11,518*	*15,354*	*15,626*
Households		*516*	*534*	*346*
Other commitments and guarantees given	7.3.1	**45,738**	**42,592**	**42,813**
of which: defaulted		*461*	*402*	*517*
Central banks		*7*	*12*	*15*
General governments		*227*	*372*	*101*
Credit institutions		*15,330*	*9,880*	*9,640*
Other financial corporations		*3,820*	*4,892*	*5,137*
Non-financial corporations		*25,992*	*27,297*	*27,765*
Households		*362*	*138*	*156*
Total Loan commitments and financial guarantees		**156,551**	**168,113**	**185,609**

(*) Non performing financial guarantees given amounted to €739, €680 and €664 million as of December 31, 2017, 2016 and 2015, respectively.

As of December 31, 2017, the provisions of loan commitments given, financial guarantees given and other commitments and guarantees given, disclosed in the consolidated balance sheet amounted €199 million, €190 million and €188 million, respectively.

Since a significant portion of the amounts above will expire without any payment being made by the consolidated entities, the aggregate balance of these commitments cannot be considered the actual future requirement for financing or liquidity to be provided by the BBVA Group to third parties.

In the years 2017, 2016 and 2015, no issuance of debt securities carried out by associates of the BBVA Group, joint venture entities or non-Group entities have been guaranteed.

34. Other contingent assets and liabilities

As of December 31, 2017, 2016 and 2015, there were no material contingent assets or liabilities other than those disclosed in the accompanying notes to the financial statements.

35. Purchase and sale commitments and future payment obligations

The breakdown of purchase and sale commitments of the BBVA Group as of December 31, 2017, 2016 and 2015 is as follows:

Purchase and Sale Commitments (Millions of euros)

	Notes	2017	2016	2015
Financial instruments sold with repurchase commitments		**40,077**	**46,562**	**68,401**
Central Banks	9	6,155	4,649	19,065
Credit Institutions	22.1	24,843	28,421	26,069
General governments	22.2	3	-	7,556
Other	22.2	9,076	13,491	15,711
Financial instruments purchased with resale commitments		**26,368**	**22,921**	**16,935**
Central Banks		305	81	149
Credit Institutions	13.1	13,861	15,561	11,749
General governments	13.2 / 11	1,290	544	326
Other	13.2	10,912	6,735	4,710

A breakdown of the maturity of other payment obligations, not included in previous notes, due after December 31, 2017 is provided below:

Maturity of Future Payment Obligations (Millions of euros)

	Up to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
Finance leases	-	-	-	-	-
Operating leases	343	301	531	2,410	3,584
Purchase commitments	29	-	-	-	29
Technology and systems projects	9	-	-	-	9
Other projects	20	-	-	-	20
Total	**372**	**301**	**531**	**2,410**	**3,614**

36. Transactions on behalf of third parties

As of December 31, 2017, 2016 and 2015 the details of the most significant items under this heading are as follows:

Transactions on Behalf of Third Parties (Millions of euros)	2017	2016	2015
Financial instruments entrusted to BBVA by third parties	624,822	637,761	664,911
Conditional bills and other securities received for collection	14,775	16,054	15,064
Securities lending	5,485	3,968	4,125
Total	**645,081**	**657,783**	**684,100**

As of December 31, 2017, 2016 and 2015 the customer funds managed by the BBVA Group are as follows:

Customer Funds by Type (Millions of euros)	2017	2016	2015
Asset management by type of customer (*):			
Collective investment	60,939	55,037	54,419
Pension funds	33,985	33,418	31,542
Customer portfolios managed	36,901	40,805	42,074
Of which:			
Portfolios managed on a discretionary basis	*19,628*	*18,165*	*19,919*
Other resources	3,081	2,831	3,786
Customer resources distributed but not managed by type of product:			
Collective investment	3,407	3,695	4,181
Insurance products	35	39	41
Other	-	-	31
Total	**138,347**	**135,824**	**136,074**

(*) Excludes balances from securitization funds.

37. Interest income and expense

37.1 Interest income

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

Interest Income. Breakdown by Origin (Millions of euros)

	Notes	2017	2016	2015
Central Banks		406	229	140
Loans and advances to credit institutions		410	217	260
Loans and advances to customers		22,699	21,608	19,200
Debt securities		3,809	4,128	3,792
Held for trading		1,263	1,014	981
Other portfolios		2,546	3,114	2,810
Adjustments of income as a result of hedging transactions		427	(385)	(382)
Cash flow hedges (effective portion)		15	12	47
Fair value hedges		412	(397)	(429)
Insurance activity		1,058	1,219	1,152
Other income		487	692	621
Total	**55.2**	**29,296**	**27,708**	**24,783**

The amounts recognized in consolidated equity in connection with hedging derivatives and the amounts derecognized from consolidated equity and taken to the consolidated income statement during both periods are given in the accompanying “Consolidated statements of recognized income and expenses”.

37.2 Interest expense

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

Interest Expenses. Breakdown by Origin (Millions of euros)

	2017	2016	2015
Central banks	123	192	138
Deposits from credit institutions	1,880	1,367	1,186
Customers deposits	5,814	5,766	4,340
Debt securities issued	1,930	2,323	2,548
Adjustments of expenses as a result of hedging transactions	665	(574)	(859)
Cash flow hedges (effective portion)	38	42	(16)
Fair value hedges	627	(616)	(844)
Cost attributable to pension funds	125	96	108
Insurance activity	682	846	816
Other expenses	316	634	484
Total	**11,537**	**10,648**	**8,761**

37.3 Average return on investments and average borrowing cost

The detail of the average return on investments in the years ended December 31, 2017, 2016 and 2015 is as follows:

Assets (Millions of euros)	2017			2016			2015		
	Average Balances	Interest income	Average Interest Rates (%)	Average Balances	Interest income	Average Interest Rates (%)	Average Balances	Interest income	Average Interest Rates (%)
Cash and balances with central banks and other demand deposits	33,917	83	0.25	26,209	10	0.04	23,542	2	0.01
Securities portfolio and derivatives	177,164	4,724	2.67	202,388	5,072	2.51	211,589	4,673	2.21
Loans and advances to central banks	10,945	258	2.36	15,326	229	1.50	12,004	140	1.17
Loans and advances to credit institutions	26,420	485	1.83	28,078	218	0.78	27,171	270	0.99
Loans and advances to customers	407,153	23,261	5.71	410,895	21,853	5.32	382,125	19,471	5.10
Euros	196,893	3,449	1.75	201,967	3,750	1.86	196,987	4,301	2.18
Foreign currency	210,261	19,812	9.42	208,928	18,104	8.67	185,139	15,170	8.19
Other assets	48,872	485	0.99	52,748	325	0.62	49,128	226	0.46
Total	**704,471**	**29,296**	**4.16**	**735,645**	**27,708**	**3.77**	**705,559**	**24,783**	**3.51**

The average borrowing cost in the years ended December 31, 2017, 2016 and 2015 is as follows:

Liabilities (Millions of euros)	2017			2016			2015		
	Average Balances	Interest expenses	Average Interest Rates (%)	Average Balances	Interest expenses	Average Interest Rates (%)	Average Balances	Interest expenses	Average Interest Rates (%)
Deposits from central banks and credit institutions	90,619	2,212	2.44	101,975	1,866	1.83	99,289	1,559	1.57
Customer deposits	392,057	7,007	1.79	398,851	5,944	1.49	366,249	4,390	1.20
Euros	186,261	461	0.25	195,310	766	0.39	187,721	1,024	0.55
Foreign currency	205,796	6,546	3.18	203,541	5,178	2.54	178,528	3,366	1.89
Debt securities issued	84,221	1,631	1.94	89,876	1,738	1.93	89,672	1,875	2.09
Other liabilities	82,699	687	0.83	89,328	1,101	1.23	96,049	936	0.97
Equity	54,874	-	-	55,616	-	-	54,300	-	-
Total	**704,471**	**11,537**	**1.64**	**735,645**	**10,648**	**1.45**	**705,559**	**8,761**	**1.24**

The change in the balance under the headings "Interest and similar income" and "Interest and similar expenses" in the accompanying consolidated income statements is the result of exchange rate effect, changing prices (price effect) and changing volume of activity (volume effect), as can be seen below:

Interest Income and Expenses : Change in the Balance (Millions of euros)

	2017 / 2016			2016 / 2015		
	Volume Effect (1)	Price Effect (2)	Total Effect	Volume Effect (1)	Price Effect (2)	Total Effect
Cash and balances with central banks and other demand deposits	3	71	74	-	7	8
Securities portfolio and derivatives	(632)	285	(347)	(203)	602	399
Loans and advances to Central Banks	(66)	94	29	39	51	89
Loans and advances to credit institutions	(13)	279	266	9	(61)	(52)
Loans and advances to customers	(199)	1,606	1,408	1,466	916	2,382
In Euros	(94)	(206)	(301)	109	(660)	(552)
In other currencies	115	1,593	1,708	1,949	985	2,934
Other assets	(24)	184	160	17	82	99
Interest income			**1,588**			**2,925**
Deposits from central banks and credit institutions	(208)	554	346	42	265	307
Customer deposits	(101)	1,164	1,063	391	1,162	1,553
Domestic	(35)	(269)	(305)	41	(300)	(258)
Foreign	57	1,311	1,368	472	1,340	1,812
Debt securities issued	(109)	3	(106)	4	(142)	(137)
Other liabilities	(82)	(332)	(414)	(66)	230	165
Interest expenses			**889**			**1,888**
Net Interest Income			**699**			**1,037**

(1) The volume effect is calculated as the result of the interest rate of the initial period multiplied by the difference between the average balances of both periods.

(2) The price effect is calculated as the result of the average balance of the last period multiplied by the difference between the interest rates of both periods.

38. Dividend income

The balances for this heading in the accompanying consolidated income statements correspond to dividends on shares and equity instruments other than those from shares in entities accounted for using the equity method (see Note 39), as can be seen in the breakdown below:

Dividend Income (Millions of euros)	2017	2016	2015
Dividends from:			
Financial assets held for trading	145	156	144
Available-for-sale financial assets	188	307	271
Other	-	5	-
Total	**334**	**467**	**415**

39. Share of profit or loss of entities accounted for using the equity method

The breakdown of the balance under the heading "Investments in Entities Accounted for Using the Equity Method (see Note 16) in the accompanying consolidated income statements is as follows:

Investments in Entities Accounted for Using the Equity Method (Millions of euros)	Notes	2017	2016	2015
Garanti Group	3	-	-	167
Metrovacesa, S.A.		-	-	(46)
Other		4	25	53
Total		**4**	**25**	**174**

40. Fee and commission income and expense

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

Fee and Commission Income (Millions of euros)	2017	2016	2015
Bills receivables	46	52	94
Demand accounts	507	469	405
Credit and debit cards	2,834	2,679	2,336
Checks	212	207	239
Transfers and others payment orders	601	578	474
Insurance product commissions	192	178	171
Commitment fees	231	237	172
Contingent risks	396	406	360
Asset Management	923	839	686
Securities fees	385	335	283
Custody securities	122	122	314
Other fees and commissions	700	701	807
Total	**7,150**	**6,804**	**6,340**

Fee and Commission Expense (Millions of euros)	2017	2016	2015
Credit and debit cards	1,458	1,334	1,113
Transfers and others payment orders	102	102	92
Commissions for selling insurance	60	63	69
Other fees and commissions	610	587	454
Total	**2,229**	**2,086**	**1,729**

41. Gains (losses) on financial assets and liabilities, net and Exchange Differences

The breakdown of the balance under this heading, by source of the related items, in the accompanying consolidated income statement is as follows:

Gains or losses on financial assets and liabilities and exchange differences: Breakdown by Heading of the Consolidated Income Statement (Millions of euros)	2017	2016	2015
Gains or (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	985	1,375	1,055
Available-for-sale financial assets	843	1,271	980
Loans and receivables	133	95	76
Other	9	10	(1)
Gains or (losses) on financial assets and liabilities held for trading, net	218	248	(409)
Gains or (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(56)	114	126
Gains or (losses) from hedge accounting, net	(209)	(76)	93
Subtotal Gains or (losses) on financial assets and liabilities	**938**	**1,661**	**865**
Exchange Differences	1,030	472	1,165
Total	**1,968**	**2,133**	**2,030**

The breakdown of the balance (excluding exchange rate differences) under this heading in the accompanying income statements by the nature of financial instruments is as follows:

Gains or losses on financial assets and liabilities: Breakdown by nature of the Financial Instrument (Millions of euros)	2017	2016	2015
Debt instruments	545	906	522
Equity instruments	845	459	(414)
Loans and advances to customers	97	65	88
Trading derivatives and hedge accounting	(470)	109	561
Customer deposits	(96)	87	83
Other	18	35	25
Total	**938**	**1,661**	**865**

The breakdown of the balance of the impact of the derivatives (trading and hedging) under this heading in the accompanying consolidated income statements is as follows:

Derivatives - Hedge accounting (Millions of euros)			
	2017	2016	2015
Derivatives			
Interest rate agreements	165	431	666
Security agreements	(139)	86	751
Commodity agreements	99	(29)	(1)
Credit derivative agreements	(564)	(118)	39
Foreign-exchange agreements	315	186	(1,001)
Other agreements	(137)	(371)	15
Subtotal	**(261)**	**185**	**468**
Hedging Derivatives Ineffectiveness			
Fair value hedges	(177)	(76)	80
Hedging derivative	(236)	(330)	(28)
Hedged item	59	254	108
Cash flow hedges	(32)	-	13
Subtotal	**(209)**	**(76)**	**93**
Total	**(470)**	**109**	**561**

In addition, in the years ended December31, 2017, 2016 and 2015, under the heading “Gains or losses on financial assets and liabilities held for trading, net” of the consolidated income statement, net amounts of negative €235 million, positive €151 million and positive €135 million, respectively, were recognized for transactions with foreign exchange trading derivatives.

42. Other operating income and expense

The breakdown of the balance under the heading “Other operating income” in the accompanying consolidated income statements is as follows:

Other operating income (Millions of euros)			
	2017	2016	2015
Gains from sales of non-financial services	1,109	882	912
Of which: Real estate	*884*	*588*	*668*
Rest of other operating income	330	390	403
Of which: net profit from building leases	*61*	*76*	*90*
Total	**1,439**	**1,272**	**1,315**

The breakdown of the balance under the heading “Other operating expense” in the accompanying consolidated income statements is as follows:

Other operating expense (Millions of euros)			
	2017	2016	2015
Change in inventories	886	617	678
Of Which: Real estate	*816*	*511*	*594*
Rest of other operating expenses	1,337	1,511	1,607
Total	**2,223**	**2,128**	**2,285**

43. Income and expense from insurance and reinsurance contracts

The breakdown of the balance under the headings "Income and expense from insurance and reinsurance contracts" in the accompanying consolidated income statements is as follows:

Other operating income and expense on insurance and reinsurance contracts (Millions of euros)	2017	2016	2015
Income on insurance and reinsurance contracts	3,342	3,652	3,678
Expenses on insurance and reinsurance contracts	(2,272)	(2,545)	(2,599)
Total	**1,069**	**1,107**	**1,080**

The table below shows the contribution of each insurance product to the Group's income for the years ended December 31, 2017, 2016 and 2015:

Income by type of insurance product (Millions of euros)	2017	2016	2015
Life insurance	604	634	670
Individual	346	268	329
Savings	38	30	80
Risk	308	238	249
Group insurance	258	366	342
Savings	(4)	8	22
Risk	263	357	320
Non-Life insurance	464	474	409
Home insurance	118	131	127
Other non-life insurance products	346	342	283
Total	**1,069**	**1,107**	**1,080**

44. Administration costs

44.1 Personnel expenses

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

Personnel Expenses (Millions of euros)	Notes	2017	2016	2015
Wages and salaries		5,163	5,267	4,868
Social security costs		761	784	733
Defined contribution plan expense	25	87	87	84
Defined benefit plan expense	25	62	67	57
Other personnel expenses		497	516	531
Total		**6,571**	**6,722**	**6,273**

The breakdown of the average number of employees in the BBVA Group in the year ended December 31, 2017, 2016 and 2015 by professional categories and geographical areas is as follows:

Average Number of Employees by Geographical Areas

	2017	2016	2015
Spanish banks			
Management Team	1,026	1,044	1,026
Other line personnel	22,180	23,211	22,702
Clerical staff	3,060	3,730	4,033
Branches abroad	603	718	747
Subtotal	**26,869**	**28,703**	**28,508**
Companies abroad			
Mexico	30,664	30,378	29,711
United States	9,532	9,710	9,969
Turkey	23,154	23,900	11,814
Venezuela	4,379	5,097	5,183
Argentina	6,173	6,041	5,681
Colombia	5,374	5,714	5,628
Peru	5,571	5,455	5,357
Other	5,501	5,037	4,676
Subtotal	**90,348**	**91,332**	**78,019**
Pension fund managers	**362**	**335**	**332**
Other non-banking companies	**14,925**	**16,307**	**17,337**
Total	**132,504**	**136,677**	**124,196**
Of Which:			
Men	*60,730*	*62,738*	*57,841*
Women	*71,774*	*73,939*	*66,355*
Of Which:			
BBVA, S.A.	*26,869*	*25,979*	*25,475*

The breakdown of the number of employees in the BBVA Group as of December 31, 2017, 2016 and 2015 by category and gender is as follows:

Number of Employees at the period end. Professional Category and Gender

	2017		2016		2015	
	Male	Female	Male	Female	Male	Female
Management Team	1,244	342	1,331	350	1,493	365
Other line personnel	38,670	39,191	38,514	39,213	38,204	38,868
Clerical staff	20,639	31,770	22,066	33,318	23,854	35,184
Total	**60,553**	**71,303**	**61,911**	**72,881**	**63,551**	**74,417**

44.1.1 Share-based employee remuneration

The amounts recognized under the heading “Administration costs - Personnel expenses - Other personnel expenses” in the consolidated income statements for the year ended December 31, 2017, 2016 and 2015 correspond to the plans for remuneration based on equity instruments in each year, amounted to €38 million, €57 million and €38 million, respectively. These amounts have been recognized with a corresponding entry under the heading “Shareholders’ funds - Other equity instruments” in the accompanying consolidated balance sheets, net of tax effect.

The characteristics of the Group's remuneration plans based on equity instruments are described below.

System of Variable Remuneration in Shares

In BBVA, the annual variable remuneration applying generally to all employees consists of one incentive, to be paid in cash, awarded once a year and linked to the achievement of predetermined objectives and to a sound risk management (hereinafter, the “Annual Variable Remuneration”).

According to the remuneration policy for BBVA Group, in force until 2016, the specific settlement and payment system for the Annual Variable Remuneration applicable to those employees and senior managers whose professional activities have a significant impact on the Group's risk profile including the executive directors and members of BBVA Senior Management (hereinafter, the "Identified Staff"), which includes, among others, the payment in shares of part of their Annual Variable Remuneration.

This remuneration policy was approved, with respect to BBVA directors, by the Annual General Shareholders' Meeting held on March 13, 2015.

The specific rules of the settlement and payment system of 2016 Annual Variable Remuneration which have given rise to the delivery of shares in 2017 to executive directors and members of the Senior Management are described in Note 54, while the rules listed below were established to the rest of the Identified Staff:

- The Annual Variable Remuneration of Identified Staff members would be paid in equal parts in cash and in BBVA shares.
- The payment of 40% of the Annual Variable Remuneration, both in cash and in shares, would be deferred in its entirety for a three–year period. Its accrual and payment would be subject to compliance with certain multi-year performance indicators related to the share performance and the Group's fundamental control and risk management metrics regarding solvency, liquidity and profitability, which would be calculated over the deferral period (hereinafter "Multi-year Performance Indicators"). These Multi-year Performance Indicators could lead to a reduction in the amounts deferred, and might even bring it down to zero, but they would not be used under any circumstances to increase the aforementioned deferred remuneration.
- All the shares delivered pursuant to the rules indicated above would be withheld for a period of one year from the date of delivery. This withholding would be applied over the net amount of the shares, after discounting the necessary part to pay any tax accruing on the shares received.
- A prohibition was also established against hedging, both regarding vested shares that were withheld and shares whose delivery was pending.
- Moreover, circumstances were established under which the payment of the deferred Annual Variable Remuneration could be limited or impeded ("malus" clauses), as well as the adjustment to update these deferred parts.
- Finally, the variable component of the remuneration corresponding to a year for the Identified Staff would be limited to a maximum amount of 100% of the fixed component of total remuneration, unless the General Meeting resolved to increase such limit which, in any event, could not exceed 200% of the fixed component of total remuneration.

In this regard, the Annual General Meeting resolved, in line with applicable legislation, the application of the maximum level of variable remuneration up to 200% of the fixed remuneration for a specific group of employees whose professional activities have a material impact on the Group's risk profile, and to enlarge this group, whose variable remuneration will be subject to the maximum threshold of 200% of the fixed component of their total remuneration. This is entirely consistent with the Recommendations Report issued by the BBVA's Board of Directors.

According to the settlement and payment scheme indicated, during 2017, members of the Identified Staff received a total amount of 6,481,409 shares corresponding to the initial payment corresponding to 2016 Annual Variable Remuneration to be delivered in shares.

Additionally, the remuneration policy prevailing until 2014 provided for a specific settlement and payment scheme for the variable remuneration of the Identified Staff that established a three-year deferral period for the Annual Variable Remuneration, being the deferred amount paid in thirds over this period in equal parts, in cash and in BBVA shares.

According to this prior scheme, during 2017, the members of the Identified Staff received the shares corresponding to the deferred parts of the Annual Variable Remuneration from previous years, and their corresponding adjustments in cash, delivery of which corresponded in 2017, were delivered to the beneficiary members of the Identified Staff, resulting in (i) a total amount of 943,955 shares corresponding to the second deferred third of the 2014 Annual Variable Remuneration and €697,583 as adjustments for updates of the shares granted; and (ii) a total amount of 437,069 shares corresponding to the last deferred third of the 2013 Annual Variable Remuneration and €501,318 in adjustments for updates.

The information on the delivery of shares to executive Directors and senior management corresponding to the deferred parts of the Annual Variable Remuneration from previous years and their corresponding adjustments in cash, are detailed in Note 54.

Additionally, in line with specific regulation applicable in Portugal and Brazil, BBVA identifies those employees that, according to local regulators, should be subject to a specific settlement and payment scheme of the Annual Variable Remuneration.

According to this regulation, during 2017 a number of 49,798 shares corresponding to the initial payment of 2016 Annual Variable Remuneration were delivered to these beneficiaries.

Additionally, during 2017 the shares corresponding to the deferred parts of the Annual Variable Remuneration and their corresponding adjustments in cash, were delivered to these beneficiaries, giving rise in 2017, of a total of 10,485 shares corresponding to the first deferred third of the 2015 Annual Variable Remuneration, and €3,869 as adjustments for updates of the shares granted; a total of 7,201 shares corresponding to the second third of the 2014 Annual Variable Remuneration, and €5,322 as adjustments for updates of the shares granted; and a total of 5,757 shares corresponding to the final third of the 2013 Annual Variable Remuneration, and €6,603 as adjustments for updates of the shares granted.

Additionally, BBVA Compass' remuneration structure included a long-term incentive programme 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 2017, a number of 331,111 shares corresponding to this programme were delivered.

Remuneration policy applicable from 2017 onwards

The Bank has modified its remuneration policy applicable to the Identified Staff and to BBVA Directors for the years 2017, 2018 and 2019, aimed at improving alignment with new regulatory requirements, best market practices and BBVA's organization and internal strategy. This policy was approved, with respect to Identified Staff, by the Board of Directors held in 9 February 2017, and, with respect to BBVA directors, by the General Shareholders' Meeting held on March 17, 2017.

The new remuneration policy includes a specific settlement and payment system of the Annual Variable Remuneration applicable to the Identified Staff, including directors and senior management, under the following rules, among others:

- A significant percentage of variable remuneration – 60% in the case of executive directors, Senior Management and those Identified Staff members with particularly high variable remuneration, and 40% for the rest of the Identified Staff– shall be deferred over a five- year period, in the case of executive directors and Senior Management, and over a three-year period, for the remaining Identified Staff.

- 50% of the variable remuneration of each year (including both upfront and deferred portions), shall be established in BBVA shares, albeit a larger proportion (60%) in shares shall be deferred in the case of executive directors and Senior Management.
- The variable remuneration will be subject to ex ante adjustments, so that it will not be accrued, or will be accrued in a reduced amount, should a certain level of profit or capital ratio not be obtained. Likewise, the Annual Variable Remuneration will be reduced upon performance assessment in the event of negative evolution of the Bank's results or other parameters such as the level of achievement of budgeted targets.
- The deferred component of the variable remuneration (in shares and in cash) may be reduced in its entirety, yet not increased, based on the result of multi-year performance indicators aligned with the Bank's fundamental risk management and control metrics, related to the solvency, capital, liquidity, funding or profitability, or to the share performance and recurring results of the Group.
- During the entire deferral period (5 or 3 years, as applicable) and retention period, variable remuneration shall be subject to malus and clawback arrangements, both linked to a downturn in financial performance of the Bank, specific unit or area, or individual, under certain circumstances.
- All shares shall be withheld for a period of one year after delivery, except for those shares required to honor the payment of taxes.
- No personal hedging strategies or insurance may be used in connection with remuneration and responsibility that may undermine the effects of alignment with sound risk management.
- The deferred amounts in cash subject to multi-year performance indicators that are finally paid shall be subject to updating, in the terms determined by the Bank's Board of Directors, upon proposal of the Remunerations Committee, whereas deferred amounts in shares shall not be updated.
- Finally, the variable component of the remuneration of the Identified Staff members shall be limited to a maximum amount of 100% of the fixed component of total remuneration, unless the General Meeting resolves to increase this percentage up to 200%.

In this regard, the General Meeting held on March, 17 2017 resolved to increase the maximum level of variable remuneration to 200% of the fixed component for a number of the Identified Staff, in the terms indicated in the Report of Recommendations issued for this purpose by the Board of Directors dated 9 February 2017.

In accordance with the new remuneration policy applicable to the Identified Staff, malus and clawback arrangements will be applicable to the Annual Variable Remuneration awarded as of the year 2016, inclusive, for each member of the Identified Staff.

According to this new policy, the first disbursement in shares will be the upfront payment of the 2017 Annual Variable Remuneration, in equal parts in BBVA shares and in cash, which will take place in 2018.

44.2 Other administrative expenses

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

Other Administrative Expenses (Millions of euros)

	2017	2016	2015
Technology and systems	692	673	625
Communications	269	294	281
Advertising	352	398	387
Property, fixtures and materials	1,033	1,080	1,030
Of which: Rent expenses (*)	*581*	*616*	*591*
Taxes other than income tax	456	433	466
Other expenses	1,738	1,766	1,775
Total	**4,541**	**4,644**	**4,563**

(*) The consolidated companies do not expect to terminate the lease contracts early.

45. Depreciation and Amortization

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

Depreciation and amortization (Millions of euros)

	Notes	2017	2016	2015
Tangible assets	17	694	690	641
For own use		680	667	615
Investment properties		13	23	25
Assets leased out under operating lease		-	-	-
Other Intangible assets		694	735	631
Total		**1,387**	**1,426**	**1,272**

46. Provisions or reversal of provisions

In the years ended December 31, 2017, 2016 and 2015 the net provisions registered in this income statement line item were as follows:

Provisions or reversal of provisions (Millions of euros)

	Notes	2017	2016	2015
Pensions and other post employment defined benefit obligations	25	343	332	592
Other long term employee benefits		-	-	-
Commitments and guarantees given		(313)	56	10
Pending legal issues and tax litigation		318	76	(25)
Other Provisions		397	722	154
Total		**745**	**1,186**	**731**

47. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss

The breakdown of Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss by the nature of those assets in the accompanying consolidated income statements is as follows:

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss (Millions of euros)	Notes	2017	2016	2015
Financial assets measured at cost		-	-	-
Available-for-sale financial assets	12.4	1,127	202	24
Debt securities		(4)	157	1
Equity instruments		1,131	46	23
Loans and receivables		3,677	3,597	4,248
Of which: Recovery of written-off assets	7.3.5	*(558)*	*(541)*	*(490)*
Held to maturity investments		(1)	1	-
Total		**4,803**	**3,801**	**4,272**

48. Impairment or reversal of impairment on non-financial assets

The impairment losses on non-financial assets broken down by the nature of those assets in the accompanying consolidated income statements are as follows:

Impairment or reversal of impairment on non-financial assets (Millions of euros)	Notes	2017	2016	2015
Tangible assets	17	42	143	60
Intangible assets	18.2	16	3	4
Others		306	375	209
Total		**363**	**521**	**273**

49. Gains (losses) on derecognition of non financial assets and subsidiaries, net

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

Gains or losses on derecognition of non financial assets and subsidiaries, net (Millions of euros)	2017	2016	2015
Gains			
Disposal of investments in non-consolidated subsidiaries	38	111	23
Disposal of tangible assets and other	69	64	71
Losses:			
Disposal of investments in non-consolidated subsidiaries	(27)	(58)	(2,222)
Disposal of tangible assets and other	(33)	(47)	(7)
Total	**47**	**70**	**(2,135)**

During 2015, the heading "Losses – Disposal of investments in subsidiaries" included, mainly, the fair value measurement of its previously acquired stake in Garanti Group because of the change in the consolidation method (see Note 3).

50. Profit (loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The main items included in the balance under this heading in the accompanying consolidated income statements are as follows:

Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (Millions of euros)

	Notes	2017	2016	2015
Gains on sale of real estate		102	66	97
Impairment of non-current assets held for sale	21	(158)	(136)	(285)
Gains on sale of investments classified as non current assets held for sale		82	39	45
Gains on sale of equity instruments classified as non current assets held for sale (*)		-	-	877
Total		**26**	**(31)**	**734**

(*) Includes various sales in CNCB (see Note 3)

51. Consolidated statements of cash flows

In the consolidated statements of cash flows, Balance of “Cash equivalent in central banks” includes short-term deposits at central banks under the heading "Loans and receivables "in the accompanying consolidated balance sheets and does not include demand deposits with credit institutions registered in the chapter "Cash, balances in cash at Central Bank and other demand deposits".

Cash flows from operating activities decreased in the year ended December 31, 2017 by €4,568 million (compared with a decrease of €16,478 million in December 31, 2016). The most significant reason for the change occurred under “Financial liabilities held for trading”.

The variances in cash flows from investing activities increased in the year ended December 31, 2017 by €3,462 million (compared with an increase of €3,851 million in December 31, 2016). The most significant reason for the change occurred under the heading “Held to maturity investments”.

The variances in cash flows from financing activities decreased in the year ended December 31, 2017 by €1,015 million (compared with a decrease of €1,240 million in December 31, 2016). The most significant reason for the change occurred under the heading “Subordinated liabilities”.

Liabilities from financing activities (Millions of Euros)

	December 31, 2016	Cash flows	Non-cash changes			December 31, 2017
			Acquisition	Foreign exchange movement	Fair value changes	
Debt securities issued	59,388	(5,958)	-	(2,796)	-	50,635
Subordinated debt securities issued	16,987	1,679	-	(1,223)	-	17,443
Short-term debt	11,556	(1,319)	-	(224)	-	10,013
Other financial liabilities	10,179	(378)	-	(910)	-	8,891
Total	**98,111**	**(5,976)**	**-**	**(5,153)**	**-**	**86,982**

52. Accountant fees and services

The details of the fees for the services contracted by entities of the BBVA Group for the year ended December 31, 2017 with their respective auditors and other audit entities are as follows:

Fees for Audits Conducted and Other Related Services (Millions of euros) (**)	2017
Audits of the companies audited by firms belonging to the KPMG worldwide organization and other reports related with the audit (*)	27.2
Other reports required pursuant to applicable legislation and tax regulations issued by the national supervisory bodies of the countries in which the Group operates, reviewed by firms belonging to the KPMG worldwide organization	1.9
Fees for audits conducted by other firms	0.1

(*) Including fees pertaining to annual legal audits (€22.6 million).

(**) Regardless of the billed period.

In the year ended December 31, 2017, other entities in the BBVA Group contracted other services (other than audits) as follows:

Other Services rendered (Millions of euros)	2017
Firms belonging to the KPMG worldwide organization	0.5

This total of contracted services includes the detail of the services provided by KPMG Auditores, S.L. to BBVA, S.A. or its controlled companies at the date of preparation of these consolidated financial statements as follows:

Fees for Audits Conducted (*) (Millions of euros)	2017
Legal audit of BBVA,S.A. or its companies under control	6.8
Other audit services of BBVA, S.A or its companies under control	5.0
Limited Review of BBVA, S.A. or its companies under control	0.9
Reports related to issuances	0.4
Assurance jobs and other required by the regulator	0.2
Other	-

(*) Services provided by KPMG Auditores, S.L. to companies located in Spain.

The services provided by the auditors meet the independence requirements established under Audit of Accounts Law (Law 22/2015) and under the Sarbanes-Oxley Act of 2002 adopted by the Securities and Exchange Commission (SEC); accordingly they do not include the performance of any work that is incompatible with the auditing function.

53. Related-party transactions

As financial institutions, BBVA and other entities in the Group engage in transactions with related parties in the normal course of their business. All of these transactions are not material and are carried out under normal market conditions. As of December 31, 2017, 2016 and 2015, the following are the transactions with related parties:

53.1 Transactions with significant shareholders

As of December 31, 2017, 2016 and 2015, there were no shareholders considered significant (see Note 26).

53.2 Transactions with BBVA Group entities

The balances of the main aggregates in the accompanying consolidated balance sheets arising from the transactions carried out by the BBVA Group with associates and joint venture entities accounted for using the equity method are as follows:

Balances arising from transactions with Entities of the Group (Millions of euros)	2017	2016	2015
Assets:			
Loans and advances to credit institutions	91	69	109
Loans and advances to customers	510	442	710
Liabilities:			
Deposits from credit institutions	5	1	2
Customer deposits	428	533	449
Debt certificates			
Memorandum accounts:			
Financial guarantees given	1,254	1,586	1,671
Contingent commitments	114	42	28

The balances of the main aggregates in the accompanying consolidated income statements resulting from transactions with associates and joint venture entities that are accounted for under the equity method are as follows:

Balances of Income Statement arising from transactions with Entities of the Group (Millions of euros)	2017	2016	2015
Income statement:			
Financial incomes	26	26	53
Financial costs	1	1	1
Fee and Commission Income	5	5	5
Fee and Commission Expenses	49	58	55

There were no other material effects in the consolidated financial statements arising from dealings with these entities, other than the effects from using the equity method (see Note 2.1) and from the insurance policies to cover pension or similar commitments, as described in Note 25; and the futures transactions arranged by BBVA Group with these entities, associates and joint ventures.

In addition, as part of its normal activity, the BBVA Group has entered into agreements and commitments of various types with shareholders of subsidiaries and associates, which have no material effects on the accompanying consolidated financial statements.

53.3 Transactions with members of the Board of Directors and Senior Management

The information on the remuneration of the members of the BBVA Board of Directors and Senior Management is included in Note 54.

As of December 31, 2017 and 2016, there were no loans granted by the Group's entities to the members of the Board of Directors. As of December 31, 2015 the amount availed against the loans by the Group's entities to the members of the Board of Directors was €200 thousand. The amount availed against the loans by the Group's entities to the members of Senior Management on those same dates (excluding the executive directors) amounted to €4,049, €5,573 and €6,641 thousand, respectively.

As of December 31, 2017 and 2016, there were no loans granted to parties related to the members of the Board of Directors. As of December 31, 2015, the amount availed against the loans to parties related to the members of the Bank's Board of Directors was €10,000 thousand. As of December 31, 2017, 2016 and 2015 the amount availed against the loans to parties related to members of the Senior Management amounted to €85, €98 and €113 thousand, respectively.

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

As of December 31, 2017 and 2016, the amount availed against guarantees arranged with members of the Senior Management totaled €28 thousand. As of December 31, 2015 no guarantees had been granted to any member of the Senior Management.

As of December 31, 2017, 2016 and 2015 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, €8 and €1,679 thousand, respectively.

53.4 Transactions with other related parties

In the years ended December 31, 2017, 2016 and 2015, the Group did not conduct any transactions with other related parties that are not in the ordinary course of its business, which were not carried out at arm's-length market conditions and of marginal relevance; whose information is not necessary to give a true picture of the BBVA Group's consolidated net equity, net earnings and financial situation.

54. Remuneration and other benefits received by the Board of Directors and members of the Bank's Senior Management

Remuneration of non-executive directors received in 2017

The remuneration paid to the non-executive members of the Board of Directors during 2017 is indicated below. The figures are given individually for each non-executive director and itemized:

Remuneration for non-executive directors (Thousands of euros)

	Board of Directors	Executive Committee	Audit & Compliance Committee	Risks Committee	Remunerations Committee	Appointments Committee	Technology and Cybersecurity Committee	Total
Tomás Alfaro Drake	129	-	71	-	25	102	43	370
José Miguel Andrés Torrecillas	129	-	179	107	-	41	-	455
José Antonio Fernández Rivero	129	167	-	-	43	-	25	363
Belén Garijo López	129	-	71	-	80	-	-	280
Sunir Kumar Kapoor	129	-	-	-	-	-	43	172
Carlos Loring Martínez de Irujo	129	167	-	107	25	-	-	427
Lourdes Máiz Carro	129	-	71	-	25	41	-	266
José Maldonado Ramos	129	167	-	62	-	41	-	399
Juan Pi Llorens	129	-	71	125	45	-	43	412
Susana Rodríguez Vidarte	129	167	-	107	-	41	-	443
Total (1)	**1,287**	**667**	**464**	**508**	**243**	**265**	**154**	**3,587**

(1) Includes the amounts for memberships of the different committees during the year 2017. The composition of these committees was modified on May 31, 2017.

In addition, José Luis Palao García-Suelto and James Andrew Stott, who ceased as directors on March 17, 2017 and on May 31, 2017, respectively, received a total amount of €70 thousand and €178 thousand, respectively, as members of the Board of Directors and of the different Board committees.

Moreover, during 2017, €126 thousand has been paid in healthcare and casualty insurance premiums for the non-executive members of the Board of Directors.

Remuneration of executive directors received in the year 2017

During the year 2017, the executive directors have received the amount of the fixed remuneration corresponding to that year, established in the Remuneration Policy for BBVA Directors applicable during financial years 2017, 2018 and 2019. The Policy was approved by the General Meeting held on March 17, 2017 by a majority of 96.54%.

Likewise, the executive directors have received the annual variable remuneration corresponding to the year 2016 which payment vested during the first quarter of 2017, in accordance with the settlement and payment system established under the former remuneration policy for directors, approved by the General Meeting held on March 13, 2015.

In accordance with that settlement and payment system:

- The upfront payment of the annual variable remuneration for executive directors corresponding to the year 2016 has been paid in equal parts in cash and in BBVA shares.
- The remaining 50% of the annual variable remuneration, both in cash and in shares, has been deferred in its entirety for a three-year period, with its accrual and payment subject to compliance with a series of multi-year indicators.
- All the shares delivered pursuant to the indicated rules will be withheld for a one-year period from the date of delivery. This withholding will be applied to the net amount of the shares, after discounting the amount necessary to honor the payment of taxes accruing on the shares received.

- A prohibition against hedging has been established, both regarding withheld vested shares and shares pending delivery.
- The deferred part of the annual variable remuneration will be subject to updating under the terms established by the Board of Directors.
- The variable component of the remuneration of executive directors corresponding to the year 2016 is limited to a maximum amount of 200% of the fixed component of total remuneration, as agreed by the General Meeting.

Furthermore, following approval of the new Remuneration Policy for BBVA Directors by the 2017 General Meeting, the annual variable remuneration awarded as of the year 2016, inclusive, is subject to arrangements for the reduction ("malus") and recoupment ("clawback") of variable remuneration during the entire deferral and retention period, in the terms mentioned in said Policy.

Likewise, in accordance with the settlement and payment system applicable to the annual variable remuneration of the years 2014 and 2013, pursuant to the applicable policy for said years, the executive directors have received the deferred parts of the annual variable remuneration of those years, delivery of which was due in the first quarter of year 2017.

Pursuant to the above, the remuneration paid to the executive directors during 2017 is shown below. The figures are given individually for each executive director and itemized:

Remuneration of executive directors (Thousands of Euros)

	Fixed remuneration	2016 annual variable remuneration in cash (1)	Deferred variable remuneration in cash from previous years (2)	Total cash 2017	2016 annual variable remuneration in BBVA shares (1)	Deferred variable remuneration in BBVA shares from previous years (2)	Total shares 2017
Group Executive Chairman	2,475	734	622	3,831	114,204	66,947	181,151
Chief Executive Officer	1,965	591	182	2,738	91,915	19,703	111,618
Head of Global Economics, Regulation & Public Affairs ("Head of GERPA")	834	89	50	972	13,768	5,449	19,217
Total	**5,274**	**1,414**	**853**	**7,541**	**219,887**	**92,099**	**311,986**

(1) Amounts corresponding to 50% of 2016 annual variable remuneration.

(2) Amounts corresponding to the sum of the deferred parts of the annual variable remuneration from previous years (2014 and 2013), and their corresponding updating in cash, payment or delivery of which has been made in 2017, in accordance with the settlement and payment system, as broken down below:

- 2nd third of deferred annual variable remuneration from 2014:

Under this item, the executive directors have received: €321 thousand and 37,392 BBVA shares in the case of the Group Executive Chairman; €101 thousand and 11,766 BBVA shares in the case of the Chief Executive Officer; and €32 thousand and 3,681 BBVA shares in the case of the executive director Head of GERPA.

- 3rd third of deferred annual variable remuneration from 2013:

Under this item, the executive directors have received: €301 thousand and 29,555 BBVA shares in the case of the Group Executive Chairman; €81 thousand and 7,937 BBVA shares in the case of the Chief Executive Officer; and €18 thousand and 1,768 BBVA shares in the case of the executive director Head of GERPA.

As at year-end 2017, the last third corresponding to the deferred variable remuneration of the year 2014 is pending payment, delivery of which will correspond in the first quarter of the year 2018, in accordance with the settlement and payment system established for that year.

In accordance with the conditions established in the settlement and payment system previously mentioned, 50% of executive directors' annual variable remuneration corresponding to the years 2015 and 2016 remains deferred, to be paid in future years, where applicable, according to the aforementioned system.

Likewise, executive directors have received, during 2017, remuneration in kind, which includes insurance premiums and others, for a total overall amount of €217 thousand, of which €16 thousand correspond to the Group Executive Chairman; €121 thousand to the Chief Executive Officer; and €79 thousand to the executive director Head of GERPA.

Annual variable remuneration of executive directors for the year

Following year-end 2017, the variable remuneration for executive directors corresponding to that year has been determined, applying the conditions established at the beginning of 2017, as set forth in the Remuneration Policy for BBVA Directors, approved by the General Meeting held on 17 March 2017, in the following terms:

- 40% of the annual variable remuneration corresponding to 2017 will be paid, during the first quarter of 2018, in equal parts in cash and in shares, which amounts to €660 thousand and 90,933 BBVA shares in the case of the Group Executive Chairman; €562 thousand and 77,493 BBVA shares in the case of the Chief Executive Officer; and €87 thousand and 12,029 BBVA shares in the case of the executive director Head of GERPA.

- The remaining 60% will be deferred for a five-year period, subject to compliance with the multi-year performance indicators (the "Deferred Component"), which will vest, 40% in cash and 60% in shares, under the following schedule: 60% of the Deferred Component after the third year of deferral; 20% after the fourth year of deferral; and 20% after the fifth year of deferral.

  The Deferred Component of the annual variable remuneration will be subject to compliance with the multi-year performance indicators determined by the Board of Directors at the beginning of the year, calculated over the first three years of deferral. The application of these indicators may lead to a reduction of the Deferred Component, even in its entirety, but in no event lead to an increase in its amount.

Moreover, in accordance with the settlement and payment system established in the Remuneration Policy for BBVA Directors:

- Shares delivered to executive directors as annual variable remuneration shall be withheld for a one-year period from the date of delivery. Upon reception of the shares, executive directors will not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration for at least three years after their delivery. The foregoing shall not apply to the transfer of those shares required to honor the payment of taxes.

- The annual variable remuneration deferred in cash will be subject to updating in the terms established by the Board of Directors.

- Executive directors shall not be allowed to use personal hedging strategies or insurance in connection with remuneration and responsibility that may undermine the effects of alignment with sound risk management.

- The variable component of the remuneration of executive directors for the year 2017 will be limited to a maximum amount of 200% of the fixed component of total remuneration, as approved by the General Meeting.

- Finally, the entire annual variable remuneration of executive directors will be subject to malus and clawback arrangements during the entire deferral and retention period.

The amounts corresponding to the deferred shares are recorded under the item "own share based compensation schemes - equity" and the amounts corresponding to cash are recorded under the item "Other Liabilities – Accrued interest" of the consolidated balance sheet at 31 December 2017.

Remuneration of the members of the Senior Management received in 2017

During 2017, members of Senior Management have received the amount of the fixed remuneration corresponding to that year and the annual variable remuneration corresponding to the year 2016, which payment vested during the first quarter of the year 2017, according to the settlement and payment system set forth in the remuneration policy applicable to the Senior Management in that year.

In accordance with this settlement and payment system:

- The upfront payment of 2016 annual variable remuneration for members of the Senior Management has been paid in equal parts in cash and in BBVA shares.
- The remaining 50% of the annual variable remuneration, both in cash and in shares, has been deferred in its entirety for a three-year period, and its accrual and vesting shall be subject to compliance with a series of multi-year indicators.
- All the shares delivered pursuant to the indicated rules shall be withheld for a one-year period from the date of delivery. This withholding will be applied to the net amount of the shares, after discounting the amount necessary to honor the payment of taxes accruing on the shares received.
- A prohibition against hedging has been established, both regarding withheld vested shares and shares pending delivery.
- The deferred part of the annual variable remuneration will be subject to updating under the terms established by the Board of Directors.
- The variable component of the remuneration corresponding to the year 2016 for the Senior Management is limited to a maximum amount of 200% of the fixed component of total remuneration as agreed by the General Meeting.

Furthermore, the annual variable remuneration awarded as of the year 2016, inclusive, is subject to arrangements for the reduction (“malus”) and recoupment ("clawback") of variable remuneration during the entire deferral and retention period.

Pursuant to the above, the remuneration paid during the year 2017 to members of the Senior Management as a whole, excluding executive directors, is shown below (itemized):

Remuneration of members of the Senior Management (Thousands of Euros)

	Fixed remuneration	2016 annual variable remuneration in cash (1)	Deferred variable remuneration in cash from previous years (2)	Total cash 2017	2016 annual variable remuneration in BBVA shares (1)	Deferred variable remuneration in BBVA shares from previous years (2)	Total shares 2017
Total members of the Senior Management (*)	15,673	2,869	1,016	19,558	441,596	110,105	551,701

(*) This section includes aggregate information regarding those who were members of the Senior Management, excluding executive directors, as at December, 31, 2017 (15 members).

(1) Amounts corresponding to 50% of 2016 annual variable remuneration.

(2) Amounts corresponding to the sum of the deferred parts of the annual variable remuneration from previous years (2014 and 2013), and their corresponding updating in cash, payment or delivery of which has been made in 2017 to members of the Senior Management who were entitled to them, as broken down below:

- 2nd third of deferred annual variable remuneration from 2014: corresponds to an aggregate amount of €555 thousand and 64,873 BBVA shares.
- 3rd third of deferred annual variable remuneration from 2013: corresponds to an aggregate amount of €461 thousand and 45,232 BBVA shares.

As at year-end 2017, the last third corresponding to the deferred variable remuneration of the year 2014 is pending payment, delivery of which will correspond in the first quarter of the year 2018, in accordance with the settlement and payment system established for that year.

Likewise, 50% of members of the Senior Management’s annual variable remuneration corresponding to the years 2015 and 2016 remains deferred, to be paid in future years, where applicable, according to the settlement and payment system established for said years.

Additionally, members of the Senior Management as a whole, excluding executive directors, have received remuneration in kind during the year 2017, which includes insurance premiums and others, for a total overall amount of €684 thousand.

Remuneration system in shares with deferred delivery for non-executive directors

BBVA has a remuneration system in shares with deferred delivery for its non-executive directors, which was approved by the General Meeting held on March 18, 2006 and extended by resolutions of the General Meeting held on March 11, 2011 and on March 11, 2016, for a further five-year period in each case.

This system is based on the annual allocation to non-executive directors of a number of "theoretical shares", equivalent to 20% of the total remuneration in cash received by each director in the previous year, calculated according to the average closing prices of the BBVA share during the sixty trading sessions prior to the Annual General Meetings approving the corresponding financial statements for each year.

These shares will be delivered to each beneficiary, where applicable, on the date they leave directorship for any reason other than serious breach of their duties.

The number of “theoretical shares” allocated in the first semester of 2017 to each non-executive director beneficiary of the remuneration system in shares with deferred delivery, corresponding to 20% of the total remuneration received in cash by said directors in 2016, is as follows:

	Theoretical shares allocated in 2017	Theoretical shares accumulated at December 31, 2017
Tomás Alfaro Drake	10,630	73,082
José Miguel Andrés Torrecillas	14,002	23,810
José Antonio Fernández Rivero	11,007	102,053
Belén Garijo López	7,313	26,776
Sunir Kumar Kapoor	4,165	4,165
Carlos Loring Martínez de Irujo	11,921	86,891
Lourdes Máiz Carro	7,263	15,706
José Maldonado Ramos	10,586	67,819
Juan Pi Llorens	10,235	42,609
Susana Rodríguez Vidarte	13,952	92,558
Total (1)	**101,074**	**535,469**

(1) In addition, in the first semester of 2017, 8,752 theoretical shares were allocated to José Luis Palao García-Suelto and 10,226 theoretical shares were allocated to James Andrew Stott, who ceased as directors on March 17, 2017 and on May 31, 2017 respectively.

Pension commitments

The Bank has undertaken pension commitments in favor of the Chief Executive Officer and the executive director Head of GERPA, in accordance with the Bylaws, the Remuneration Policy for BBVA Directors and their respective contracts entered into with the Bank, to cover retirement, disability and death.

As regards the Chief Executive Officer, the Remuneration Policy for BBVA Directors provides for a new benefits framework whereby his previous defined-benefits system has been transformed into a defined-contribution system, according to which he is entitled, provided he does not leave his position as Chief Executive Officer due to serious breach of his duties, to a retirement benefit when he reaches the legal retirement age, in the form of capital or as income, which amount shall result from the funds accumulated by the Bank until December 2016 to cover the commitments under his previous benefits scheme and the sum of the annual contributions made by the Bank as of January 1, 2017, to cover said benefit under the new pension scheme, along with the corresponding accumulated yields.

Should the contractual relationship be terminated before he reaches the retirement age, for reason other than serious breach of his duties, the retirement benefit to which the Chief Executive Officer is entitled, when he reaches the age legally established, shall be calculated on the basis of the contributions made by the Bank up to that date, along with the corresponding accumulated yields, with no additional contributions to be made by the Bank upon leave of directorship.

The amount established in the Remuneration Policy for BBVA Directors for the Chief Executive Officer, as annual contribution to cover the retirement benefit under the new defined-contribution scheme, amounts to €1,642 thousand, amount which shall be updated in the same proportion as the annual fixed remuneration for the Chief Executive Officer, in the terms established in said Policy.

Likewise, pursuant to the Policy, 15% of the agreed annual contribution, mentioned above, shall be based on variable components and be considered "discretionary pension benefits", thus subject to the conditions of delivery in shares, retention and clawback established in applicable regulations, as well as to those other conditions of variable remuneration applicable to them pursuant to the aforementioned Policy.

On the other hand, the Bank will assume payment of the annual insurance premiums in order to top up the coverage of death and disability of the Chief Executive Officer's benefits scheme, in the terms established in the Remuneration Policy for BBVA Directors.

Pursuant to the foregoing, in the year 2017 an amount of €1,853 thousand has been recorded to attend the benefits commitments undertaken with the Chief Executive Officer, amount which includes the contribution to retirement coverage (€1,642 thousand), as well as to death and disability (€211 thousand), with the total accumulated fund to cover retirement commitments amounting €17,503 thousand, as at December 31, 2017.

15% of the agreed annual contribution to retirement (€246 thousand) has been registered in the year 2017 as "discretionary pension benefits" and, following year-end 2017, said amount has been adjusted according to the criteria established for the determination of the Chief Executive Officer's annual variable remuneration for 2017. Accordingly, the "discretionary pension benefits" for the year 2017 have been determined in an amount of €288 thousand, amount which will be included in the accumulated fund in the year 2018, subject to the same conditions as the Deferred Component of annual variable remuneration for the year 2017, as well as the remaining conditions established for these benefits in the Remuneration Policy for BBVA Directors.

As regards the executive director Head of GERPA, the pension scheme established in the Remuneration Policy for BBVA Directors establishes an annual contribution of 30% of his fixed remuneration as of January 1, 2017, to cover retirement benefit, as well as payment of the corresponding annual insurance premiums in order to top up the coverage of death and disability.

As in the case of the Chief Executive Officer, 15% of the agreed annual contribution, mentioned above, shall be based on variable components and be considered "discretionary pension benefits", thus subject to the conditions of delivery in shares, retention and clawback established in applicable regulations, as well as to those other conditions of variable remuneration applicable to them pursuant to the aforementioned Policy.

The executive director Head of GERPA shall be entitled, when he reaches the retirement age, to the benefits arising from the contributions made by the Bank to cover pension commitments, plus the corresponding accumulated yields up to that date, provided he does not leave his position due to serious breach of his duties. In the event of voluntary termination of contractual relationship by the director before retirement, benefits shall be limited to 50% of the contributions made by the Bank to that date, along with the corresponding accumulated yields, with the Bank's contributions ceasing upon leave of directorship.

Pursuant to the foregoing, in the year 2017 an amount of €393 thousand has been recorded to attend the benefits commitments undertaken with the executive director Head of GERPA, amount which includes the contribution to retirement coverage (€250 thousand), as well as to death and disability (€143 thousand), with the total accumulated fund to cover retirement commitments amounting €842 thousand, as at December 31, 2017.

15% of the agreed annual contribution to retirement (€38 thousand) has been registered in the year 2017 as "discretionary pension benefits" and, following year-end 2017, said amount has been adjusted according to the criteria established for the determination of the executive director Head of GERPA's annual variable remuneration for 2017. Accordingly, the "discretionary pension benefits" for the year 2017 have been determined in an amount of €46 thousand, amount which will be included in the accumulated fund in the year 2018, subject to the same conditions as the Deferred Component of annual variable remuneration for the year 2017, as well as the remaining conditions established for these benefits in the Remuneration Policy for BBVA Directors.

There are no other pension obligations undertaken in favor of other executive directors.

Likewise, an amount of €5,630 thousand has been recorded to attend the benefits commitments undertaken with members of the Senior Management, excluding executive directors, amount which includes the contribution to retirement coverage (€4,910 thousand), as well as to death and disability (€720 thousand), with the total accumulated fund to cover retirement commitments with the Senior Management amounting €55,689 thousand, as at December 31, 2017.

As in the case of executive directors, 15% of the annual contributions agreed for members of the Senior Management shall be based on variable components and be considered "discretionary pension benefits", thus subject to the conditions of delivery in shares, retention and clawback established in applicable regulations, as well as to those other conditions of variable remuneration applicable to them pursuant to the remuneration policy applicable to Senior Management.

Pursuant to the foregoing, from the annual contribution to cover retirement recorded in 2017, an amount of €585 thousand has been recorded in the year 2017 as "discretionary pension benefits" and, following year-end 2017, said amount has been adjusted according to the criteria established for the determination of the Senior Management's annual variable remuneration for 2017. Accordingly, the "discretionary pension benefits" for the year 2017 have been determined in an amount of €589 thousand, amount which will be included in the accumulated fund in the year 2018, subject to the same conditions as the Deferred Component of annual variable remuneration for the year 2017, as well as the remaining conditions established for these benefits in the remuneration policy applicable to members of the Senior Management.

Extinction of contractual relationship

In accordance with the Remuneration Policy for BBVA Directors, approved by the 2017 General Meeting, the Bank has no commitments to pay severance indemnity to executive directors.

The new contractual framework defined in the aforementioned Policy for the Chief Executive Officer and the executive director Head of GERPA includes a post-contractual non-compete agreement for a period of two years, after they cease as BBVA executive directors, in accordance to which they shall receive remuneration in an amount equivalent to one annual fixed remuneration for every year of duration of the non-compete arrangement, which shall be paid periodically over the course of the two years, provided that leave of directorship is not due to retirement, disability or serious breach of duties.

55. Other information

55.1 Environmental impact

Given the activities BBVA Group entities engage in, the Group has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its consolidated equity, financial situation and profits. Consequently, as of December 31, 2017, there is no item in the Group's accompanying consolidated financial statements that requires disclosure in an environmental information report pursuant to Ministry of Justice Order JUS/471/2017, of May 19, and consequently no specific disclosure of information on environmental matters is included in these financial statements.

55.2 Reporting requirements of the Spanish National Securities Market Commission (CNMV)

Dividends paid in the year

The table below presents the dividends per share paid in cash during 2015, 2016 and 2017 (cash basis dividend, regardless of the year in which they were accrued, but without including other shareholder remuneration, such as the "Dividend Option"). See Notes 4 and 22.4 for a complete analysis of all remuneration awarded to shareholders.

Dividends Paid ("Dividend Option" not included)

	2017			2016			2015		
	% Over Nominal	Euros per Share	Amount (Millions of Euros)	% Over Nominal	Euros per Share	Amount (Millions of Euros)	% Over Nominal	Euros per Share	Amount (Millions of Euros)
Ordinary shares	34.69%	0.17	1,135	32.65%	0.16	1,028	16.33%	0.08	504
Rest of shares	-	-	-	-	-	-	-	-	-
Total dividends paid in cash	**34.69%**	**0.17**	**1,135**	**32.65%**	**0.16**	**1,028**	**16.33%**	**0.08**	**504**
Dividends with charge to income	34.69%	0.17	1,135	32.65%	0.16	1,028	16.33%	0.08	504
Dividends with charge to reserve or share premium	-	-	-	-	-	-	-	-	-
Dividends in kind	-	-	-	-	-	-	-	-	-

Earnings and ordinary income by operating segment

The detail of the consolidated profit for each operating segment is as follows:

Profit Attributable by Operating Segments

Profit Attributable by Operating Segments	Notes	2017	2016	2015
Banking Activity in Spain		1,381	912	1,085
Non Core Real Estate		(501)	(595)	(496)
United States		511	459	517
Mexico		2,162	1,980	2,094
Turkey		826	599	371
South America		861	771	905
Rest of Eurasia		125	151	75
Subtotal operating segments		**5,363**	**4,276**	**4,551**
Corporate Center		(1,844)	(801)	(1,910)
Profit attributable to parent company	**6**	**3,519**	**3,475**	**2,641**
Non-assigned income		-	-	-
Elimination of interim income (between segments)		-	-	-
Other gains (losses) (*)		1,243	1,218	686
Income tax and/or profit from discontinued operations		2,169	1,699	1,274
Operating profit before tax	**6**	**6,931**	**6,392**	**4,603**

(*) Profit attributable to non-controlling interests.

Interest income by geographical area

The breakdown of the balance of "Interest Income" in the accompanying consolidated income statements by geographical area is as follows:

Interest Income. Breakdown by Geographical Area (Millions of euros)

	Notes	2017	2016	2015
Domestic		5,093	5,962	6,275
Foreign		24,203	21,745	18,507
European Union		422	291	387
Other OECD countries		19,386	17,026	13,666
Other countries		4,395	4,429	4,454
Total	**37.1**	**29,296**	**27,708**	**24,783**

55.3 Mortgage market policies and procedures

The information on “Mortgage market policies and procedures” (for the granting of mortgage loans and for debt issues secured by such mortgage loans) required by Bank of Spain Circular 5/2011, applying Royal Decree 716/2009, dated April 24 (which developed certain aspects of Act 2/1981, dated March 25, on the regulation of the mortgage market and other mortgage and financial market regulations), can be found in Appendix X.

56. Subsequent events

From January 1, 2018 to the date of preparation of these Consolidated Financial Statements, no other subsequent events not mentioned above in these financial statements have taken place that could significantly affect the Group’s earnings or its equity position.

Transition to IFRS 9

Under Commission Regulation (EU) No. 2016/2067 of 22 November 2016, all companies governed by the law of a Member State of the European Union, and whose securities are traded on a regulated market in one of the States of the Union, must apply IFRS 9 as from the commencement date of their first financial year starting on or after January 1, 2018 (see Note 2.3); and it is the Group's intention to use the option allowed by the standard itself of not reformulating the comparative financial statements for 2017 that will be presented in the Consolidated Financial Statements for 2018.

57. Explanation added for translation into English

These accompanying consolidated financial statements are presented on the basis of IFRS, as adopted by the European Union. Certain accounting practices applied by the Group that conform to EU-IFRS may not conform to other generally accepted accounting principles.

BBVA Group

Appendices

APPENDIX I Additional information on consolidated subsidiaries and consolidated structured entities composing the BBVA Group

Additional Information on Consolidated Subsidiaries and consolidated structured entities composing the BBVA Group

			% Legal share of participation			Millions of Euros (*)				
						Affiliate Entity Data				
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 31.12.17	Liabilities 31.12.17	Equity 31.12.17	Profit (Loss) 31.12.17
4D INTERNET SOLUTIONS, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	18	18	1	20	(3)
ACTIVOS MACORP, S.L.	SPAIN	REAL ESTATE	50.63	49.37	100.00	18	24	5	3	16
ALCALA 120 PROMOC. Y GEST.IMMOB. S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	15	26	10	14	1
ANIDA DESARROLLOS INMOBILIARIOS, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	-	284	413	56	(185)
ANIDA GERMANIA IMMOBILIEN ONE, GMBH	GERMANY	IN LIQUIDATION	-	100.00	100.00	-	-	-	-	-
ANIDA GRUPO INMOBILIARIO, S.L. (**)	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	-	2,040	2,689	(161)	(488)
ANIDA INMOBILIARIA, S.A. DE C.V.	MEXICO	INVESTMENT COMPANY	-	100.00	100.00	163	116	-	109	7
ANIDA OPERACIONES SINGULARES, S.A. (***)	SPAIN	REAL ESTATE	-	100.00	100.00	-	4,066	4,451	(99)	(286)
ANIDA PROYECTOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	91	94	3	84	7
ANIDAPORT INVESTIMENTOS IMOBILIARIOS, UNIPESSOAL, LTDA	PORTUGAL	REAL ESTATE	-	100.00	100.00	29	87	81	8	(2)
APLICA NEXTGEN OPERADORA S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	-	-	-	-
APLICA NEXTGEN SERVICIOS S.A. DE C.V	MEXICO	SERVICES	-	100.00	100.00	-	-	-	-	-
APLICA TECNOLOGIA AVANZADA OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	8	7	-	-
APLICA TECNOLOGIA AVANZADA SERVICIOS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	4	3	-	-
APLICA TECNOLOGIA AVANZADA, S.A. DE C.V.- ATA	MEXICO	SERVICES	100.00	-	100.00	203	268	74	181	13
ARIZONA FINANCIAL PRODUCTS, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	816	816	-	816	-
ARRAHONA AMBIT, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	-	61	49	(37)	48
ARRAHONA IMMO, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	53	220	76	133	11
ARRAHONA NEXUS, S.L. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	199	166	(109)	141
ARRAHONA RENT, S.L.U.	SPAIN	REAL ESTATE	-	100.00	100.00	9	10	-	9	1
ARRELS CT FINSOL, S.A. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	264	214	(91)	141
ARRELS CT LLOGUER, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	1	52	44	(13)	20
ARRELS CT PATRIMONI I PROJECTES, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	-	74	63	(36)	47
ARRELS CT PROMOU, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	-	34	23	(12)	23
BAHIA SUR RESORT, S.C.	SPAIN	INACTIVE	99.95	-	99.95	1	1	-	1	-
BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S.A.	PORTUGAL	BANKING	100.00	-	100.00	252	4,029	3,805	220	4
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.	CHILE	BANKING	-	68.19	68.19	863	19,114	17,848	1,121	145
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY, S.A.	URUGUAY	BANKING	100.00	-	100.00	110	2,705	2,515	166	24
BANCO CONTINENTAL, S.A.	PERU	BANKING	-	46.12	46.12	910	19,666	17,693	1,597	377
BANCO INDUSTRIAL DE BILBAO, S.A.	SPAIN	BANKING	-	99.93	99.93	97	63	2	(2)	63
BANCO OCCIDENTAL, S.A.	SPAIN	BANKING	49.43	50.57	100.00	17	18	-	18	-
BANCO PROVINCIAL OVERSEAS N.V.	CURAÇAO	BANKING	-	100.00	100.00	47	369	324	42	3
BANCO PROVINCIAL S.A. - BANCO UNIVERSAL	VENEZUELA	BANKING	1.46	53.75	55.21	31	958	877	97	(16)
BANCOMER FINANCIAL SERVICES INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	2	2	-	2	-
BANCOMER FOREIGN EXCHANGE INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	13	13	-	9	4
BANCOMER PAYMENT SERVICES INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1	2	1	1	-
BANCOMER TRANSFER SERVICES, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	54	129	75	43	11
BBV AMERICA, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	79	571	-	599	(28)
BBVA AGENCIA DE SEGUROS COLOMBIA LTDA	COLOMBIA	INSURANCES SERVICES	-	100.00	100.00	-	-	-	-	-
BBVA ASESORIAS FINANCIERAS, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	2	3	1	1	1

(*) Information on foreign companies at exchange rate on December 31, 2017
(**) These companies have equity loans from BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
(***) This company has an equity loan from ANIDA GRUPO INMOBILIARIO, S.L.
(****) These companies have an equity loan from UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS, S.A

Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

			% Legal share of participation			Millions of Euros (*)				
							Affiliate Entity Data			
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 31.12.17	Liabilities 31.12.17	Equity 31.12.17	Profit (Loss) 31.12.17
BBVA ASSET MANAGEMENT ADMINISTRADORA GENERAL DE FONDOS	CHILE	FINANCIAL SERVICES	-	100.00	100.00	14	18	3	8	6
BBVA ASSET MANAGEMENT CONTINENTAL S.A. SAF	PERU	FINANCIAL SERVICES	-	100.00	100.00	14	16	2	11	4
BBVA ASSET MANAGEMENT, S.A. SOCIEDAD FIDUCIARIA (BBVA	COLOMBIA	FINANCIAL SERVICES	-	100.00	100.00	28	33	5	20	8
BBVA ASSET MANAGEMENT, S.A., SGIIC	SPAIN	OTHER INVESTMENT	17.00	83.00	100.00	38	114	55	21	38
BBVA AUTOMERCANTIL, COMERCIO E ALUGER DE VEICULOS	PORTUGAL	FINANCIAL SERVICES	100.00	-	100.00	4	20	15	5	-
BBVA BANCO FRANCES, S.A.	ARGENTINA	BANKING	39.97	26.58	66.55	157	9,173	8,019	947	207
BBVA BANCOMER GESTION, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	21	37	16	7	15
BBVA BANCOMER OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	45	235	190	38	7
BBVA BANCOMER SEGUROS SALUD, S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	11	19	8	9	2
BBVA BANCOMER SERVICIOS ADMINISTRATIVOS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	28	156	129	16	11
BBVA BANCOMER, S.A.,INSTITUCION DE BANCA MULTIPLE, GRUPO	MEXICO	BANKING	-	100.00	100.00	7,426	82,505	75,075	5,596	1,834
BBVA BRASIL BANCO DE INVESTIMENTO, S.A.	BRASIL	BANKING	100.00	-	100.00	16	34	4	27	3
BBVA BROKER, CORREDURIA DE SEGUROS Y REASEGUROS, S.A.	SPAIN	INSURANCES SERVICES	99.94	0.06	100.00	-	17	4	9	5
BBVA BROKER, S.A.	ARGENTINA	INSURANCES SERVICES	-	95.00	95.00	-	5	2	(1)	4
BBVA COLOMBIA, S.A.	COLOMBIA	BANKING	77.41	18.06	95.47	355	16,164	14,945	1,045	174
BBVA COMPASS BANCSHARES, INC	UNITED STATES	INVESTMENT COMPANY	100.00	-	100.00	11,703	10,862	35	10,420	406
BBVA COMPASS FINANCIAL CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	217	416	199	220	(3)
BBVA COMPASS INSURANCE AGENCY, INC	UNITED STATES	INSURANCES SERVICES	-	100.00	100.00	28	29	1	21	7
BBVA COMPASS PAYMENTS, INC	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	69	69	-	54	15
BBVA CONSOLIDAR SEGUROS, S.A.	ARGENTINA	INSURANCES SERVICES	87.78	12.22	100.00	10	133	85	17	31
BBVA CONSULTING (BEIJING) LIMITED	CHINA	FINANCIAL SERVICES	-	100.00	100.00	-	2	-	2	-
BBVA CONSULTORIA, S.A.	SPAIN	SERVICES	-	100.00	100.00	4	5	-	5	-
BBVA CONSUMER FINANCE ENTIDAD DE DESARROLLO A LA PEQUEÑA Y	PERU	FINANCIAL SERVICES	-	100.00	100.00	18	125	108	17	(1)
BBVA CORREDORA TECNICA DE SEGUROS LIMITADA	CHILE	INSURANCES SERVICES	-	100.00	100.00	7	14	7	(1)	8
BBVA CORREDORES DE BOLSA LIMITADA	CHILE	SECURITIES DEALER	-	100.00	100.00	68	647	579	62	6
BBVA DATA & ANALYTICS, S.L.	SPAIN	SERVICES	-	100.00	100.00	6	4	1	2	-
BBVA DINERO EXPRESS, S.A.U	SPAIN	PAYMENT ENTITIES	100.00	-	100.00	2	5	2	4	-
BBVA DISTRIBUIDORA DE SEGUROS S.R.L.	URUGUAY	INSURANCES SERVICES	-	100.00	100.00	4	4	-	2	2
BBVA FACTORING LIMITADA (CHILE)	CHILE	PENSION FUNDS	-	100.00	100.00	10	58	48	10	-
BBVA FINANZIA, S.p.A	ITALY	FINANCIAL SERVICES	100.00	-	100.00	4	15	11	4	-
BBVA FRANCES ASSET MANAGMENT S.A. SOCIEDAD GERENTE DE	ARGENTINA	FINANCIAL SERVICES	-	100.00	100.00	12	19	6	2	12
BBVA FRANCES VALORES, S.A.	ARGENTINA	SECURITIES DEALER	-	100.00	100.00	7	10	2	4	3
BBVA FUNDOS, S.GESTORA FUNDOS PENSOES,S.A.	PORTUGAL	PENSION FUNDS	-	100.00	100.00	1	19	1	17	1
BBVA GLOBAL FINANCE LTD.	CAYMAN ISLANDS	FINANCIAL SERVICES	100.00	-	100.00	-	171	167	4	-
BBVA GLOBAL MARKETS B.V.	NETHERLANDS	FINANCIAL SERVICES	100.00	-	100.00	-	2,398	2,397	1	-
BBVA INMOBILIARIA E INVERSIONES, S.A.	CHILE	REAL ESTATE	-	68.11	68.11	5	43	36	7	-
BBVA INSTITUIÇAO FINANCEIRA DE CREDITO, S.A.	PORTUGAL	FINANCIAL SERVICES	49.90	50.10	100.00	40	379	331	45	3
BBVA INTERNATIONAL PREFERRED, S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	36	35	1	-
BBVA INVERSIONES CHILE, S.A.	CHILE	INVESTMENT COMPANY	61.22	38.78	100.00	483	1,394	100	1,101	193
BBVA IRELAND PLC	IRELAND	FINANCIAL SERVICES	100.00	-	100.00	180	577	379	191	8

(*) Information on foreign companies at exchange rate on December 31, 2017

Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

			% Legal share of participation			Millions of Euros (*)				
						Affiliate Entity Data				
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 31.12.17	Liabilities 31.12.17	Equity 31.12.17	Profit (Loss) 31.12.17
BBVA LEASING MEXICO. S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	51	837	717	97	23
BBVA LUXINVEST, S.A.	LUXEMBOURG	INVESTMENT COMPANY	36.00	64.00	100.00	3	213	209	(64)	68
BBVA MEDIACION OPERADOR DE BANCA-SEGUROS VINCULADO, S.A.	SPAIN	INSURANCES SERVICES	-	100.00	100.00	10	82	51	16	15
BBVA NOMINEES LIMITED	UNITED KINGDOM	SERVICES	100.00	-	100.00	-	-	-	-	-
BBVA OP3N S.L. (**)	SPAIN	SERVICES	-	100.00	100.00	-	2	3	-	(1)
BBVA OP3N, INC	UNITED STATES	SERVICES	-	100.00	100.00	2	3	1	7	(5)
BBVA PARAGUAY, S.A.	PARAGUAY	BANKING	100.00	-	100.00	23	1,784	1,621	132	32
BBVA PENSIONES, SA, ENTIDAD GESTORA DE FONDOS DE PENSIONES	SPAIN	PENSION FUNDS	100.00	-	100.00	13	53	15	27	11
BBVA PLANIFICACION PATRIMONIAL, S.L.	SPAIN	FINANCIAL SERVICES	80.00	20.00	100.00	-	1	-	1	-
BBVA PREVISION AFP S.A. ADM.DE FONDOS DE PENSIONES	BOLIVIA	PENSION FUNDS	75.00	5.00	80.00	1	23	13	4	5
BBVA PROCUREMENT SERVICES AMERICA DEL SUR SpA	CHILE	SERVICES	-	100.00	100.00	6	9	3	6	-
BBVA PROPIEDAD, S.A.	SPAIN	REAL ESTATE INVESTMENT	-	100.00	100.00	874	874	5	921	(51)
BBVA RE DAC	IRELAND	INSURANCES SERVICES	-	100.00	100.00	39	72	23	40	9
BBVA REAL ESTATE MEXICO, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
BBVA RENTAS E INVERSIONES LIMITADA	CHILE	INVESTMENT COMPANY	-	100.00	100.00	294	295	1	229	65
BBVA RENTING, S.A.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	90	665	565	95	5
BBVA SECURITIES INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	178	368	190	162	16
BBVA SEGUROS COLOMBIA, S.A.	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	10	83	63	13	7
BBVA SEGUROS DE VIDA COLOMBIA, S.A.	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	14	404	289	74	41
BBVA SEGUROS DE VIDA, S.A.	CHILE	INSURANCES SERVICES	-	100.00	100.00	71	201	129	62	10
BBVA SEGUROS, S.A., DE SEGUROS Y REASEGUROS	SPAIN	INSURANCES SERVICES	99.96	-	99.96	1,039	18,231	16,989	948	294
BBVA SENIOR FINANCE, S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	1,765	1,764	1	-
BBVA SERVICIOS CORPORATIVOS LIMITADA	CHILE	SERVICES	-	100.00	100.00	3	11	8	-	3
BBVA SERVICIOS, S.A.	SPAIN	COMMERCIAL	-	100.00	100.00	-	8	1	7	-
BBVA SOCIEDAD DE LEASING INMOBILIARIO, S.A.	CHILE	FINANCIAL SERVICES	-	97.49	97.49	28	82	53	26	3
BBVA SUBORDINATED CAPITAL S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	121	120	1	-
BBVA SUIZA, S.A. (BBVA SWITZERLAND)	SWITZERLAND	BANKING	100.00	-	100.00	98	859	753	98	7
BBVA TRADE, S.A. (***)	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	1	42	37	13	(8)
BBVA VALORES COLOMBIA, S.A. COMISIONISTA DE BOLSA	COLOMBIA	SECURITIES DEALER	-	100.00	100.00	4	4	-	5	(1)
BBVA WEALTH SOLUTIONS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	6	6	-	5	1
BEEVA TEC OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	1	1	-	-
BEEVA TEC, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	3	2	1	-
BILBAO VIZCAYA HOLDING, S.A.	SPAIN	INVESTMENT COMPANY	89.00	11.00	100.00	35	227	28	187	12
BLUE INDICO INVESTMENTS, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	21	46	27	17	2
CAIXA MANRESA IMMOBILIARIA ON CASA, S.L. (****)	SPAIN	REAL ESTATE	100.00	-	100.00	-	2	5	(3)	-
CAIXA MANRESA IMMOBILIARIA SOCIAL, S.L. (****)	SPAIN	REAL ESTATE	100.00	-	100.00	-	4	4	-	-
CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS, S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	1	76	74	2	-
CAIXASABADELL PREFERENTS, S.A.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	91	90	1	-
CAIXASABADELL TINELIA, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	41	42	-	41	-
CARTERA E INVERSIONES S.A., CIA DE	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	92	55	38	21	(3)

(*) Information on foreign companies at exchange rate on December 31, 2017
(**) These companies have an equity loan from BILBAO VIZCAYA HOLDING, S.A.
(***) These companies have an equity loan from CARTERA E INVERSIONES S.A., CIA DE.
(****) These companies have an equity loan from BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

			% Legal share of participation			Millions of Euros (*)				
						Affiliate Entity Data				
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 31.12.17	Liabilities 31.12.17	Equity 31.12.17	Profit (Loss) 31.12.17
CASA DE BOLSA BBVA BANCOMER. S.A. DE C.V.	MEXICO	SECURITIES DEALER	-	100.00	100.00	46	60	14	14	32
CATALONIA GEBIRA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	-	4	4	(4)	4
CATALONIA PROMODIS 4, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	-	8	8	(5)	5
CATALUNYACAIXA ASSEGURANCES GENERALS, S.A.	SPAIN	INSURANCES SERVICES	100.00	-	100.00	42	49	23	22	3
CATALUNYACAIXA CAPITAL, S.A.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	104	113	10	96	8
CATALUNYACAIXA IMMOBILIARIA, S.A. (**)	SPAIN	REAL ESTATE	100.00	-	100.00	310	388	94	74	221
CATALUNYACAIXA SERVEIS, S.A.	SPAIN	SERVICES	100.00	-	100.00	2	9	6	3	-
CDD GESTIONI, S.R.L.	ITALY	REAL ESTATE	100.00	-	100.00	5	6	-	6	-
CETACTIUS, S.L. (**)	SPAIN	REAL ESTATE	100.00	-	100.00	-	2	22	(20)	(1)
CIDESSA DOS, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	15	15	1	15	-
CIDESSA UNO, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	5	199	84	75	40
CIERVANA, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	53	61	-	60	-
CLUB GOLF HACIENDA EL ALAMO, S.L.	SPAIN	REAL ESTATE	-	97.87	97.87	-	-	-	-	-
COMERCIALIZADORA CORPORATIVA SAC	PERU	FINANCIAL SERVICES	-	50.00	50.00	-	1	1	-	-
COMERCIALIZADORA DE SERVICIOS FINANCIEROS, S.A.	COLOMBIA	SERVICES	-	100.00	100.00	3	9	6	2	1
COMPAÑIA CHILENA DE INVERSIONES, S.L.	SPAIN	INVESTMENT COMPANY	99.97	0.03	100.00	580	920	339	442	139
COMPASS BANK	UNITED STATES	BANKING	-	100.00	100.00	10,083	76,898	66,816	9,708	375
COMPASS CAPITAL MARKETS, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	6,789	6,789	-	6,729	60
COMPASS GP, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	41	51	10	41	-
COMPASS INSURANCE TRUST	UNITED STATES	INSURANCES SERVICES	-	100.00	100.00	-	-	-	-	-
COMPASS LIMITED PARTNER, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	5,932	5,932	-	5,873	59
COMPASS LOAN HOLDINGS TRS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	68	68	-	67	-
COMPASS MORTGAGE CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	2,661	2,720	59	2,607	54
COMPASS MORTGAGE FINANCING, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
COMPASS SOUTHWEST, LP	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	4,906	4,907	-	4,847	59
COMPASS TEXAS MORTGAGE FINANCING, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
CONSOLIDAR A.F.J.P., S.A.	ARGENTINA	IN LIQUIDATION	46.11	53.89	100.00	-	2	1	-	-
CONTENTS AREA, S.L.	SPAIN	SERVICES	-	100.00	100.00	6	7	1	6	-
CONTINENTAL BOLSA, SDAD. AGENTE DE BOLSA, S.A.	PERU	SECURITIES DEALER	-	100.00	100.00	5	11	6	4	1
CONTINENTAL DPR FINANCE COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	63	63	-	-
CONTINENTAL SOCIEDAD TITULIZADORA, S.A.	PERU	FINANCIAL SERVICES	-	100.00	100.00	1	1	-	1	-
CONTRATACION DE PERSONAL, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	5	9	4	4	1
COPROMED S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	-	-	-	-
CORPORACION GENERAL FINANCIERA, S.A.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	510	1,821	140	1,448	232
COVAULT, INC	UNITED STATES	SERVICES	-	100.00	100.00	-	-	-	-	-
CX PROPIETAT, FII	SPAIN	REAL ESTATE INVESTMENT	94.96	-	94.96	48	51	-	60	(9)
DALLAS CREATION CENTER, INC	UNITED STATES	SERVICES	-	100.00	100.00	-	6	6	3	(3)
DATA ARCHITECTURE AND TECHNOLOGY S.L.	SPAIN	SERVICES	-	51.00	51.00	-	5	3	-	2

(*) Information on foreign companies at exchange rate on December 31, 2017
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Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

			% Legal share of participation			Millions of Euros (*) Affiliate Entity Data				
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 31.12.17	Liabilities 31.12.17	Equity 31.12.17	Profit (Loss) 31.12.17
DENIZEN FINANCIAL, INC	UNITED STATES	SERVICES	-	100.00	100.00	1	1	-	1	-
DEUTSCHE BANK MEXICO SA FIDEICOMISO F/1859	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	15	15	-	-
DEUTSCHE BANK MEXICO SA FIDEICOMISO F/1860	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	14	14	-	-
DISTRITO CASTELLANA NORTE, S.A.	SPAIN	REAL ESTATE	-	75.54	75.54	86	128	14	116	(3)
ECASA, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	19	22	3	12	7
EL ENCINAR METROPOLITANO, S.A.	SPAIN	REAL ESTATE	-	99.05	99.05	6	7	-	6	-
EL MILANILLO, S.A. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	10	8	1	7	-
EMPRENDIMIENTOS DE VALOR S.A.	URUGUAY	FINANCIAL SERVICES	-	100.00	100.00	3	7	4	3	-
ENTIDAD DE PROMOCION DE NEGOCIOS, S.A.	SPAIN	OTHER HOLDING	-	99.86	99.86	15	19	-	19	-
ENTRE2 SERVICIOS FINANCIEROS, E.F.C., S.A.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	9	9	-	9	-
ESPAIS SABADELL PROMOCIONS INMOBILIARIES, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	7	8	-	8	-
EUROPEA DE TITULIZACION, S.A., S.G.F.T.	SPAIN	FINANCIAL SERVICES	88.24	-	88.24	2	43	2	38	4
EXPANSION INTERCOMARCAL, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	29	29	-	26	3
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON	MEXICO	REAL ESTATE	-	42.40	42.40	1	1	-	1	-
F/253863 EL DESEO RESIDENCIAL	MEXICO	REAL ESTATE	-	65.00	65.00	-	1	-	1	-
F/403035-9 BBVA HORIZONTES RESIDENCIAL	MEXICO	REAL ESTATE	-	65.00	65.00	-	-	-	-	-
FIDEICOMISO 28991-8 TRADING EN LOS MCADOS FINANCIEROS	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	2	2	-	2	-
FIDEICOMISO F/29764-8 SOCIO LIQUIDADOR DE OPERACIONES	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	52	52	-	48	4
FIDEICOMISO F/403112-6 DE ADMINISTRACION DOS LAGOS	MEXICO	REAL ESTATE	-	100.00	100.00	1	1	-	1	-
FIDEICOMISO HARES BBVA BANCOMER F/ 47997-2	MEXICO	OTHER HOLDING	-	100.00	100.00	14	17	2	13	1
FIDEICOMISO LOTE 6.1 ZARAGOZA	COLOMBIA	REAL ESTATE	-	59.99	59.99	-	2	-	2	-
FIDEICOMISO N.989, EN THE BANK OF NEW YORK MELLON, S.A.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	90	90	(5)	5
FIDEICOMISO Nº 711, EN BANCO INVEX, S.A.,INSTITUCION DE BANCA	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	17	18	-	-
FIDEICOMISO Nº 752, EN BANCO INVEX, S.A.,INSTITUCION DE BANCA	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	9	9	-	-
FIDEICOMISO Nº 847, EN BANCO INVEX, S.A.,INSTITUCION DE BANCA	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	48	48	(1)	1
FIDEICOMISO SCOTIABANK INVERLAT S A F100322908	MEXICO	REAL ESTATE	-	100.00	100.00	7	14	8	8	(1)
FINANCEIRA DO COMERCIO EXTERIOR S.A.R.	PORTUGAL	INACTIVE	100.00	-	100.00	-	-	-	-	-
FINANCIERA AYUDAMOS S.A. DE C.V., SOFOMER	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	20	23	3	12	8
FODECOR, S.L.	SPAIN	REAL ESTATE	-	60.00	60.00	-	1	-	-	-
FORUM COMERCIALIZADORA DEL PERU, S.A.	PERU	SERVICES	-	100.00	100.00	2	1	-	1	-
FORUM DISTRIBUIDORA DEL PERU, S.A.	PERU	FINANCIAL SERVICES	-	100.00	100.00	5	26	21	4	1
FORUM DISTRIBUIDORA, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	37	304	269	30	5
FORUM SERVICIOS FINANCIEROS, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	223	2,550	2,342	151	57
FUTURO FAMILIAR, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	3	2	1	-
G NETHERLANDS BV	NETHERLANDS	INVESTMENT COMPANY	-	100.00	100.00	340	346	46	302	(2)
GARANTI BANK SA	ROMANIA	BANKING	-	100.00	100.00	269	2,156	1,881	250	26
GARANTI BILISIM TEKNOLOJISI VE TIC. TAS	TURKEY	SERVICES	-	100.00	100.00	23	18	3	13	2
GARANTI DIVERSIFIED PAYMENT RIGHTS FINANCE COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	3,393	3,393	-	-
GARANTI EMEKLILIK VE HAYAT AS	TURKEY	INSURANCES SERVICES	-	84.91	84.91	308	499	140	282	78
GARANTI FACTORING HIZMETLERI AS	TURKEY	FINANCIAL SERVICES	-	81.84	81.84	38	760	713	40	7

(*) Information on foreign companies at exchange rate on December 31, 2017
(**) This company has an equity loan from ANIDA OPERACIONES SINGULARES, S.A.

Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

			% Legal share of participation			Millions of Euros (*) Affiliate Entity Data				
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 31.12.17	Liabilities 31.12.17	Equity 31.12.17	Profit (Loss) 31.12.17
GARANTI FILO SIGORTA ARACILIK HIZMETLERI A.S.	TURKEY	INSURANCES SERVICES	-	100.00	100.00	-	-	-	-	-
GARANTI FILO YONETIM HIZMETLERI A.S.	TURKEY	SERVICES	-	100.00	100.00	2	398	391	2	5
GARANTI FINANSAL KIRALAMA A.S.	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	208	1,199	990	203	5
GARANTI HIZMET YONETIMI A.S	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	-	1	-	1	-
GARANTI HOLDING BV	NETHERLANDS	INVESTMENT COMPANY	-	100.00	100.00	229	340	-	340	-
GARANTI KONUT FINANSMANI DANISMANLIK HIZMETLERI AS (GARANTI	TURKEY	SERVICES	-	100.00	100.00	-	1	-	-	-
GARANTI KULTUR AS	TURKEY	SERVICES	-	100.00	100.00	-	1	-	-	-
GARANTI ODEME SISTEMLERI A.S.(GOSAS)	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	-	8	5	3	-
GARANTI PORTFOY YONETIMI AS	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	16	18	3	11	5
GARANTI YATIRIM MENKUL KIYMETLER AS	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	26	40	14	14	12
GARANTI YATIRIM ORTAKLIGI AS	TURKEY	INVESTMENT COMPANY	-	3.30	99.97	-	8	-	7	1
GARANTIBANK INTERNATIONAL NV	NETHERLANDS	BANKING	-	100.00	100.00	591	4,267	3,678	563	26
GARRAF MEDITERRANIA, S.A. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	1	2	1	-	1
GESCAT LLEVANT, S.L. (***)	SPAIN	REAL ESTATE	-	100.00	100.00	1	5	4	(2)	3
GESCAT LLOGUERS, S.L. (***) (****)	SPAIN	REAL ESTATE	100.00	-	100.00	-	9	20	(10)	(1)
GESCAT POLSKA, SP. ZOO	POLAND	REAL ESTATE	100.00	-	100.00	9	9	-	12	(3)
GESCAT SINEVA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	6	6	-	(1)	7
GESCAT, GESTIO DE SOL, S.L. (****)	SPAIN	REAL ESTATE	100.00	-	100.00	-	29	46	(22)	5
GESCAT, VIVENDES EN COMERCIALITZACIO, S.L. (***) (****)	SPAIN	REAL ESTATE	100.00	-	100.00	-	182	590	(393)	(15)
GESTION DE PREVISION Y PENSIONES, S.A.	SPAIN	PENSION FUNDS	60.00	-	60.00	9	29	3	21	6
GESTION Y ADMINISTRACION DE RECIBOS, S.A. - GARSA	SPAIN	SERVICES	-	100.00	100.00	1	2	1	2	-
GRAN JORGE JUAN, S.A.	SPAIN	REAL ESTATE	100.00	-	100.00	395	983	588	381	14
GRUPO FINANCIERO BBVA BANCOMER, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	99.98	-	99.98	6,678	8,337	1	6,200	2,136
GUARANTY BUSINESS CREDIT CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	31	31	-	31	-
GUARANTY PLUS HOLDING COMPANY	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	-	-	-	2	(2)
GUARANTY PLUS PROPERTIES LLC-2	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
GUARANTY PLUS PROPERTIES, INC-1	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
HABITATGES FINVER, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	-	3	1	(1)	2
HABITATGES INVERVIC, S.L.	SPAIN	REAL ESTATE	-	35.00	35.00	-	-	-	(14)	14
HABITATGES JUVIPRO, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	-	1	1	-	1
HOLAMUNO AGENTE DE SEGUROS VINCULADO, S.L.U. (****)	SPAIN	INSURANCES SERVICES	-	100.00	100.00	-	1	1	-	(1)
HOLVI PAYMENT SERVICE OY	FINLAND	FINANCIAL SERVICES	-	100.00	100.00	22	5	1	10	(6)
HOMEOWNERS LOAN CORPORATION	UNITED STATES	IN LIQUIDATION	-	100.00	100.00	7	8	1	7	-
HUMAN RESOURCES PROVIDER, INC	UNITED STATES	SERVICES	-	100.00	100.00	365	366	-	362	4
HUMAN RESOURCES SUPPORT, INC	UNITED STATES	SERVICES	-	100.00	100.00	361	361	-	358	3
INFORMACIO I TECNOLOGIA DE CATALUNYA, S.L.	SPAIN	SERVICES	76.00	-	76.00	-	6	5	1	-
INMESP DESARROLLADORA, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	24	33	8	24	-
INMUEBLES Y RECUPERACIONES CONTINENTAL S.A	PERU	REAL ESTATE	-	100.00	100.00	39	40	2	37	2
INPAU, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	25	25	-	2	24
INVERAHORRO, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	10	91	82	13	(4)

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(***) These companies have an equity loan from CATALUNYACAIXA IMMOBILIARIA, S.A.
(****) These companies have an equity loan from BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

			% Legal share of participation			Millions of Euros (*)				
							Affiliate Entity Data			
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 31.12.17	Liabilities 31.12.17	Equity 31.12.17	Profit (Loss) 31.12.17
INVERPRO DESENVOLUPAMENT. S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	3	7	4	3	-
INVERSIONES ALDAMA, C.A.	VENEZUELA	IN LIQUIDATION	-	100.00	100.00	-	-	-	-	-
INVERSIONES BANPRO INTERNATIONAL INC. N.V.	CURAÇAO	INVESTMENT COMPANY	48.00	-	48.00	16	50	2	45	3
INVERSIONES BAPROBA, C.A.	VENEZUELA	FINANCIAL SERVICES	100.00	-	100.00	1	-	-	-	-
INVERSIONES DE INNOVACION EN SERVICIOS FINANCIEROS, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	41	42	1	40	1
INVERSIONES P.H.R.4, C.A.	VENEZUELA	INACTIVE	-	60.46	60.46	-	-	-	-	-
IRIDION SOLUCIONS IMMOBILIARIES, S.L. (**)	SPAIN	REAL ESTATE	100.00	-	100.00	-	2	131	(125)	(4)
JALE PROCAM, S.L.	SPAIN	REAL ESTATE	-	50.00	50.00	-	4	53	(47)	(2)
L'EIX IMMOBLES, S.L. (***)	SPAIN	REAL ESTATE	-	100.00	100.00	-	14	21	(7)	(1)
LIQUIDITY ADVISORS, L.P	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1,051	1,053	2	1,053	(2)
MADIVA SOLUCIONES, S.L.	SPAIN	SERVICES	-	100.00	100.00	5	2	1	1	-
MICRO SPINAL LLC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
MISAPRE, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	2	2	-	2	-
MOMENTUM SOCIAL INVESTMENT HOLDING, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	7	7	-	7	-
MOTORACTIVE IFN SA	ROMANIA	FINANCIAL SERVICES	-	100.00	100.00	37	176	151	22	3
MOTORACTIVE MULTISERVICES SRL	ROMANIA	SERVICES	-	100.00	100.00	-	15	15	-	-
MULTIASISTENCIA OPERADORA S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	-	1	1	-	-
MULTIASISTENCIA SERVICIOS S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	-	-	-	1	-
MULTIASISTENCIA, S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	19	31	12	13	6
NEWCO PERU S.A.C.	PERU	INVESTMENT COMPANY	100.00	-	100.00	124	917	-	744	173
NOET, INC.	UNITED STATES	SERVICES	-	100.00	100.00	2	2	1	4	(2)
NOIDIRI, S.L. (**)	SPAIN	REAL ESTATE	100.00	-	100.00	-	-	12	(11)	-
NOVA TERRASSA 3, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	4	4	-	4	-
OPCION VOLCAN, S.A.	MEXICO	REAL ESTATE	-	100.00	100.00	19	20	2	14	5
OPENPAY S.A.P.I DE C.V.	MEXICO	PAYMENT ENTITIES	-	100.00	100.00	15	1	-	1	-
OPENPAY SERVICIOS S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	-	-	-	-
OPERADORA DOS LAGOS S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	1	-	-	-
OPPLUS OPERACIONES Y SERVICIOS, S.A.	SPAIN	SERVICES	100.00	-	100.00	1	35	11	19	5
OPPLUS S.A.C (En liquidación)	PERU	IN LIQUIDATION	-	100.00	100.00	1	1	-	1	-
P.I. HOLDINGS GPP, LLC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
PARCSUD PLANNER, S.L. (***)	SPAIN	REAL ESTATE	-	100.00	100.00	-	7	6	(3)	3
PARTICIPACIONES ARENAL, S.L.	SPAIN	INACTIVE	-	100.00	100.00	6	8	2	6	-
PECRI INVERSION S.L.	SPAIN	OTHER INVESTMENT	100.00	-	100.00	99	99	-	100	(2)
PENSIONES BBVA BANCOMER, S.A. DE C.V., GRUPO FINANCIERO BBVA	MEXICO	INSURANCES SERVICES	-	100.00	100.00	159	4,059	3,900	113	46
PHOENIX LOAN HOLDINGS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	259	278	19	254	5
PI HOLDINGS NO. 1, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	79	79	-	79	-
PI HOLDINGS NO. 3, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1	1	-	1	-
PORTICO PROCAM, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	25	25	-	25	-
PROCAMVASA, S.A.	SPAIN	REAL ESTATE	-	51.00	51.00	-	-	-	-	-
PROMOCION EMPRESARIAL XX, S.A.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	8	8	-	8	-

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Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

			% Legal share of participation			Millions of Euros (*)				
							Affiliate Entity Data			
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 31.12.17	Liabilities 31.12.17	Equity 31.12.17	Profit (Loss) 31.12.17
PROMOCIONES Y CONSTRUCCIONES CERBAT. S.L.U.	SPAIN	REAL ESTATE	-	100.00	100.00	9	25	-	25	-
PROMOTORA DEL VALLES, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	-	135	117	(106)	123
PROMOU CT 3AG DELTA, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	1	11	10	(3)	3
PROMOU CT EIX MACIA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	4	5	1	4	1
PROMOU CT GEBIRA, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	-	9	9	(3)	3
PROMOU CT OPENSEGRE, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	4	30	26	(18)	22
PROMOU CT VALLES, S.L.	SPAIN	PAYMENT INSTITUIONS	-	100.00	100.00	2	9	7	2	1
PROMOU GLOBAL, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	6	71	67	(30)	35
PRONORTE UNO PROCAM, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	-	5	4	(10)	11
PROPEL VENTURE PARTNERS GLOBAL, S.L	SPAIN	FINANCIAL SERVICES	-	99.50	99.50	31	35	2	32	1
PROPEL VENTURE PARTNERS US FUND I, L.P.	UNITED STATES	VENTURE CAPITAL	-	100.00	100.00	41	41	-	34	7
PRO-SALUD, C.A.	VENEZUELA	INACTIVE	-	58.86	58.86	-	-	-	-	-
PROVINCIAL DE VALORES CASA DE BOLSA, C.A.	VENEZUELA	SECURITIES DEALER	-	90.00	90.00	-	-	-	-	-
PROVINCIAL SDAD.ADMIN.DE ENTIDADES DE INV.COLECTIVA, C.A.	VENEZUELA	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
PROV-INFI-ARRAHONA, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	5	17	12	(4)	9
PROVIVIENDA ENTIDAD RECAUDADORA Y ADMIN.DE APORTES, S.A.	BOLIVIA	PENSION FUNDS	-	100.00	100.00	2	7	5	2	-
PUERTO CIUDAD LAS PALMAS, S.A.	SPAIN	REAL ESTATE	-	96.64	96.64	-	31	57	(26)	-
QIPRO SOLUCIONES S.L.	SPAIN	SERVICES	-	100.00	100.00	5	13	3	9	2
RALFI IFN SA	ROMANIA	FINANCIAL SERVICES	-	100.00	100.00	39	128	110	13	4
RENTRUCKS, ALQUILER Y SERVICIOS DE TRANSPORTE, S.A.	SPAIN	INACTIVE	100.00	-	100.00	1	2	-	1	-
RESIDENCIAL CUMBRES DE SANTA FE, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	14	14	-	13	1
RPV COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	1,384	1,384	-	-
RWHC, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	692	692	-	676	16
SATICEM GESTIO, S.L. (***)	SPAIN	REAL ESTATE	100.00	-	100.00	-	11	93	(81)	(1)
SATICEM HOLDING, S.L.	SPAIN	REAL ESTATE	100.00	-	100.00	5	5	-	6	-
SATICEM IMMOBILIARIA, S.L.	SPAIN	REAL ESTATE	100.00	-	100.00	20	20	-	19	1
SATICEM IMMOBLES EN ARRENDAMENT, S.L. (***)	SPAIN	REAL ESTATE	100.00	-	100.00	-	26	88	(59)	(3)
SCALDIS FINANCE, S.A.	BELGIUM	INVESTMENT COMPANY	-	100.00	100.00	4	18	-	18	-
SEGUROS BBVA BANCOMER, S.A. DE C.V., GRUPO FINANCIERO BBVA	MEXICO	INSURANCES SERVICES	-	100.00	100.00	304	3,095	2,791	119	185
SEGUROS PROVINCIAL, C.A.	VENEZUELA	INSURANCES SERVICES	-	100.00	100.00	-	-	-	1	-
SERVICIOS CORPORATIVOS BANCOMER, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	4	6	1	4	1
SERVICIOS CORPORATIVOS DE SEGUROS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	2	14	12	1	1
SERVICIOS EXTERNOS DE APOYO EMPRESARIAL, S.A DE C.V.	MEXICO	SERVICES	-	100.00	100.00	8	21	13	6	2
SERVICIOS TECNOLOGICOS SINGULARES, S.A.	SPAIN	SERVICES	-	100.00	100.00	1	1	-	1	-
SIMPLE FINANCE TECHNOLOGY CORP.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	51	64	13	88	(37)
SOCIEDAD DE ESTUDIOS Y ANALISIS FINANCIERO.,S.A.	SPAIN	SERVICES	100.00	-	100.00	81	90	9	84	(2)
SOCIEDAD GESTORA DEL FONDO PUBLICO DE REGULACION DEL	SPAIN	INACTIVE	77.20	-	77.20	-	-	-	-	-
SPORT CLUB 18, S.A. (***)	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	11	13	-	14	(1)
TEXAS LOAN SERVICES, LP.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1,061	1,063	2	1,062	(1)

(*) Information on foreign companies at exchange rate on December 31, 2017
(**) This company has an equity loan from UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS, S.A.
(****) These companies have an equity loan from BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

			% Legal share of participation			Millions of Euros (*)				
							Affiliate Entity Data			
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 31.12.17	Liabilities 31.12.17	Equity 31.12.17	Profit (Loss) 31.12.17
TMF HOLDING INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	13	20	7	13	1
TRIFOI REAL ESTATE SRL	ROMANIA	REAL ESTATE	-	100.00	100.00	1	1	-	1	-
TUCSON LOAN HOLDINGS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	43	43	-	41	2
TURKIYE GARANTI BANKASI A.S	TURKEY	BANKING	49.85	-	49.85	7,026	70,803	61,635	7,629	1,539
UNITARIA GESTION DE PATRIMONIOS INMOBILIARIOS	SPAIN	REAL ESTATE	-	100.00	100.00	2	3	-	3	-
UNIVERSALIDAD TIPS PESOS E-9	COLOMBIA	FINANCIAL SERVICES	-	100.00	100.00	-	53	24	27	1
UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS, S.A.	SPAIN	REAL ESTATE	100.00	-	100.00	-	956	1,270	(161)	(153)
UPTURN FINANCIAL INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
URBANIZADORA SANT LLORENC, S.A.	SPAIN	INACTIVE	60.60	-	60.60	-	-	-	-	-
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS S.L.	SPAIN	SERVICES	-	51.00	51.00	-	2	2	-	-
VOLJA LUX, SARL	LUXEMBOURG	INVESTMENT COMPANY	-	71.78	71.78	-	2	-	-	1
VOLJA PLUS SL	SPAIN	INVESTMENT COMPANY	75.40	-	75.40	1	2	-	2	-
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA S.A.	ARGENTINA	FINANCIAL SERVICES	-	51.00	51.00	13	226	200	23	3

(*) Information on foreign companies at exchange rate on December 31, 2017
(**) This company has an equity loan from BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

APPENDIX II Additional information on investments joint ventures and associates in the BBVA Group

			% Legal share of participation			Millions of Euros (**)				
							Affiliate Entity Data			
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets 31.12.17	Liabilities 31.12.17	Equity 31.12.17	Profit (Loss) 31.12.17
ASSOCIATES										
ADQUIRA ESPAÑA, S.A.	SPAIN	COMMERCIAL	-	40.00	40.00	3	18	11	6	1
ATOM BANK PLC	UNITED KINGDOM	BANKING	29.90	-	29.90	66	1,334	1,162	226	(54)
AUREA, S.A. (CUBA)	CUBA	REAL ESTATE	-	49.00	49.00	4	9	-	8	-
BANK OF HANGZHOU CONSUMER FINANCE CO LTD	CHINA	BANKING	30.00	-	30.00	18	214	156	63	(5)
CANCUN SUN & GOLF COUNTRY CLUB, S.A.P.I. DE C.V.	MEXICO	REAL ESTATE	-	33.33	33.33	26	72	22	50	1
COMPAÑIA ESPAÑOLA DE FINANCIACION DEL DESARROLLO S.A.	SPAIN	FINANCIAL SERVICES	16.67	-	16.67	21	129	5	116	8
COMPAÑIA PERUANA DE MEDIOS DE PAGO S.A.C. (VISANET PERU)	PERU	ELECTRONIC MONEY ENTITIES	-	20.28	20.28	2	38	28	3	7
FIDEICOMISO F/00185 FIMPE - FIDEICOMISO F/00185 PARA EXTENDER A LA SOCIEDAD LOS BENEFICIOS DEL ACCESO A LA INFRAESTRUCTURA DE LOS MEDIOS DE PAGO ELECTRONICOS	MEXICO	FINANCIAL SERVICES	-	28.50	28.50	3	11	-	13	(1)
METROVACESA SUELO Y PROMOCION, S.A.	SPAIN	REAL ESTATE	9.44	19.07	28.51	697	2,479	82	2,413	(16)
REDSYS SERVICIOS DE PROCESAMIENTO, S.L.	SPAIN	FINANCIAL SERVICES	20.00	0.00	20.00	10	130	80	41	8
ROMBO COMPAÑIA FINANCIERA, S.A.	ARGENTINA	BANKING	-	40.00	40.00	15	390	354	32	3
SERVICIOS ELECTRONICOS GLOBALES, S.A. DE C.V.	MEXICO	SERVICES	-	46.14	46.14	6	13	-	11	2
SERVIRED SOCIEDAD ESPAÑOLA DE MEDIOS DE PAGO, S.A.	SPAIN	FINANCIAL SERVICES	28.72	0.00	28.72	9	41	8	29	3
TELEFONICA FACTORING ESPAÑA, S.A.	SPAIN	FINANCIAL SERVICES	30.00	-	30.00	4	48	34	7	7
TESTA RESIDENCIAL SOCIMI SAU	SPAIN	REAL ESTATE	3.88	22.98	26.86	444	2,307	662	1,594	51
JOINT VENTURES										
ADQUIRA MEXICO, S.A. DE C.V. (*)	MEXICO	COMMERCIAL	-	50.00	50.00	2	5	2	3	-
ALTURA MARKETS, SOCIEDAD DE VALORES, S.A. (*)	SPAIN	SECURITIES DEALER	50.00	-	50.00	64	1,953	1,826	120	7
AVANTESPACIA INMOBILIARIA, S.L.(*)	SPAIN	REAL ESTATE	-	30.01	30.01	18	77	18	60	(1)
COMPAÑIA MEXICANA DE PROCESAMIENTO, S.A. DE C.V. (*)	MEXICO	SERVICES	-	50.00	50.00	6	13	-	11	1
CORPORACION IBV PARTICIPACIONES EMPRESARIALES, S.A. (*)	SPAIN	INVESTMENT COMPANY	-	50.00	50.00	29	63	6	58	-
DESARROLLOS METROPOLITANOS DEL SUR, S.L.(*)	SPAIN	REAL ESTATE	-	50.00	50.00	12	59	34	25	(1)
FERROMOVIL 3000, S.L.(*)	SPAIN	SERVICES	-	20.00	20.00	4	455	431	25	(1)
FERROMOVIL 9000, S.L. (*)	SPAIN	SERVICES	-	20.00	20.00	3	294	276	19	(1)
FIDEICOMISO 1729 INVEX ENAJENACION DE CARTERA (*)	MEXICO	REAL ESTATE	-	32.25	32.25	53	163	-	163	-
FIDEICOMISO F 403853- 5 BBVA BANCOMER SERVICIOS ZIBATA (*)	MEXICO	REAL ESTATE	-	30.00	30.00	27	146	49	90	6
FIDEICOMISO F/402770-2 ALAMAR (*)	MEXICO	REAL ESTATE	-	42.40	42.40	7	17	-	17	-
INVERSIONES PLATCO, C.A. (*)	VENEZUELA	FINANCIAL SERVICES	-	50.00	50.00	2	5	1	7	(3)
PARQUE RIO RESIDENCIAL, S.L. (*)	SPAIN	REAL ESTATE	-	50.00	50.00	10	32	12	20	-
PROMOCIONS TERRES CAVADES, S.A.(*)	SPAIN	REAL ESTATE	-	39.11	39.11	4	15	-	15	-
PSA FINANCE ARGENTINA COMPAÑIA FINANCIERA, S.A.(*)	ARGENTINA	BANKING	-	50.00	50.00	14	225	197	20	8
RCI COLOMBIA S.A., COMPAÑIA DE FINANCIAMIENTO (*)	COLOMBIA	FINANCIAL SERVICES	-	49.00	49.00	19	280	241	39	-
REAL ESTATE DEAL II, S.A. (*)	SPAIN	IN LIQUIDATION	20.06	-	20.06	4	18	-	18	-
VITAMEDICA ADMINISTRADORA, S.A. DE C.V (*)	MEXICO	SERVICES	-	51.00	51.00	3	12	6	4	2

(*) Joint ventures incorporated by the equity method.

(**) In foreign companies the exchange rate of December 31, 2017 is applied.

APPENDIX III Changes and notification of participations in the BBVA Group in 2017

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 Period	Total Voting Rights Controlled after the Transactions	Effective Date for the Transaction (or Notification Date)	Category
EUROPEA DE TITULIZACION, S.A., S.G.F.T.	ACQUISITION	FINANCIAL SERVICES	-	-	0.38%	88.24%	16-Mar-17	SUBSIDIARY
COMPASS INSURANCE TRUST WILLMINGTON, DE	FOUNDING	INSURANCES SERVICES	-	-	100.00%	100.00%	30-Jun-17	SUBSIDIARY
P.I.HOLDINGS GPP, LLC	FOUNDING	FINANCIAL SERVICES	-	-	100.00%	100.00%	30-Jun-17	SUBSIDIARY
MICRO SPINAL LLC	FOUNDING	FINANCIAL SERVICES	-	-	100.00%	100.00%	30-Jun-17	SUBSIDIARY
HOLAMUNO AGENTE DE SEGUROS VINCULADO, S.L.U.	FOUNDING	INSURANCES SERVICES	-	-	100.00%	100.00%	22-Feb-17	SUBSIDIARY
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON DERECHO DE REVERSION	FOUNDING	REAL ESTATE	-	-	42.40%	42.40%	1-Feb-17	SUBSIDIARY
DENIZEN FINANCIAL, INC	FOUNDING	SERVICES	-	-	100.00%	100.00%	24-Feb-17	SUBSIDIARY
OPENPAY S.A.P.I DE C.V.	ACQUISITION	PAYMENT ENTITIES	225	-	100.00%	100.00%	28-Apr-17	SUBSIDIARY
BBVA AGENCIA DE SEGUROS COLOMBIA LTDA	FOUNDING	INSURANCES SERVICES	-	-	100.00%	100.00%	28-Apr-17	SUBSIDIARY
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS S.L.	FOUNDING	SERVICES	-	-	51.00%	51.00%	29-May-17	SUBSIDIARY
TURKIYE GARANTI BANKASI A.S	ACQUISITION	BANKING	720,801	-	9.95%	49.85%	22-Mar-17	SUBSIDIARY
CX PROPIETAT, FII	ACQUISITION	REAL ESTATE INVESTMENT FUND	-	-	27.02%	94.96%	30-Nov-17	SUBSIDIARY
PROPEL VENTURE PARTNERS GLOBAL, S.L	FOUNDING	FINANCIAL SERVICES	961	-	99.50%	99.50%	20-Jul-17	SUBSIDIARY
COVAULT, INC	FOUNDING	SERVICES	-	-	100.00%	100.00%	8-Jun-17	SUBSIDIARY
APLICA NEXTGEN SERVICIOS S.A. DE C.V	FOUNDING	SERVICES	-	-	100.00%	100.00%	16-Nov-17	SUBSIDIARY
APLICA NEXTGEN OPERADORA S.A. DE C.V.	FOUNDING	SERVICES	-	-	100.00%	100.00%	16-Nov-17	SUBSIDIARY
UPTURN FINANCIAL INC	FOUNDING	FINANCIAL SERVICES	-	-	100.00%	100.00%	25-Oct-17	SUBSIDIARY
OPENPAY SERVICIOS S.A. DE C.V.	FOUNDING	SERVICES	-	-	100.00%	100.00%	29-Nov-17	SUBSIDIARY
INFORMACIO I TECNOLOGIA DE CATALUNYA, S.L.	ACQUISITION	SERVICES	-	-	26.00%	76.00%	27-Dec-17	SUBSIDIARY
GARANTI HIZMET YONETIMI A.S	ACQUISITION	FINANCIAL SERVICES	-	-	0.60%	100.00%	30-Nov-17	SUBSIDIARY

Disposals or Reduction of Interest Ownership in Consolidated Subsidiaries

Company	Type of Transaction	Activity	Millions of Euros: Profit (Loss) in the Transaction	Millions of Euros: Changes in the Equity due to the transaction	% of Voting Rights: % Participation Sold in the Period	% of Voting Rights: Total Voting Rights Controlled after the Disposal	Effective Date for the Transaction (or Notification Date)	Category
ESPANHOLA COMERCIAL E SERVIÇOS, LTDA.	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	30-Apr-17	SUBSIDIARY
BBVA COMERCIALIZADORA LTDA.	LIQUIDATION	BANKING	-	-	100.00%	-	31-Mar-17	SUBSIDIARY
BETESE S.A DE C.V.	MERGER	INVESTMENT COMPANY	-	-	100.00%	-	15-Feb-17	SUBSIDIARY
HIPOTECARIA NACIONAL, S.A. DE C.V.	MERGER	FINANCIAL SERVICES	-	-	100.00%	-	15-Feb-17	SUBSIDIARY
TEXTIL TEXTURA, S.L.	DISPOSAL	COMMERCIAL	-	-	68.67%	-	1-Jun-17	SUBSIDIARY
VALANZA CAPITAL S.A. UNIPERSONAL	LIQUIDATION	SERVICES	(23)	-	100.00%	-	10-Mar-17	SUBSIDIARY
DESITEL TECNOLOGIA Y SISTEMAS, S.A. DE C.V.	MERGER	SERVICES	-	-	100.00%	-	15-Feb-17	SUBSIDIARY
APLICA SOLUCIONES TECNOLOGICAS CHILE LIMITADA	LIQUIDATION	SERVICES	-	-	100.00%	-	24-Mar-17	SUBSIDIARY
BBVA PARTICIPACIONES MEJICANAS, S.L.	LIQUIDATION	INVESTMENT COMPANY	-	-	100.00%	-	4-Apr-17	SUBSIDIARY
COMPASS MULTISTATE SERVICES CORPORATION	LIQUIDATION	SERVICES	-	-	100.00%	-	1-Jun-17	SUBSIDIARY
COMPASS INVESTMENTS, INC.	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	1-Jun-17	SUBSIDIARY
COMPASS CUSTODIAL SERVICES, INC.	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	1-Jun-17	SUBSIDIARY
BBVA LEASIMO - SOCIEDADE DE LOCAÇAO FINANCEIRA, S.A.	MERGER	FINANCIAL SERVICES	-	-	100.00%	-	10-Feb-17	SUBSIDIARY
BBVA SEGUROS GENERALES S.A.	LIQUIDATION	INSURANCES SERVICES	-	-	100.00%	-	3-Apr-17	SUBSIDIARY
CATALUNYACAIXA VIDA, S.A.	MERGER	INSURANCES SERVICES	-	-	100.00%	-	31-Jan-17	SUBSIDIARY
AUMERAVILLA, S.L.	LIQUIDATION	REAL ESTATE	(1)	-	100.00%	-	30-Jun-17	SUBSIDIARY
ESPAIS CERDANYOLA, S.L.	DISPOSAL	REAL ESTATE	-	-	97.51%	-	13-Jun-17	SUBSIDIARY
NOVA EGARA-PROCAM, S.L.	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	30-Jun-17	SUBSIDIARY
CORPORACION BETICA INMOBILIARIA, S.A.	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	30-Jun-17	SUBSIDIARY
MILLENNIUM PROCAM, S.L.	LIQUIDATION	REAL ESTATE	(1)	-	100.00%	-	30-Jun-17	SUBSIDIARY
PROVIURE PARC D'HABITATGES, S.L.	LIQUIDATION	REAL ESTATE	3	-	100.00%	-	30-Jun-17	SUBSIDIARY
BBVA AUTORENTING, S.A.	DISPOSAL	SERVICES	75	-	100.00%	-	22-Sep-17	SUBSIDIARY
BBVA EMISORA, S.A.	MERGER	FINANCIAL SERVICES	-	-	100.00%	-	7-Sep-17	SUBSIDIARY
GRANFIDUCIARIA	LIQUIDATION	FINANCIAL SERVICES	-	-	90.00%	-	31-Dec-17	SUBSIDIARY
BBVA U.S. SENIOR S.A.U.	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	22-Dec-17	SUBSIDIARY
COMPLEMENTOS INNOVACIÓN Y MODA, S.L.	LIQUIDATION	COMMERCIAL	-	-	100.00%	-	7-Nov-17	SUBSIDIARY
INVESCO MANAGEMENT Nº 1, S.A.	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	9-Nov-17	SUBSIDIARY
INVESCO MANAGEMENT Nº 2, S.A.	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	9-Nov-17	SUBSIDIARY
TEXAS REGIONAL STATUTORY TRUST I	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	31-Dec-17	SUBSIDIARY
GOBERNALIA GLOBAL NET, S.A.	MERGER	SERVICES	-	-	100.00%	-	27-Jul-17	SUBSIDIARY

Disposals or Reduction of Interest Ownership in Consolidated Subsidiaries

			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 Period	Total Voting Rights Controlled after the Disposal	Effective Date for the Transaction (or Notification Date)	Category
ESTACION DE AUTOBUSES CHAMARTIN, S.A.	LIQUIDATION	SERVICES	-	-	51.00%	-	30-Oct-17	SUBSIDIARY
STATE NATIONAL CAPITAL TRUST I	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	31-Dec-17	SUBSIDIARY
STATE NATIONAL STATUTORY TRUST II	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	31-Dec-17	SUBSIDIARY
TEXASBANC CAPITAL TRUST I	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	1-Nov-17	SUBSIDIARY
COMPASS TEXAS ACQUISITION CORPORATION	MERGER	INVESTMENT COMPANY	-	-	100.00%	-	31-Dec-17	SUBSIDIARY
COMPASS TRUST II	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	30-Nov-17	SUBSIDIARY
CAPITAL INVESTMENT COUNSEL, INC.	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	31-Dec-17	SUBSIDIARY
COMPASS ASSET ACCEPTANCE COMPANY, LLC	LIQUIDATION	FINANCIAL SERVICES	5	-	100.00%	-	31-Dec-17	SUBSIDIARY
COMPASS AUTO RECEIVABLES CORPORATION	MERGER	FINANCIAL SERVICES	-	-	100.00%	-	31-Dec-17	SUBSIDIARY
CB TRANSPORT ,INC.	LIQUIDATION	SERVICES	(1)	-	100.00%	-	31-Dec-17	SUBSIDIARY
AMERICAN FINANCE GROUP, INC.	MERGER	FINANCIAL SERVICES	-	-	100.00%	-	30-Nov-17	SUBSIDIARY
FACILEASING, S.A. DE C.V.	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	31-Oct-17	SUBSIDIARY
INNOVATION 4 SECURITY, S.L.	MERGER	SERVICES	-	-	100.00%	-	27-Jul-17	SUBSIDIARY
CONSORCIO DE CASAS MEXICANAS, S.A.P.I. DE C.V.	DISPOSAL	REAL ESTATE	3	-	99.99%	-	31-Dec-17	SUBSIDIARY
HABITATGES INVERCAP, S.L.	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	27-Jul-17	SUBSIDIARY
GESTIO D'ACTIUS TITULITZATS, S.A.	LIQUIDATION	FINANCIAL SERVICES	-	-	100.00%	-	31-Dec-17	SUBSIDIARY
INVERCARTERA INTERNACIONAL, S.L.	DISPOSAL	INVESTMENT COMPANY	-	-	100.00%	-	21-Dec-17	SUBSIDIARY
S.B.D. NORD, S.L.	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	27-Jul-17	SUBSIDIARY
PROVIURE, S.L.	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	27-Jul-17	SUBSIDIARY
AREA TRES PROCAM, S.L.	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	27-Jul-17	SUBSIDIARY
PROVIURE CIUTAT DE LLEIDA, S.L.	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	27-Jul-17	SUBSIDIARY
PROVIURE BARCELONA, S.L.	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	27-Jul-17	SUBSIDIARY
ALGARVETUR, S.L.	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	27-Jul-17	SUBSIDIARY
CONJUNT RESIDENCIAL FREIXA, S.L.	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	27-Jul-17	SUBSIDIARY
HABITAT ZENTRUM, S.L.	LIQUIDATION	REAL ESTATE	-	-	50.00%	-	27-Jul-17	SUBSIDIARY
BBVA BANCO FRANCES, S.A.	DILUTION	BANKING	-	-	9.39%	66.55%	31-Jul-17	SUBSIDIARY

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 Period	Total Voting Rights Controlled After the Transactions	Effective Date for the Transaction (or Notification Date)	Category
ATOM BANK PLC	DILUTION EFFECT	BANKING	42	-	0.44%	29.90%	30-Nov-17	ASSOCIATED
TESTA RESIDENCIAL SOCIMI SAU	CAPITAL INCREASE	REAL ESTATE INVESTMENT TRUST	340	-	13.10%	26.87%	31-Oct-17	ASSOCIATED
BATEC ORTO DISTRIBUCION S.L.	FOUNDING	COMMERCIAL	-	-	100.00%	100.00%	8-Jun-17	JOINT VENTURE
HABITATGES SOCIALS DE CALAF S.L	CREDITORS AGREEMENT	REAL ESTATE	-	-	40.00%	40.00%	1-May-17	JOINT VENTURE
COMPAÑIA PERUANA DE MEDIOS DE PAGO S.A.C. (VISANET PERU)	SHARES AWARD	ELECTRONIC MONEY ENTITIES	-	-	20.28%	20.28%	1-Sep-17	ASSOCIATED
SISTARBANC S.R.L.	FOUNDING	FINANCIAL SERVICES	-	-	6.66%	26.66%	31-Aug-17	ASSOCIATED
METROVACESA SUELO Y PROMOCION, S.A.	CAPITAL INCREASE	REAL ESTATE	-	-	7.99%	28.51%	30-Nov-17	ASSOCIATED

Disposal or Reduction of Interest Ownership in Associates and Joint-Ventures Companies Accounted for Under the Equity Method

			Millions of Euros				
Company	Type of Transaction	Activity	Profit (Loss) in the Transaction	% Participation Sold in the Period	Total Voting Rights Controlled after the Disposal	Effective Date for the Transaction (or Notification Date)	Category
SOCIEDAD ADMINISTRADORA DE FONDOS DE CESANTIA DE CHILE II, S.A.	DISPOSAL	PENSION FUNDS MANAGEMENT	7	48.60%	-	28-Jan-17	ASSOCIATE
DOBIMUS, S.L.	LIQUIDATION	PENSION FUNDS	6	50.00%	-	10-Jan-17	JOINT VENTURE
ESPAIS CATALUNYA INVERSIONS IMMOBILIARIES, S.L.	DISPOSAL	PENSION FUNDS	-	50.84%	-	13-Jun-17	JOINT VENTURE
FACTOR HABAST, S.L.	DISPOSAL	PENSION FUNDS	-	50.00%	-	24-Jan-17	JOINT VENTURE
IMPULS LLOGUER, S.L.	DISPOSAL	PENSION FUNDS	-	100.00%	-	24-Jan-17	JOINT VENTURE
NAVIERA CABO ESTAY, AIE	LIQUIDATION	PENSION FUNDS	-	16.00%	-	01-Feb-17	ASSOCIATE
JARDINES DEL RUBIN, S.A.	LIQUIDATION	PENSION FUNDS	-	50.00%	-	31-Dec-17	JOINT VENTURE
FIDEICOMISO DE ADMINISTRACION 2038-6	LIQUIDATION	PENSION FUNDS	-	33.70%	-	30-Sep-17	ASSOCIATE
METROVACESA PROMOCION Y ARRENDAMIENTO S.A.	MERGER	PENSION FUNDS	-	20.52%	-	30-Nov-17	ASSOCIATE
NUCLI, S.A.	LIQUIDATION	PENSION FUNDS	-	29.47%	-	29-Nov-17	JOINT VENTURE
RESIDENCIAL PEDRALBES-CARRERAS, S.L.	BANKRUPTCY	PENSION FUNDS	-	25.00%	-	22-Dec-17	ASSOCIATE
PROVICAT SANT ANDREU, S.A.	DISPOSAL	PENSION FUNDS	-	50.00%	-	30-Sep-17	JOINT VENTURE
NOVA TERRASSA 30, S.L.	DISPOSAL	PENSION FUNDS	-	51.00%	-	01-Dec-17	JOINT VENTURE
EUROESPAI 2000, S.L.	DISPOSAL	PENSION FUNDS	-	35.00%	-	21-Dec-17	JOINT VENTURE
AGRUPACION DE LA MEDIACION ASEGURADORA DE ENTIDADES FINANCIERAS A.I.E.	LIQUIDATION	PENSION FUNDS	-	25.00%	-	30-Sep-17	ASSOCIATE

APPENDIX IV Fully consolidated subsidiaries with more than 10% owned by non-Group shareholders as of December 31, 2017

		% of Voting Rights Controlled by the Bank		
Company	**Activity**	**Direct**	**Indirect**	**Total**
BANCO CONTINENTAL, S.A.	BANKING	-	46.12	46.12
BANCO PROVINCIAL S.A. - BANCO UNIVERSAL	BANKING	1.46	53.75	55.21
INVERSIONES BANPRO INTERNATIONAL INC. N.V.	INVESTMENT COMPANY	48.00	-	48.00
PRO-SALUD, C.A.	NO ACTIVITY	-	58.86	58.86
INVERSIONES P.H.R.4, C.A.	NO ACTIVITY	-	60.46	60.46
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.	BANKING	-	68.19	68.19
BBVA INMOBILIARIA E INVERSIONES, S.A.	REAL ESTATE	-	68.11	68.11
COMERCIALIZADORA CORPORATIVA SAC	FINANCIAL SERVICES	-	50.00	50.00
DISTRITO CASTELLANA NORTE, S.A.	REAL ESTATE	-	75.54	75.54
GESTION DE PREVISION Y PENSIONES, S.A.	PENSION FUND MANAGEMENT	60.00	-	60.00
URBANIZADORA SANT LLORENC, S.A.	NO ACTIVITY	60.60	-	60.60
F/403035-9 BBVA HORIZONTES RESIDENCIAL	REAL ESTATE	-	65.00	65.00
F/253863 EL DESEO RESIDENCIAL	REAL ESTATE	-	65.00	65.00
DATA ARCHITECTURE AND TECHNOLOGY S.L.	SERVICES	-	51.00	51.00
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA S.A.	FINANCIAL SERVICES	-	51.00	51.00
FIDEICOMISO LOTE 6.1 ZARAGOZA	REAL ESTATE	-	59.99	59.99
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON DERECHO DE REVERSION	REAL ESTATE	-	42.40	42.40
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS S.L.	SERVICES	-	51.00	51.00
HABITATGES INVERVIC, S.L.	REAL ESTATE	-	35.00	35.00
GARANTI EMEKLILIK VE HAYAT AS	INSURANCES	-	84.91	84.91
FODECOR, S.L.	REAL ESTATE	-	60.00	60.00
INFORMACIO I TECNOLOGIA DE CATALUNYA, S.L.	SERVICES	76.00	-	76.00
PROCAMVASA, S.A.	REAL ESTATE	-	51.00	51.00
JALE PROCAM, S.L.	REAL ESTATE	-	50.00	50.00
VOLJA LUX, SARL	INVESTMENT COMPANY	-	71.78	71.78
VOLJA PLUS SL	INVESTMENT COMPANY	75.40	-	75.40

APPENDIX V BBVA Group's structured entities. Securitization funds

			Millions of Euros	
Securitization Fund (consolidated)	**Company**	**Origination Date**	**Total Securitized Exposures at the Origination Date**	**Total Securitized Exposures as of December 31, 2017 (*)**
2 PS Interamericana	BBVA CHILE S.A.	Oct-04	29	3
AYT CAIXA SABADELL HIPOTECARIO I, FTA	BBVA, S.A.	Jul-08	300	90
AYT HIPOTECARIO MIXTO IV, FTA	BBVA, S.A.	Jun-05	100	21
AYT HIPOTECARIO MIXTO, FTA	BBVA, S.A.	Mar-04	100	15
BACOMCB 07	BBVA BANCOMER, S.A.,INSTIT. BANCA	Dec-07	112	-
BACOMCB 08	BBVA BANCOMER, S.A.,INSTIT. BANCA	Mar-08	49	-
BACOMCB 08-2	BBVA BANCOMER, S.A.,INSTIT. BANCA	Dec-08	246	-
BBVA CONSUMO 6 FTA	BBVA, S.A.	Oct-14	299	100
BBVA CONSUMO 7 FTA	BBVA, S.A.	Jul-15	1,450	924
BBVA CONSUMO 8 FT	BBVA, S.A.	Jul-16	700	651
BBVA CONSUMO 9 FT	BBVA, S.A.	Mar-17	1,375	1,361
BBVA EMPRESAS 4 FTA	BBVA, S.A.	Jul-10	1,700	56
BBVA LEASING 1 FTA	BBVA, S.A.	Jun-07	2,500	64
BBVA PYME 10 FT	BBVA, S.A.	Dec-15	780	266
BBVA RMBS 1 FTA	BBVA, S.A.	Feb-07	2,500	1,111
BBVA RMBS 10 FTA	BBVA, S.A.	Jun-11	1,600	1,224
BBVA RMBS 11 FTA	BBVA, S.A.	Jun-12	1,400	1,077
BBVA RMBS 12 FTA	BBVA, S.A.	Dec-13	4,350	3,450
BBVA RMBS 13 FTA	BBVA, S.A.	Jul-14	4,100	3,375
BBVA RMBS 14 FTA	BBVA, S.A.	Nov-14	700	530
BBVA RMBS 15 FTA	BBVA, S.A.	May-15	4,000	3,435
BBVA RMBS 16 FT	BBVA, S.A.	May-16	1,600	1,449
BBVA RMBS 17 FT	BBVA, S.A.	Nov-16	1,800	1,696
BBVA RMBS 18 FT	BBVA, S.A.	Nov-17	1,800	1,790
BBVA RMBS 2 FTA	BBVA, S.A.	Mar-07	5,000	2,073
BBVA RMBS 3 FTA	BBVA, S.A.	Jul-07	3,000	1,529
BBVA RMBS 5 FTA	BBVA, S.A.	May-08	5,000	2,527
BBVA RMBS 9 FTA	BBVA, S.A.	Apr-10	1,295	900
BBVA UNIVERSALIDAD E10	BBVA COLOMBIA, S.A.	Mar-09	21	-
BBVA UNIVERSALIDAD E11	BBVA COLOMBIA, S.A.	May-09	14	-
BBVA UNIVERSALIDAD E12	BBVA COLOMBIA, S.A.	Aug-09	22	-
BBVA UNIVERSALIDAD E9	BBVA COLOMBIA, S.A.	Dec-08	39	-
BBVA UNIVERSALIDAD N6	BBVA COLOMBIA, S.A.	Aug-12	59	-
BBVA VELA SME 2017-1	BBVA, S.A.	Jun-17	3,000	2,200
BBVA-5 FTPYME FTA	BBVA, S.A.	Nov-06	1,900	17
BBVA-6 FTPYME FTA	BBVA, S.A.	Jun-07	1,500	21
BMERCB 13	BBVA BANCOMER, S.A.,INSTIT. BANCA	Jun-13	458	-
FTA TDA-22 MIXTO	BBVA, S.A.	Dec-04	112	27
FTA TDA-27	BBVA, S.A.	Dec-06	275	97
FTA TDA-28	BBVA, S.A.	Jul-07	250	98
GAT ICO FTVPO 1, F.T.H	BBVA, S.A.	Mar-04	40	105
GC FTGENCAT TARRAGONA 1 FTA	BBVA, S.A.	Jun-08	283	35
HIPOCAT 10 FTA	BBVA, S.A.	Jul-06	1,500	353
HIPOCAT 11 FTA	BBVA, S.A.	Mar-07	1,600	362
HIPOCAT 6 FTA	BBVA, S.A.	Jul-03	850	124
HIPOCAT 7 FTA	BBVA, S.A.	Jun-04	1,400	256
HIPOCAT 8 FTA	BBVA, S.A.	May-05	1,500	311
HIPOCAT 9 FTA	BBVA, S.A.	Nov-05	1,000	240
Instrumentos de Titulizacion Hip- Junior	BANCO CONTINENTAL, S.A.	Dec-07	21	1
TDA 19 FTA	BBVA, S.A.	Mar-04	200	30
TDA 20-MIXTO, FTA	BBVA, S.A.	Jun-04	100	17
TDA 23 FTA	BBVA, S.A.	Mar-05	300	64
TDA TARRAGONA 1 FTA	BBVA, S.A.	Dec-07	397	134

			Millions of Euros	
Securitization Fund (not consolidated)	**Company**	**Origination Date**	**Total Securitized Exposures at the Origination Date**	**Total Securitized Exposures as of December 31, 2017 (*)**
FTA TDA-18 MIXTO	BBVA, S.A.	Nov-03	91	13

(*) Solvency scope.

APPENDIX VI Details of the outstanding subordinated debt and preferred securities issued by the Bank or entities in the Group consolidated as of December 31, 2017, 2016 and 2015

Outstanding as of December 31, 2017, 2016, and 2015 of subordinated issues

		Millions of Euros				
Issuer Entity and Issued Date(*)	Currency	December 2017	December 2016	December 2015	Prevailing Interest Rate as of December 31, 2017	Maturity Date
Issues in Euros						
BBVA						
February-07	EUR	255	255	255	0.47%	16-Feb-22
March-08	EUR	125	125	125	6.03%	3-Mar-33
July-08	EUR	100	100	100	6.20%	4-Jul-23
February-14	EUR	1,500	1,500	1,500	7.00%	Perpetual
April-14	EUR	1,494	-	-	3.50%	11-Apr-24
February-15	EUR	1,500	1,500	1,500	6.75%	Perpetual
April-16	EUR	1,000	1,000	-	8.88%	Perpetual
February-17	EUR	997	-	-	3.50%	10-Feb-27
February-17	EUR	165	-	-	4.50%	24-Feb-32
May-17	EUR	150	-	-	2.54%	24-May-27
May-17	EUR	500	-	-	5.88%	Perpetual
Various	EUR	386	277	310		
Subtotal	**EUR**	**8,171**	**4,756**	**3,789**		
BBVA GLOBAL FINANCE, LTD. (*)						
October-01	EUR	-	-	10	6.08%	10-Oct-16
October-01	EUR	-	-	46	0.55%	15-Oct-16
November-01	EUR	-	-	53	0.63%	02-Nov-16
December-01	EUR	-	-	56	0.57%	20-Dec-16
Subtotal	**EUR**	**-**	**-**	**165**		
BBVA SUBORDINATED CAPITAL, S.A.U. (*)						
October-05	EUR	99	99	99	0.47%	13-Oct-20
April-07	EUR	-	68	68	0.57%	4-Apr-22
May-08	EUR	-	50	50	3.00%	19-May-23
July-08	EUR	20	20	20	6.11%	22-Jul-18
April-14	EUR	-	1,500	1,500	3.50%	11-Apr-24
Subtotal	**EUR**	**119**	**1,737**	**1,737**		
TURKIYE GARANTI BANKASI A.S						
February-09	EUR	-	-	50	3.53%	31-Mar-21
Subtotal	**EUR**	**-**	**-**	**50**		
Others		**-**	**-**	1		
Total issued in Euros		**8,290**	**6,493**	**5,742**		

(*) The issuances of BBVA Subordinated Capital, S.A.U. and BBVA Global Finance, LTD., are jointly, severally and unconditionally guaranteed by the Bank.

Outstanding as of December 31, 2017, 2016, and 2015 of subordinated issues (continued)

		Millions of Euros				
Issuer Entity and Issued Date	**Currency**	**December 2017**	**December 2016**	**December 2015**	**Prevailing Interest Rate as of December 31, 2017**	**Maturity Date**
Issues in foreign currency						
BBVA						
May-13	USD	1,251	1,423	1,378	9.00%	Perpetual
March-17	USD	100	-	-	5.70%	31-Mar-32
November-17	USD	834	-	-	6.13%	15-feb-18
Subtotal	**USD**	**2,185**	**1,423**	**1,378**		
May-17	CHF	17	-	-	1.60%	24-May-27
Subtotal	**CHF**	**17**	**-**	**-**		
BBVA GLOBAL FINANCE, LTD. (**)						
December-95	USD	162	189	183	7.00%	01-Dec-25
Subtotal	**USD**	**162**	**189**	**183**		
BANCO BILBAO VIZCAYA ARGENTARIA, CHILE	**USD**					
Different issues	CLP	574	609	558		Various
Subtotal	**CLP**	**574**	**609**	**558**		
BBVA BANCOMER, S.A. de C.V.						
May-07	USD	-	474	456	6.01%	17-May-22
April-10	USD	831	947	912	7.25%	22-Apr-20
March-11	USD	1,039	1,184	1,140	6.50%	10-Mar-21
July-12	USD	1,247	1,421	1,368	6.75%	30-Sep-22
November-14	USD	166	189	182	5.35%	12-Nov-29
Subtotal	**USD**	**3,283**	**4,214**	**4,058**		
BBVA PARAGUAY						
November-14	USD	17	19	18	6.75%	05-Nov-21
November-15	USD	21	24	23	6.70%	22-Nov-22
Subtotal	**USD**	**38**	**43**	**42**		
TEXAS REGIONAL STATUTORY TRUST I						
February-04	USD	-	47	46	3.13%	17-Mar-34
Subtotal	**USD**	**-**	**47**	**46**		

(*) The issuances of BBVA Global Finance, Ltd, are guaranteed (secondary liability) by the Bank

Outstanding as of December 31, 2017, 2016, and 2015 of subordinated issues

Issuer Entity and Issued Date (continued)	Currency	Millions of Euros December 2017	December 2016	December 2015	Prevailing Interest Rate as of December 31, 2017	Maturity Date
STATE NATIONAL CAPITAL TRUST I						
July-03	USD	-	14	14	3.32%	30-Sep-33
Subtotal	**USD**	**-**	**14**	**14**		
STATE NATIONAL STATUTORY TRUST II						
March-04	USD	-	9	9	3.07%	17-Mar-34
Subtotal	**USD**	**-**	**9**	**9**		
TEXASBANC CAPITAL TRUST I						
June-04	USD	-	24	23	2.88%	23-Jul-34
Subtotal	**USD**	**-**	**24**	**23**		
COMPASS BANK						
March-05	USD	190	212	204	5.50%	01-Apr-20
March-06	USD	59	65	63	5.90%	01-Apr-26
September-07	USD	-	332	321	6.40%	01-Oct-17
April-15	USD	584	655	633	3.88%	10-Apr-25
Subtotal		**833**	**1,264**	**1,221**		
BBVA COLOMBIA, S.A.						
September-11	COP	28	32	45	8.31%	19-Sep-18
September-11	COP	30	33	58	8.48%	19-Sep-21
September-11	COP	44	49	48	8.72%	19-Sep-26
February-13	COP	56	63	30	7.65%	19-Feb-23
February-13	COP	46	52	31	7.93%	19-Feb-28
November-14	COP	25	28	47	8.53%	26-Nov-26
November-14	COP	45	51	26	8.41%	26-Nov-34
Subtotal	**COP**	**273**	**309**	**285**		
April-15	USD	313	379	366	4.88%	21-Apr-25
Subtotal	**USD**		**379**	**366**		
BANCO CONTINENTAL, S.A.						
May-07	USD	17	19	18	6.00%	14-May-27
September-07	USD	-	19	18	2.16%	24-Sep-17
February-08	USD	17	19	18	6.47%	28-Feb-28
October-13	USD	38	43	41	6.53%	02-Oct-28
September-14	USD	244	273	274	5.25%	22-Sep-29
Subtotal	**USD**	**315**	**373**	**371**		
May-07	PEN	-	11	11	5.85%	07-May-22
June-07	PEN	20	21	20	3.47%	18-Jun-32
November-07	PEN	18	19	18	3.56%	19-Nov-32
July-08	PEN	16	17	15	3.06%	08-Jul-23
September-08	PEN	17	18	17	3.09%	09-Sep-23
December-08	PEN	10	11	10	4.19%	15-Dec-33
Subtotal	**PEN**	**80**	**97**	**90**		
TURKIYE GARANTI BANKASI A.S						
May-17	USD	623	-	-	6.13%	-
Subtotal	**USD**	**623**	**-**	**-**		**-**
Total issues in foreign currencies(Millions of Euros)		**8,695**	**8,995**	**8,642**		

Outstanding as of December 31, 2017, 2016, and 2015 of subordinated issues (Millions of euros)

	December 2017		December 2016		December 2015	
Issuer Entity and Issued Date	Currency	Amount Issued	Currency	Amount Issued	Currency	Amount Issued
BBVA						
December 2007	EUR	-	EUR	14	EUR	14
BBVA International Preferred, S.A.U.						
September 2005	-	-	EUR	86	EUR	86
September 2006	-	-	EUR	164	EUR	164
Abril 2007	-	-	USD	569	USD	551
July 2007	GBP	35	GBP	36	GBP	43
Phoenix Loan Holdings Inc.						
December 2000	USD	18	USD	22	USD	22
Caixa Terrasa Societat de Participacion						
August 2005	EUR	51	EUR	51	EUR	75
Caixasabadell Preferents, S.A.						
July 2006	EUR	56	EUR	53	EUR	90
Others		1	-	1	-	1

APPENDIX VII Consolidated balance sheets held in foreign currency as of December 31, 2017, 2016 and 2015.

December 2017 (Millions of euros)	USD	Mexican Pesos	Turkish Lira	Other Foreign Currencies	Total Foreign Currencies
Assets					
Cash, cash balances at central banks and other demand deposits	17,111	4,699	827	4,264	26,902
Financial assets held for trading	2,085	14,961	484	4,583	22,113
Available-for-sale financial assets	14,218	8,051	4,904	3,010	30,183
Loans and receivables	93,069	39,717	32,808	34,488	200,081
Investments in entities accounted for using the equity method	5	124	-	147	276
Tangible assets	659	1,953	1,289	673	4,573
Other assets	7,309	5,041	4,426	18,662	35,438
Total	**134,456**	**74,546**	**44,738**	**65,826**	**319,566**
Liabilities					
Financial liabilities held for trading	935	5,714	506	533	7,688
Financial liabilities at amortized cost	135,546	51,492	27,079	39,062	253,178
Other liabilities	3,907	8,720	1,039	16,593	30,259
Total	**140,387**	**65,926**	**28,623**	**56,188**	**291,124**

December 2016 (Millions of euros)	USD	Mexican Pesos	Turkish Lira	Other Foreign Currencies	Total Foreign Currencies
Assets					
Cash, cash balances at central banks and other demand deposits	15,436	4,947	426	4,547	25,357
Financial assets held for trading	5,048	15,541	732	2,695	24,016
Available-for-sale financial assets	18,525	9,458	4,889	5,658	38,530
Loans and receivables	109,167	41,344	34,425	46,629	231,565
Investments in entities accounted for using the equity method	5	135	-	106	247
Tangible assets	788	2,200	1,376	844	5,207
Other assets	4,482	5,214	5,219	4,358	19,273
Total	**153,451**	**78,839**	**47,066**	**64,839**	**344,194**
Liabilities					
Financial liabilities held for trading	3,908	5,957	693	1,426	11,983
Financial liabilities at amortized cost	150,035	53,185	28,467	53,858	285,546
Other liabilities	1,812	8,774	1,418	1,957	13,961
Total	**155,755**	**67,916**	**30,578**	**57,241**	**311,490**

December 2015 (Millions of euros)	USD	Mexican Pesos	Turkish Lira	Other Foreign Currencies	Total Foreign Currencies
Assets					
Cash, cash balances at central banks and other demand deposits	8,257	6,547	485	3,833	19,121
Financial assets held for trading	6,449	16,581	374	3,006	26,410
Available-for-sale financial assets	22,573	10,465	9,691	6,724	49,454
Loans and receivables	115,899	45,396	32,650	44,382	238,328
Investments in entities accounted for using the equity method	216	241	-	40	498
Tangible assets	781	2,406	1,348	762	5,296
Other assets	2,018	5,054	2,320	3,817	13,209
Total	**156,193**	**86,690**	**46,868**	**62,564**	**352,315**
Liabilities					
Financial liabilities held for trading	5,010	5,303	513	1,925	12,750
Financial liabilities at amortized cost	152,383	60,800	30,267	50,004	293,455
Other liabilities	2,001	9,038	1,393	2,132	14,564
Total	**159,394**	**75,141**	**32,173**	**54,061**	**320,769**

APPENDIX VIII Consolidated income statements for the first and second half of 2017 and 2016

	Six months ended June 30, 2017	Six months ended December 31, 2017	Six months ended June 30, 2016	Six months ended December 31, 2016
Interest income	14,305	14,991	13,702	14,006
Interest expenses	(5,502)	(6,035)	(5,338)	(5,310)
NET INTEREST INCOME	**8,803**	**8,955**	**8,365**	**8,694**
Dividend income	212	122	301	166
Share of profit or loss of entities accounted for using the equity method	(8)	12	1	24
Fee and commission income	3,551	3,599	3,313	3,491
Fee and commission expenses	(1,095)	(1,134)	(963)	(1,123)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss. net	683	302	683	692
Gains or (-) losses on financial assets and liabilities held for trading, net	139	79	106	142
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	(88)	32	24	90
Gains or (-) losses from hedge accounting, net	(193)	(16)	(171)	95
Exchange differences, net	528	502	533	(61)
Other operating income	562	877	715	557
Other operating expenses	(945)	(1,278)	(1,186)	(942)
Income on insurance and reinsurance contracts	1,863	1,479	1,958	1,694
Expenses on insurance and reinsurance contracts	(1,295)	(977)	(1,446)	(1,099)
GROSS INCOME	**12,718**	**12,552**	**12,233**	**12,420**
Administration costs	(5,599)	(5,513)	(5,644)	(5,722)
Personnel expenses	(3,324)	(3,247)	(3,324)	(3,398)
Other administrative expenses	(2,275)	(2,266)	(2,319)	(2,325)
Depreciation	(712)	(675)	(689)	(737)
Provisions or (-) reversal of provisions	(364)	(381)	(262)	(924)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	(1,941)	(2,862)	(2,110)	(1,691)
NET OPERATING INCOME	**4,102**	**3,120**	**3,528**	**3,346**
Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates	-	-	-	-
Impairment or (-) reversal of impairment on non-financial assets	(80)	(284)	(99)	(422)
Gains (losses) on derecognized of non financial assets and subsidiaries, net	30	17	37	33
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	(18)	44	(75)	44
OPERATING PROFIT BEFORE TAX	**4,033**	**2,898**	**3,391**	**3,001**
Tax expense or (-) income related to profit or loss from continuing operation	(1,120)	(1,049)	(920)	(779)
PROFIT FROM CONTINUING OPERATIONS	**2,914**	**1,848**	**2,471**	**2,222**
Profit from discontinued operations, net	-	-	-	-
PROFIT	**2,914**	**1,848**	**2,471**	**2,222**
Attributable to minority interest [non-controlling interests]	607	636	639	579
Attributable to owners of the parent	2,306	1,213	1,832	1,643

Euros	Six months ended June 30, 2017	Six months ended December 30, 2017	Six months ended June 30, 2016	Six months ended December 30, 2016
EARNINGS PER SHARE				
Basic earnings per share from continued operations	0.33	0.16	0.26	0.23
Diluted earnings per share from continued operations	0.33	0.16	0.26	0.23
Basic earnings per share from discontinued operations	-	-	-	-
Diluted earnings per share from discontinued operations	-	-	-	-

APPENDIX IX Financial Statements of Banco Bilbao Vizcaya Argentaria, S.A.

Balance sheets as of December 31, 2017 and December 31, 2016 of BBVA, S.A.

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

Balance sheets as of December 31, 2017 and December 31, 2016 of BBVA, S.A.

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

Balance sheets as of December 31, 2017 and December 31, 2016 of BBVA, S.A.

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

MEMORANDUM ITEM - OFF BALANCE SHEET EXPOSURES (Millions of euros)	December 2017	December 2016
Financial guarantees given	32,794	39,704
Contingent commitments	69,677	71,162

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

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

Statement of Changes in Equity for the year ended December 31, 2017 of BBVA, S.A.

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

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

Statement of Changes in Equity for the year ended December 31, 2017 of BBVA, S.A.

Millions of Euros

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

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

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

COMPONENTS OF CASH AND EQUIVALENTS AT END OF THE YEAR (Millions of euros)	December 2017	December 2016
Cash	906	879
Balance of cash equivalent in central banks	15,858	14,913
Other financial assets	1,739	63
Less: Bank overdraft refundable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**18,503**	**15,856**

APPENDIX X Information on data derived from the special accounting registry

a) Mortgage market policies and procedures

Information required pursuant to Circular 5/2011 of the Bank of Spain is indicated as follows.

The Bank has express policies and procedures in place regarding its activities in the mortgage market, which provide for full compliance with applicable regulations.

The mortgage origination policy is based in principles focused on assessing the adequate ratio between the amount of the loan, and the payments, and the income of the applicant. Applicants must in all cases prove sufficient repayment ability (present and future) to meet their repayment obligations, for both the mortgage debt and for other debts detected in the financial system. Therefore, the applicant's repayment ability is a key aspect within the credit decision-making tools and retail risk acceptance manuals, and has a high weighting in the final decision.

During the mortgage risk transaction analysis process, documentation supporting the applicant's income (payroll, etc.) is required, and the applicant's position in the financial system is checked through automated database queries (internal and external). This information is used for calculation purposes in order to determine the level of indebtedness/compliance with the remainder of the system. This documentation is kept in the transaction's file.

In addition, the mortgage origination policy assesses the adequate ratio between the amount of the loan and the appraisal value of the mortgaged asset. The policy also establishes that the property to be mortgaged be appraised by an independent appraisal company as established by Circular 3/2010 and Circular 4/2016. BBVA selects those companies whose reputation, standing in the market and independence ensure that their appraisals adapt to the market reality in each region. Each appraisal is reviewed and checked before the loan is granted and, in those cases where the loan is finally granted, it is kept in the transaction's file.

As for issues related to the mortgage market, the Finance area annually defines the strategy for wholesale finance issues, and more specifically mortgage bond issues, such as mortgage covered bonds or mortgage securitization. The Assets and Liabilities Committee tracks the budget monthly. The volume and type of assets in these transactions is determined in accordance with the wholesale finance plan, the trend of the Bank's "Loans and receivables" outstanding balances and the conditions in the market.

The Board of Directors of the Bank authorizes each of the issues of Mortgage Transfer Certificates and/or Mortgage Participations issued by BBVA to securitize the credit rights derived from loans and mortgage loans, Likewise, the Board of Directors authorizes the establishment of a Base Prospectus for the issuance of fixed-income securities through which the mortgage-covered bonds are implemented.

As established in article 24 of Royal Decree 716/2009, of April, 24, by virtue of which certain aspects of Law 2/1981, of 25 March, of regulation of the mortgage market and other rules of the mortgage and financial system are developed, *"the volume of outstanding mortgage-covered bonds issued by a bank may not exceed 80% of a calculation base determined by adding the outstanding principal of all the loans and mortgage loans in the bank's portfolio that are eligible"* and which are not covered by the issue of Mortgage Bonds, Mortgage Participations or Mortgage Transfer Certificates. For these purposes, in accordance with the aforementioned Royal Decree 716/2009, in order to be eligible, loans and mortgage loans, on a general basis: (i) must be secured by a first mortgage on the freehold; (ii) the loan's amount may not exceed 80% of the appraisal value for residential mortgages, and 60% for other mortgage lending; (iii) must be established on assets exclusively and wholly owned by the mortgagor; (iv) must have been appraised by an independent appraisal company unrelated to the Group and authorized by the Bank of Spain; and (v) the mortgaged property must be covered at least by a current damage insurance policy.

The Bank has set up a series of controls for mortgage covered bonds, which regularly control the total volume of issued mortgage covered bonds issued and the remaining eligible collateral, to avoid exceeding the maximum limit set by Royal Decree 716/2009, and outlined in the preceding paragraph. In the case of securitizations, the preliminary portfolio of loans and mortgage loans to be securitized is checked according to an agreed procedures engagement, by the Bank’s external auditor as required by the Spanish Securities and Exchange Commission. There is also a series of filters through which some mortgage loans and credits are excluded in accordance with legal, commercial and risk concentration criteria.

b) Quantitative information on activities in the mortgage market

The quantitative information on activities in the mortgage market required by Bank of Spain Circular 5/2011 is shown below.

b.1) Ongoing operations

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of euros)

		December 2017	December 2016
Nominal value of outstanding loans and mortgage loans	(A)	105,539	113,977
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.	(B)	(32,774)	(33,677)
Nominal value of outstanding loans and mortgage loans, excluding securitized loans	**(A)-(B)**	**72,765**	**80,300**
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.	(C)	48,003	46,987
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.	(D)	(1,697)	(2,268)
Eligible loans and mortgage loans that, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, can be used as collateral for the issuance of mortgage bonds	**(C)-(D)**	**46,306**	**44,719**
Issuance limit: 80% of eligible loans and mortgage loans that can be used as collateral	(E)	37,045	35,775
Issued Mortgage-covered bonds	**(F)**	**20,153**	**29,085**
Outstanding Mortgage-covered bonds		**16,065**	**24,670**
Capacity to issue mortgage-covered bonds	(E)-(F)	16,892	6,690
Memorandum items:			
Percentage of overcollateralization across the portfolio		361%	276%
Percentage of overcollateralization across the eligible used portfolio		230%	154%
Nominal value of available sums (committed and unused) from all loans and mortgage loans.		3,084	2,917
Of which:			
Potentially eligible		2,471	2,237
Ineligible		613	680
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.		16,272	25,282
Nominal value of the replacement assets subject to the issue of mortgage-covered bonds.		-	-

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of euros)		December 2017	December 2016
Total loans	(1)	**105,539**	**113,977**
Issued mortgage participations	(2)	**1,809**	**2,865**
Of which: recognized on the balance sheet		-	*695*
Issued mortgage transfer certificates	(3)	**30,965**	**30,812**
Of which: recognized on the balance sheet		28,954	28,778
Mortgage loans as collateral of mortgages bonds	(4)		
Loans supporting the issuance of mortgage-covered bonds	1-2-3-4	**72,765**	**80,300**
Non eligible loans		24,762	33,313
Comply requirements to be eligible except the limit provided for under the article 5.1 of the Spanish Royal Decree 716/2009		16,272	25,282
Other		8,490	8,031
eligible loans		48,003	46,987
That cannot be used as collateral for issuances		1,697	2,268
That can be used as collateral for issuances		46,306	44,719
Loans used to collateralize mortgage bonds		-	-
Loans used to collateralize mortgage-covered bonds		46,306	44,719

Mortgage loans. Classification of the nominal values according to different characteristics (Millions of euros)	December 2017			December 2016		
	Total mortgage loans	Eligible Loans(*)	Eligible that can be used as collateral for issuances (**)	Total mortgage loans	Eligible Loans(*)	Eligible that can be used as collateral for issuances (**)
TOTAL	**72,765**	**48,003**	**46,306**	**80,300**	**46,987**	**44,719**
By source of the operations						
Originated by the bank	67,134	43,315	41,694	74,220	42,641	40,451
Subrogated by other institutions	795	692	686	904	685	678
Rest	4,836	3,996	3,926	5,176	3,661	3,590
By Currency						
In euros	72,070	47,623	45,945	79,422	46,594	44,341
In foreign currency	695	380	361	878	393	378
By payment situation						
Normal payment	61,013	43,578	43,187	61,264	40,685	40,389
Other situations	11,752	4,425	3,119	19,036	6,302	4,330
By residual maturity						
Up to 10 years	15,482	10,268	9,659	19,762	12,722	11,765
10 to 20 years	29,131	23,344	22,748	30,912	22,417	21,646
20 to 30 years	18,470	11,565	11,153	19,899	9,375	8,910
Over 30 years	9,682	2,826	2,746	9,727	2,473	2,398
By Interest Rate						
Fixed rate	5,578	2,697	2,614	4,460	1,680	1,559
Floating rate	67,187	45,306	43,692	75,840	45,307	43,160
Mixed rate	-	-	-	-	-	-
By Target of Operations						
For business activity	17,111	7,788	6,569	20,913	8,614	6,926
From which: public housing	4,520	1,670	726	6,958	1,894	740
For households	55,654	40,215	39,737	59,387	38,373	37,793
By type of guarantee						
Secured by completed assets/buildings	**70,922**	**47,619**	**45,989**	**75,806**	**46,240**	**44,237**
Residential use	53,543	39,050	38,499	61,338	39,494	38,139
From which: public housing	4,124	3,029	2,981	5,607	3,338	3,213
Commercial	4,610	2,535	2,414	5,453	2,563	2,289
Other	12,769	6,034	5,076	9,015	4,183	3,809
Secured by assets/buildings under construction	**1,433**	**245**	**191**	**1,914**	**413**	**295**
Residential use	522	61	61	1,457	290	187
From which: public housing	8	1	1	57	11	10
Commercial	174	48	48	286	61	53
Other	737	136	82	171	62	55
Secured by land	**410**	**139**	**126**	**2,580**	**334**	**187**
Urban	8	5	2	-	-	-
Non-urban	402	134	124	2,580	334	187

(*) Not taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009

(**) Taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009

December 2017. Nominal value of the total mortgage loans (Millions of euros)

	Loan to Value (Last available appraisal risk)					
	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**

December 2016. 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	12,883	15,921		14,047	-	**42,851**
Other mortgages	2,150	1,986				**4,136**
Total	**15,033**	**17,907**	**-**	**14,047**	**-**	**46,987**

Eligible and non eligible mortgage loans. Changes of the nominal values in the period (Millions of euros)

	2017		2016	
	Eligible (*)	Non eligible	Eligible (*)	Non eligible
Balance at the beginning	**46,987**	**33,313**	**40,373**	**32,532**
Retirements	**9,820**	**15,015**	**7,458**	**11,489**
Held-to-maturity cancellations	4,614	2,562	3,552	2,084
Anticipated cancellations	2,008	2,582	1,479	1,971
Subrogations to other institutions	33	23	37	30
Rest	3,165	9,848	2,390	7,404
Additions	**10,835**	**6,464**	**14,072**	**12,270**
Originated by the bank	2,645	3,392	10,051	9,523
Subrogations to other institutions	15	5	283	162
Rest	8,176	3,067	3,738	2,585
Balance at the end	**48,003**	**24,762**	**46,987**	**33,313**

(*) Not taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009

Mortgage loans supporting the issuance of mortgage-covered bonds. Nominal value (Millions of euros)

	December 2017	December 2016
Potentially eligible	2,471	2,237
Ineligible	613	680
Total	**3,084**	**2,917**

b.2) Liabilities operations

Issued Mortgage Bonds (Millions of euros)

	December 2017		December 2016	
	Nominal value	Average residual maturity	Nominal value	Average residual maturity
Mortgage bonds	-		-	
Mortgage-covered bonds (*)	20,153		29,085	
Of which: Not recognized as liabilities on balance	4,088		4,414	
Of Which: Outstanding	16,065		24,670	
Debt securities issued through public offer	12,501		20,773	
Residual maturity up to 1 year	-		8,272	
Residual maturity over 1 year and less than 2 years	-		-	
Residual maturity over 2 years and less than 3 years	2,051		-	
Residual maturity over 3 years and less than 5 years	4,000		4,801	
Residual maturity over 5 years and less than 10 years	6,250		7,500	
Residual maturity over 10 years	200		200	
Debt securities issued without public offer	4,162		4,321	
Residual maturity up to 1 year	-		150	
Residual maturity over 1 year and less than 2 years	-		-	
Residual maturity over 2 years and less than 3 years	50		-	
Residual maturity over 3 years and less than 5 years	1,500		1,550	
Residual maturity over 5 years and less than 10 years	2,612		2,500	
Residual maturity over 10 years	-		121	
Deposits	3,491		3,991	
Residual maturity up to 1 year	791		460	
Residual maturity over 1 year and less than 2 years	380		791	
Residual maturity over 2 years and less than 3 years	246		380	
Residual maturity over 3 years and less than 5 years	793		671	
Residual maturity over 5 years and less than 10 years	571		839	
Residual maturity over 10 years	710		850	
Mortgage participations	-		695	
Issued through public offer	-		-	
Issued without public offer	-		-	
Mortgage transfer certificates	28,954		28,778	
Issued through public offer	28,954	279	28,778	286
Issued without public offer	-	-	-	-

Given the characteristics of the type of covered bonds issued by the Bank, there is no substituting collateral related to these issues.

The Bank does not hold any derivative financial instruments relating to mortgage bond issues, as defined in the aforementioned Royal Decree.

APPENDIX XI Quantitative information on refinancing and restructuring operations and other requirement under Bank of Spain Circular 6/2012

a) Quantitative information on refinancing and restructuring operations

The breakdown of refinancing and restructuring operations as of December 31, 2017, 2016 and 2015 is as follows:

DECEMBER 2017 BALANCE OF FORBEARANCE (Millions of Euros)

	TOTAL						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	69	105	135	430	112	302	18
Other financial corporations and individual entrepreneurs (financial business)	4,727	36	93	8	1	-	21
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	113,464	4,672	17,890	6,258	3,182	251	3,579
Of which: financing the construction and property (including land)	*1,812*	*398*	*3,495*	*2,345*	*1,995*	-	*1,327*
Rest homes (*)	163,101	1,325	109,776	8,477	6,891	18	1,373
Total	**281,361**	**6,138**	**127,894**	**15,173**	**10,186**	**571**	**4,991**

	Of which: IMPAIRED						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	50	72	45	29	22	-	16
Other financial corporations and individual entrepreneurs (financial business)	126	5	16	2	0	-	5
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	95,427	2,791	10,994	4,144	1,983	66	3,361
Of which: financing the construction and property (including land)	*1,538*	*208*	*2,779*	*1,961*	*1,273*	-	*1,282*
Rest homes (*)	105,468	747	47,612	4,330	3,270	6	1,231
Total	**201,071**	**3,615**	**58,667**	**8,506**	**5,275**	**72**	**4,612**

(*) Number of operations does not include Garanti Bank

Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

The accumulated impairment or accumulated losses in fair value due to credit risk correspond to €378 million of collective impairment losses and €4,612 million of specific impairment losses.

DECEMBER 2016 BALANCE OF FORBEARANCE
(Millions of Euros)

TOTAL

	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	24	8	112	711	98	584	6
Other financial corporations and individual entrepreneurs (financial business)	3,349	59	71	18	5	-	8
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	125,328	5,057	25,327	9,643	4,844	124	5,310
Of which: financing the construction and property (including land)	*1,519*	*496*	*5,102*	*4,395*	*694*	-	*2,552*
Rest homes (*)	116,961	1,550	103,868	9,243	7,628	18	1,474
Total	**245,662**	**6,674**	**129,378**	**19,615**	**12,576**	**726**	**6,798**

Of which: IMPAIRED

	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	12	8	53	33	27	-	4
Other financial corporations and individual entrepreneurs (financial business)	131	8	22	2	-	-	5
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	103,310	2,857	16,327	6,924	3,002	53	4,986
Of which: financing the construction and property (including land)	*1,191*	*304*	*4,188*	*3,848*	*494*	-	*2,499*
Rest homes (*)	72,199	672	47,767	4,366	3,271	3	1,285
Total	**175,652**	**3,545**	**64,169**	**11,325**	**6,300**	**57**	**6,281**

(*) Number of operations does not include Garanti Bank

Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

The accumulated impairment or accumulated losses in fair value due to credit risk correspond to €517 million of collective impairment losses and €6,281 million of specific impairment losses.

DECEMBER 2015 BALANCE OF FORBEARANCE
(Millions of Euros)

TOTAL

	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	71	33	75	794	75	1,397	9
Other financial corporations and individual entrepreneurs (financial business)	261	49	97	14	16	-	174
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	43,807	7,184	28,897	12,754	4,866	854	6,104
Of which: financing the construction and property (including land)	*2,899*	*1,109*	*8,042*	*5,842*	*2,917*	*8*	*3,072*
Rest homes (*)	182,924	2,291	124,473	10,882	9,723	22	1,705
Total	**227,063**	**9,557**	**153,542**	**24,443**	**14,681**	**2,273**	**7,993**

Of which: IMPAIRED

	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	31	13	7	5	3	-	6
Other financial corporations and individual entrepreneurs (financial business)	113	30	74	8	5	-	139
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	17,499	2,895	16,565	8,177	1,707	449	5,533
Of which: financing the construction and property (including land)	*2,319*	*834*	*5,543*	*4,451*	*1,836*	*7*	*2,910*
Rest homes (*)	80,652	772	44,195	4,172	2,897	11	1,454
Total	**98,295**	**3,710**	**60,841**	**12,361**	**4,612**	**460**	**7,132**

In addition to the restructuring and refinancing transactions mentioned in this section, loans that were not considered impaired or renegotiated have been modified based on the criteria set out in paragraph 59 (c) of IAS 39. These loans have not been classified as renegotiated or impaired, since they were modified for commercial or competitive reasons (for instance, to improve relationships with clients) rather than for economic or legal reasons relating to the borrower's financial situation.

The table below provides a roll forward of refinanced assets during 2017 and 2016:

Refinanced assets Roll forward. December 2017 (Millions of euros)	Normal		Impaired		TOTAL	
	Risk	Coverage	Risk	Coverage	Risk	Coverage
Balance at the beginning	**11,418**	**517**	**14,869**	**6,281**	**26,288**	**6,798**
(+) Additions	3,095	182	1,614	599	4,709	781
(-) Decreases (payments or repayments)	(2,462)	(145)	(2,754)	(1,180)	(5,216)	(1,325)
(-) Foreclosures	(2)	-	(463)	(267)	(465)	(267)
(-) Write-offs	(63)	(2)	(1,667)	(1,413)	(1,730)	(1,415)
(+)/(-) Other	(2,795)	(174)	521	593	(2,275)	419
Ending Balance	**9,191**	**378**	**12,120**	**4,612**	**21,311**	**4,991**

Refinanced assets Roll forward. December 2016 (Millions of euros)	Normal		Impaired		TOTAL	
	Risk	Coverage	Risk	Coverage	Risk	Coverage
Balance at the beginning	**17,929**	**861**	**16,071**	**7,132**	**34,000**	**7,993**
(+) Additions	2,523	279	1,655	712	4,178	991
(-) Decreases (payments or repayments)	(2,788)	(366)	(1,754)	(835)	(4,542)	(1,201)
(-) Foreclosures	(3)	-	(174)	(84)	(177)	(84)
(-) Write-offs	(52)	(1)	(1,230)	(841)	(1,282)	(842)
(+)/(-) Other	(6,191)	(256)	301	196	(5,890)	(60)
Ending Balance	**11,418**	**517**	**14,869**	**6,281**	**26,288**	**6,798**

The table below provides a breakdown by segments of the forbearance operations (net of provisions) as of December 31, 2017, 2016 and 2015:

Forbearance operations. Breakdown by segments (Millions of euros)	December 2017	December 2016	December 2015
Credit institutions			
Central governments	518	713	818
Other financial corporations and individual entrepreneurs (financial activity)	24	69	(112)
Non-financial corporations and individual entrepreneurs (non-financial activity)	7,351	9,390	13,833
Of which: Financing the construction and property development (including land)	*1,416*	*2,339*	*3,879*
Households	8,428	9,319	11,468
Total carrying amount	**16,321**	**19,491**	**26,007**
Financing classified as non-current assets and disposal groups held for sale	-	-	-

NPL ratio by type of renegotiated loan

The non performing ratio of the renegotiated portfolio is defined as the impaired balance of renegotiated loans that shows signs of difficulties as of the closing of the reporting period, divided by the total payment outstanding in that portfolio.

As of December 31, 2017 and 2016, the non performing ratio for each of the portfolios of renegotiated loans is as follows:

December 2017. NPL ratio renegotiated loan portfolio	
	Ratio of Impaired loans - Past due
General governments	19%
Commercial	63%
Of which: Construction and developer	79%
Other consumer	52%

59% of the renegotiated loans classified as impaired was for reasons other than default (delinquency).

December 2016. NPL ratio renegotiated loan portfolio	
	Ratio of Impaired loans - Past due
General governments	6%
Commercial	67%
Of which: Construction and developer	85%
Other consumer	47%

56% of the renegotiated loans classified as impaired was for reasons other than default (delinquency).

b) Quantitative information on the concentration of risk by activity and guarantees

Loans and advances to customers by activity (carrying amount)

December 2017 (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	32,294	998	7,167	1,540	179	475	532	5,440
2 Other financial institutions	18,669	319	12,910	314	277	106	11,349	1,183
3 Non-financial institutions and individual entrepreneurs	172,338	39,722	24,793	11,697	5,878	5,183	9,167	32,591
3.1 Construction and property development	14,599	10,664	1,066	1,518	876	1,049	1,313	6,974
3.2 Construction of civil works	7,733	1,404	521	449	358	289	162	667
3.3 Other purposes	150,006	27,654	23,206	9,729	4,644	3,845	7,692	24,950
3.3.1 Large companies	93,604	10,513	16,868	2,769	1,252	1,023	3,631	18,706
3.3.2 SMEs (**) and individual entrepreneurs	56,402	17,142	6,338	6,960	3,392	2,823	4,061	6,244
4 Rest of households and NPISHs (***)	165,024	114,558	8,395	19,762	22,807	25,595	22,122	32,667
4.1 Housing	114,709	111,604	128	18,251	22,222	25,029	21,154	25,076
4.2 Consumption	40,705	670	4,784	1,058	256	192	316	3,632
4.3 Other purposes	9,609	2,284	3,483	452	330	374	652	3,959
SUBTOTAL	**388,325**	**155,597**	**53,266**	**33,312**	**29,142**	**31,359**	**43,170**	**71,882**
5 Less: Valuation adjustments due to impairment of assets not attributable to specific operations	-	-	-	-	-	-	-	-
6 TOTAL	**388,325**	**155,597**	**53,266**	**33,312**	**29,142**	**31,359**	**43,170**	**71,882**
MEMORANDUM:								
Forbearance operations (****)	*16,321*	*6,584*	*5,117*	*1,485*	*1,315*	*1,871*	*1,580*	*5,451*

(*) The amounts included in this table are net of impairment losses.

(**) Small and medium enterprises

(***) Nonprofit institutions serving households.

(****) Net of provisions except valuation adjustments due to impairment of assets not attributable to specific operations.

December 2016 (Millions of euros)

				Collateralized Credit Risk. Loan to value				
	TOTAL (*)	Of which: Mortgage loans	Of which: Secured loans	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
1 General governments	34,820	4,722	3,700	380	715	1,266	2,740	3,320
2 Other financial institutions	17,181	800	8,168	650	464	319	6,846	690
3 Non-financial institutions and individual entrepreneurs	183,871	47,105	22,663	17,000	13,122	11,667	14,445	13,533
3.1 Construction and property development	19,283	12,888	1,736	3,074	4,173	3,843	2,217	1,316
3.2 Construction of civil works	8,884	1,920	478	508	547	469	379	494
3.3 Other purposes	155,704	32,297	20,449	13,417	8,402	7,356	11,850	11,722
3.3.1 Large companies	107,550	16,041	16,349	7,311	5,149	4,777	7,160	7,993
3.3.2 SMEs (**) and individual entrepreneurs	48,154	16,257	4,100	6,106	3,253	2,579	4,689	3,729
4 Rest of households and NPISHs (***)	178,781	129,590	5,257	21,906	24,764	34,434	34,254	19,489
4.1 Housing	127,606	124,427	477	18,802	23,120	32,713	32,148	18,122
4.2 Consumption	44,504	3,181	3,732	2,535	1,278	1,230	1,322	547
4.3 Other purposes	6,671	1,982	1,048	569	366	491	784	820
SUBTOTAL	**414,654**	**182,216**	**39,789**	**39,936**	**39,065**	**47,687**	**58,286**	**37,032**
5 Less: Valuation adjustments due to impairment of assets not attributable to specific operations	-	-	-	-	-	-	-	-
6 TOTAL	**414,654**	**182,216**	**39,789**	**39,936**	**39,065**	**47,687**	**58,286**	**37,032**
MEMORANDUM:								
Forbearance operations (****)	*19,491*	*8,031*	*6,504*	*3,703*	*1,845*	*2,316*	*2,091*	*4,580*

(*) The amounts included in this table are net of impairment losses.

(**) Small and medium enterprises

(***) Nonprofit institutions serving households.

(****) Net of provisions

December 2015 (Millions of euros)

				Collateralized Credit Risk. Loan to value				
	TOTAL (*)	**Of which: Mortgage loans**	**Of which: Secured loans**	**Less than or equal to 40%**	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80% but less than or equal to 100%**	**Over 100%**
1 General governments	38,555	4,483	3,868	643	690	1,088	2,506	3,424
2 Other financial institutions	14,319	663	6,098	710	474	302	4,610	666
3 Non-financial institutions and individual entrepreneurs	184,203	47,773	24,034	20,400	14,931	11,480	12,491	12,506
3.1 Construction and property development	19,914	13,295	1,682	3,148	5,465	3,663	1,911	789
3.2 Construction of civil works	9,687	2,322	1,023	827	615	576	373	954
3.3 Other purposes	154,602	32,157	21,329	16,425	8,850	7,242	10,207	10,763
3.3.1 Large companies	96,239	11,959	15,663	6,207	4,569	4,248	5,627	6,971
3.3.2 SMEs (**) and individual entrepreneurs	58,363	20,198	5,665	10,218	4,281	2,993	4,579	3,792
4 Rest of households and NPISHs (***)	181,385	132,358	5,397	24,737	34,007	46,885	23,891	8,235
4.1 Housing	127,260	124,133	513	20,214	31,816	44,506	21,300	6,810
4.2 Consumption	42,211	3,627	3,738	2,311	1,156	1,398	2,118	381
4.3 Other purposes	11,914	4,599	1,146	2,212	1,035	982	472	1,043
SUBTOTAL	**418,462**	**185,278**	**39,396**	**46,490**	**50,102**	**59,756**	**43,498**	**24,830**
5 Less: Valuation adjustments due to impairment of assets not attributable to specific operations	4,233	-	-	-	-	-	-	-
6 TOTAL	**414,230**	**185,278**	**39,396**	**46,490**	**50,102**	**59,756**	**43,498**	**24,830**
MEMORANDUM:								
Forbearance operations (****)	*26,080*	*10,931*	*7,457*	*2,728*	*1,797*	*2,575*	*4,665*	*6,623*

(*) The amounts included in this table are net of impairment losses.

(**) Small and medium enterprises

(***) Nonprofit institutions serving households.

(****) Net of provisions

c) Information on the concentration of risk by activity and geographical areas.

December 2017 (Millions of euros)

	TOTAL(*)	Spain	European Union Other	America	Other
Credit institutions	70,141	10,606	34,623	13,490	11,422
General governments	121,863	55,391	11,940	44,191	10,341
Central Administration	83,673	35,597	11,625	26,211	10,240
Other	38,190	19,794	316	17,980	101
Other financial institutions	48,000	19,175	14,283	12,469	2,074
Non-financial institutions and individual entrepreneurs	228,227	78,507	20,485	80,777	48,458
Construction and property development	18,619	4,623	339	8,834	4,822
Construction of civil works	12,348	6,936	1,302	2,267	1,843
Other purposes	197,260	66,948	18,843	69,676	41,793
Large companies	134,454	43,286	17,470	48,016	25,681
SMEs and individual entrepreneurs	62,807	23,662	1,373	21,660	16,112
Other households and NPISHs	165,667	93,774	3,609	53,615	14,669
Housing	114,710	81,815	2,720	24,815	5,361
Consumer	40,705	8,711	649	22,759	8,587
Other purposes	10,251	3,248	241	6,041	721
SUBTOTAL	**633,899**	**257,453**	**84,940**	**204,542**	**86,964**
Less: Valuation adjustments due to impairment of assets not attributable to specific operations	-	-	-	-	-
TOTAL	**633,899**	**257,453**	**84,940**	**204,542**	**86,964**

(*)The definition of risk for the purpose of this statement includes the following items on the public balance sheet: Loans and advances to credit institutions, Loans and advances, Debt securities, Equity instruments, Other equity securities, Derivatives and hedging derivatives, Investments in subsidiaries, joint ventures and associates and guarantees given and Contingent risks. The amounts included in this table are net of impairment losses.

December 2016 (Millions of euros)

	TOTAL(*)	Spain	European Union Other	America	Other
Credit institutions	84,381	12,198	40,552	17,498	14,133
General governments	134,261	61,495	14,865	47,072	10,829
Central Administration	92,155	39,080	14,550	27,758	10,768
Other	42,105	22,415	315	19,314	61
Other financial institutions	47,029	16,942	14,881	12,631	2,576
Non-financial institutions and individual entrepreneurs	249,322	69,833	26,335	98,797	54,357
Construction and property development	23,141	5,572	371	11,988	5,209
Construction of civil works	14,185	6,180	2,493	3,803	1,709
Other purposes	211,996	58,080	23,471	83,005	47,439
Large companies	158,356	35,514	22,074	64,940	35,828
SMEs and individual entrepreneurs	53,640	22,566	1,397	18,065	11,611
Other households and NPISHs	179,051	96,345	3,796	62,836	16,073
Housing	127,607	85,763	3,025	32,775	6,044
Consumer	44,504	7,230	642	27,398	9,234
Other purposes	6,939	3,352	129	2,663	795
SUBTOTAL	**694,044**	**256,813**	**100,428**	**238,834**	**97,968**
Less: Valuation adjustments due to impairment of assets not attributable to specific operations	-	-	-	-	-
TOTAL	**694,044**	**100,428**	**97,968**	**238,834**	**97,968**

(*) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: Loans and advances to credit institutions, Loans and advances to customers, Debt securities, Equity instruments, Other equity securities, Derivatives, Trading Derivatives, Derivatives – Hedge accounting 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 2015 (Millions of euros)

	TOTAL(*)	Spain	European Union Other	America	Other
Credit institutions	81,106	13,014	37,738	20,675	9,679
General governments	151,919	74,931	14,393	50,242	12,354
Central Administration	107,118	48,617	13,786	32,401	12,314
Other	44,801	26,314	607	17,840	40
Other financial institutions	46,744	16,768	13,623	13,324	3,029
Non-financial institutions and individual entrepreneurs	248,207	72,710	26,561	94,632	54,305
Construction and property development	23,484	5,862	278	11,946	5,397
Construction of civil works	15,540	8,687	2,149	3,497	1,207
Other purposes	209,183	58,161	24,134	79,188	47,701
Large companies	144,990	34,358	22,399	52,704	35,529
SMEs and individual entrepreneurs	64,193	23,803	1,734	26,484	12,172
Other households and NPISHs	182,335	100,510	3,832	61,084	16,910
Housing	127,261	88,185	3,103	29,794	6,179
Consumer	42,221	6,728	649	24,799	10,044
Other purposes	12,853	5,597	80	6,490	686
SUBTOTAL	**710,311**	**277,932**	**96,146**	**239,956**	**96,276**
Less: Valuation adjustments due to impairment of assets not attributable to specific operations	(4,313)				
TOTAL	**705,998**	**277,932**	**96,146**	**239,956**	**96,276**

(*) 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 to customers, Debt securities, Equity instruments, Other equity securities, Derivatives, Trading Derivatives, Derivatives – Hedge accounting derivatives, Investments in subsidiaries, joint ventures and associates and guarantees given and Contingent risks. The amounts included in this table are net of impairment losses.

APPENDIX XII Additional information on Risk Concentration

a) Sovereign risk exposure

The table below provides a breakdown of exposure to financial assets (excluding derivatives and equity instruments), as of December 31, 2017, 2016 and 2015 by type of counterparty and the country of residence of such counterparty. The below figures do not take into account accumulated other *comprehensive* income, impairment losses or loan-loss provisions:

Risk Exposure by Countries (Millions of euros)	Sovereign Risk (*)		
	December 2017	December 2016	December 2015
Spain	54,625	60,434	74,020
Turkey	9,825	10,478	12,037
Italy	9,827	12,206	10,694
France	383	518	1,029
Portugal	722	586	704
Germany	259	521	560
United Kingdom	41	17	4
Ireland	-	-	1
Greece	-	-	-
Rest of Europe	662	940	1,278
Subtotal Europe	**76,343**	**85,699**	**100,327**
Mexico	25,114	26,942	22,192
The United States	14,059	16,039	11,378
Venezuela	137	179	152
Rest of countries	5,809	3,814	3,711
Subtotal Rest of Countries	**45,119**	**46,974**	**137,760**
Total Exposure to Financial Instruments	**121,462**	**132,674**	**238,087**

(*) In addition, as of December 31, 2017, 2016 and 2015, undrawn lines of credit, granted mainly to the Spanish General Governments and amounted to €1,827 million, €2,864 million and €2,584 million, respectively.

The exposure to sovereign risk set out in the above table includes positions held in government debt securities in countries where the Group operates. They are used for ALCO's management of the interest-rate risk on the balance sheets of the Group's entities in these countries, as well as for hedging of pension and insurance commitments by insurance entities within the BBVA Group.

Sovereign risk exposure in Europe

The table below provides a breakdown of the exposure of the Group's credit institutions to European sovereign risk as of December 31, 2017 and December 2016 by type of financial instrument and the country of residence of the counterparty, under EBA (European Banking Authority) requirements:

Exposure to Sovereign Risk by European Union Countries. December 2017 (Millions of euros)

	Debt securities			Loans and receivables	Derivatives						Total	%
					Direct exposure			Indirect exposure				
	Financial Assets Held-for-Trading	Available-for-Sale Financial Assets	Held -to-maturity investment		Notional value	Fair value +	Fair value -	Notional value	Fair value +	Fair value -		
Spain	7,065	14,029	5,754	22,101	1,513	62	(15)	591	1,082	(773)	51,410	75%
Italy	4,606	4,292	2,349	55	-	-	-	(57)	648	(237)	11,657	17%
France	622	8	-	27	-	-	-	329	15	(19)	983	1%
Germany	517	-	-	-	-	-	-	826	26	(17)	1,352	2%
Portugal	832	1	-	202	1,019	1	(44)	176	87	(53)	2,221	3%
United Kingdom	-	-	-	37	-	-	-	(2)	-	-	35	-
Greece	-	-	-	-	-	-	-	-	-	-	-	-
Hungary	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-	-	-	-	-
Rest of European Union	38	505	-	32	-	-	-	31	5	(5)	607	1%
Total Exposure to Sovereign Counterparties (European Union)	**13,681**	**18,835**	**8,103**	**22,453**	**2,533**	**64**	**(59)**	**1,896**	**1,863**	**(1,104)**	**68,265**	**100%**

This table shows sovereign risk balances with EBA criteria. Therefore, sovereign risk of the Group's insurance companies (€10,474 million as of December 31, 2017) is not included. Includes credit derivatives CDS (Credit Default Swaps) shown at fair value.

Exposure to Sovereign Risk by European Union Countries. December 2016 (Millions of euros)

	Debt securities			Loans and receivables	Derivatives						Total	%
					Direct exposure			Indirect exposure				
	Financial Assets Held-for-Trading	Available-for-Sale Financial Assets	Held -to-maturity investment		Notional value	Fair value +	Fair value -	Notional value	Fair value +	Fair value -		
Spain	927	13,385	8,063	24,835	1,786	88	(27)	(744)	993	(1,569)	47,737	81%
Italy	1,973	4,806	2,719	60	-	-	-	(1,321)	1,271	(866)	8,641	15%
France	250	-	-	28	-	-	-	(13)	46	(63)	248	-
Germany	82	-	-	-	-	-	-	(5)	203	(249)	30	-
Portugal	54	1	-	285	1,150	-	(215)	10	1	(6)	1,280	2%
United Kingdom	-	-	-	16	-	-	-	(9)	1	-	8	-
Greece	-	-	-	-	-	-	-	-	-	-	-	-
Hungary	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-	-	-	-	-
Rest of European Union	195	469	-	36	-	-	-	30	13	(6)	736	1%
Total Exposure to Sovereign Counterparties (European Union)	**3,482**	**18,660**	**10,783**	**25,259**	**2,936**	**88**	**(242)**	**(2,053)**	**2,527**	**(2,759)**	**58,680**	**100%**

This table shows sovereign risk balances with EBA criteria. Therefore, sovereign risk of the Group's insurance companies (€10,443 million as of December 31, 2016) is not included. Includes credit derivatives CDS (Credit Default Swaps) shown at fair value.

Exposure to Sovereign Risk by European Union Countries (1). December 2015 (Millions of euros)

	Debt securities			Loans and receivables	Derivatives (2)						Total	%
					Direct exposure			Indirect exposure				
	Financial Assets Held-for-Trading	Available-for-Sale Financial Assets	Held -to-maturity investment		Notional value	Fair value +	Fair value -	Notional value	Fair value +	Fair value -		
Spain	5,293	31,621	-	26,111	1,871	125	(37)	(1,785)	82	(84)	63,112	86%
Italy	1,205	7,385	-	80	-	-	-	258	12	(26)	8,656	12%
France	531	10	-	34	-	-	-	141	2	(31)	546	1%
Germany	162	-	-	-	-	-	-	166	-	(21)	141	-
Portugal	179	1	-	428	1,161	2	(225)	90	1	(1)	384	1%
United Kingdom	-	-	-	-	-	-	-	13	2	(1)	2	-
Greece	-	-	-	-	-	-	-	-	-	-	-	-
Hungary	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	1	-	-	-	-	-	-	-	-	-	1	-
Rest of European Union	319	429	-	38	-	-	-	33	15	(8)	794	1%
Total Exposure to Sovereign Counterparties (European Union)	**7,689**	**39,446**	**-**	**26,691**	**3,033**	**127**	**(263)**	**(1,084)**	**115**	**(172)**	**73,634**	**100%**

This table shows sovereign risk balances with EBA criteria. Therefore, sovereign risk of the Group's insurance companies (€6,300 million as of December 31, 2016) is not included. Includes credit derivatives CDS (Credit Default Swaps) shown at fair value.

As of December 31, 2017, 2016 and 2015 the breakdown of total exposure faced by the Group's credit institutions to Spain and other countries, by maturity of the financial instruments, is as follows:

Maturities of Sovereign Risks European Union. December 2017 (Millions of euros)

	Debt securities			Loans and receivables	Derivatives						Total	%
					Direct exposure			Indirect exposure				
	Financial Assets Held-for-Trading	Available-for-Sale Financial Assets	Held -to-maturity investment		Notional value	Fair value +	Fair value -	Notional value	Fair value +	Fair value -		
Spain	**7,065**	**14,029**	**5,754**	**22,101**	**1,513**	**62**	**(15)**	**591**	**1,082**	**(773)**	**51,410**	75%
Up to 1 Year	1,675	3,363	2,900	7,852	69	1	-	591	1,082	(773)	12,312	25%
1 to 5 Years	2,196	1,335	106	7,978	1,131	44	(1)	-	-	-	16,883	19%
Over 5 Years	3,195	9,332	2,747	6,271	314	17	(14)	-	-	-	22,215	32%
Rest of European Union	**6,616**	**4,806**	**2,349**	**352**	**1,019**	**1**	**(44)**	**1,305**	**781**	**(331)**	**16,856**	**25%**
Up to 1 Year	2,212	1,663	1,895	54	466	1	(6)	744	756	(252)	3,614	11%
1 to 5 Years	2,932	192	-	162	3	-	-	243	17	(21)	7,313	5%
Over 5 Years	1,473	2,951	454	137	550	-	(38)	318	8	(58)	5,928	8%
Total Exposure to European Union Sovereign Counterparties	**13,681**	**18,835**	**8,103**	**22,453**	**2,533**	**64**	**(59)**	**1,896**	**1,863**	**(1,104)**	**68,265**	**100%**

Maturities of Sovereign Risks European Union. December 2016 (Millions of euros)

	Debt securities			Loans and receivables	Derivatives						Total	%
					Direct exposure			Indirect exposure				
	Financial Assets Held-for-Trading	Available-for-Sale Financial Assets	Held -to-maturity investment		Notional value	Fair value +	Fair value -	Notional value	Fair value +	Fair value -		
Spain	**927**	**13,385**	**8,063**	**24,835**	**1,786**	**88**	**(27)**	**(744)**	**993**	**(1,569)**	**47,737**	**81%**
Up to 1 Year	913	889	1,989	9,087	-	-	-	(736)	993	(1,564)	11,571	20%
1 to 5 Years	1,272	3,116	3,319	7,059	1,209	32	(1)	(3)	-	-	16,004	27%
Over 5 Years	(1,259)	9,380	2,755	4,595	577	56	(27)	(6)	-	(4)	16,068	27%
Rest of European Union	**2,554**	**5,275**	**2,719**	**424**	**1,150**	**-**	**(215)**	**(1,309)**	**1,534**	**(1,191)**	**10,943**	**19%**
Up to 1 Year	(395)	38	-	2	-	-	-	(1,721)	1,507	(1,054)	(1,623)	-3%
1 to 5 Years	1,535	2,050	1,958	247	381	-	(12)	194	19	(50)	6,322	11%
Over 5 Years	1,414	3,186	761	175	770	-	(203)	218	8	(86)	6,243	11%
Total Exposure to European Union Sovereign Counterparties	**3,482**	**18,660**	**10,783**	**25,259**	**2,936**	**88**	**(242)**	**(2,053)**	**2,527**	**(2,759)**	**58,680**	**100%**

Maturities of Sovereign Risks European Union. December 2015 (Millions of euros)

	Debt securities			Loans and receivables	Derivatives						Total	%
					Direct exposure			Indirect exposure				
	Financial Assets Held-for-Trading	Available-for-Sale Financial Assets	Held -to-maturity investment		Notional value	Fair value +	Fair value -	Notional value	Fair value +	Fair value -		
Spain	**5,293**	**31,621**	**-**	**26,111**	**1,871**	**125**	**(37)**	**(1,785)**	**82**	**(84)**	**63,112**	**86%**
Up to 1 Year	4,552	5,665	-	10,267	242	2	(19)	(1,721)	79	(77)	20,469	28%
1 to 5 Years	662	11,890	-	10,693	932	25	(1)	(48)	-	(1)	23,269	32%
Over 5 Years	79	14,067	-	5,151	698	98	(17)	(17)	3	(7)	19,373	26%
Rest of European Union	**2,396**	**7,825**	**-**	**580**	**1,161**	**2**	**(225)**	**702**	**32**	**(88)**	**10,522**	**14%**
Up to 1 Year	1,943	40	-	24	319	2	(4)	292	5	(6)	2,005	3%
1 to 5 Years	237	4,150	-	245	-	-	-	161	23	(29)	4,626	6%
Over 5 Years	216	3,635	-	311	842	-	(221)	248	4	(53)	3,891	5%
Total Exposure to European Union Sovereign Counterparties	**7,689**	**39,446**	**-**	**26,691**	**3,033**	**127**	**(263)**	**(1,084)**	**115**	**(172)**	**73,634**	**100%**

b) Concentration of risk on activities in the real-estate market in Spain

Quantitative information on activities in the real-estate market in Spain

The following quantitative information on real-estate activities in Spain has been prepared using the reporting models required by Bank of Spain Circular 5/2011, of November 30.

As of December 31, 2017, 2016 and 2015, exposure to the construction sector and real-estate activities in Spain stood at €11,981, €15,285 and €18,744 million, respectively. Of that amount, risk from loans to construction and real-estate development activities accounted for €5,224, €7,930 and €9,681 million, respectively, representing 2.9%, 5.0% and 6.0% of loans and advances to customers of the balance of business in Spain (excluding the general governments) and 0.8%, 1.1% and 1.3% of the total assets of the Consolidated Group.

Lending for real estate development of the loans as of December 31, 2017, 2016 and 2015 is shown below:

December 2017. Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase (Millions of euros)

	Gross Amount	Drawn Over the Guarantee Value	Accumulated impairment
Financing to construction and real estate development (including land) (Business in Spain)	**5,224**	**2,132**	**(1,500)**
Of which: Impaired assets	*2,660*	*1,529*	*(1,461)*
Memorandum item:			
Write-offs	*2,289*		
Memorandum item:			
Total loans and advances to customers, excluding the General Governments (Business in Spain)	*174,014*		
Total consolidated assets (total business)	*690,059*		
Impairment and provisions for normal exposures	*(5,843)*		

December 2016. Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase (Millions of euros)

	Gross Amount	Drawn Over the Guarantee Value	Accumulated impairment
Financing to construction and real estate development (including land) (Business in Spain)	**7,930**	**3,449**	**(2,944)**
Of which: Impaired assets	*5,095*	*2,680*	*(2,888)*
Memorandum item:			
Write-offs	*2,061*		
Memorandum item:			
Total loans and advances to customers, excluding the General Governments (Business in Spain)	*159,492*		
Total consolidated assets (total business)	*731,856*		
Impairment and provisions for normal exposures	*(5,830)*		

December 2015. Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase (Millions of euros)

	Gross Amount	Drawn Over the Guarantee Value	Accumulated impairment
Financing to construction and real estate development (including land) (Business in Spain)	**9,681**	**4,132**	**(3,801)**
Of which: Impaired assets	*6,231*	*3,087*	*(3,600)*
Memorandum item:			
Write-offs	*1,741*		
Memorandum item:			
Total loans and advances to customers, excluding the General Governments (Business in Spain)	*161,416*		
Total consolidated assets (total business)	*749,855*		
Impairment and provisions for normal exposures	*(4,549)*		

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)

	2017	2016	2015
Without secured loan	**552**	**801**	**1,157**
With secured loan	**4,672**	**7,129**	**8,524**
Terminated buildings	2,904	3,875	4,941
Homes	2,027	2,954	4,112
Other	877	921	829
Buildings under construction	462	760	688
Homes	439	633	660
Other	23	127	28
Land	1,306	2,494	2,895
Urbanized land	704	1,196	1,541
Rest of land	602	1,298	1,354
Total	**5,224**	**7,930**	**9,681**

As of December 31, 2017, 2016 and 2015, 55.6%,48.9% and 51.0% of loans to developers were guaranteed with buildings (76.4% and 76.2%, are homes), and only 25.0%, 31.5% and 29,9% by land, of which 53.9%, 48.0% and 52,2% are in urban locations, respectively.

The table below provides the breakdown of the financial guarantees given as of December 31, 2017, 2016 and 2015:

Financial guarantees given (Millions of euros)

	December 2017	December 2016	December 2015
Houses purchase loans	64	62	57
Without mortgage	12	18	23

The information on the retail mortgage portfolio risk (housing mortgage) as of December 31, 2017, 2016 and 2015 is as follows:

Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase. December 2017(Millions of euros)

	Gross amount	Of which: impaired loans
Houses purchase loans	83,505	*4,821*
Without mortgage	1,578	*51*
With mortgage	81,927	*4,770*

Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase. December 2016 (Millions of euros)

	Gross amount	Of which: impaired loans
Houses purchase loans	87,874	*4,938*
Without mortgage	1,935	*93*
With mortgage	85,939	*4,845*

Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase. December 2015 (Millions of euros)

	Gross amount	Of which: impaired loans
Houses purchase loans	91,150	*4,869*
Without mortgage	1,480	*24*
With mortgage	89,670	*4,845*

The loan to value (LTV) ratio of the above portfolio is as follows:

LTV Breakdown of mortgage to households for the purchase of a home (Business in Spain) (Millions of euros).

	Total risk over the amount of the last valuation available (Loan To Value-LTV)					
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%	Total
Gross amount 2017	*14,485*	*18,197*	*20,778*	*14,240*	*14,227*	*81,927*
of which: Impaired loans	*293*	*444*	*715*	*897*	*2,421*	*4,770*
Gross amount 2016	*13,780*	*18,223*	*20,705*	*15,967*	*17,264*	*85,939*
of which: Impaired loans	*306*	*447*	*747*	*962*	*2,383*	*4,845*
Gross amount 2015	*18,294*	*27,032*	*30,952*	*7,489*	*5,903*	*89,670*
of which: Impaired loans	*202*	*392*	*771*	*991*	*2,489*	*4,845*

Outstanding home mortgage loans as of December 31, 2017, 2016 and 2015 had an average LTV of 51%, 47% and 46% respectively.

The breakdown of foreclosed, acquired, purchased or exchanged assets from debt from loans relating to business in Spain, as well as the holdings and financing to non-consolidated entities holding such assets is as follows:

Information about Assets Received in Payment of Debts (Business in Spain) (Millions of euros)

	December 2017			
	Gross Value	Provisions	Of which: Valuation adjustments on impaired assets, from the time of foreclosure	Carrying Amount
Real estate assets from loans to the construction and real estate development sectors in Spain.	**6,429**	**4,350**	**2,542**	**2,079**
Terminated buildings	2,191	1,184	606	1,007
Homes	1,368	742	366	626
Other	823	442	240	381
Buildings under construction	541	359	192	182
Homes	521	347	188	174
Other	20	12	4	8
Land	3,697	2,807	1,744	890
Urbanized land	1,932	1,458	1,031	474
Rest of land	1,765	1,349	713	416
Real estate assets from mortgage financing for households for the purchase of a home	**3,592**	**2,104**	**953**	**1,488**
Rest of foreclosed real estate assets	**1,665**	**905**	**268**	**760**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**1,135**	**325**	**273**	**810**
Total	**12,821**	**7,684**	**4,036**	**5,137**

Additionally, in March 2017, there was an increase of BBVA, S.A.'s stake in Testa Residencial, S.A. through its contribution to the capital increase carried out by the latter entity by contributing assets from the Bank's real estate assets.

Information about Assets Received in Payment of Debts (Business in Spain) (Millions of euros)

	December 2016			
		Provisions	Of which: Valuation adjustments on impaired assets, from the time of foreclosure	Carrying Amount
Real estate assets from loans to the construction and real estate development sectors in Spain.	**8,017**	**5,290**	***2,790***	**2,727**
Terminated buildings	2,602	1,346	*688*	1,256
Homes	1,586	801	*408*	785
Other	1,016	545	*280*	471
Buildings under construction	665	429	*203*	236
Homes	642	414	*195*	228
Other	23	15	*8*	8
Land	4,750	3,515	*1,899*	1,235
Urbanized land	3,240	2,382	*1,364*	858
Rest of land	1,510	1,133	*535*	377
Real estate assets from mortgage financing for households for the purchase of a home	**4,332**	**2,588**	***1,069***	**1,744**
Rest of foreclosed real estate assets	**1,856**	**1,006**	***225***	**850**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**1,240**	**549**	***451***	**691**
Total	**15,445**	**9,433**	**4,535**	**6,012**

Information about Assets Received in Payment of Debts (Business in Spain) (Millions of euros)

	December 2015			
	Gross Value	Provisions	Of which: Valuation adjustments on impaired assets, from the time of foreclosure	Carrying Amount
Real estate assets from loans to the construction and real estate development sectors in Spain.	**8,938**	**5,364**	***2,838***	**3,574**
Finished buildings	2,981	1,498	*737*	1,483
Homes	1,606	767	*388*	839
Other	1,375	731	*349*	644
Buildings under construction	745	422	*204*	323
Homes	714	400	*191*	314
Other	31	22	*13*	9
Land	5,212	3,444	*1,897*	1,768
Urbanized land	3,632	2,404	*1,366*	1,228
Rest of land	1,580	1,040	*531*	540
Real estate assets from mortgage financing for households for the purchase of a home	**4,937**	**2,687**	***1,143***	**2,250**
Rest of foreclosed real estate assets	**1,368**	**678**	***148***	**690**
Foreclosed equity instruments	**895**	**532**	***433***	**363**
Total	**16,138**	**9,261**	**4,562**	**6,877**

As of December 31, 2017, 2016 and 2015, the gross book value of the Group's real-estate assets from corporate financing of real-estate construction and development was €6,429, €8,017 and €8,938 million, respectively, with an average coverage ratio of 67.7%, 66.0% and 60,0%, respectively.

The gross book value of real-estate assets from mortgage lending to households for home purchase as of December 31, 2017, 2016 and 2015, amounted to €3,592, €4,332 and €4,937 million, respectively, with an average coverage ratio of 58.6%, 59.7% and 54.4%.

As of December 31, 2017, 2016 and 2015, 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 €11,686, €14,205 and €15,243 million, respectively. The coverage ratio was 63.0%, 62.5% and 57.3%, respectively.

c) Concentration of risk by geography

Below is a breakdown of the balances of financial instruments registered in the accompanying consolidated balance sheets by their concentration in geographical areas and according to the residence of the customer or counterparty as of December 31, 2017, 2016 and 2015. It does not take into account impairment losses or loan-loss provisions:

Risks by Geographical Areas. December 2017 (millions of euros)

	Spain	Europe, Excluding Spain	Mexico	USA	Turkey	South America	Other	Total
Derivatives	**6,336**	**20,506**	**1,847**	**4,573**	**113**	**977**	**921**	**35,273**
Equity instruments (*)	**3,539**	**4,888**	**2,050**	**991**	**36**	**333**	**71**	**11,908**
Debt securities	**44,773**	**15,582**	**21,594**	**13,280**	**10,601**	**5,861**	**1,450**	**113,140**
Central banks	-	-	-	-	-	2,685	49	2,734
General governments	36,658	11,475	19,323	8,894	9,668	2,246	221	88,485
Credit institutions	1,364	2,095	289	98	884	387	752	5,869
Other financial corporations	6,492	994	337	3,026	7	315	194	11,365
Non-financial corporations	259	1,018	1,645	1,262	42	228	234	4,688
Loans and advances	**185,597**	**41,426**	**50,352**	**54,315**	**56,062**	**42,334**	**4,585**	**434,670**
Central banks	-	626	-	-	5,299	1,375	-	7,300
General governments	18,116	352	5,868	5,165	152	2,354	398	32,405
Credit institutions	5,564	15,493	1,889	789	1,073	1,145	345	26,297
Other financial corporations	7,769	6,231	588	1,732	1,297	664	270	18,551
Non-financial corporations	54,369	14,615	19,737	29,396	31,691	19,023	3,345	172,175
Households	99,780	4,110	22,269	17,233	16,550	17,773	227	177,942
Total Risk in Financial Assets	**240,245**	**82,401**	**75,842**	**73,159**	**66,812**	**49,504**	**7,027**	**594,991**
Loan commitments given	31,100	16,203	1,691	29,539	2,944	11,664	1,126	94,268
Financial guarantees given	4,635	1,427	82	717	7,993	1,174	519	16,545
Other Commitments given	25,279	9,854	1,582	1,879	1,591	3,750	1,804	45,738
Off-balance sheet exposures	**61,014**	**27,484**	**3,356**	**32,134**	**12,527**	**16,588**	**3,450**	**156,551**
Total Risks in Financial Instruments	**301,259**	**109,885**	**79,198**	**105,293**	**79,339**	**66,092**	**10,477**	**751,542**

(*) Equity instruments are shown net of valuation adjustment.

Risks by Geographical Areas. December 2016 (Millions of euros)

	Spain	Europe, Excluding Spain	Mexico	USA	Turkey	South America	Other	Total
Derivatives	**7,143**	**26,176**	**2,719**	**4,045**	**175**	**1,359**	**1,339**	**42,955**
Equity instruments (*)	**4,641**	**2,303**	**2,383**	**831**	**57**	**316**	**706**	**11,236**
Debt securities	**49,355**	**20,325**	**22,380**	**18,043**	**11,695**	**7,262**	**1,923**	**130,983**
Central Banks	-	-	-	-	-	2,237	16	2,253
General governments	40,172	14,282	19,771	11,446	10,258	2,257	240	98,426
Credit institutions	1,781	2,465	257	112	1,331	1,459	869	8,275
Other financial corporations	6,959	1,181	352	4,142	15	347	379	13,376
Non-financial corporations	443	2,397	2,000	2,343	90	961	418	8,653
Loans and advances	**187,717**	**45,075**	**52,230**	**61,739**	**61,090**	**58,020**	**5,067**	**470,938**
Central banks	-	158	21	-	5,722	2,994	-	8,894
General governments	20,741	424	7,262	4,593	217	1,380	256	34,873
Credit institutions	5,225	19,154	1,967	1,351	1,194	1,515	1,011	31,416
Other financial corporations	5,339	6,213	1,171	1,648	1,620	886	214	17,091
Non-financial corporations	54,112	14,818	19,256	34,330	34,471	26,024	3,371	186,384
Households	102,299	4,308	22,552	19,818	17,866	25,221	216	192,281
Total Risk in Financial Assets	**248,856**	**93,880**	**79,712**	**84,657**	**73,016**	**66,956**	**9,036**	**656,112**
Loan commitments given	31,477	19,219	13,060	34,449	2,912	5,161	976	107,254
Financial guarantees given	1,853	3,504	121	819	9,184	2,072	714	18,267
Other Commitments given	16,610	14,154	1,364	2,911	2,002	3,779	1,771	42,592
Off-balance sheet exposures	**49,940**	**36,878**	**14,545**	**38,179**	**14,098**	**11,012**	**3,461**	**168,113**
Total Risks in Financial Instruments	**298,796**	**130,757**	**94,257**	**122,836**	**87,114**	**77,968**	**12,497**	**824,225**

(*) Equity instruments are shown net of valuation adjustment.

Risks by Geographical Areas. December 2015 (Millions of euros)

	Spain	Europe, Excluding Spain	Mexico	USA	Turkey	South America	Other	Total
Derivatives	**7,627**	**25,099**	**1,707**	**2,989**	**139**	**2,116**	**1,225**	**40,902**
Equity instruments (*)	**5,061**	**2,103**	**2,328**	**1,077**	**65**	**317**	**987**	**11,937**
Debt securities	**62,668**	**21,589**	**25,464**	**19,132**	**13,388**	**7,317**	**2,302**	**151,859**
Central banks	-	-	-	-	-	2,504	16	2,519
General governments	50,877	13,571	22,199	11,373	11,760	2,330	321	112,432
Credit institutions	3,123	2,706	419	92	1,450	1,183	999	9,971
Other financial corporations	8,352	1,818	536	4,606	26	311	425	16,074
Non-financial corporations	317	3,494	2,309	3,061	152	990	541	10,864
Loans and advances	**196,141**	**38,270**	**56,668**	**64,410**	**63,277**	**55,663**	**5,751**	**480,180**
Central banks	-	911	-	2,900	7,281	6,737	-	17,830
General governments	23,549	580	8,241	4,443	271	1,318	209	38,611
Credit institutions	3,914	14,032	4,825	2,833	1,744	1,064	1,017	29,429
Other financial corporations	3,946	4,215	1,824	1,483	1,820	811	270	14,368
Non-financial corporations	59,576	14,132	17,525	32,605	33,647	24,060	4,043	185,588
Households	105,157	4,400	24,252	20,147	18,514	21,673	212	194,353
Total Risk in Financial Assets	**271,497**	**87,062**	**86,167**	**87,607**	**76,868**	**65,413**	**10,264**	**684,878**
Loan commitments given	30,006	16,878	22,702	33,183	13,108	6,618	1,124	123,620
Financial guarantees given	1,524	4,736	161	949	9,126	2,087	593	19,176
Other Commitments given	16,866	14,646	327	3,409	2,527	3,822	1,216	42,813
Off-balance sheet exposures	**48,396**	**36,260**	**23,191**	**37,541**	**24,762**	**12,527**	**2,933**	**185,609**
Total Risks in Financial Instruments	**319,893**	**123,321**	**109,357**	**125,148**	**101,630**	**77,940**	**13,197**	**870,487**

(*) Equity instruments are shown net of valuation adjustment.

The breakdown of the main figures in the most significant foreign currencies in the accompanying consolidated balance sheets is set forth in Appendix VII.

The breakdown of loans and advances in the heading of Loans and receivables, impaired by geographical area as of December 31, 2017, 2016 and 2015 is as follows:

Impaired Financial Assets by geographic area (Millions of euros)

	December 2017	December 2016	December 2015
Spain	13,318	16,812	19,921
Rest of Europe	549	704	790
Mexico	1,124	1,152	1,277
South America	1,468	1,589	1,162
The United States	631	975	579
Turkey	2,311	1,693	1,628
Rest of the world	-	-	-
IMPAIRED RISKS	**19,401**	**22,925**	**25,358**

APPENDIX XIII Information in accordance with Article 89 of Directive 2013/36/EU of the European Parliament and its application to Spanish Law through Law 10/2014

December 31, 2017 (Millions of euros)

Country	CIT payments cash basis	CIT expense consol	PBT consol	Turnover	Nº Employees (*)	Activity	Main Entity
Mexico	795	798	2,946	6,943	36,637	Finance, banking and insurance services and real estate	BBVA Bancomer SA
Spain	454	137	(856)	6,396	29,744	Finance, banking and insurance services and real estate	BBVA SA
Turkey	354	426	1,902	3,736	21,031	Finance, banking and insurance services	Turkiye Garanti Bankasi
United States (***)	154	274	805	2,901	10,614	Finance and banking services	Compass Bank, Inc.
Colombia	101	86	299	1,005	6,525	Finance, banking and insurance services	BBVA Colombia SA
Argentina	51	89	443	1,186	5,708	Finance, banking and insurance services	BBVA Banco Frances SA
Peru	151	142	528	1,124	5,951	Finance and banking services	BBVA Banco Continental SA
Venezuela	3	20	12	70	4,147	Finance, banking and insurance services	BBVA Banco Provincial SA
Chile	99	66	317	789	4,848	Finance, banking and insurance services	BBVA Chile SA
Romania	2	2	35	112	1,255	Finance and banking services	Garanti Bank SA
Uruguay	25	10	35	152	592	Finance and banking services	BBVA Uruguay SA
Portugal	5	31	42	108	472	Finance and banking services	BBVA Portugal SA
Paraguay	6	4	35	86	446	Finance and banking services	BBVA Paraguay SA
Bolivia	2	2	7	25	379	Pensions	BBVA Previsión AFP SA
Netherlands	2	13	48	98	242	Finance and banking services	Garantibank International NV
Switzerland	3	2	7	39	121	Finance and banking services	BBVA -Switzerland SA
Finland	-	-	(8)	1	39	Financial services	Holvi Payment Service OY
Ireland	2	-	11	17	4	Finance, banking and insurance services	BBVA Ireland PCL
Brasil	-	1	4	5	6	Finance and banking services	BBVA Brasil Banco de Investimento, S.A.
Curaçao	-	-	2	5	12	Finance and banking services	Banco Provincial Overseas NV
United Kingdom	1	18	44	90	125	Financial services	BBVA -Sucursal de Londres
Hong Kong	-	-	16	46	85	Financial services	BBVA -Sucursal de Hong-Kong
France	15	9	36	58	72	Financial services	BBVA -Sucursal de Paris
Italy	4	15	43	56	56	Financial services	BBVA -Sucursal de Roma
Germany	25	13	29	47	44	Financial services	BBVA -Sucursal de Frankfurt
Belgium	-	-	(1)	6	27	Financial services	BBVA -Sucursal de Bruselas
China	-	-	(2)	1	17	Financial services	BBVA -Sucursal de Shanghai
Korea	-	-	(1)	-	-	Financial services	BBVA -Sucursal de Seúl
Singapore	1	1	5	7	8	Financial services	BBVA -Sucursal de Singapur
Japan	-	-	(4)	(2)	3	Financial services	BBVA -Sucursal de Tokio
Taiwan	-	(1)	(4)	(1)	9	Financial services	BBVA -Sucursal de Taipei
Luxembourg (**)	2	-	(1)	2	3	Financial services	Garanti -Sucursal de Luxemburgo
Cyprus (**)	2	4	17	21	73	Banking services	Garanti -Sucursal de Nicosia
Malta (**)	2	6	140	141	14	Financial services	Garanti -Sucursal de la Valeta
Poland	-	1	-	-	-	Real estate	Geskat Polska SP. ZOO
Total	**2,261**	**2,169**	**6,931**	**25,270**	**129,309**		

(*) Full time employees. The 15 employees of representative offices are not included in the total number.
(**) Figures from Garanti's branches in Malta, Chipre and Luxembourg are also taxed in Turkey.
(***) Including the figures from the Cayman Islands branch.

Glossary

Additional Tier 1 Capital	Includes: Preferred stock and convertible perpetual securities and deductions.
Adjusted acquisition cost	The acquisition cost of the securities less accumulated amortizations, plus interest accrued, but not net of any other valuation adjustments.
Amortized cost	The amortized cost of a financial asset is the amount at which it was measured at initial recognition minus principal repayments, plus or minus, as warranted, the cumulative amount taken to profit or loss using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or change in measured value.
Associates	Companies in which the Group has a significant influence, without having control. Significant influence is deemed to exist when the Group owns 20% or more of the voting rights of an investee directly or indirectly.
Available-for-sale financial assets	Available-for-sale (AFS) financial assets are debt securities that are not classified as held-to-maturity investments or as financial assets designated at fair value through profit or loss (FVTPL) and equity instruments that are not subsidiaries, associates or jointly controlled entities and have not been designated as at FVTPL.
Basic earnings per share	Calculated by dividing "Profit attributable to Parent Company" corresponding to ordinary shareholders of the entity by the weighted average number of shares outstanding throughout the year (i.e., excluding the average number of treasury shares held over the year).
Basis risk	Risk arising from hedging exposure to one interest rate with exposure to a rate that reprices under slightly different conditions.
Business combination	A business combination is a transaction, or any other event, through which a single entity obtains the control of one or more businesses.
Cash flow hedges	Those that hedge the exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.
Commissions	Income and expenses relating to commissions and similar fees are recognized in the consolidated income statement using criteria that vary according to their nature. The most significant income and expense items in this connection are: · 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.
Deferred tax assets	Taxes recoverable in future years, including loss carry forwards or tax credits for deductions and tax rebates pending application.
Deferred tax liabilities	Income taxes payable in subsequent years.
Defined benefit plans	Post-employment obligation under which the entity, directly or indirectly via the plan, retains the contractual or implicit obligation to pay remuneration directly to employees when required or to pay additional amounts if the insurer, or other entity required to pay, does not cover all the benefits relating to the services rendered by the employees when insurance policies do not cover all of the corresponding post-employees benefits.
Defined contribution plans	Defined contribution plans are retirement benefit plans under which amounts to be paid as retirement benefits are determined by contributions to a fund together with investment earnings thereon. The employer's obligations in respect of its employees current and prior years' employment service are discharged by contributions to the fund.

Deposits from central banks	Deposits of all classes, including loans and money market operations, received from the Bank of Spain and other central banks.
Deposits from credit institutions	Deposits of all classes, including loans and money market operations received, from credit entities.
Deposits from customers	Redeemable cash balances received by the entity, with the exception of debt certificates, money market operations through counterparties and subordinated liabilities, which are not received from either central banks or credit entities. This category also includes cash deposits and consignments received that can be readily withdrawn.
Derivatives	The fair value in favor (assets) or again (liabilities) of the entity of derivatives not designated as accounting hedges.
Derivatives - Hedging derivatives	Derivatives designated as hedging instruments in an accounting hedge. The fair value or future cash flows of those derivatives is expected to offset the differences in the fair value or cash flows of the items hedged.
Diluted earnings per share	Calculated by using a method similar to that used to calculate basic earnings per share; the weighted average number of shares outstanding, and the profit attributable to the parent company corresponding to ordinary shareholders of the entity, if appropriate, is adjusted to take into account the potential dilutive effect of certain financial instruments that could generate the issue of new Bank shares (share option commitments with employees, warrants on parent company shares, convertible debt instruments, etc.).
Dividends and retributions	Dividend income collected announced during the year, corresponding to profits generated by investees after the acquisition of the stake.
Early retirements	Employees that no longer render their services to the entity but which, without being legally retired, remain entitled to make economic claims on the entity until they formally retire.
Economic capital	Methods or practices that allow banks to consistently assess risk and attribute capital to cover the economic effects of risk-taking activities.
Effective interest rate	Discount rate that exactly equals the value of a financial instrument with the cash flows estimated over the expected life of the instrument based on its contractual period as well as its anticipated amortization, but without taking the future losses of credit risk into consideration.
Employee expenses	All compensation accrued during the year in respect of personnel on the payroll, under permanent or temporary contracts, irrespective of their jobs or functions, irrespective of the concept, including the current costs of servicing pension plans, own share based compensation schemes and capitalized personnel expenses. Amounts reimbursed by the state Social Security or other welfare entities in respect of employee illness are deducted from personnel expenses.
Equity	The residual interest in an entity's assets after deducting its liabilities. It includes owner or venturer contributions to the entity, at incorporation and subsequently, unless they meet the definition of liabilities, and accumulated net profits or losses, fair value adjustments affecting equity and, if warranted, non-controlling interests.
Equity instruments	An equity instrument that evidences a residual interest in the assets of an entity, that is after deducting all of its liabilities.
Equity instruments issued other than capital	Includes equity instruments that are financial instruments other than “Capital” and “Equity component of compound financial instruments”.
Equity Method	Is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor’s share of the investee’s net assets. The investor’s profit or loss includes its share of the investee’s profit or loss and the investor’s other comprehensive income includes its share of

	the investee's other comprehensive income.
Exchange/translation differences	Exchange differences (P&L): Includes the earnings obtained in currency trading and the differences arising on translating monetary items denominated in foreign currency to the functional currency. Exchange differences (valuation adjustments): those recorded due to the translation of the financial statements in foreign currency to the functional currency of the Group and others recorded against equity.
Exposure at default	EAD is the amount of risk exposure at the date of default by the counterparty.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Fair value hedges	Derivatives that hedge the exposure to changes in the fair value of assets and liabilities or firm commitments that have not 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 guarantees	Contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs when a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument, irrespective of its instrumentation. These guarantees may take the form of deposits, technical or financial guarantees, insurance contracts or credit derivatives.
Financial guarantees given	Transactions through which the entity guarantees commitments assumed by third parties in respect of financial guarantees granted or other types of contracts.
Financial instrument	A financial instrument is any contract that gives rise to a financial asset of one entity and to a financial liability or equity instrument of another entity.
Financial liabilities at amortized cost	Financial liabilities that do not meet the definition of financial liabilities designated at fair value through profit or loss and arise from the financial entities' ordinary activities to capture funds, regardless of their instrumentation or maturity.
Goodwill	Goodwill acquired in a business combination represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not able to be individually identified and separately recognized.
Hedges of net investments in foreign operations	Foreign currency hedge of a net investment in a foreign operation.
Held for trading (assets and liabilities)	Financial assets and liabilities acquired or incurred primarily for the purpose of profiting from variations in their prices in the short term. This category also includes financial derivatives not qualifying for hedge accounting, and in the case of borrowed securities, financial liabilities originated by the firm sale of financial assets acquired under repurchase agreements or received on loan ("short positions").
Held-to-maturity investments	Held-to-maturity investments are financial assets traded on an active market, with fixed maturity and fixed or determinable payments and cash flows that an entity has the positive intention and financial ability to hold to maturity.
Impaired financial assets	A financial asset is deemed impaired, and accordingly restated to fair value, when there is objective evidence of impairment as a result of one or more events that give rise to: a) A measurable decrease in the estimated future cash flows since the initial recognition of those assets in the case of debt instruments (loans and receivables and debt securities). b) A significant or prolonged drop in fair value below cost in the case of equity instruments.
Income from equity instruments	Dividends and income on equity instruments collected or announced during the year corresponding to profits generated by investees after the ownership interest is acquired. Income is recognized gross, i.e., without deducting any withholdings

	made, if any.
Insurance contracts linked to pensions	The fair value of insurance contracts written to cover pension commitments.
Inventories	Assets, other than financial instruments, under production, construction or development, held for sale during the normal course of business, or to be consumed in the production process or during the rendering of services. Inventories include land and other properties held for sale at the real estate development business.
Investment properties	Investment property is property (land or a building—or part of a building—or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for own use or sale in the ordinary course of business.
Joint arrangement	An arrangement of which two or more parties have joint control.
Joint control	The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
Joint 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.
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 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.
Structured credit products	Special financial instrument backed by other instruments building a subordination structure.
Structured Entities	A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: a) restricted activities. b) a narrow and well-defined objective, such as to effect a tax-efficient lease, carry out research and development activities, provide a source of capital or funding to an entity or provide investment opportunities for investors y passing on risks and rewards associated with the assets of the structured entity to investors. c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support. d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).
Subordinated liabilities	Financing received, regardless of its instrumentation, which ranks after the common creditors in the event of a liquidation.

Subsidiaries	Companies over which the Group exercises control. An entity is presumed to have control over another when it possesses the right to oversee its financial and operational policies, through a legal, statutory or contractual procedure, in order to obtain benefits from its economic activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of an entity's voting power, unless, exceptionally, it can be clearly demonstrated that ownership of more than one half of an entity's voting rights does not constitute control of it. Control also exists when the parent owns half or less of the voting power of an entity when there is: a) an agreement that gives the parent the right to control the votes of other shareholders; b) power to govern the financial and operating policies of the entity under a statute or an agreement; power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; c) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.
Tax liabilities	All tax related liabilities except for provisions for taxes.
Territorial bonds	Financial assets or fixed asset security issued with the guarantee of portfolio loans of the public sector of the issuing entity.
Tier 1 Capital	Mainly includes: Common stock, parent company reserves, reserves in consolidated companies, non-controlling interests, deductions and others and attributed net income.
Tier 2 Capital	Mainly includes: Subordinated, preferred shares and non- controlling interest.
Unit-link	This is life insurance in which the policyholder assumes the risk. In these policies, the funds for the technical insurance provisions are invested in the name of and on behalf of the policyholder in shares of Collective Investment Institutions and other financial assets chosen by the policyholder, who bears the investment risk.
Value at Risk (VaR)	Value at Risk (VaR) is the basic variable for measuring and controlling the Group’s market risk. This risk metric estimates the maximum loss that may occur in a portfolio’s market positions for a particular time horizon and given confidence level VaR figures are estimated following two methodologies: a) VaR without smoothing, which awards equal weight to the daily information for the immediately preceding last two years. This is currently the official methodology for measuring market risks vis-à-vis limits compliance of the risk. b) VaR with smoothing, which weighs more recent market information more heavily. This is a metric which supplements the previous one. VaR with smoothing adapts itself more swiftly to the changes in financial market conditions, whereas VaR without smoothing is, in general, a more stable metric that will tend to exceed VaR with smoothing when the markets show less volatile trends, while it will tend to be lower when they present upturns in uncertainty.
Yield curve risk	Risks arising from changes in the slope and the shape of the yield curve.

BBVA Creating Opportunities

Management Report

2017

Contents

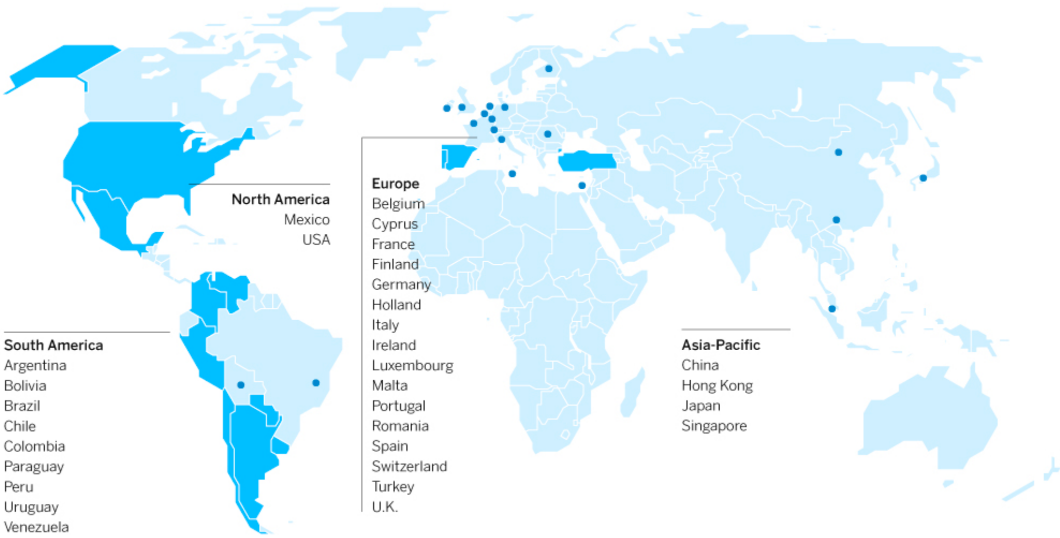
Introduction

About BBVA

BBVA is a customer-centric global financial services group founded in 1857. Its Purpose is to bring the age of opportunity to everyone. This Purpose reflects the Entity's role as enabler, to offer 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.

BBVA operates in more than 30 countries. The Group has a solid position in Spain, it is the largest financial institution in Mexico and leading franchises in South America and the Sunbelt Region of the United States. It is also Turkish bank Garanti's leading shareholder. Its diversified business is biased to 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.



€690 billion in total assets

72 million customers

>30 countries

8,271 branches

31,688 ATMs

131,856 employees

Data at 2017. Those countries which BBVA has no legal entity or the volume of activity is not significant are not included.

Business organizational chart and structure

BBVA Group's organizational structure has remained the same in 2017, with only one change: the creation of the global Data area. This area, which answers directly to the CEO, has been created to boost the strategic use of data in all areas of the Bank. It thus defines and implements the global data strategy, as well as creating and extending a data culture in the Bank, with the aim of speeding up BBVA's transformation to a data-driven organization.

BBVA's organizational structure remains divided into four types of areas: Execution & Performance, New Core Competences, Risk & Finance and Strategy & Control. The CEO is responsible for the first three functions and the Group Executive Chairman for Strategy & Control.

GROUP EXECUTIVE CHAIRMAN
Francisco González

CEO
Carlos Torres Vila

EXECUTION & PERFORMANCE

- Corporate & Investment Banking — Juan Asúa
- Country Monitoring[1] — Jorge Sáenz-Azcúnaga
- Spain — Cristina de Parias
- Mexico — Eduardo Osuna
- The United States — Onur Genç
- Turkey — Fuat Erbil

NEW CORE COMPETENCIES

- Customer Solutions[2] — Derek White
- Talent & Culture — Ricardo Forcano
- Engineering — Ricardo Moreno
- Data — David Puente

RISK & FINANCE

- Finance — Jaime Sáenz de Tejada
- Global Risk Management — Rafael Salinas

STRATEGY & CONTROL

- Global Economics Regulation & Public Affairs — José Manuel González-Páramo
- Legal & Compliance — Eduardo Arbizu
- Strategy & M&A — Javier Rodríguez Soler
- Accounting & Supervisors — Ricardo Gómez Barredo
- Communications — Paul G. Tobin
- General Secretary — Domingo Armengol
- Internal Audit — José Luis de los Santos

(1) Reporting channel to CEO for Argentina, Colombia, Chile, Peru, Venezuela, Uruguay and Paraguay, as well as monitoring of all countries, including Spain, Mexico, Turkey and The United States.

(2) Integrates Global Products & Digital Sales; Design & Marketing; Data & Open Innovation; Business Development in Spain, Mexico, Turkey, The United States and South America; Distribution model; Asset Management & Global Wealth and New Digital Businesses.

Environment

Macroeconomic environment

Global economic growth held steady at around 1% quarter-on-quarter in the first nine months of 2017 and latest available indicators suggest a continuation of this momentum in the last part of the year. Confidence data continues to improve, accompanied by a recovery in world trade and the industrial sector, while private consumption remains robust in developed countries. This positive trend reflects an improved economic performance across all regions. With respect to advanced economies, US GDP increased slightly more than expected in 2017 (up 2.3%), alleviating doubts about the sustainability of growth rates over the coming quarters. In Europe, the pickup in growth in recent quarters (up 2.5% in 2017) can be explained by a strengthening of domestic demand. Among emerging economies, growth in China is set to remain supportive for the rest of Asia. Alongside favorable market conditions, this will give increased impetus to Latin American countries. Finally, with their recovery, Russian and Brazilian economies are no longer hampering global growth. Accordingly, and in contrast to other post-financial crisis periods, there has been a global synchronous recovery.

This growth environment has been accompanied by moderate levels of **inflation**, despite ample liquidity in the markets. As a result of the above, central banks have more room for maneuver in emerging economies to continue using monetary policy to support growth, while allowing monetary authorities in advanced economies to maintain a cautious approach to implementing monetary policy normalization.

Other factors which have contributed to the upbeat global picture, such as generally neutral or somewhat expansive **fiscal policy** and moderate **commodity** prices, look likely to remain in place over the coming quarters. Global growth is therefore forecast to accelerate to around 3.7% in 2017.

Global GDP growth and inflation in 2017
(Real percentage growth)

	GDP	Inflation
Global	3.7	6.2
Eurozone	2.5	1.5
Spain	3.1	2.0
The United States	2.3	2.1
Mexico	2.3	6.0
South America [(1)]	0.8	65.3
Turkey	7.0	11.1
China	6.9	1.5

Source: BBVA Research estimates.

[(1)] It includes Brazil, Argentina, Venezuela, Colombia, Peru and Chile.

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 increases 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.

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, added-value services. 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, financing, 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.

The regulatory environment

1. Completion of Basel III

The main issue in developing the **global regulatory agenda** in 2017 has continued to be the completion of the pending elements in the global capital framework (Basel III), in particular the comparability of the internal models used by global banks and the variability of risk-weighted assets.

At **European level**, the regulatory effort was focused on the European Council's discussion of the Commission's proposal to review the European banking framework with the aim of incorporating the final elements of Basel III to reduce the risks to the financial system.

2. Bank resolution in Europe

In terms of **legislative development**, in 2017 a new class of bank liabilities were created called *senior* non-preferred debt, by the transposition of an EU Directive through Royal Decree Law (RDL) 11/2017. A number of banks, including BBVA, have begun to issue this new class of debt, which has had an excellent uptake by institutional investors.

In addition, discussions are continuing between the EU **Council and Parliament** about the Commission's 2016 proposal on a series of banking reforms to mitigate the risk of the banking sector. The most important of these is the implementation of international law on the total loss-absorbing capacity (TLAC) of systemic banks in Europe. The Commission has proposed modifying the minimum requirement for own funds and eligible liabilities now in force (MREL) and align it with the TLAC.

At the same time, the resolution authority of the main banks in the Eurozone, the **Single Resolution Board** (SRB) issued at the end of 2017 the first mandatory MREL requirements and defined a calendar for compliance based on current law.

3. Current situation on the banking union in Europe

Following the consolidation of the economic recovery in Europe, the debate on the future of the euro has resulted in the issue of two important documents by the European Commission. The first is a **White Book** on possible scenarios for the future integration of Europe, with a list of options. The core or most likely framework according to the document is a future two-speed Europe. The second document is a **Reflection Paper** on the future of the Eurozone, which proposes moving forward in two phases (2017-19 and 2019-25) toward a more consolidated union.

It is important to highlight that the **banking union** has meant: i) application of a single regulation; ii) the creation of the Single Supervisory Mechanism (SSM); and iii) the creation of the Single Resolution Mechanism (SRM) and the Single Resolution Fund (SRF). Two fundamental elements have yet to be established for full banking union: a common public backstop for the SRF and a common European deposit insurance scheme (EDIS).

4. Focus on reducing non-performing loans

The European authorities have expressed their concern regarding non-performing loans (NPLs) in the EU. In 2017 a number of initiatives were implemented, focused on three areas:

- **Improved supervision**
  The European Commission is considering the introduction of prudential requirements for new loans in its review of the CRR/CRD capital Directives.

- **Reform of the insolvency frameworks**
  The Commission published the results of a comparative study carried out among countries and a consultation on the introduction of a faster loan recovery guarantee, within the framework of the directive proposed in 2016 on insolvency frameworks.

- **Development of secondary markets for non-performing loans**
  In January 2017, the European Banking Authority (EBA) presented its proposal for the creation of an asset management company at European level (the "bad bank"). More recently, the Council's action plan invited the European Commission to issue a guide for countries to create their own bad banks.

  The Council's action plan invited authorities to propose initiatives related to transparency, including the creation of centralized NPL data platforms, to facilitate access to this information. The securitization of NPLs could be another tool to withdraw the most granular loans from the balance sheets.

5. Regulation in the field of digital transformation of the financial sector

Several topics marked the regulatory agenda in the field of digital transformation of the financial sector in 2017:

- The **payments industry**. In January 2018 the new Payment Services Directive (PSD2) came into force. This new regulatory framework aims to promote competition and strengthen the security of payments in Europe. To do so, it regulates third-party access to customers' payment accounts.

- Digitalization makes possible the storage, processing and exchange of large volumes of **data**. This trend makes it easier to adopt technologies such as big data and artificial intelligence, with an enormous potential for expanding access to financial services; but it also generates concerns on how to ensure privacy and the integrity of customer data. In Europe this has resulted in two regulations: the General Data Protection Regulation (GDPR), which entered into force in 2018, and the proposed e-Privacy Regulation, still at the discussion phase.

- In view of the growing importance of data, it is important to guarantee the **integrity** of information. The increased frequency and sophistication of cyberattacks make cybersecurity a priority for the financial sector. A new cybersecurity framework was created in Europe through the Security Directive for Networks and Information Systems (NIS), GDPR and PSD2.

  Finally, in 2017 there were more intense regulatory discussions on the implications of the technological innovation in financial services or **fintech**. Operational, IT and cyber risks are among the greatest concerns for the authorities, together with possible risks for financial stability derived from financial technology (fintech) in the sector. There is a need to assess whether the existing regulatory frameworks are capable of guaranteeing a level playing field and adequate consumer protection.

Economic outlook

The underlying factors which have supported the rebound and stabilization of **global growth** since the end of 2016 will continue into 2018, although some may begin to gradually fade. The most immediate factor will be the gradual normalization of Federal Reserve (Fed) and ECB monetary policy, which will involve a gradual tightening of global liquidity and a reduction in incentives for capital flows toward emerging economies. BBVA Research forecasts global growth to remain relatively stable at around 3.8%, also in 2018. However, various political risks could affect economic confidence and market performance.

In **Spain**, the recovery is likely to slow in 2018 to around 2.5% following three consecutive years of growth in excess of 3%. The main support factors will be positive momentum in activity and employment data, a favorable global backdrop which should remain propitious for goods exports, and an expansive monetary policy. However, the recent rise in uncertainty which may be sustained for some time represents a risk to certain components of demand, primarily investment and services exports.

In the **rest of Europe**, improving labor markets and increased confidence, alongside favorable financing conditions, will continue to underpin momentum in consumption and investment. However, some external support factors could gradually attenuate over the course of the year 2018. Euro appreciation, rising commodity prices and stabilization of global growth mean GDP could slip slightly above 2% in 2018 (up 2.5% in 2017). In this context, the ECB intends to rein in its asset purchases, while interest-rate hikes likely to be postponed until mid-2019. Furthermore, domestic risks within the Eurozone, which are primarily political, remain tilted to the downside, though they have moderated to some degree.

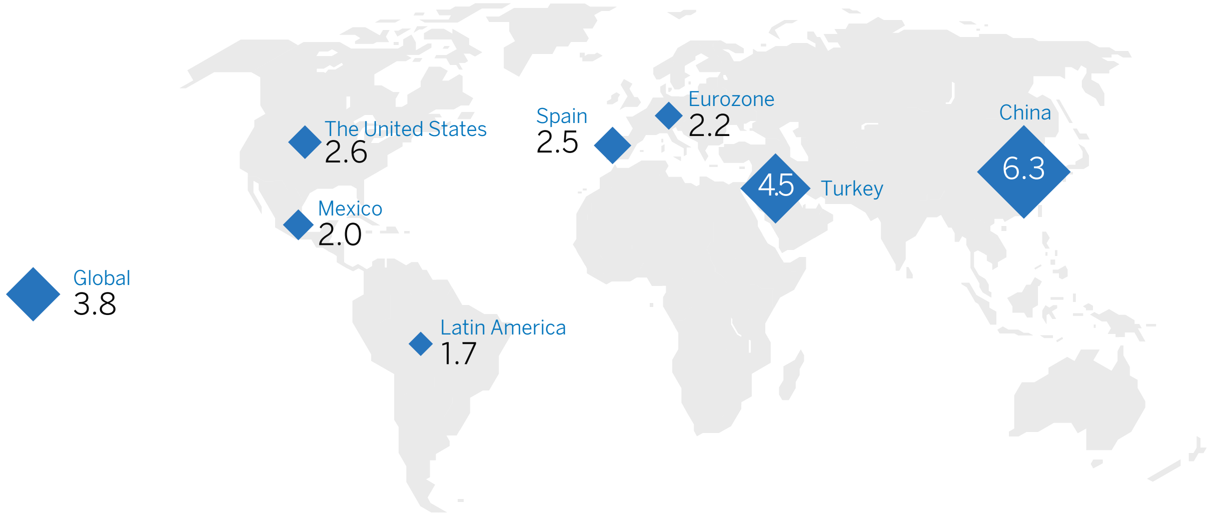
In the **United States**, uncertainty regarding economic policy has been reduced in recent quarters. Economic fundamentals and the effect of the recently adopted measures are consistent with a growth of a shade over 2.5% in 2018. Robust global growth, dollar depreciation, oil price expectations and the moderate improvement in construction should spur an upturn in investment. By contrast, a more gradual improvement in the labor market and stronger inflation could weigh against private consumption. However, contained price growth in recent months and the absence of clear signs of inflationary pressure mean that it is likely that the Fed will proceed slowly in its process of normalizing monetary policy.

Despite the improvement in the **global economy**, some of the remnants of the recession still need to be absorbed and concerns linger regarding the capacity to increase the rate of long-term potential growth. Therefore, how the authorities go about withdrawing the stimuli, particularly on the monetary policy side, continues to be crucial for entrenching the recovery in developed economies and ensuring financial markets remain favorable for emerging countries. By contrast, maintaining low interest rates for a prolonged period of time could contribute to increasing medium-term financial vulnerabilities.

In **emerging economies**, the key challenge is to manage the potential vulnerability to possible abrupt fluctuations in capital flows in a context of greater idiosyncratic uncertainty, whether as a result of geopolitical tensions or due to the elections taking place in 2018, particularly in Latin America. In Turkey, the credit stimulus driven by the authorities is pushing GDP growth above potential. This, alongside the exchange-rate impact, has led to a significant increase in inflation to around 12% in the last quarter of 2017, which has provoked a tightening of monetary policy. To the extent that the effect of the credit stimulus proves temporary, growth is forecast to slow to 4.5% in 2018. The Mexican economy could post growth of around 2% in 2018 (from 2.3% in 2017), with the main risk stemming from a possible deterioration in trade relations with the United States. The recovery is set to gain traction in South America as whole. GDP could grow at around 1.6% in 2018, following on from 0.8% in 2017, on the back of support from the external sector, Brazil's recovery from recession, private and public investment in Argentina and infrastructure investment plans in countries such as Colombia and Peru.

Although short-term risks have receded, especially in **China**, the latter's economic imbalances remain the biggest threat to the global economy over the medium and long-term. Support from the Chinese authorities has helped stabilize growth in 2017 (6.9%). Although concerns of a hard landing in the short term have diminished, growth is nonetheless expected to continue around 6.3% in 2018.

Expected economic growth in 2018 (Percentage of GDP growth)



Source: BBVA Research.
Latin America: Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela.

Strategy and business model

Vision and aspiration

During 2017, the BBVA Group made significant progress on its transformation process, firmly underpinned by the Group's Purpose and six Strategic Priorities. The Bank's strategy has been strengthened with a particular focus on digitalization and customer experience under a new tagline: "Creating Opportunities", as well as the Values established to steer the behavior of the Organization as a whole. A necessary transformation process in order to adapt to the new environment in the financial industry described previously and preserve its leadership.

- The financial industry is facing an environment characterized by an onslaught of **regulatory reform** which has been introduced in recent years at a global level, which has resulted in regulatory changes in diverse areas ranging from solvency, liquidity, separation of activities, bank resolution, as well as affecting investment banking activities.

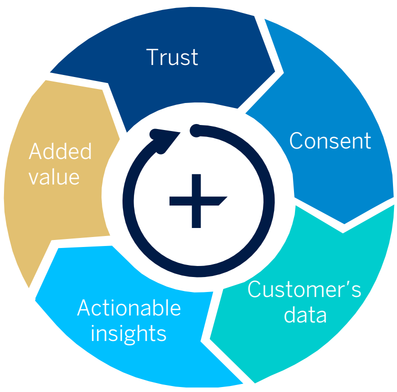
- New **technological developments** (big data, artificial intelligence, blockchain, the cloud, data processing, biometry, etc.) represent a major step forward in improving the customer experience, enable data and algorithms to be analyzed automatically, as well as providing easy access to the best solutions available on the market and, by default, the most beneficial conditions. Technological innovations reduce unit costs thanks to process automation and scalability.

- **Shifting consumer needs.** Customers are seeking a new type of banking relationship and are demanding greater added-value services based on new needs. Technology is enabling these new demands to be met. The use of mobile devices has led to changes in the distribution model. Consumers are permanently connected, well accustomed to digital experiences, and making use of multiple devices and applications. The fact is that the number of mobile banking users worldwide has grown exponentially in recent years and customers are increasingly interacting through these devices.

- At the same time, **new players** are entering the financial industry and specializing in specific parts of the value chain (payments, financing, asset management, insurance, etc.). These new players include fintech companies as well as digital giants, who are already competing with banks in the new environment, offering very attractive value propositions and with major potential.

- **Data** forms the crucial element for helping people take financial decisions, provided customers consent to their data being used. In this regard, at BBVA we believe it is essential to create a trust circle with customers, given that data is a crucial element for better understanding them. Applying intelligence to these data can provide customers with personalized services that offer higher value-added, which will increase the trust, thus completing this circle.

Trust circle



Within this context, the main objective of the BBVA Group's transformation strategy, its **aspiration**, is to strengthen the relationship with its customers. Customers should be the main beneficiaries of this new environment in which the democratization of financial services is taking place. To do so, BBVA is redefining its value proposition, based on the real needs of its customers, helping them to make better financial decisions through a clear, simple and transparent product and service offer, in order to gain their trust.

Our Aspiration

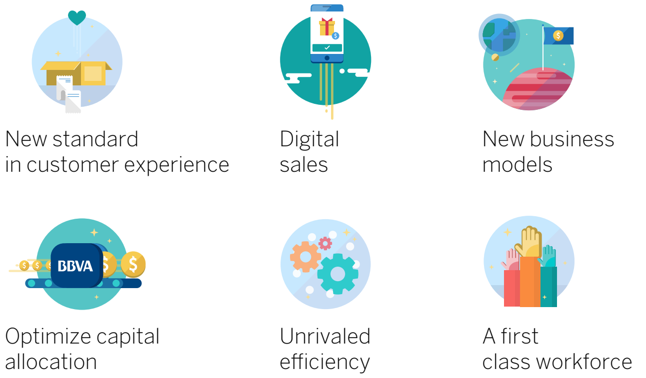
In addition, the value proposition of BBVA must also be easy and accessible; in other words, a proposition that offers access to its services at any time, from any place and by the means chosen by each individual customer, whether on a do-it-yourself basis via digital channels, or through human interaction.

Progress in BBVA's transformation journey

During 2017, BBVA has continued to make progress in achieving its **Purpose** to bring the age of opportunity to everyone, through products and services which help people to make better financial decisions and fulfill their goals in life.

In this regard, and in line with its Purpose, significant steps have been taken in pursuit of the Group's six **Strategic Priorities** so as to make headway in this transformation process.

Strategic Priorities



1. A new standard in customer experience

BBVA Group's main focus is on providing a new standard in customer experience that stands out for its simplicity, transparency and swiftness, further empowering its customers while offering them personalized advice.

BBVA increased its customers ' empowerment in **2017** by expanding the number of products available on a do-it-yourself basis, allowing them to interact with BBVA at any time and from any place.

Significant progress has been made in improving the customer experience in terms of the relationship model and products and functionalities.

- Various projects have been launched as part of the **relationship model**: MIA, a virtual mobile information assistant, and Facebook Messenger BOT (Turkey), live chat (Mexico), the front-office tool (Peru) and fast track in branches (Spain).

- Some of the more prominent **new products and functional features** developed this year include: Beconomy and BBVA Cashup (Spain), Tuyyo and digital loans to non-customers (the United States), BBVA Plan - financial objectives and BBVA financial situation check up (Mexico), iris recognition login and Garanti Pay (Turkey), one-click credit cards (Argentina) and microinsurance against theft from cash withdrawals (Colombia).

In essence, BBVA has a customer-oriented business model that offers a differential service with one very ambitious **goal**: to be leaders in customer satisfaction across its global footprint.

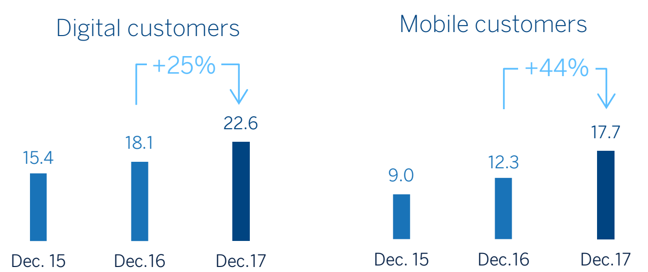
In order to know the level of recommendation of BBVA's customers, and therefore , their level of satisfaction, the Group applies the **Net Promoter Score** (NPS) methodology, as explained in the section on Customer relationship. The internalization and application of this methodology has led to a steady increase in the customers' level of trust, as they recognize BBVA to be one of the most secure and recommendable banking institutions in every country where it operates.

2. Digital sales

At BBVA, it is essential to foster **digitalization** as part of its transformation journey while boosting business on digital channels. In this regard, the Bank is developing a significant digital offering of products and services.

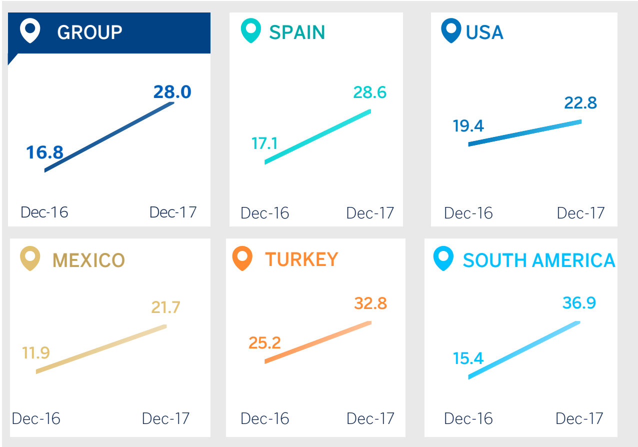
The relationship model of BBVA is evolving to adapt to the multi-channel profile of its customers. The number of **digital and mobile customers** in BBVA Group grew considerably in 2017. The 50% tipping point in digital clients has been reached in most of the countries where BBVA is present (Spain, the United States, Turkey, Argentina, Chile and Venezuela).

Digital and mobile customers (BBVA Group. Million)



Furthermore, a significant boost to **sales through digital channels** is being made, which is having a very positive evolution across the global footprint. In 2017, five million units were sold through the mobile devices.

Digital Sales (By geography. Percentage of total sales YTD, number of transactions)



3. New business models

Developing new business models is one of the Group's strategic priorities. New business models have been developed and implemented through five key levers: i) exploring, ii) constructing, iii) partnering, iv) acquiring and investing and v) venture capital.

i. **Exploring:** seeking out new business opportunities arising from companies (startups) and connecting the solutions which have been identified with internal projects with the goal of achieving real impact. Open innovation is a key element for ensuring BBVA can bring the age of opportunity to its customers. BBVA is connecting with the global fintech ecosystem to create collaboration opportunities which are embodied in specific projects and initiatives aimed at having a real impact.

The ninth edition of the **BBVA Open Talent** fintech startups competition is a particularly prominent example of the exploring activity undertaken in 2017. The Group also possesses a network of spaces which serve as a meeting point between BBVA and the ecosystem. The **BBVA Open Space** network currently includes Madrid, Bogota and Mexico.

ii. **Constructing**: BBVA has also decided to commit to creating an internal incubation model that combines internal talent and know-how in partnership with "resident" entrepreneurs.

iii. **Partnering through strategic alliances**: ethe goal of this lever is to reach mutually beneficial agreements that also contribute to providing BBVA's customers with a better value proposition.

iv. **Acquiring and investing**: BBVA considers investing in companies of this type a form of accelerating its digital transformation and an excellent way to incorporate new products and markets, not to mention talent and digital and entrepreneurial capabilities.

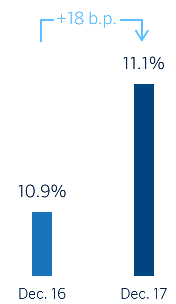
v. **Venture capital**: complementary to its strategic activities, BBVA invests, through the independent venture capital company, Propel Ventures Partners, in fintechs and startups which are "rethinking" the financial industry. BBVA's goal is not to control these companies but rather to play a role as an ally and/or advisor on all aspects where the company may need support, as such BBVA has taken minority stakes of up to 20%.

4. Optimize capital allocation

The objective of this priority is to improve the profitability and sustainability of the business while simplifying and focusing it on the most relevant activities.

During **2017** work has been undertaken to develop new tools to correctly measure the profitability of each activity. These tools are being incorporated in management and corporate processes, enabling the Group to continue making progress in terms of solvency. Accordingly, the fully-loaded CET1 capital ratio stood at 11.1% at the end of 2017, up 18 basis points on the close of the previous year.

CET1 fully-loaded (Year-on-year trend in basis points)



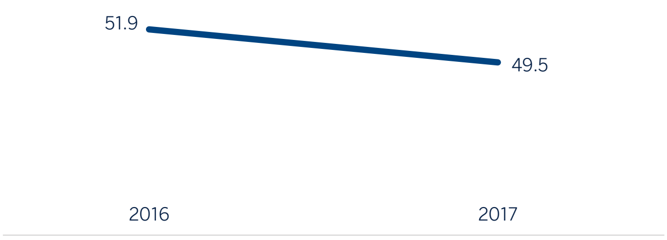
5. Unrivaled efficiency

In an environment of lower profitability for the financial industry, efficiency has become an essential priority in BBVA's transformation plan. This priority is based on building a new organizational model that is as agile, simple and automated as possible.

In this regard, in **2017** BBVA identified the key levers and developed the action plans necessary to make this change a reality. The Bank is thus transforming its distribution model, systems architecture, model of operations, organizational structures and processes. And it is doing so without losing sight of providing a new standard in customer experience.

In 2017, the efficiency ratio closed at 49.5%, below the figure of 51.9% in the previous year.

Efficiency ratio (BBVA Group. Percentage)



6. A first-class workforce

BBVA Group's most important asset is its people, which is why having "a first-class workforce" is one of the six Strategic Priorities. This entails attracting, selecting, training and retaining top-class talent wherever it may be.

BBVA Group has developed new people management models and ways of working which have enabled the Bank to keep transforming its operational model, but have also enhanced its ability to become a purpose-driven company: a company where staff are genuinely inspired and motivated to work for the same Purpose of: bringing the age of opportunity to everyone.

Our Values

BBVA engaged in an open process to identify the Group's values, which took on board the opinion of employees from across the global footprint and units of the Group. These Values define our identity and are the pillars for making our Purpose a reality:

1. Customer comes first

- **We are empathetic:** we take the customer's viewpoint into account from the outset, putting ourselves in their shoes to better understand their needs.
- **We have integrity:** everything we do is legal, publishable and morally acceptable to society. We always put customer interests' first.
- **We meet their needs:** we are swift, agile and responsive in resolving the problems and needs of our customers, overcoming any difficulties we encounter.

2. We think big

- **We are ambitious**: we set ourselves ambitious and aspirational challenges to have a real impact on peoples' lives.
- **We break the mold**: we question everything we do to discover new ways of doing things, innovating and testing new ideas which enables us to learn.
- **We amaze our customers**: we seek excellence in everything we do in order to amaze our customers, creating unique experiences and solutions which exceed their expectations.

3. We are one team

- **I am committed**: I am committed to my role and my objectives and I feel empowered and fully responsible for delivering them, working with passion and enthusiasm.
- **I trust others**: I trust others from the outset and work generously, collaborating and breaking down silos between areas and hierarchical barriers.
- **I am BBVA**: I feel ownership of BBVA. The Bank's objectives are my own and I do everything in my power to achieve them and make our Purpose a reality.

The implementation and adoption of these Values is supported by the entire Organization, including the Global Leadership, launching local and global initiatives which ensure these Values are adopted uniformly throughout the Group.

In conclusion, at BBVA we are accelerating our transformation in order to be the best bank for our customers.

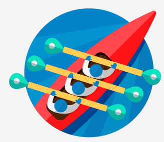
Our Values

Customer **comes first**

- We are empathetic
- We have integrity
- We meet their needs

We think **big**

- We are ambitious
- We break the mold
- We amaze our customers



We are **one team**

- I am committed
- I trust others
- I am BBVA

Innovation and technology

BBVA is engaged in a process of digital transformation, the main aim of which is to achieve its aspiration of strengthening relationships with its customers and being the best possible bank for them. **Engineering** is an essential component of this transformation. Its mission has always been to enable a technology strategy that provides the foundation for this transformation, thus becoming more customer-centric and establishing a more global strategy, fast to implement, digital, flexible and leveraged on the Group's data. This must be done while continuing to provide support to the Bank's core business: catering to the demand for traditional business (multi-segment, multi-product, multi-channel, etc.); and b) contributing reliability, with the necessary tools to ensure adequate internal controls, based on consistent information and data. Another Engineering objective is provide the group with all the tools it needs to drive profitability, new productivity paradigms and new business processes.

The area's **responsibilities** continue to be focused on the lines of work that were indicated in 2016:

- A new technology stack to offer customers services that are more suited to their needs, in terms of speed and content.
- Alliances with strategic partners to harness cutting-edge technology, and the necessary collaboration to speed up the transformation process.
- Productivity and reliability, i.e. securing improved performance from technology, and doing so in a manner that is fully reliable and guarantees the highest quality standards.

New technology stack: cloud paradigms

With customers increasingly making use of digital channels, and therefore driving an exponential increase in transaction numbers, the Group is continuing to develop its **IT model** into a more uniform and scalable system, boosting cloud technology.

During **2017**, Engineering continued to construct and deploy the building blocks of the new global technological stack for the whole of BBVA. This stack shares the cloud attributes of flexibility and stability that are demanded by the digital world, while strictly complying with regulatory requirements. The first pilot projects have been executed on the blocks with good results. This new stack will enable real-time access, a new approach to data management and the optimization of processing costs, providing customers with a service that caters directly to their needs.

Strategic alliances

Engineering continues to encourage the creation of a network of strategic alliances, giving traction to BBVA's digital transformation and complement its technology stack. Establishing an **ecosystem of strategic alliances** with some of the leading businesses in the market ensures the adoption of innovative technologies, digitalization of the business, speed in activation, as well as global deployment of solutions. Furthermore, by building a network of technological alliances with strategic partners, BBVA will work in close cooperation with some of the foremost companies in their respective fields.

In **2017** alliances were established with relevant companies that will be responsible, on the one hand, for operating and optimizing BBVA's current technology and, on the other hand, for managing the communications infrastructure in a global manner.

Productivity and reliability

Engineering continues to focus on **productivity** as part of the transformation process. Greater productivity is needed to provide our customers with the best possible service while being profitable. The area is therefore working on the following:

- Technology transformation at two levels:
  - Hardware: creating lower-cost infrastructure components based on the cloud paradigm. There has been very significant progress in the use of this infrastructure in Spain, and Mexico is beginning to use it, resulting in an increase in productivity.
  - Software: multiple global functionalities have been constructed, reused by various of the Group's geographic areas, and construction continues on the technological stack with a high level of automation.
- Transformation of operations: an initial operations optimization exercise has been carried out with good results, and the necessary working methodology has been created to implement it throughout the whole Group. The first robotics activities have also been carried out in Spain.

It is crucial to obtain the best possible performance from infrastructures, architectures, operations and internal processes, and to do so in a way that is fully reliable. **Reliability** remains another key factor for the Engineering function and digital transformation.

In **2017** programs have been executed to improve reliability, resulting in a reduction of the volume of incidents in the Group.

Responsible banking model

At BBVA we have a **differential** banking **model** that we refer to as responsible banking, based on seeking out a return adjusted to principles, strict legal compliance, best practices and the creation of long-term value for all stakeholders. It is reflected in the Bank's Corporate Social Responsibility or Responsible Banking Policy. The Policy's mission is to manage the responsibility for the Bank's impact on people and society, which is key to the delivery of BBVA's Purpose.

All the business and support areas integrate this policy into their operational models. The Responsible Business Unit coordinates the implementation and basically operates as a second line for defining standards and offering support.

The responsible banking model is supervised by the Board of Directors and its committees, as well as by the Bank's Global Leadership Team, chaired by the CEO.

The four **pillars** of BBVA's responsible banking model are as follows:

- Balanced relations with its customers, based on transparency, clarity and responsibility.
- Sustainable finance to combat climate change, respect human rights and achieve the UN Sustainable Development Goals (SDGs).
- Responsible practices with employees, suppliers and other stakeholders.
- Community investment to promote social change and create opportunities for all.

During **2017**, the Group has worked on a climate change and sustainable development strategy which provides comprehensive coverage for the management of risks and opportunities deriving from the fight against climate change and the achievement of the Sustainable Development Goals (SDGs). BBVA's approach to these kinds of risks and opportunities are described in the section on Sustainable finance.

Group information

BBVA Group highlights

BBVA Group highlights (Consolidated figures)

	31-12-17	Δ%	31-12-16	31-12-15 [4]
Balance sheet (million euros)				
Total assets	690,059	(5.7)	731,856	749,855
Loans and advances to customers (gross)	400,369	(7.0)	430,474	432,855
Deposits from customers	376,379	(6.2)	401,465	403,362
Other customer funds	134,906	2.1	132,092	131,822
Total customer funds	511,285	(4.2)	533,557	535,184
Total equity	53,323	(3.8)	55,428	55,282
Income statement (million euros)				
Net interest income	17,758	4.1	17,059	16,426
Gross income	25,270	2.5	24,653	23,680
Operating income	12,770	7.7	11,862	11,363
Protit/(loss) before tax	6,931	8.4	6,392	5,879
Net attributable profit	3,519	1.3	3,475	2,642
The BBVA share and share performance ratios				
Number of shares (million)	6,668	1.5	6,567	6,367
Share price (euros)	7.11	10.9	6.41	6.74
Earning per share (euros) [1]	0.48	(0.7)	0.49	0.37
Book value per share (euros)	6.96	(3.6)	7.22	7.47
Tangible book value per share (euros)	5.69	(0.6)	5.73	5.88
Market capitalization (million euros)	47,422	12.6	42,118	42,905
Yield (dividend/price; %)	4.2		5.8	5.5
Significant ratios (%)				
ROE (net attributable profit/average shareholders' funds) [2]	6.4		6.7	5.2
ROTE (net attributable profit/average shareholders' funds excluding intangible assets) [2]	7.7		8.2	6.4
ROA (profit or loss for the year/average total assets)	0.68		0.64	0.46
RORWA (profit or loss for the year/average risk-weighted assets)	1.27		1.19	0.87
Efficiency ratio	49.5		51.9	52.0
Cost of risk	0.87		0.84	1.06
NPL ratio	4.4		4.9	5.4
NPL coverage ratio	65		70	74
Capital adequacy ratios (%)				
CET1 fully-loaded	11.1		10.9	10.3
CET1 phase-in [3]	11.7		12.2	12.1
Tier 1 phase-in [3]	13.0		12.9	12.1
Total ratio phase-in [3]	15.4		15.1	15.0
Other information				
Number of shareholders	891,453	(4.7)	935,284	934,244
Number of employees	131,856	(2.2)	134,792	137,968
Number of branches	8,271	(4.5)	8,660	9,145
Number of ATMs	31,688	1.8	31,120	30,616

[1] Adjusted by additional Tier 1 instrument remuneration.

[2] The ROE and ROTE ratios include in the denominator the Group's average shareholders' funds, but do not take into account the caption within total equity named "Accumulated other comprehensive income" with an average balance of -€1,139m in 2015, -€4,492m in 2016 and -€7,015 in 2017.

[3] The capital ratios are calculated under CRD IV from Basel III regulation, applying a 80% phase-in for 2017 and a 60% for 2016.

[4] Since the third quarter of 2015, the total stake in Garanti is consolidated by the full integration method. For previous periods, the financial information provided in this document is presented integrated in the proportion corresponding to the percentage of the Group's stake then (25.01%).

Relevant events

Results (pages 20-25)

- Generalized sustained growth in **more recurrent sources of revenue** in practically all geographic areas.
- **Operating expenses** remain under control, leading to an improvement in the efficiency ratio in comparison with 2016.
- **Impairment losses on financial assets** has been influenced by the recognition of impairment losses of €1,123m from BBVA's stake in Telefónica, S.A.
- As a result, the **net attributable** profit was €3,519m. Without taking into account the impacts of the impairment losses in Telefónica in 2017 and the so-called "mortgage floor clauses" in 2016, the net attributable profit was up year-on-year by 19.7%.

Balance sheet and business activity (pages 26-27)

- The year-on-year comparison of the Group's balance sheet and business activity has been affected by the **operations** underway (sales of BBVA Chile and the real-estate business in Spain), which as of 31-Dec-2017 were reclassified as non-current assets and liabilities held for sale. Without taking into account the said reclassification (figures in comparable terms with respect to previous periods):
  - **Loans and advances to customers** (gross) continue to increase in emerging geographies but decline in Spain. There has been a slight recovery in the United States since the second half of 2017.
  - **Non-performing loans** continue to improve favorably.
  - **Deposits from customers** have performed particularly well in the more liquid and lower-cost items.
  - There was an increase in **off-balance-sheet funds**, mainly in mutual funds.

Solvency (page 28-29)

- The **capital** position is above regulatory requirements and in line with the target established for the fully-loaded CET1 of 11%. The recognition of the impairment losses from Telefónica mentioned above does not negatively affect the Group's solvency, as they are deducted from both equity and CET1.

Risk management (pages 30-31)

- Good performance of the main **credit risk** metrics: as of December 31, 2017, the NPL ratio closed at 4.4%, the NPL coverage ratio at 65% and the cumulative cost of risk at 0.87%.

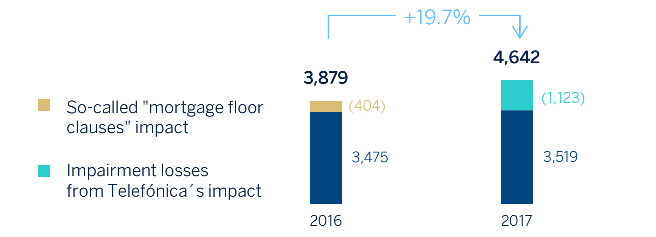
Transformation

- The Group's **digital and mobile** customer base and **digital sales** continue to increase in all the geographic areas where BBVA operates.

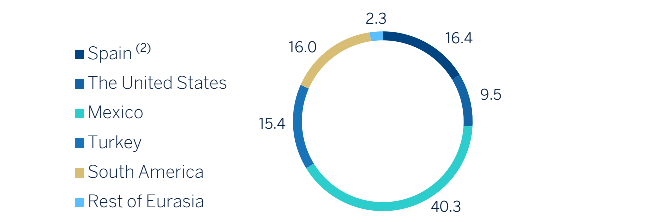
Other matters of interest

- The Board of Directors has agreed to propose to the Annual General Meeting a cash payment in a gross amount of euro 0.15 per share to be paid in April as a final **dividend** for the year 2017.

Net attributable profit (Million euros)

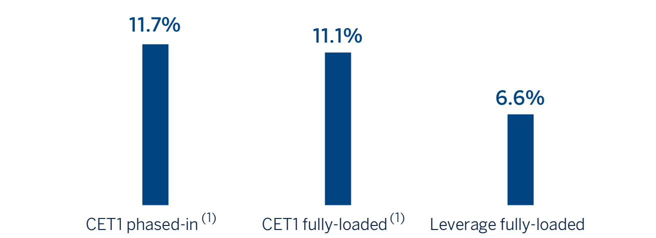


Net attributable profit breakdown (1) (Percentage. 2017)



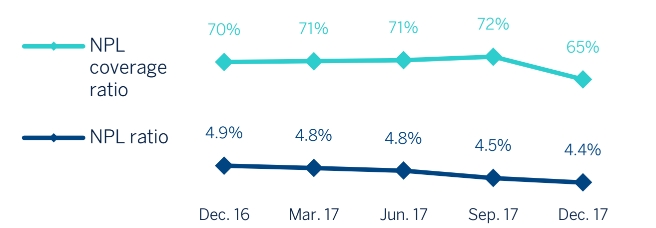
(1) Excludes the Corporate Center.
(2) Includes the areas Banking activity in Spain and Non Core Real Estate.

Capital and leverage ratios (Percentage as of 31-12-2017)

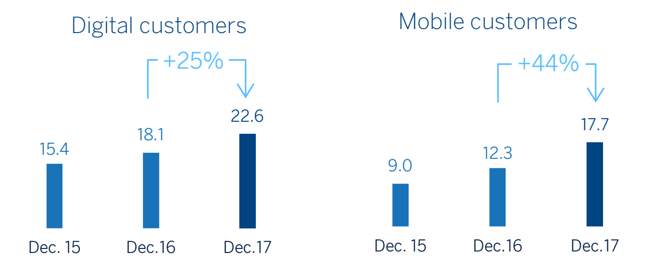


(1) Includes update of the calculation on Structural FX RWA, pending confirmation by ECB.

NPL and NPL coverage ratios (Percentage)



Digital and mobile customers (Million)



Results

BBVA Group's net attributable **profit** for 2017 was €3,519m. It was affected by the negative impact of the recognition of impairment losses from its stake in Telefónica, S.A. as a result of the changes in the share price of the latter.

The Group thus generated a net attributable profit excluding the negative effect of these impairment losses of €4,642m. This represents growth of 33.6% on the net attributable profit in 2016 (up 19.7% excluding the charges for the so-called "mortgage floor clauses" in 2016). Once more, there was a notably good performance of more recurring revenue and containment of operating expenses.

Unless expressly indicated otherwise, to better understand the changes in the main headings of the Group's income statement, the year-on-year percentage changes given below refer to constant exchange rates.

Consolidated income statement: quarterly evolution (Million euros)

	2017				2016			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	**4,557**	**4,399**	**4,481**	**4,322**	**4,385**	**4,310**	**4,213**	**4,152**
Net fees and commissions	1,215	1,249	1,233	1,223	1,161	1,207	1,189	1,161
Net trading income	552	347	378	691	379	577	819	357
Dividend income	86	35	169	43	131	35	257	45
Share of profit loss of entities accounted for using the equity method	5	6	(2)	(5)	7	17	(6)	7
Other operating income and expenses	(54)	154	77	108	159	52	(26)	66
Gross income	**6,362**	**6,189**	**6,336**	**6,383**	**6,222**	**6,198**	**6,445**	**5,788**
Operating expenses	(3,114)	(3,075)	(3,175)	(3,137)	(3,243)	(3,216)	(3,159)	(3,174)
Personnel expenses	(1,640)	(1,607)	(1,677)	(1,647)	(1,698)	(1,700)	(1,655)	(1,669)
Other administrative expenses	(1,143)	(1,123)	(1,139)	(1,136)	(1,180)	(1,144)	(1,158)	(1,161)
Depreciation	(331)	(344)	(359)	(354)	(365)	(372)	(345)	(344)
Operating income	**3,248**	**3,115**	**3,161**	**3,246**	**2,980**	**2,982**	**3,287**	**2,614**
Impairment on financial assets (net)	(1,885)	(976)	(997)	(945)	(687)	(1,004)	(1,077)	(1,033)
Provisions (net)	(180)	(201)	(193)	(170)	(723)	(201)	(81)	(181)
Other gains (losses)	(267)	44	(3)	(66)	(284)	(61)	(75)	(62)
Profit/(loss) before tax	**916**	**1,982**	**1,969**	**2,065**	**1,285**	**1,716**	**2,053**	**1,338**
Income tax	(499)	(550)	(546)	(573)	(314)	(465)	(557)	(362)
Profit/(loss) for the year	**417**	**1,431**	**1,422**	**1,492**	**971**	**1,251**	**1,496**	**976**
Non-controlling interests	(347)	(288)	(315)	(293)	(293)	(286)	(373)	(266)
Net attributable profit	**70**	**1,143**	**1,107**	**1,199**	**678**	**965**	**1,123**	**709**
Net attributable profit excluding results from corporate operations	**70**	**1,143**	**1,107**	**1,199**	**678**	**965**	**1,123**	**709**
Earning per share (euros) [1]	**(0.00)**	**0.16**	**0.16**	**0.17**	**0.09**	**0.13**	**0.16**	**0.10**

[1] Adjusted by additional Tier 1 instrument remuneration.

Consolidated income statement (Million euros)

	2017	Δ%	Δ% at constant exchange rates	2016
Net interest income	**17,758**	**4.1**	**10.6**	**17,059**
Net fees and commissions	4,921	4.3	9.4	4,718
Net trading income	1,968	(7.7)	(6.0)	2,132
Dividend income	334	(28.5)	(28.3)	467
Share of profit loss of entities accounted for using the equity method	4	(86.2)	(86.5)	25
Other operating income and expenses	285	13.4	2.8	252
Gross income	**25,270**	**2.5**	**7.9**	**24,653**
Operating expenses	(12,500)	(2.3)	2.2	(12,791)
Personnel expenses	(6,571)	(2.2)	1.9	(6,722)
Other administrative expenses	(4,541)	(2.2)	2.7	(4,644)
Depreciation	(1,387)	(2.7)	1.8	(1,426)
Operating income	**12,770**	**7.7**	**14.1**	**11,862**
Impairment on financial assets (net)	(4,803)	26.3	32.0	(3,801)
Provisions (net)	(745)	(37.2)	(37.8)	(1,186)
Other gains (losses)	(292)	(39.5)	(40.1)	(482)
Profit/(loss) before tax	**6,931**	**8.4**	**18.1**	**6,392**
Income tax	(2,169)	27.7	39.7	(1,699)
Profit/(loss) for the year	**4,762**	**1.5**	**10.4**	**4,693**
Non-controlling interests	(1,243)	2.0	19.1	(1,218)
Net attributable profit	**3,519**	**1.3**	**7.6**	**3,475**
Net attributable profit excluding results from corporate operations	**3,519**	**1.3**	**7.6**	**3,475**
Earning per share (euros) [(1)]	**0.48**			**0.49**

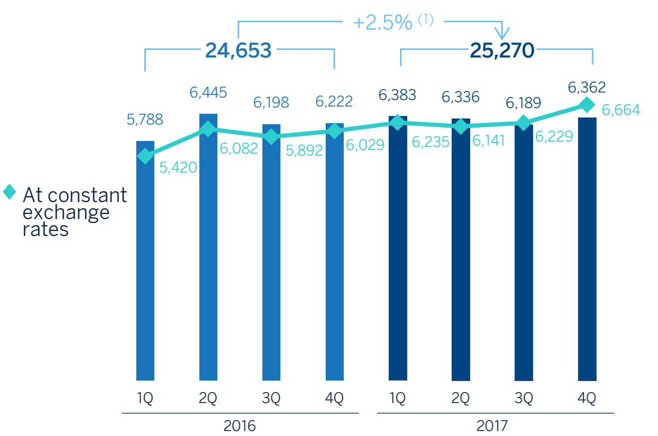
(1) Adjusted by additional Tier 1 instrument remuneration.

Gross income

Cumulative **gross income** grew by 7.9% year-on-year, once more strongly supported by the positive performance of the more recurring items.

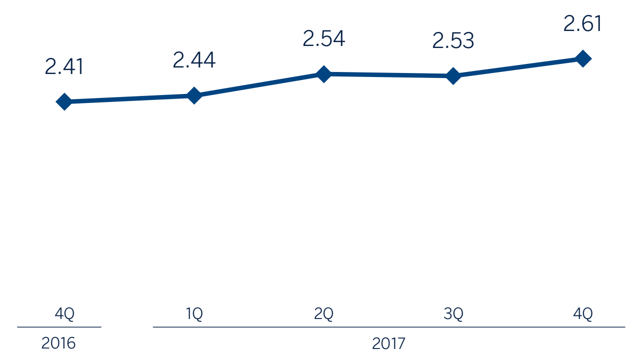
Net interest income continued to grow, rising significantly in the fourth quarter by 8.4% and a cumulative 10.6% year-on-year. This positive trend was once again driven by growth in activity, above all in emerging economies, and good management of customer spreads. By business areas there was a positive performance in Turkey (up 20.6%), South America (up 15.1%), the United States (up 13.0%) and Mexico (up 9.5%). In Spain, although this line item grew in the fourth quarter, there was a slight decline in the figure for the year as a whole as a result of lower loan volumes and sales of wholesale portfolios.

Gross income (Million euros)



(1) At constant exchange rates: +7.9%.

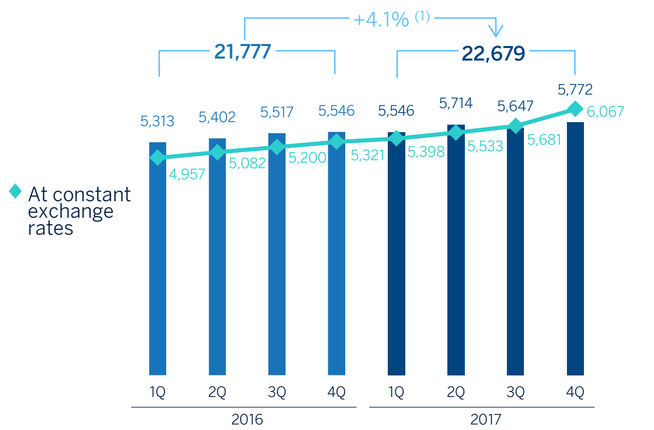
Net interest income/ATAs (Percentage)



Cumulative **net fees and commissions** performed very well in all the Group's areas (up 9.4% year-on-year), strongly reflecting their appropriate diversification. The quarterly figure was also good (up 1.1% in the last three months).

As a result, **more recurring revenue items** (net interest income plus net fees and commissions) increased by 10.3% year-on-year (6.8% over the last three months).

Net interest income plus fees and commissions (Million euros)



(1) At constant exchange rates +10.3%.

Growth in **NTI** slowed in comparison with 2016 figures. This is basically due to lower sales of ALCO portfolios during this year.

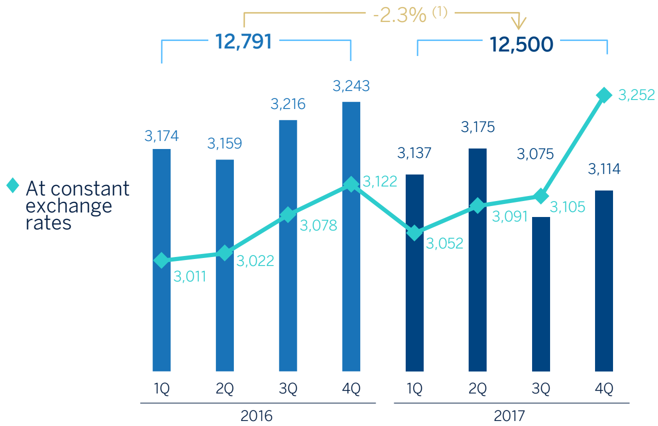
The **dividend income** heading mainly includes income from the Group's stake in the Telefónica group. The year-on-year decline of 28.3% in this figure can be explained by the reduction in the dividend paid by Telefónica, as well as the inclusion of dividends from China Citic Bank (CNCB) in the second quarter of 2016.

Finally, **other operating income and expenses** increased by 2.8% in year-on-year terms. It should be noted that the net contribution of the insurance business remained flat (up 0.1%) due mainly to the high level of claim ratios as a result of the natural disasters occurred in Mexico.

Operating income

Operating expenses were kept in check to a year-on-year increase of 2.2%. The above is due to the cost discipline implemented in all areas of the Group through efficiency plans that are now yielding results, and the materialization of some synergies (mainly resulting from the integration of Catalunya Banc - CX -). By business areas there were notable reductions in Spain and the Rest of Eurasia. In the rest of the geographic areas (Mexico, Turkey, the United States and South America), the year-on-year rise in costs was below or in line with the local average inflation.

Operating expenses (Million euros)



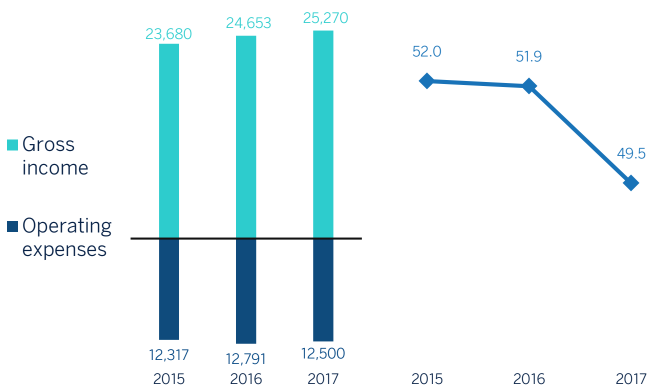
(1) At constant exchange rates: +2.2%.

As a result of the above, the **efficiency** ratio closed at 49.5%, below the figure of 51.9% in the previous year, and cumulative **operating income** rose by 14.1% over the last twelve months.

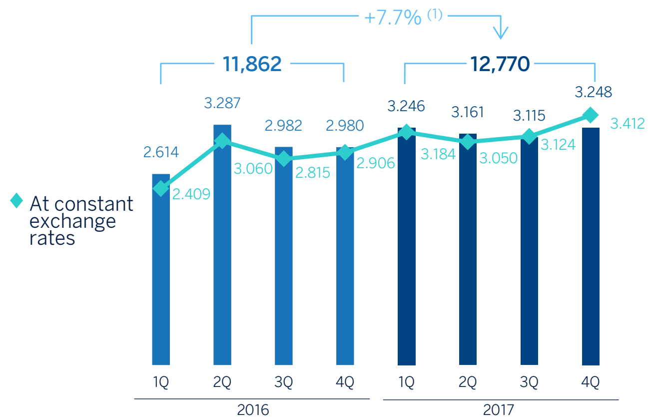
Breakdown of operating expenses and efficiency calculation (Million euros)

	2017	Δ%	2016
Personnel expenses	**6,571**	**(2.2)**	**6,722**
Wages and salaries	5,163	(2.0)	5,267
Employee welfare expenses	911	(2.9)	938
Training expenses and other	497	(3.7)	516
Other administrative expenses	**4,541**	**(2.2)**	**4,644**
Property, fixtures and materials	1,033	(4.3)	1,080
IT	1,018	5.2	968
Communications	269	(8.6)	294
Advertising and publicity	352	(11.4)	398
Corporate expenses	110	5.8	104
Other expenses	1,301	(4.8)	1,367
Levies and taxes	456	5.5	433
Administration costs	**11,112**	**(2.2)**	**11,366**
Depreciation	**1,387**	**(2.7)**	**1,426**
Operating expenses	**12,500**	**(2.3)**	**12,791**
Gross income	**25,270**	**2.5**	**24,653**
Efficiency ratio (operating expenses/gross income; %)	**49.5**		**51.9**

Efficiency (Million euros) and efficiency ratio (Percentage)

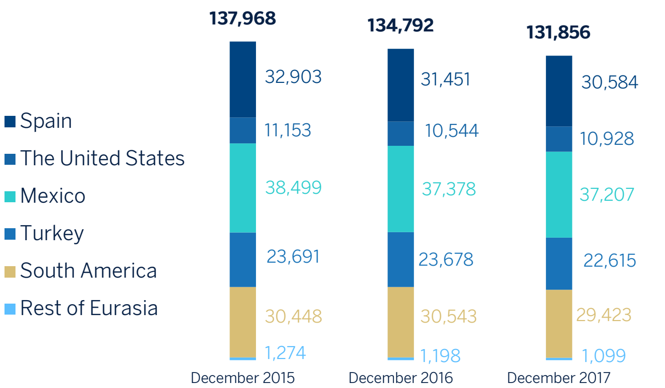


Operating income (Million euros)

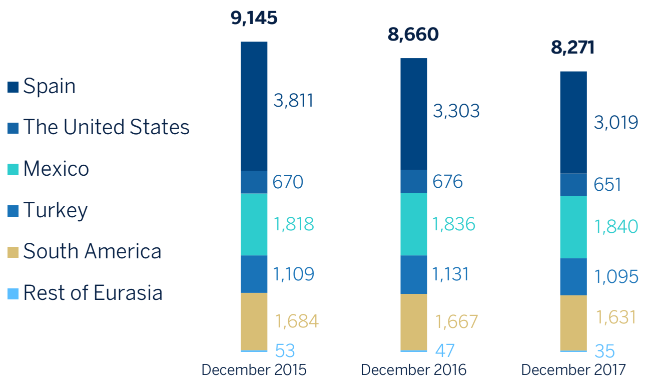


(1) At constant exchange rates: +14.1%.

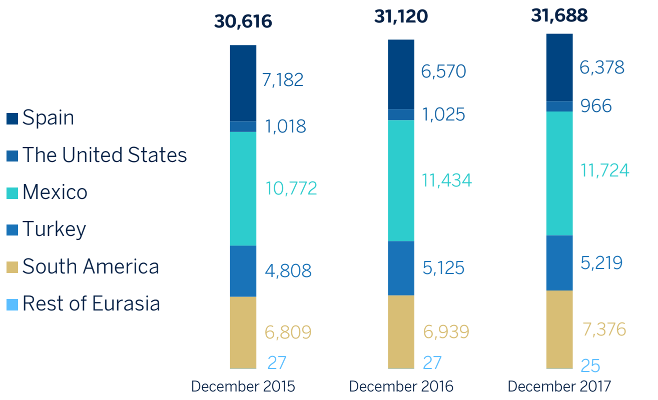
Number of employees



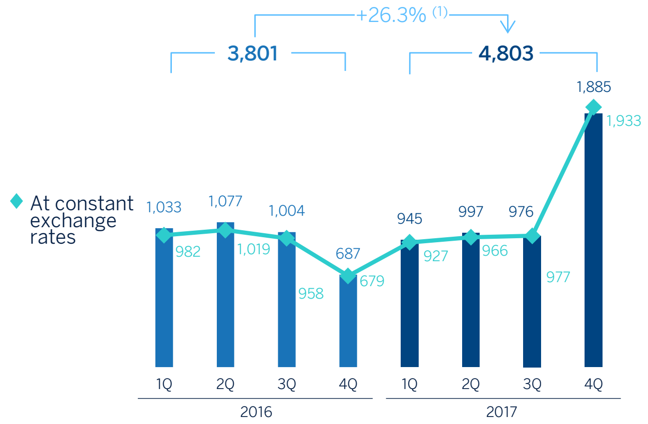
Number of branches



Number of ATMs



Impairment on financial assets (net) (Million euros)



(1) At constant exchange rates: +32.0%.

Provisions and other

Impairment losses on financial assets of the year included the impairment losses of €1,123m from BBVA Group's stake from Telefónica, S.A, as a result of the evolution of the price of the latter and in compliance with the requirements of the accounting standard IAS 39. Excluding this impact, this figure is 1.2% higher than the one for 2016. By business areas, the most significant was a reduction in Banking activity in Spain due to lower loan-loss provisioning needs. In contrast, there was an increase in the United States due to the inclusion of provisions allocated as a result of the estimated negative effect of the natural disasters in the third quarter and higher loan-loss provisioning related to consumer portfolio. Turkey, Mexico and South America also saw an increase, largely linked to the increase in lending activity, and to a lesser extent, the impact of increased needs for insolvency provisions associated with some wholesale customers in the case of South America.

As a result of the above the cumulative **cost of risk** in 2017 (0.87%) was barely three basis points above the figure in 2016 (0.84%).

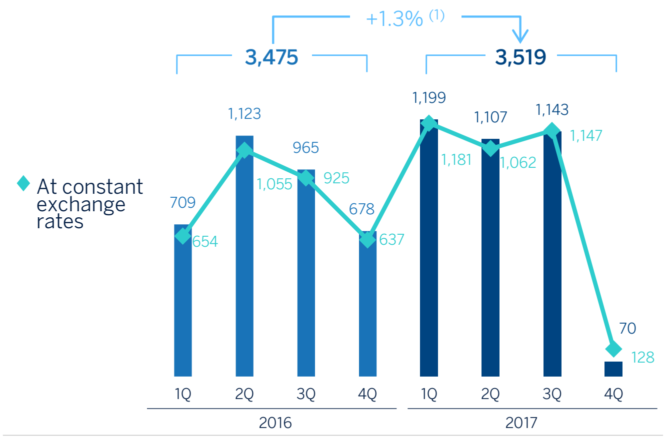
The fall of 38.5% in **provisions (net) and other gains (losses)** can be explained by the inclusion in the fourth quarter of 2016 of a charge of €577m (€404m after tax) to cover the contingency linked to the decision of the Court of Justice of the European Union (CJEU) on "mortgage floor clauses." This item includes items such as provisions for contingent liabilities, contributions to pension funds, the provision needs for property and foreclosed assets and restructuring costs.

Results

As a result, the Group's **net attributable profit** in 2017 was €3,519m, a year-on-year rise of 7.6%; not including the impairment Telefónica losses in 2017 and the aforementioned charge related to the so-called "mortgage floor clauses" in 2016, there was a rise of 26.3%. It is important to note that since March 2017 this figure has included the additional stake of 9.95% in the capital of Garanti, which has led to a positive impact of around €150m due to a reduction in the non-controlling interests heading.

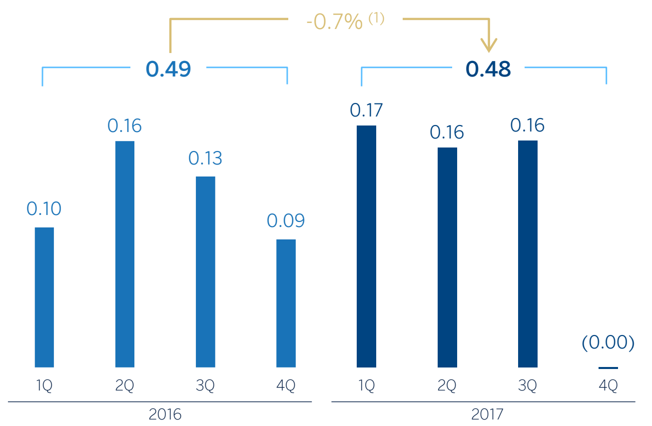
By **business area**, banking activity in Spain generated a profit of €1,381m, Non-Core Real Estate generated a loss of €501m, the United States contributed a profit of €511m, Mexico €2,162m, Turkey €826m, South America €861m and the Rest of Eurasia €125m.

Net attributable profit (Million euros)



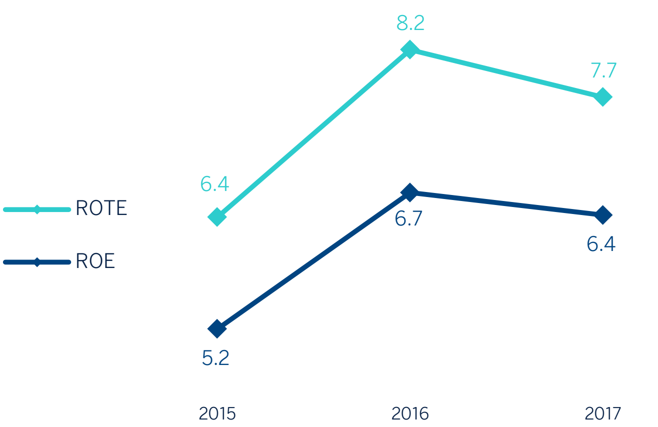
(1) At constant exchange rates: +7.6%.

Earning per share (1) (Euros)



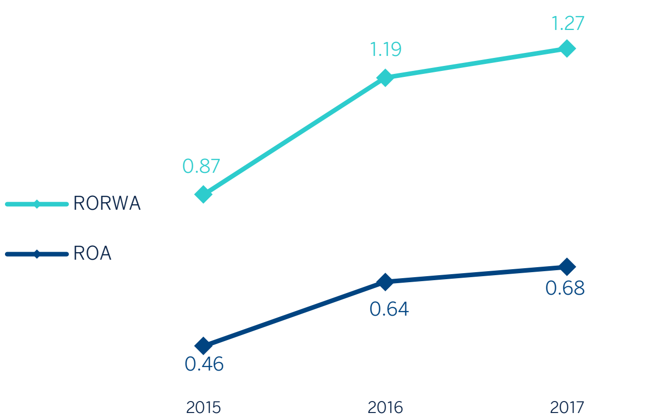
(1) Adjusted by additional Tier 1 instrument remuneration.

ROE and ROTE (1) (Percentage)



(1) The ROE and ROTE ratios include in the denominator the Group's average shareholders' funds, but do not take into account the caption within total equity named "Accumulated other comprehensive income" with an average balance of -€1,139m in 2015, -€4,492m in 2016 and -€7,015 in 2017.

ROA and RORWA (Percentage)



Balance sheet and business activity

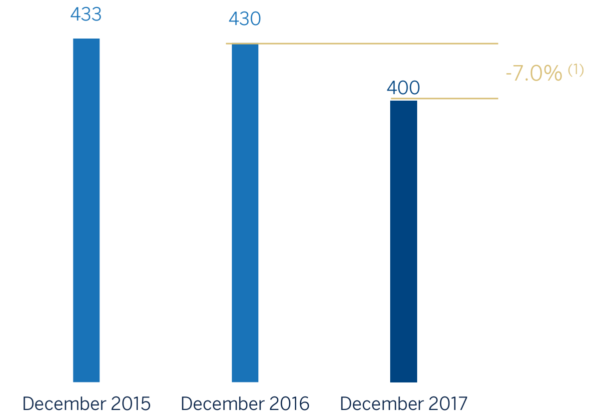
The year-on-year comparison of the Group's balance sheet and business activity have been affected by the operations currently underway (the sales of BBVA Chile and the real-estate business in Spain), which as of **December 31, 2017** were reclassified as non-current assets and liabilities held for sale (in the accompanying balance sheet, under the headings of other assets and other liabilities, respectively). Without taking into account the said reclassification (figures in comparable terms with respect to previous periods), the most significant items are shown below:

- Geographic disparity of **loans and advances to customers** (gross). Lending increased in the emerging economies, while Spain continued to deleverage. The United States registered a slight increase in lending during the second half of the year, resulting in the year-on-year loan balance closing at very similar levels.
- **Non-performing loans** declined again, thanks to an improvement in Spain and the United States.
- In **deposits** from customers, there was another notable increase across the board in lower-cost items such as current and savings accounts, and a decline in time deposits.
- **Off-balance-sheet funds** continued to perform well in all items (mutual funds, pension funds and other customer funds).

Consolidated balance sheet (Million euros)

	31-12-17	Δ%	31-12-16	30-09-17
Cash, cash balances at central banks and other demand deposits	42,680	6.6	40,039	36,023
Financial assets held for trading	64,695	(13.7)	74,950	65,670
Other financial assets designated at fair value through profit or loss	2,709	31.4	2,062	2,848
Available-for-sale financial assets	69,476	(12.3)	79,221	74,599
Loans and receivables	431,521	(7.4)	465,977	449,564
Loans and advances to central banks and credit institutions	33,561	(16.7)	40,268	36,556
Loans and advances to customers	387,621	(6.5)	414,500	401,734
Debt securities	10,339	(7.8)	11,209	11,275
Held-to-maturity investments	13,754	(22.3)	17,696	14,010
Investments in subsidiaries, joint ventures and associates	1,588	107.5	765	1,584
Tangible assets	7,191	(19.6)	8,941	7,963
Intangible assets	8,464	(13.5)	9,786	8,743
Other assets	47,981	48.0	32,418	29,793
Total assets	**690,059**	**(5.7)**	**731,856**	**690,797**
Financial liabilities held for trading	46,182	(15.5)	54,675	45,352
Other financial liabilities designated at fair value through profit or loss	2,222	(5.0)	2,338	2,372
Financial liabilities at amortized cost	543,713	(7.7)	589,210	559,289
Deposits from central banks and credit institutions	91,570	(6.8)	98,241	84,927
Deposits from customers	376,379	(6.2)	401,465	392,865
Debt certificates	63,915	(16.3)	76,375	69,285
Other financial liabilities	11,850	(9.7)	13,129	12,212
Liabilities under insurance contracts	9,223	0.9	9,139	9,665
Other liabilities	35,395	68.0	21,066	19,720
Total liabilities	**636,736**	**(5.9)**	**676,428**	**636,397**
Non-controlling interests	6,979	(13.5)	8,064	7,069
Accumulated other comprehensive income	(8,792)	61.1	(5,458)	(7,956)
Shareholders' funds	55,136	4.4	52,821	55,287
Total equity	**53,323**	**(3.8)**	**55,428**	**54,400**
Total liabilities and equity	**690,059**	**(5.7)**	**731,856**	**690,797**
Memorandum item:				
Collateral given	47,671	(5.7)	50,540	45,489

Loans and advances to customers (gross) (Billion euros)

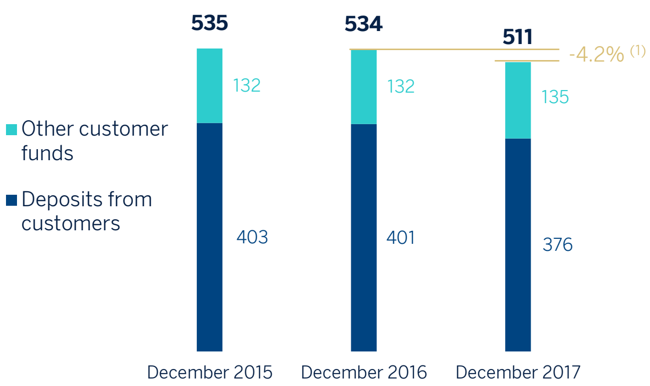


(1) At constant exchange rates: +2.7%.

Loans and advances to customers (Million euros)

	31-12-17	Δ%	31-12-16	30-09-17
Public administration	**25,671**	**(6.7)**	**27,506**	**25,828**
Individuals	**159,781**	**(7.4)**	**172,476**	**169,245**
Residential mortgages	109,563	(10.5)	122,439	117,273
Consumer	36,235	3.0	35,195	37,556
Credit cards	13,982	(5.8)	14,842	14,416
Business	**175,168**	**(7.7)**	**189,733**	**184,199**
Business retail	19,692	(19.1)	24,343	20,185
Other business	155,476	(6.0)	165,391	164,014
Other loans	**20,358**	**14.1**	**17,844**	**16,745**
Non-performing loans	**19,390**	**(15.4)**	**22,915**	**20,222**
Loans and advances to customers (gross)	**400,369**	**(7.0)**	**430,474**	**416,240**
Loan-loss provisions	(12,748)	(20.2)	(15,974)	(14,506)
Loans and advances to customers	**387,621**	**(6.5)**	**414,500**	**401,734**

Customer funds (Billion euros)



(1) At constant exchange rates: +1.9%.

Customer funds (Million euros)

	31-12-17	Δ%	31-12-16	30-09-17
Deposits from customers	**376,379**	**(6.2)**	**401,465**	**392,865**
Current accounts	245,249	5.9	231,638	242,566
Time deposits	110,320	(23.6)	144,407	127,897
Assets sold under repurchase agreement	8,119	(26.6)	11,056	10,442
Other deposits	12,692	(11.6)	14,364	11,959
Other customer funds	**134,906**	**2.1**	**132,092**	**137,724**
Mutual funds and investment companies	60,939	10.7	55,037	60,868
Pension funds	33,985	1.7	33,418	33,615
Other off-balance sheet funds	3,081	8.8	2,831	3,293
Customer portfolios	36,901	(9.6)	40,805	39,948
Total customer funds	**511,285**	**(4.2)**	**533,557**	**530,589**

Solvency

Capital base

The BBVA Group's **fully-loaded CET1** ratio stood at 11.1% at the end of December 2017, in line with the target of 11%. This ratio has increased by 18 basis points since the end of 2016, leveraged on organic earning generation and reduction of RWA capital consumption.

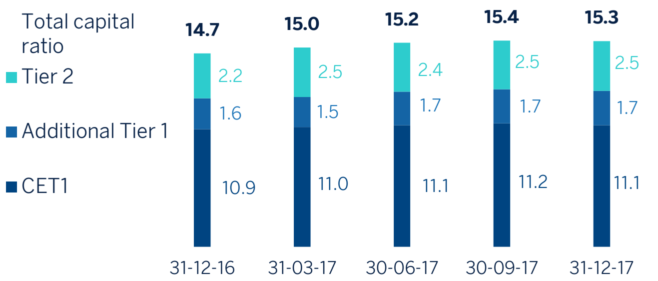
During 2017, the capital ratio was affected by the acquisition of an additional 9.95% stake in Garanti and the sale of CNCB. These transactions have had a combined negative effect on the ratio of 13 basis points. In addition, the Group also recognized losses of €1,123m in 2017 as a result of the impairment losses from its stake in Telefónica. However, this impact does not affect the capital base, as these losses are deducted from the Group's capital.

RWAs declined year-on-year, largely due to the depreciation of currencies against the euro (in particular, the Turkish lira and U.S. dollar).

BBVA S.A. carried out two capital **issuances** classified as additional tier 1 (AT1) capital (contingent convertible), for €500m and USD 1 billion, respectively (the latter in the U.S. market, with a prospectus registered with the SEC and not yet calculated in the Group's Tier 1 as of 31-Dec-2017). As Tier 2 level, BBVA S.A. issued subordinated debt during the year for a total of approximately €1.5 billion; and in Turkey, Garanti issued USD 750m.

Finally, with respect to capital **distribution**, the last "dividend-option" program was completed in April, with holders of 83.28% of rights choosing to receive new shares. On October 10, an interim dividend for 2017 was distributed at €0.09 per share.

Evolution of fully-loaded capital ratios [1] (Percentage)



[1] As of 31-12-2017 it includes update of the calculation on Structural FX RWA, pending confirmation by ECB. Additionally, it includes the AT2 issuance by Garanti, pending approval by ECB for the purpose of computability in the Group's ratio.

Capital base [1, 2] (Million euros)

	CRD IV phased-in [1]			CRD IV fully-loaded		
	31-12-17 [3]	31-12-16	30-09-17	31-12-17 [3]	31-12-16	30-09-17
Common Equity Tier 1 (CET 1)	42,337	47,370	43,393	40,058	42,398	40,899
Tier 1	46,977	50,083	47,983	46,313	48,459	47,138
Tier 2	8,798	8,810	9,237	8,624	8,739	8,953
Total Capital (Tier 1 + Tier 2)	**55,775**	**58,893**	**57,219**	**54,937**	**57,198**	**56,091**
Risk-weighted assets	**361,686**	**388,951**	**365,314**	**361,686**	**388,951**	**365,314**
CET1 (%)	11.7	12.2	11.9	11.1	10.9	11.2
Tier 1 (%)	13.0	12.9	13.1	12.8	12.5	12.9
Tier 2 (%)	2.5	2.3	2.5	2.5	2.2	2.4
Total capital ratio (%)	**15.5**	**15.1**	**15.7**	**15.3**	**14.7**	**15.4**

[1] The capital ratios are calculated under CRD IV from Basel III regulation, applying a 80% phase-in for 2017 and a 60% for 2016.
[2] As of 31-12-2017 it includes update of the calculation on Structural FX RWA, pending confirmation by ECB. Additionally, it includes the AT2 issuance by Garanti, pending approval by ECB for the purpose of computability in the Group's ratio.
[3] Preliminary data.

As of 31-Dec-2017 the **CET1 phased-in** capital ratio stood at 11.7%, the **Tier 1** ratio at 13.0% (13.3% taking into account the AT1 issuance of USD 1 billion on the U.S. market in the fourth quarter of 2017) and the **Tier 2** ratio of 2.5%, resulting in a **total capital ratio** of 15.5% (15.8% taking into account the AT1 issuance mentioned above). These levels are above the requirements established by the regulator in its SREP letter and the systemic buffers applicable to BBVA Group for 2017 (7.625% for the phased-in CET1 ratio and 11.125% for the total capital ratio). Starting on January 1, 2018, the requirement has been established at 8.438% for the phased-in CET1 ratio and 11.938% for the total capital ratio. The change with respect to 2017 is due to the progressive implementation of the capital conservation buffers and the buffer related to other systemically important banks. The regulatory requirement for 2018 in fully-loaded terms remains unchanged (CET1 of 9.25% and total ratio of 12.75%) compared with the previous year.

Finally, the Group maintains a sound **leverage** ratio: 6.6% under fully-loaded criteria (6.7% phased-in), which continues to be the highest in its peer group.

Ratings

In 2017, Standard & Poor's (S&P) raised its outlook for BBVA to positive from stable as a result of a similar improvement in Spain's sovereign rating outlook, with both ratings being maintained at BBB+. Scope Ratings raised BBVA's long-term rating one notch from A to A+, and the short-term rating from S-1 to S-1+, both with a stable outlook. The rest of the credit rating agencies did not change either BBVA's rating or its outlook in 2017.

Ratings

Rating agency	Long term	Short term	Outlook
DBRS	A	R-1 (low)	Stable
Fitch	A-	F-2	Stable
Moody's [1]	Baa1	P-2	Stable
Scope Ratings	A+	S-1+	Stable
Standard & Poor's	BBB+	A-2	Positive

[1] Additionally, Moody's assigns an A3 rating to BBVA's long-term deposits.

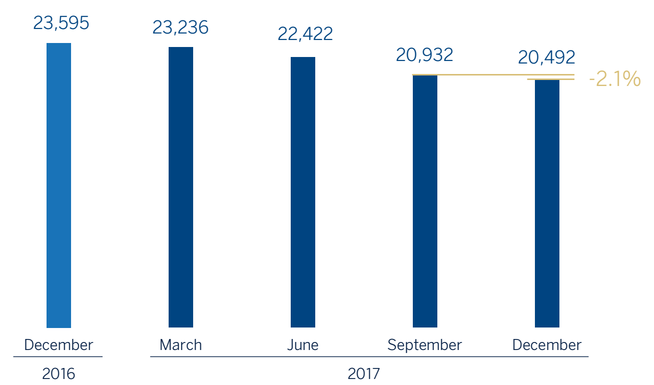
Risk management

Credit risk

BBVA Group's risk metrics have continued to perform positively throughout the year:

- **Credit risk** remained flat in the last quarter, with a cumulative decline of 4.0% since the end of 2016 (up 2.0% both in the quarter and over the year at constant exchange rates). The deleveraging process continued in Spain. At constant exchange rates in year-on-year terms, Turkey and Mexico grew by 4.3% and 6.9% respectively, South America 9.5% (Argentina by 67.9%, Chile and Colombia around 10%) and the United States remained practically stable (up 0.4%).
- **Non-performing loans** maintained their downward trend, falling by 2.1% over the quarter and 13.2% relative to December 2016. At constant exchange rates, the figures were down 0.8% over the quarter and down 10.5% in annual terms. Good performance in Spain and the United States and increases mainly in Turkey and South America, due to the deterioration of some wholesale customers.
- The Group's **NPL ratio** improved again (down 9 basis points over the last three months and 47 basis points compared with the close of 2016) to 4.4% as of December 31, 2017, driven by the decline in non-performing loans.
- **Provisions** also declined, both in the last three months and over the year (down 11.5% and 19.6%, respectively). At constant exchange rates, the rates of variation were down 9.2% and 15.2% since September 2017 and December 2016, respectively.
- As a result, the **NPL coverage ratio** closed at 65%.
- Finally, the cumulative **cost of risk** as of December 2017 was 0.87%, showing stable progress in 2017 and closing three basis points above the cumulative figure for 2016 (0.84%).

Non-performing loans (Million euros)



Credit risks [1] (Million euros)

	31-12-17 [2]	30-09-17	30-06-17	31-03-17	31-12-16
Non-performing loans and contingent liabilities	20,492	20,932	22,422	23,236	23,595
Credit risks	461,303	461,794	471,548	480,517	480,720
Provisions	13,319	15,042	15,878	16,385	16,573
NPL ratio (%)	4.4	4.5	4.8	4.8	4.9
NPL coverage ratio (%)	65	72	71	71	70

[1] Include gross loans and advances to customers plus guarantees given.

[2] Figures without considering the reclassification of non-current assets held for sale.

Non-performing loans evolution (Million euros)

	4Q 17 [1]	3Q 17	2Q 17	1Q 17	4Q 16
Beginning balance	**20,932**	**22,422**	**23,236**	**23,595**	**24,253**
Additions	3,757	2,268	2,525	2,490	3,000
Recoveries	(2,142)	(2,001)	(1,930)	(1,698)	(2,141)
Net variation	**1,616**	**267**	**595**	**792**	**859**
Write-offs	(1,980)	(1,575)	(1,070)	(1,132)	(1,403)
Exchange rate differences and other	(75)	(181)	(340)	(18)	(115)
Period-end balance	**20,492**	**20,932**	**22,422**	**23,236**	**23,595**
Memorandum item:					
Non-performing loans	19,753	20,222	21,730	22,572	22,915
Non-performing contingent liabilities	739	710	691	664	680

[1] Figures without considering the reclassification of non-current assets held for sale. Temporary data.

Structural risks

Liquidity and funding

Management of **liquidity and funding** in BBVA aims to finance the recurring growth of the banking business at suitable maturities and costs, using a wide range of instruments that provide access to a large number of alternative sources of finance, always in compliance with current regulatory requirements.

A core principle in BBVA's management of the Group's liquidity and funding is the financial independence of its banking subsidiaries abroad. This principle prevents the propagation of a liquidity crisis among the Group's different areas and ensures that the cost of liquidity is correctly reflected in the price formation process.

In **2017** liquidity and funding conditions remained comfortable across BBVA Group's global footprint:

- The financial soundness of the Group's banks continues to be based on the funding of lending activity, fundamentally through the use of stable customer funds.
- In the Eurozone, the liquidity situation is comfortable and the credit gap has narrowed on the balance sheet thanks to the positive behavior of customer liabilities.
- In Mexico, the liquidity position is sound, despite market volatility. Deposits have shown a very positive trend over the year, leading to a considerable narrowing of the credit gap.
- In the United States, the credit gap has widened because of the area's deliberate strategy to control the cost of deposits. It is worth noting that in the first quarter of 2017 Standard & Poors (S&P) upgraded its outlook for BBVA Compass' rating (BBB+) from negative to stable.
- The liquidity situation in Turkey is comfortable, boosted by a maintenance of good market conditions, with a slight increase in the credit gap as a result of the growth of lending spurred by the government's Credit Guarantee Fund (CGF) program.
- In South America, the liquidity situation remains comfortable, allowing a reduction of the growth of wholesale deposits to match growth in lending activity.
- In the fourth quarter of 2017, BBVA S.A. carried out an issuance of additional Tier 1 in the American market for USD 1 billion, with the prospectus registered with the SEC.

  In total, BBVA S.A. issued €7.1 billion in 2017, of which €5.8 billion were on the wholesale funding markets, using the formats of senior debt (€2.5 billion), Tier 2 (€1 billion), senior non-preferred (€1.5 billion) and Tier 1 (USD 1 billion). It also closed a number of private issuance transactions of senior non-preferred securities for a total of €290m, Tier 2 securities for about €500m and additional Tier 1 for €500m.
- The long-term wholesale funding markets have remained stable in the other geographical areas where the Group operates.
- In Mexico, BBVA Bancomer has carried out two local senior debt issuances for a total of MXN 7 billion, with maturities of three and five years.
- In the United States, BBVA Compass returned to the markets in the second quarter with a five-year senior debt issue of USD 750m.
- In Turkey, Garanti's securities issuances have continued to strengthen its balance-sheet structure over the whole year. Worth noting are the following issuances: senior debt of USD 500m, subordinated debt of USD 750m, collateralized bonds for a total of 1,680m liras, securitizations for USD 685m, and renewal of syndicated loans with a new two-year tranche.
- In South America, BBVA Chile has also made a number of senior debt issuances with maturities ranging from four to ten years on the local market for an equivalent of €505m. BBVA Continental in Peru has also issued €182m on the local market through a number of issues with a maturity of three years; and in Argentina, BBVA Francés has issued a total of €49m in two-year and three-year bonds, as well as making a capital increase of €400m.
- Short-term funding has continued to perform positively, in a context marked by a high level of liquidity.
- BBVA Group's liquidity coverage ratio (LCR) has remained comfortably above 100% throughout 2017, without including liquidity transfers between subsidiaries; in other words, no kind of excess liquidity levels in the subsidiaries abroad is considered in the calculation of the consolidated ratio. As of 31 December 2017, the LCR stood at 128%. Although this requirement is only established at Group level, the minimum level is easily exceeded in all the subsidiaries (Eurozone, 151%; Mexico, 148%; Turkey, 134%; and the United States, 144% [1]).

1: Compass LCR calculated according to local regulation (Fed Modified LCR).

Foreign exchange

Foreign-exchange risk management of BBVA's long-term investments, basically stemming from its franchises abroad, aims to preserve the Group's capital adequacy ratios and ensure the stability of its income statement.

The year **2017** was notable for the depreciation against the euro of the main currencies in which the Group operates: the U.S. dollar down 12.1%, the Mexican peso down 8.0% and the Turkish lira down 18.5%. In this context, BBVA has maintained its policy of actively hedging its main investments in emerging countries, covering on average between 30% and 50% of earnings expected for the fiscal year and around 70% of the excess CET1 capital ratio (which is not naturally covered by the ratio itself). In accordance with this policy, the sensitivity of the CET1 ratio to a depreciation of 10% of the main emerging currencies (Mexican peso or Turkish lira) against the euro remains at around one negative basis point for each of these currencies, and the coverage level of the expected earnings for 2018 in these two countries is around 50% in Mexico and 40% in Turkey.

Interest rates

The aim of managing **interest-rate risk** is to maintain a sustained growth of net interest income in the short and medium term, irrespective of interest-rate fluctuations, while controlling the impact on the capital adequacy ratio through the valuation of the portfolio of available-for-sale assets.

The Group's banks have fixed-income portfolios to manage the balance-sheet structure. In **2017**, the results of this management have been satisfactory, with limited risk strategies in all the Group's banks.

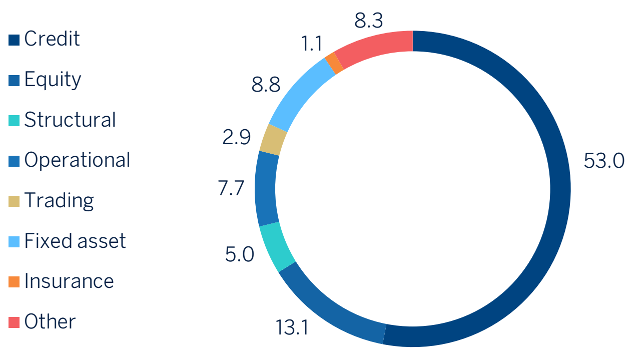
Finally, the following is worth noting with respect to the **monetary policies** pursued by the different central banks of the main geographical areas where BBVA operates:

- No relevant changes in the Eurozone, where rates remain at 0% and the deposit facility rate at -0.40%.
- In the United States the upward trend in interest rates continues, with three hikes in 2017 to 1.50%.
- In Mexico, Banxico made five interest-rate hikes during the year, leaving the monetary policy level at 7.25%.
- In Turkey, the period has been marked by the Central Bank's (CBRT's) interest-rate hikes, which have increased the average funding rate to 12.75%.
- In South America, the monetary authorities have continued their expansive policies, lowering rates in Peru (100 basis points), Colombia (275 basis points) and Chile (100 basis points). In Argentina, where inflation has resisted falling, there has been an increase of 400 basis points in the interest rate.

Economic and regulatory capital

Consumption of **economic risk capital** (ERC) at the close of December 2017 stood at €34,401m in consolidated terms, which is equivalent to a decline of 1.7% with respect to the September figure. At constant exchange rates, the variation was up 1.1%, located in: credit risk, due to an increase in activity (higher activity in Turkey and South America); trading risk; focused in Spain and Mexico; and operational risk, due to the annual update of the model. This was partially offset by a fall in the equity investment valuation, due to the decline in Telefónica's stock price; structural risk, explained by the increased hedges on the Turkish lira and Mexican peso; fixed assets; and rate interest, especially focused in Mexico. In addition to economic capital, the return on regulatory capital (RORC) is managed, with a focus on maximizing return on RWAs and the allocation of capital in the most efficient way possible.

Attributable economic risk capital breakdown
(Percentage as of December 2017)



The BBVA share

Global economic growth held steady at around 1% quarter-on-quarter in the first nine months of 2017, and latest available indicators suggest that this momentum continued into the final part of the year. Confidence data continues to improve, accompanied by a recovery in world trade and the industrial sector, while private consumption remains robust in developed countries. This positive trend reflects improved economic performance in all regions: in contrast to other post-financial crisis periods, there has been a global synchronous recovery.

With respect to the main **stock-market indices**, in Europe the Stoxx 50 and Euro Stoxx 50 closed the year with gains of 5.6% and 6.5% respectively. In Spain the Ibex 35 fell back slightly over the last three months by 3.3%, but its cumulative performance for the year has remained positive, recording a gain of 7.4%. In the United States, the S&P 500 index performed very positively during the year, with a gain of 19.4% since December 2016.

The **banking sector** in Europe has also performed positively in 2017. The European bank index Stoxx Banks, which includes British banks, gained 8.1%, while the Eurozone bank index, the Euro Stoxx Banks, was up 10.9% in the same period. In the United States the S&P Regional Banks index gained 6.0% over the year compared to the closing data as of the end of 2016.

The **BBVA share** closed 2017 at €7.11, a cumulative gain of 10.9% since December 2016. This represents a relatively better performance than the European banking sector and the Ibex 35.

BBVA share evolution compared with European indices
(Base indice 100=31-12-2016)

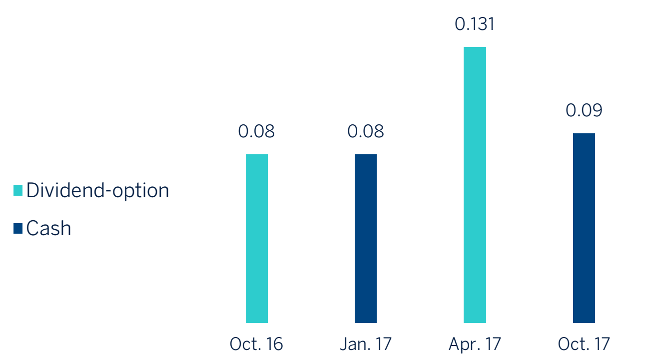
The BBVA share and share performance ratios

	31-12-17	31-12-16
Number of shareholders	891,453	935,284
Number of shares issued	6,667,886,580	6,566,615,242
Daily average number of shares traded	35,820,623	47,180,855
Daily average trading (million euros)	252	272
Maximum price (euros)	7.93	6.88
Minimum price (euros)	5.92	4.50
Closing price (euros)	7.11	6.41
Book value per share (euros)	6.96	7.22
Tangible book value per share (euros)	5.69	5.73
Market capitalization (million euros)	47,422	42,118
Yield (dividend/price; %) [1]	4.2	5.8

[1] Calculated by dividing shareholder remuneration over the last twelve months over the closing price at the end of the period.

In the Significant Event published on February 1, 2017, BBVA announced its intention of modifying its **shareholder remuneration** policy to one of a fully cash payment. This policy will be formed each year of an interim dividend (which is expected to be paid in October) and a final dividend (which will be paid out upon completion of the final year and following approval of the application of the result, foreseeably in April). These payouts will be subject to appropriate approval by the corresponding governing bodies. The Board of Directors has agreed to propose to the Annual General Meeting a cash payment in a gross amount of euro 0.15 per share to be paid in April as a final dividend for the year 2017.

Shareholder remuneration
(Euros-gross-/share)



As of December 31, 2017, the number of BBVA **shares** was still 6,668 million and the number of **shareholders** was 891,453. Investors resident in Spain holded 43.44% of share capital, while non-resident shareholders holded the remaining 56.56%.

Shareholder structure (31-12-2017)

Number of shares	Shareholders Number	Shareholders %	Shares Number	Shares %
Up to 150	184,797	20.7	13,171,010	0.2
151 to 450	182,854	20.5	49,996,632	0.7
451 to 1800	279,883	31.4	272,309,651	4.1
1,801 to 4,500	128,005	14.4	364,876,715	5.5
4,501 to 9,000	59,585	6.7	375,424,611	5.6
9,001 to 45,000	49,938	5.6	869,649,638	13.0
More than 45,001	6,391	0.7	4,722,458,323	70.8
Total	**891,453**	**100.0**	**6,667,886,580**	**100.0**

BBVA shares are listed on the main stock market indices, such as the Ibex 35, Euro Stoxx 50 and Stoxx 50, with a weighting of 8.9%, 2.0% and 1.3% respectively. They are also listed on several sector indices, including the Euro Stoxx Banks, with a weighting of 8.7%, and the Stoxx Banks, with a weighting of 4.3%.

Finally, BBVA maintains a significant presence on a number of international **sustainability indices** or ESG (environmental, social and governance) indices, which evaluate the performance of companies in this area, as summarized in the table below.

Sustainability indices on which BBVA is listed as of 31-12-2017 [1]

MSCI 2017 Constituent [1] MSCI ESG Leaders Indexes	Listed on the MSCI ESG Leaders Indexes AAA Rating
FTSE4Good	Listed on the FTSE4Good Global, FTSE4Good Europe and FTSE4Good IBEX Indexes
EURONEXT vigeo eiris INDICES	Listed on the Euronext Vigeo Eurozone 120 and Europe 120
ETHIBEL	Listed on the Ethibel Excellence Investment Register
CDP DRIVING SUSTAINABLE ECONOMIES	In 2017, BBVA obtained a "C" rating

[1] The inclusion of BBVA in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein donot constitute a sponsorship, endorsement or promotion of BBVA by MSCI or any of its affiliates. The MSCI indices are the exclusive property of MSCI. MSCI and MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Business areas

This section presents and analyzes the most relevant aspects of the Group's different business areas. Specifically, it shows a summary of the income statement and balance sheet, the business activity figures and the most significant ratios in each of them.

In 2017 the **reporting structure** of BBVA Group's business areas remained basically the same as in 2016. It is worth noting that BBVA announced the signing of two agreements, one for the sale of BBVA Chile to The Bank of Nova Scotia (Scotiabank) and another for the creation of a joint venture to which BBVA's real-estate business in Spain will be transferred for the subsequent sale of 80% of the company created to a subsidiary of Cerberus Capital Management, L.P. (Cerberus). For the purpose of the explanations given in this report, the figures for Non Core Real Estate and South America are shown on a comparable basis with previous periods, even though within the Group the operations underway that are mentioned above have been reclassified as non-current assets and liabilities held for sale. The Group's business areas are summarized below:

- **Banking activity in Spain** includes, as in previous years, the Retail Network in Spain, Corporate and Business Banking (CBB), Corporate & Investment Banking (CIB), BBVA Seguros and Asset Management units in Spain. It also includes the portfolios, finance and structural interest-rate positions of the euro balance sheet.
- **Non Core Real Estate** covers specialist management in Spain of loans to developers in difficulties and real-estate assets mainly coming from foreclosed assets, originated from both, residential mortgages, as well as loans to developers. New loan production to developers or loans that are not in difficulties are managed by Banking activity in Spain.
- **The United States** includes the Group's business activity in the country through the BBVA Compass group and the BBVA New York branch.
- **Mexico** basically includes all the banking and insurance businesses carried out by the Group in the country.
- **Turkey** includes the activity of the Garanti group.
- **South America** basically includes BBVA's banking and insurance businesses in the region.
- **The rest of Eurasia** includes business activity in the rest of Europe and Asia, i.e. the Group's retail and wholesale businesses in the area.

In addition to the above, all the areas include a remainder made up basically of other businesses and a supplement that includes deletions and allocations not assigned to the units making up the above areas.

Lastly, the **Corporate Center** is an aggregate that contains the rest of the items that have not been allocated to the business areas, as it corresponds to the Group's holding function. It includes: the costs of the head offices that have a corporate function; management of structural exchange-rate positions; specific issues of equity instruments to ensure adequate management of the Group's global solvency; portfolios and their corresponding results, whose management is not linked to customer relations, such as industrial holdings; certain tax assets and liabilities; funds due to commitments with employees; goodwill and other intangibles.

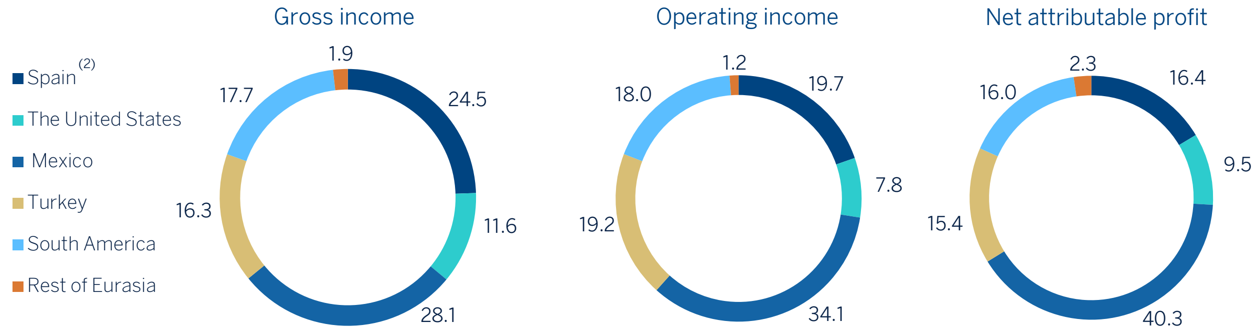
As usual, in the case of the Americas and Turkey areas, the results of applying constant **exchange rates** are given in addition to the year-on-year variations at current exchange rates.

The **information by areas** is based on units at the lowest level and/or companies making up the Group, which are assigned to the different areas according to the main geographical area in which they carry out their activity.

Major income statement items by business area (Million euros)

	BBVA Group	Business areas: Banking activity in Spain	Non Core Real Estate	The United States	Mexico	Turkey	South America	Rest of Eurasia	∑ Business areas	Corporate Center
2017										
Net interest income	17,758	3,738	71	2,158	5,437	3,331	3,200	180	18,115	(357)
Gross income	25,270	6,180	(17)	2,919	7,080	4,115	4,451	468	25,196	73
Operating income	12,770	2,802	(132)	1,061	4,635	2,612	2,444	160	13,580	(811)
Profit/(loss) before tax	6,931	1,866	(673)	784	2,948	2,147	1,691	177	8,940	(2,009)
Net attributable profit	3,519	1,381	(501)	511	2,162	826	861	125	5,363	(1,844)
2016										
Net interest income	17,059	3,877	60	1,953	5,126	3,404	2,930	166	17,514	(455)
Gross income	24,653	6,416	(6)	2,706	6,766	4,257	4,054	491	24,684	(31)
Operating income	11,862	2,837	(130)	863	4,371	2,519	2,160	149	12,769	(907)
Profit/(loss) before tax	6,392	1,268	(743)	612	2,678	1,906	1,552	203	7,475	(1,084)
Net attributable profit	3,475	905	(595)	459	1,980	599	771	151	4,269	(794)

Gross income [(1)], operating income [(1)] and net attributable profit breakdown [(1)] (Percentage. 2017)



(1) Excludes the Corporate Center.
(2) Includes the areas Banking activity in Spain and Non Core Real Estate.

Major balance sheet items and risk-weighted assets by business area (Million euros)

	BBVA Group	Business areas: Banking activity in Spain	Non Core Real Estate	The United States	Mexico	Turkey	South America	Rest of Eurasia	∑ Business areas	Corporate Center	NCA&L variation [(1)]
31-12-17											
Loans and advances to customers	387,621	183,172	3,521	54,406	45,080	51,378	48,272	14,864	400,693	-	(13,072)
Deposits from customers	376,379	177,763	13	61,357	49,414	44,691	45,666	6,700	385,604	-	(9,225)
Off-balance sheet funds	98,005	62,054	4	-	19,472	3,902	12,197	376	98,005	-	
Total assets/liabilities and equity	690,059	319,417	9,714	80,493	89,344	78,694	74,636	17,265	669,562	20,496	
Risk-weighted assets	361,686	111,825	9,691	58,682	43,715	62,768	55,665	12,916	355,260	6,426	
31-12-16											
Loans and advances to customers	414,500	181,137	5,946	61,159	46,474	55,612	48,718	15,325	414,370	130	
Deposits from customers	401,465	180,544	24	65,760	50,571	47,244	47,927	9,396	401,465	-	
Off-balance sheet funds	91,287	56,147	8	-	19,111	3,753	11,902	366	91,287	-	
Total assets/liabilities and equity	731,856	335,847	13,713	88,902	93,318	84,866	77,918	19,106	713,670	18,186	
Risk-weighted assets	388,951	113,194	10,870	65,492	47,863	70,337	57,443	15,637	380,836	8,115	

(1) Non-current assets and liabilities held for sale (NCA&L) from the BBVA Chile and real estate operations.

Once the composition of each business area has been defined, certain **management criteria** are applied, of which the following are particularly important:

- **Risk adjusted return.** Calculation of risk adjusted return per transaction, customer, product, segment, unit and/or business area is sustained on ERC, which is based on the concept of unexpected loss at a specific confidence level, depending on the Group's capital adequacy targets. The calculation of the ERC combines credit risk, market risk, structural balance-sheet risk, equity positions, operational risk, fixed-asset risk and technical risks in the case of insurance companies. These calculations are carried out using internal models that have been defined following the guidelines and requirements established under the Basel III capital accord.
- **Internal transfer prices.** BBVA Group has a transfer prices system whose general principles apply in the Bank's different entities, business areas and units.
- Allocation of **operating expenses.** Both direct and indirect costs are allocated to the business areas, except where there is no clearly defined relationship with the businesses, i.e. when they are of a clearly corporate or institutional nature for the Group as a whole.
- **Cross-selling.** In some cases, adjustments are required to eliminate shadow accounting entries that are registered in the earnings of two or more units as a result of cross-selling incentives.

Interest rates (Quarterly averages. Percentage)

	2017				2016			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Official ECB rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04
Euribor 3 months	(0.33)	(0.33)	(0.33)	(0.33)	(0.31)	(0.30)	(0.26)	(0.19)
Euribor 1 year	(0.19)	(0.16)	(0.13)	(0.10)	(0.07)	(0.05)	(0.02)	0.01
The United States Federal rates	1.30	1.25	1.05	0.80	0.55	0.50	0.50	0.50
TIIE (Mexico)	7.42	7.37	7.04	6.41	5.45	4.60	4.08	3.80
CBRT (Turkey)	12.17	11.97	11.80	10.10	7.98	7.99	8.50	8.98

Exchange rates (Expressed in currencies/euro)

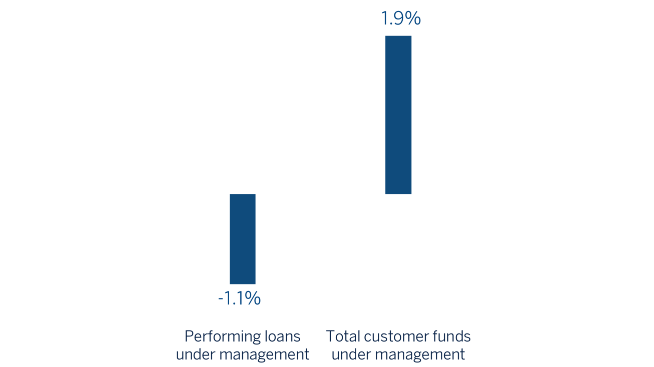
	Year-end exchange rates			Average exchange rates	
	31-12-17	Δ% on 31-12-16	Δ% on 30-09-17	2017	Δ% on 2016
Mexican peso	23.6614	(8.0)	(9.3)	21.3297	(3.1)
U.S. dollar	1.1993	(12.1)	(1.6)	1.1296	(2.0)
Argentine peso	22.5830	(26.6)	(8.2)	18.7375	(12.8)
Chilean peso	738.01	(4.7)	1.9	732.60	2.2
Colombian peso	3,584.23	(11.7)	(3.1)	3,333.33	1.4
Peruvian sol	3.8813	(9.0)	(0.7)	3.6813	1.4
Venezuelan bolivar	18,181.82	(89.6)	(66.7)	18,181.82	(89.6)
Turkish lira	4.5464	(18.5)	(7.6)	4.1213	(18.9)

Banking activity in Spain

Highlights

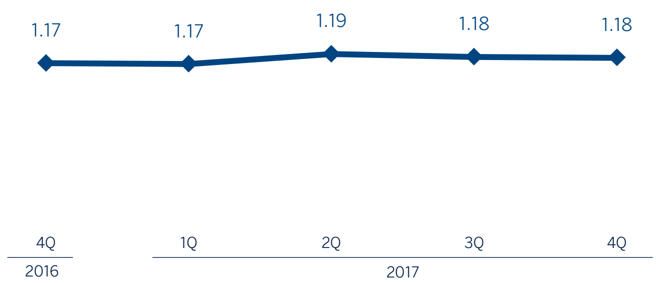
- Deleveraging and increase in more liquid resources and off-balance-sheet continue.
- Good performance of net fees and commissions.
- Reduction of operating expenses.
- Solid asset-quality indicators.

Business activity [(1)]
(Year-on-year change. Data as of 31-12-2017)

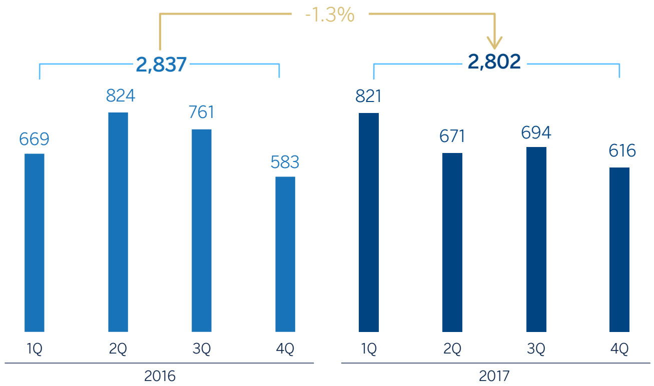


[(1)] Excluding repos.

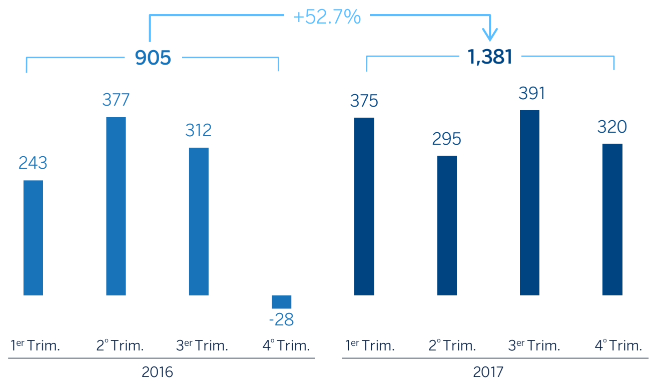
Net interest income/ATAs
(Percentage)



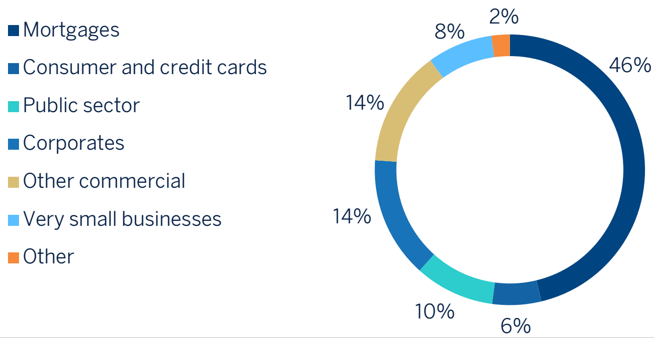
Operating income
(Million euros)



Net attributable profit
(Million euros)

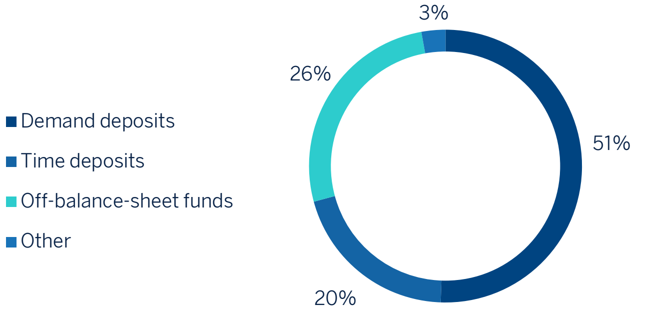


Breakdown of performing loans under management [(1)]
(31-12-2017)



[(1)] Excluding repos.

Breakdown of customer funds under management [(1)]
(31-12-2017)



[(1)] Excluding repos.

Macro and industry trends

According to the latest information from the National Institute of Statistics (INE, according to the acronym in Spanish), the Spanish **economy** once more registered quarterly growth of 0.8% in the third quarter of 2017, maintaining relative stability over the year, thanks to stronger domestic demand. The most recent indicators point to slight moderation in the final part of the year, in a context of greater uncertainty, although the factors underlying growth continue in place and still suggest a solid growth in GDP. There is still a positive inertia in the data on activity and employment, as well as a more favorable global environment, while monetary policy continues expansive. As a result, GDP growth in the Spanish economy could be more than 3% 2017 as a whole.

Regarding the Spanish **banking system**, data from the Bank of Spain show that the total volume of private-sector lending (families and companies) continued its declining trend over the year (down 1.8% in the last twelve months through November 2017). However, since August there have been signs of a slight upturn in the total volume of credit in the economy, although it is still too weak to consider confirm that there has been a turning point. The cumulative volume of new lending through November 2017 showed year-on-year growth of 5.5%, with a rise in all portfolios (up 8.1% in the case of new lending to households and SMEs, which has risen consistently for 47 consecutive months). Non-performing loans in the sector continue to improve. As of November 2017, the NPL ratio was down until 8.1%, more than one percentage point below the previous year's figure, despite the year-on-year fall in the lending volume. This improvement is therefore due to the reduction of the volume of non-performing assets in the system (down 13.9% in the last twelve months to November 2017 and down 48% compared to the the maximum figure reached as of December 2013). The system's liquidity position continues to be comfortable. The funding gap (difference between the volume of loans and total deposits) fell to €129 billion, 5% of the total balance sheet of the system.

Activity

As of December 31, 2017, **lending** (performing loans under management) were down by 1.1% compared to the figure in December 2016 (up 0.6% over the quarter). This was primarily driven by a reduction in the mortgage (down 5.3% over the last twelve months and down 1.2% over the quarter) and the public sector portfolios (down 12.7% and 5.1% respectively). In contrast, commercial loans (up 6.4% since the close of 2016 and up 2.7% in the quarter), small businesses loans (up 2.7% and 2.6%, respectively), and consumer finance (up 46.0% and 13.8% respectively), have performed well, driven by the good performance of new loan

Financial statements and relevant business indicators
(Million euros. Percentage)

Income statement	2017	∆%	2016
Net interest income	**3,738**	**(3.6)**	**3,877**
Net fees and commissions	1,561	5.7	1,477
Net trading income	555	(29.4)	786
Other income/expenses	327	17.9	277
of which insurance activities [1]	438	9.6	400
Gross income	**6,180**	**(3.7)**	**6,416**
Operating expenses	(3,378)	(5.6)	(3,579)
Personnel expenses	(1,916)	(4.2)	(2,000)
Other administrative expenses	(1,150)	(8.1)	(1,251)
Depreciation	(313)	(4.4)	(327)
Operating income	**2,802**	**(1.3)**	**2,837**
Impairment on financial assets (net)	(567)	(25.7)	(763)
Provisions (net) and other gains (losses)	(369)	(54.3)	(807)
Profit/(loss) before tax	**1,866**	**47.2**	**1,268**
Income tax	(482)	33.9	(360)
Profit/(loss) for the year	**1,384**	**52.5**	**908**
Non-controlling interests	(3)	(3.6)	(3)
Net attributable profit	**1,381**	**52.7**	**905**

[1] Includes premiums received net of estimated technical insurance reserves.

Balance sheets	31-12-17	∆%	31-12-16
Cash, cash balances at central banks and other demand deposits	13,463	10.1	12,230
Financial assets	88,131	(12.2)	100,394
Loans and receivables	213,037	(0.7)	214,497
of which loans and advances to customers	183,172	1.1	181,137
Inter-area positions	1,501	(67.8)	4,658
Tangible assets	877	(38.9)	1,435
Other assets	2,409	(8.5)	2,632
Total assets/liabilities and equity	**319,417**	**(4.9)**	**335,847**
Financial liabilities held for trading and designated at fair value through profit or loss	36,817	(9.1)	40,490
Deposits from central banks and credit institutions	62,226	(5.8)	66,029
Deposits from customers	177,763	(1.5)	180,544
Debt certificates	33,301	(13.1)	38,322
Inter-area positions	-	-	-
Other liabilities	391	(68.0)	1,220
Economic capital allocated	8,920	(3.5)	9,242

Relevant business indicators	31-12-17	∆%	31-12-16
Loans and advances to customers (gross) [1]	177,764	(1.6)	180,595
Non-performing loans and contingent liabilities	10,833	(8.3)	11,819
Customer deposits under management [1]	173,283	(0.9)	174,809
Off-balance-sheet funds [2]	62,054	10.5	56,147
Risk-weighted assets	111,825	(1.2)	113,194
Efficiency ratio (%)	54.7		55.8
NPL ratio (%)	5.2		5.8
NPL coverage ratio (%)	50		53
Cost of risk (%)	0.31		0.32

[1] Excluding repos.

[2] Includes mutual funds, pension funds and other off-balance-sheet funds.

production with cumulative year-on-year growth rates of 10.4% for businesses (including small businesses up to large corporations) and of 34.7% in consumer finance. It is worth noting that in 2017 there was a transfer of the outstanding portfolio of performing loans to developers for an amount exceeding €1bn from Non Core Real-Estate to Banking Activity in Spain.

Regarding **asset quality**, there was a further decline in NPLs balance. This decline has had a positive impact on the NPL ratio, which fell by 8 basis points over the last three months to 5.2%. The NPL coverage ratio stood at 50%.

Customer **deposits** under management were slightly reduced (down 0.9%) compared to the figure as of December 2016. By products, there was a further decline in time deposits (down 32.7% year-on-year and down 16.9% in the quarter), once again partially offset by an increase in current and savings accounts (up 20.2% and 6.3% respectively) and **off-balance-sheet funds**. The latter have continued their positive trend, with a year-on-year growth of 10.5% and 3.3% over the quarter. This performance was largely the result of increases in mutual funds (up 16.4% and 4.7%, respectively), and to a lesser extent, an increase in pension funds (up 2.4% and 1.3%, respectively).

Results

The key aspects of the income statement in the area are:

- Fourth quarter **net interest income** was up 2.1% on the figure for the previous quarter. However, the 3.6% year-on-year cumulative decline in this item is the result of lower loan volumes and sales of wholesale portfolios.
- Good performance of **net fees and commissions**, thanks mainly to the positive contribution from wholesale businesses and the increase of those coming from mutual funds. They have increased by 5.7% compared to the figure at the end of 2016.
- Smaller contribution from **NTI** relative to the figure for 2016, strongly affected by capital gains (€138m before tax) from the VISA deal in the second quarter of the previous year.
- Year-on-year increase of 17.9% in **other income/expenses**. Under this category it is worth highlighting the performance of the insurance activity, whose net result (included in this heading) grew by 9.6%, strongly linked to the increase in new policies contracting during the period and the low claims ratio.
- As a result, **gross income** declined by 3.7% year-on-year, mainly due to a smaller volume of lending, sales of wholesale portfolios and the NTI generated in the 2016 VISA deal.
- Very positive trend in **operating expenses**, which declined by 5.6% on the same period of 2016 (down 0.8% in the last quarter). This reduction was again linked to the synergies related to the integration of CX and the ongoing implementation of efficiency plans.
- As a result, the **efficiency ratio** closed the year at 54.7% (55.8% in 2016) and **operating income** was barely 1.3% below the figure registered in the previous year.
- **Impairment losses on financial assets** have declined 25.7% year-on-year as a result of lower loan-loss provisioning needs. The area's cumulative cost of risk continues improving, standing at 0.31% as of 31-Dec-2017.
- Finally, the **provisions (net) and other gains (losses)** heading fell year-on-year by 54.3%, basically because in the fourth quarter of 2016 there was a charge of €577m before taxes (€404m after taxes) to cover the contingency of future claims by customers linked to the decision of the CJEU on "mortgage floor clauses" in consumer mortgage loans. This item also includes the costs resulting from the restructuring process involved.

As a result, the **net attributable profit** generated by Banking Activity in Spain in 2017 stood at €1,381m, a year-on-year increase of 52.7%, strongly influenced by the positive performance in the year of net fees and commissions, operating expenses and loan-loss provisions. Moreover, the figures for 2016 were influenced by the charge to cover the contingency for the aforementioned "mortgage floor clauses". Excluding this charge, the year-on-year profit of the area would grow by 5.5%.

Non Core Real Estate

Highlights

- **Positive trend in Spanish real-estate sector figures continues.**
- **Agreement with Cerberus for the transfer of real-estate assets to a new company and subsequent sale of 80% of this company to Cerberus.**
- **Further decline in net exposure, NPLs and losses.**

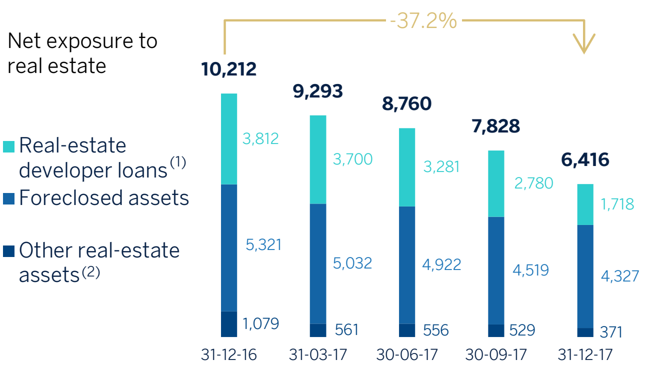
Industry trends

The **real-estate market** remains on an upward path. According to the latest available information from the Quarterly National Accounting for the third quarter of 2017, investment in housing increased by 0.7% over the previous quarter.

The most recent data from the General Council of Spanish Notaries (CIEN) shows that 432,500 **homes** were sold in Spain during the first ten months of 2017, a year-on-year increase of 16.4%. This trend reflects the growth of the economy and its capacity to generate employment, against a backdrop of low interest rates that is boosting new lending for home purchases. In addition, household confidence in the future of the economy has remained relatively high.

Growth of demand in a context of declining housing stock once more resulted in an increase in **prices** in the third quarter of 2017: According to data from the INE for the close of the third quarter, housing prices increased by 6.6% in year-on-year terms, one percentage point more than in the previous quarter. This is also the biggest rate of growth since the series was created in the first quarter of 2007.

Evolution of Net exposure to real estate (Million euros)



Monetary policy has continued to maintain the cost of finance at relatively low levels, which has encouraged people to take out **mortgage loans**. The 12-month Euribor hit a new low in December (-0.190%). New residential mortgage lending, without stripping out refinancing, increased by 16.4% year-on-year in the first eleven months of the year, according to data from the Bank of Spain. Taking into account refinancing, new lending increased 1.7% in the same period.

Finally, **construction activity** is still responding to the positive impetus from demand. According to data from the Ministry of Public Works, nearly 68,100 new housing construction permits were approved from January to October 2017, up 28.0% on the figure from the same period in 2016.

Coverage of real-estate exposure (Million euros as of 31-12-2017)

	Gross Value	Provisions	Net exposure	% Coverage
Real-estate developer loans (1)	**3,146**	**1,428**	**1,718**	**45**
Performing	**530**	**15**	**515**	**3**
Finished properties	462	12	449	3
Construction in progress	11	0	11	2
Land	44	2	41	5
Without collateral and other	13	1	13	6
NPL	**2,616**	**1,412**	**1,203**	**54**
Finished properties	1,285	588	697	46
Construction in progress	38	14	23	38
Land	1,056	658	398	62
Without collateral and other	237	152	85	64
Foreclosed assets	**11,686**	**7,359**	**4,327**	**63**
Finished properties	7,100	3,938	3,162	55
Construction in progress	541	359	182	66
Land	4,045	3,062	983	76
Other real-estate assets (2)	**981**	**609**	**371**	**62**
Real-estate exposure	**15,813**	**9,396**	**6,416**	**59**

(1) Compared to Bank of Spain's Transparency scope (Circular 5/2011 dated November 30), real-estate developer loans do not include €2.1 Bn (December 2017) mainly related to developer performing loans transferred to the Banking activity in Spain area.
(2) Other real-estate assets not originated from foreclosures.

Activity

BBVA has taken another highly significant step forward in its **strategy** of reducing real-estate exposure. In the fourth quarter of 2017, BBVA reached an agreement with a subsidiary of Cerberus to create a joint venture to which part of BBVA's real-estate business in Spain will be transferred. The business includes: (i) foreclosed real-estate assets, as described in the Significant Event published on November 29, 2017, for a gross value of approximately €13 billion (based on their situation as of June 26, 2017); and (ii) the assets and employees needed to manage the activity in an autonomous manner. In executing this agreement, BBVA will transfer the business to a single company, and at the closing date of the transaction, it will sell 80% of the shares in the said company to Cerberus.

For the purpose of this agreement, the business has been valued at approximately €5 billion, so the sale of 80% of the shares would amount to €4 billion. The final price paid will be determined by the volume of assets actually provided, which may vary depending on factors such as sales between the reference date of June 26, 2017 and the closing date of the transaction and compliance with the normal conditions for transactions of this type. At the close of the transaction, which is expected to take place in the second half of 2018, and once the volume of assets actually transferred is known, its final impact will be determined both in the net attributable profit and in the Group's capital ratios.

From the point of view of **loans to developers**, it is worth noting that in 2017, the outstanding performing portfolio was transferred from Non Core Real Estate to Banking Activity in Spain for an amount exceeding €1bn.

Thus, as of 3December 31, 2017, the net **exposure** to the real-estate sector of €6,416m was down by 37.2% in year-on-year terms, due basically to the wholesale operations carried out over the year. These figures include all the assets in the Cerberus agreement, which will not mean a reduction in exposure until the transaction has been completed.

With respect to **sales**, 25,816 units were sold in 2017 for a total sale price of €2,121m. This represents a significant increase on 2016, both in the number of units and price.

Total real-estate exposure, including loans to developers, foreclosed and other assets, was reflected in a **coverage** ratio of 59% at the end of December 2017. The coverage ratio of foreclosed assets rose to 63%, a relatively high percentage given the proportion of these assets on the balance sheet.

Non-performing loans fell again, thanks to a low volume of net additions to NPL over the period and the sale of a non-performing loan portfolio in the third quarter. The NPL coverage ratio closed 31-Dec-2017 at 56%.

Results

This business area posted a cumulative **loss** of €501m in 2017, compared with the loss of €595m in 2016. This illustrates a decline in losses, together with a very significant reduction in real-estate exposure.

Financial statements (Million euros)

Income statement	2017	Δ%	2016
Net interest income	**71**	**19.5**	**60**
Net fees and commissions	3	(50.7)	6
Net trading income	0	n.s.	(3)
Other income/expenses	(91)	33.2	(68)
Gross income	**(17)**	**157.8**	**(6)**
Operating expenses	(115)	(7.1)	(124)
Personnel expenses	(63)	(4.5)	(66)
Other administrative expenses	(34)	11.3	(31)
Depreciation	(18)	(33.8)	(27)
Operating income	**(132)**	**1.2**	**(130)**
Impairment on financial assets (net)	(138)	0.4	(138)
Provisions (net) and other gains (losses)	(403)	(15.2)	(475)
Profit/(loss) before tax	**(673)**	**(9.4)**	**(743)**
Income tax	170	15.4	148
Profit/(loss) for the year	**(502)**	**(15.6)**	**(595)**
Non-controlling interests	1	n.s.	(0)
Net attributable profit	**(501)**	**(15,8)**	**(595)**

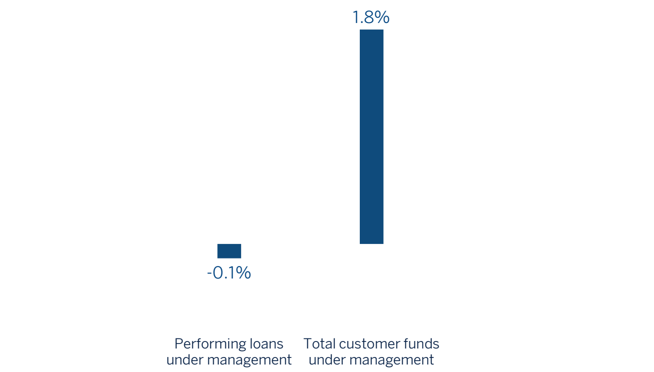
Balance sheet	31-12-17	Δ%	31-12-16
Cash, cash balances at central banks and other demand deposits	12	30.3	9
Financial assets	1,200	108.9	575
Loans and receivables	3,521	(40.8)	5,946
of which loans and advances to customers	3,521	(40.8)	5,946
Inter-area positions	-	-	-
Tangible assets	0	-	464
Other assets	4,981	(25.9)	6,719
Total assets/liabilities and equity	**9,714**	**(29.2)**	**13,713**
Financial liabilities held for trading and designated at fair value through profit or loss	-	-	-
Deposits from central banks and credit institutions	-	-	-
Deposits from customers	13	(47.6)	24
Debt certificates	785	(5.8)	834
Inter-area positions	5,775	(39.3)	9,520
Other liabilities	(0)	(62.7)	(0)
Economic capital allocated	3,141	(5.8)	3,335
Memorandum item:			
Risk-weighted assets	9,691	(10.8)	10,870

The United States

Highlights

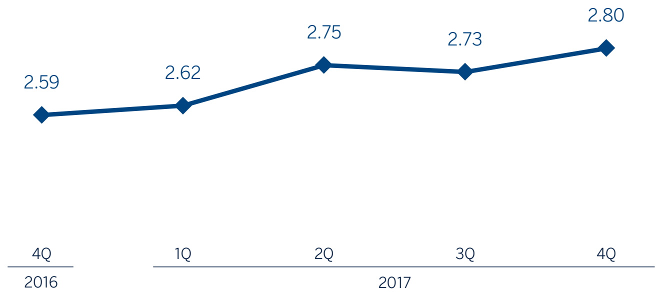
- Lending remained stable over the year.
- Increase in deposits from customers.
- Positive performance of net interest income and net fees and commissions.
- Solid risk indicators.
- Higher income tax charge due to the tax reform approved at the end of 2017.

Business activity [(1)]
(Year-on-year change at constant exchange rate. Data as of 31-12-2017)

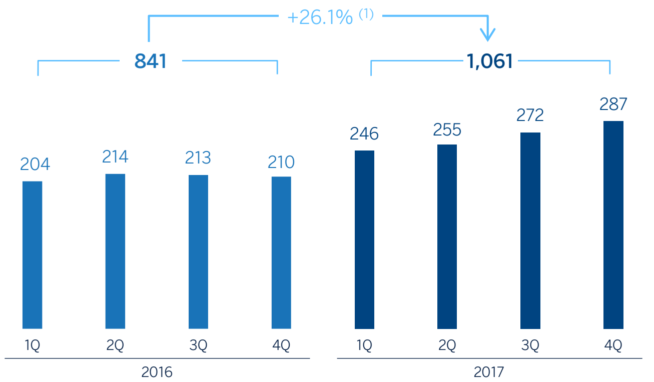


[(1)] Excluding repos.

Net interest income/ATAs
(Percentage. Constant exchange rate)

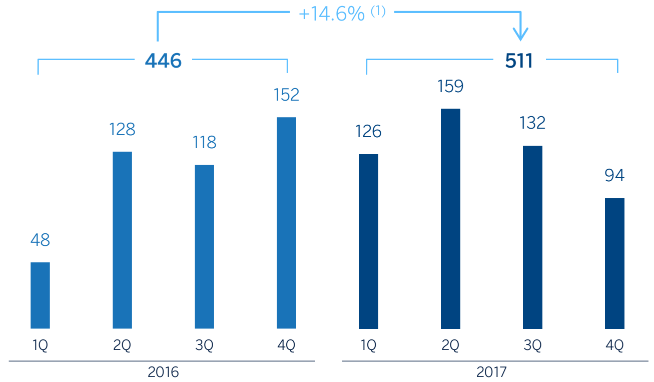


Operating income
(Million euros at constant exchange rate)



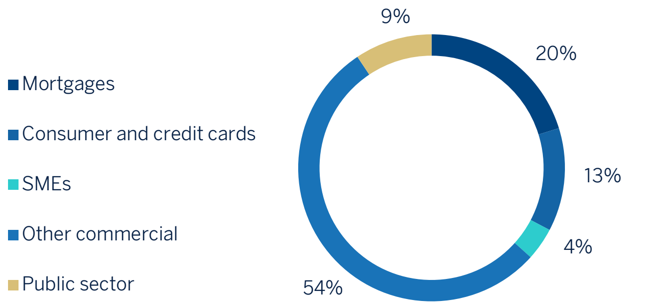
[(1)] At current exchange rate: +22.9%.

Net attributable profit
(Million euros at constant exchange rate)



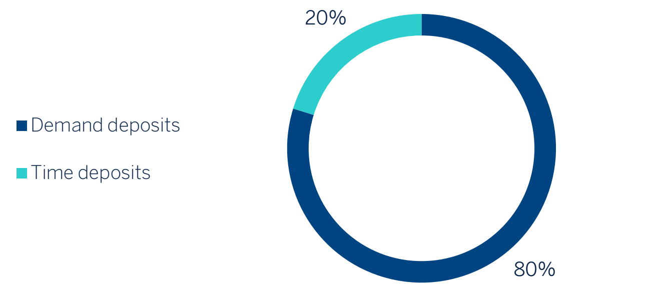
[(1)] At current exchange rate: +11.3%.

Breakdown of performing loans under management [(1)]
(31-12-2017)



[(1)] Excluding repos.

Breakdown of customer funds under management [(1)]
(31-12-2017)



[(1)] Excluding repos.

Macro and industry trends

According to the latest information from the Bureau of Economic Analysis (BEA), U.S. **GDP** grew again by over 3% in the third quarter of 2017 in annualized terms, consolidating the recovery after significant moderation at the end of 2016. The strength of the economy has benefited from a number of factors: The increased price of oil and the depreciation of the dollar boosted investment, while rising global demand favored the growth of exports. Consumer spending grew at a relatively stable and robust rate, despite the slowdown in the improvement of the labor market, an increase in inflation and slightly tougher financial conditions. The most recent indicators suggest economic activity slowed in the last quarter of the year, although this is temporary, following the end of the reconstruction work in the wake of the hurricanes. In all, the GDP may have closed the year with an increase of more than 2% in 2017, with a more balanced growth supported by both consumption and investment.

With regard to the **currency** market, the dollar's significant depreciation against the euro since the second quarter of 2017 was consolidated in the second half of the year, which recorded a year-on-year depreciation of 12.1%. This trend reflected on the one hand the progressive manner in which the Fed is carrying out the process of normalizing its monetary policy; and on the other, an economic performance in Europe that was somewhat better than expected, with the ECB announcing a gradual withdrawal of stimuli.

The U.S. **banking system** is in a very strong position. According to the latest available data from the Fed through November 2017, the total volume of bank credit in the system increased by 5.3% over the last twelve months. Growth of 2.6% recorded in the portfolios of lending to the real-estate sector (including residential mortgage loans) and 9.8% in consumer finance offset the 1.9% reduction in commercial lending. Non-performing loans in the system remained under control, with an NPL ratio of 1.82% at the close of 2017. Deposits were stable, with only a slight fall of 0.3% (November data).

Activity

All the comments below on rates of change, for both activity and earnings, will be given at constant exchange rate, unless expressly stated otherwise. These rates, together with changes at current exchange rate, can be seen in the attached tables of financial statements and relevant business indicators.

Following the increase in the third quarter of 2017, **lending activity** (performing loans under management) in the area grew again by 1.0% in the last quarter of the year. As a result, the balance of lending as of 31-Dec-2017 was practically the same as of the close of 2016 (down 0.1%). By portfolio, the

Financial statements and relevant business indicators
(Million euros. Percentage)

Income statement	2017	Δ%	Δ% (1)	2016
Net interest income	**2,158**	**10.5**	**13.0**	**1,953**
Net fees and commissions	647	1.5	4.1	638
Net trading income	111	(22.2)	(19.6)	142
Other income/expenses	2	n.s.	n.s.	(27)
Gross income	**2,919**	**7.9**	**10.5**	**2,706**
Operating expenses	(1,858)	0.8	3.2	(1,843)
Personnel expenses	(1,067)	(0.5)	1.8	(1,073)
Other administrative expenses	(604)	4.2	6.7	(580)
Depreciation	(187)	(1.9)	0.2	(190)
Operating income	**1,061**	**22.9**	**26.1**	**863**
Impairment on financial assets (net)	(241)	8.9	10.8	(221)
Provisions (net) and other gains (losses)	(36)	19.2	23.1	(30)
Profit/(loss) before tax	**784**	**28.2**	**31.8**	**612**
Income tax	(273)	78.6	83.0	(153)
Profit/(loss) for the year	**511**	**11.3**	**14.6**	**459**
Non-controlling interests	-	-	-	-
Net attributable profit	**511**	**11.3**	**14.6**	**459**

Balance sheets	31-12-17	Δ%	Δ% (1)	31-12-16
Cash, cash balances at central banks and other demand deposits	11,089	39.3	58.4	7,963
Financial assets	11,154	(23.5)	(13.0)	14,581
Loans and receivables	55,419	(12.0)	0.1	62,962
of which loans and advances to customers	54,406	(11.0)	1.2	61,159
Inter-area positions	-	-	-	-
Tangible assets	658	(16.3)	(4.8)	787
Other assets	2,172	(16.7)	(5.3)	2,609
Total assets/liabilities and equity	**80,493**	**(9.5)**	**3.0**	**88,902**
Financial liabilities held for trading and designated at fair value through profit or loss	139	(95.2)	(94.5)	2,901
Deposits from central banks and credit institutions	3,663	5.5	20.0	3,473
Deposits from customers	61,357	(6.7)	6.2	65,760
Debt certificates	2,017	(17.5)	(6.2)	2,446
Inter-area positions	4,965	1.9	15.9	4,875
Other liabilities	5,560	(8.4)	4.2	6,068
Economic capital allocated	2,791	(17.4)	(6.0)	3,379

Relevant business indicators	31-12-17	Δ%	Δ% (1)	31-12-16
Loans and advances to customers (gross) (2)	55,122	(11.1)	1.2	62,000
Non-performing loans and contingent liabilities	696	(28.6)	(18.8)	976
Customer deposits under management (2)	56,547	(10.5)	1.8	63,195
Off-balance-sheet funds (3)	-	-	-	-
Risk-weighted assets	58,682	(10.4)	1.9	65,492
Efficiency ratio (%)	63.7			68.1
NPL ratio (%)	1.2			1.5
NPL coverage ratio (%)	104			94
Cost of risk (%)	0.42			0.37

(1) Figures at constant exchange rate.

(2) Excluding repos.

(3) Includes mutual funds, pension funds and other off-balance-sheet funds.

growth was mainly focused on consumer finance and credit cards (up 3.5% in the quarter and 5.0% year-on-year), a portfolio with greater spread and thus more profitable; commercial loans (up 3.7% and 1.5% respectively) and the public sector (up 12.6% and 27.1% respectively).

With respect to **asset quality**, risk indicators in the area continued to be sound. The NPL ratio closed the year at 1.2% and the NPL coverage ratio at 104%.

Customer **deposits** under management increased both over the last twelve months (up 1.8%) and in the quarter (up 6.5%), thanks to the good performance of the more liquid lower-cost funds, such as current and savings accounts (up 3.4% year-on-year and 4.4% quarter-on-quarter). Time deposits grew significantly in the quarter (up 13.8%), although in year-on-year terms they fell by 5.6%.

Results

The United States generated a cumulative net attributable **profit** in 2017 of €511m, 14.6% up on the previous year, primarily due to the good performance of the more recurring revenue items. The most relevant aspects of the area's income statement are as follows:

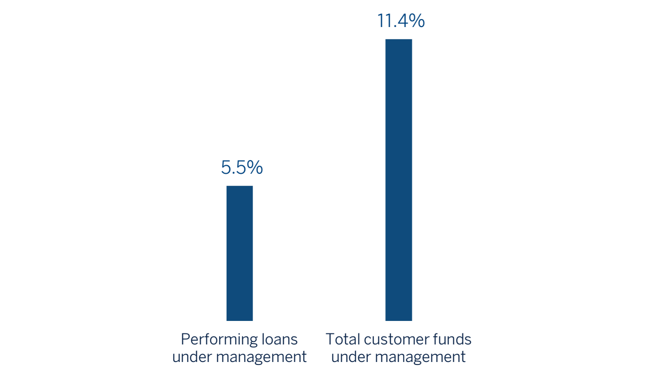
- **Net interest income** continued to perform positively, with a cumulative figure rising by 13.0% in year-on-year terms. This was due to the combined result of the strategic measures adopted by BBVA Compass to improve loan yields and reduce the cost of liabilities (deposits and wholesale funding), as well as the Fed's interest-rate hikes (December 2016, March and June 2017).
- **Income from fees and commissions** increased by 4.1%. There was an outstanding performance in practically all items, notably those from account maintenance, asset management and retail investment banking (securities transactions, annuity sales, structured notes and life insurance).
- Reduction of 19.6% in **NTI** compared with the figure for the previous year. The positive performance of the Global Markets unit, particularly early in the year, has not been sufficient to offset the capital gains from portfolio sales in 2016.
- Increase of 3.2% in **operating expenses**, focused above all on administration costs. Within this item, general expenses showed an increase in costs related to IT, consulting and marketing.
- **Impairment losses on financial assets** increased by 10.8% on the previous year, due partly to the inclusion of provisions allocated as a result of the estimated negative impact of the natural disasters in the third quarter and higher loan-loss provisioning related to consumer portfolio. Despite the above, the cumulative cost of risk as of 31-Dec-2017 was 0.42%, three basis points below the cumulative figure as of 30-Sep-2017 (0.37% in 2016).
- Finally, **income tax** included a charge of €78m in the fourth quarter of 2017 as a result of the tax reform approved at the end of the year, which reduced the corporate tax rate from 35% to 21%, and as a result the value of deferred tax assets. However, the lower tax rate in 2018 should have a positive impact on earnings in the area.

Mexico

Highlights

- Good performance in activity.
- Positive trend in gross income.
- Costs continue to increase below gross income, and double-digit year-on-year growth in net attributable profit.
- Stable asset quality indicators.

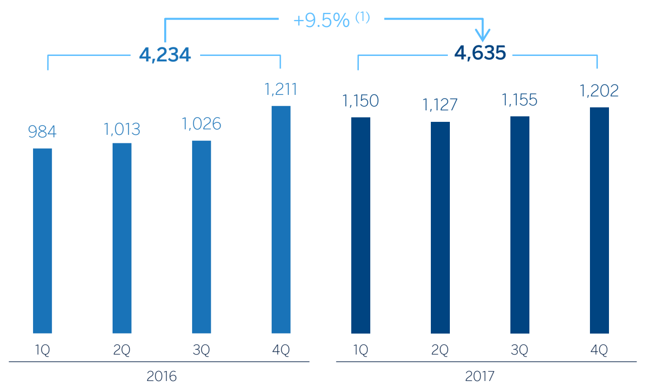
Business activity [1]
(Year-on-year change at constant exchange rate. Data as of 31-12-2017)



[1] Excluding repos.

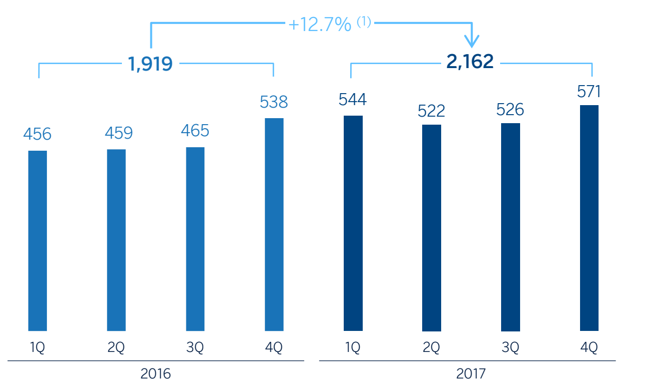
Net interest income/ATAs
(Percentage. Constant exchange rate)

Operating income
(Million euros at constant exchange rate)



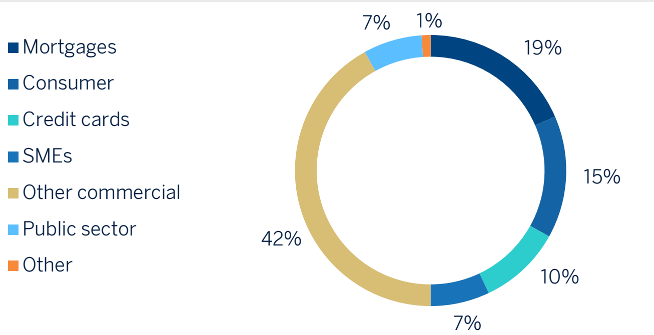
[1] At current exchange rate: +6.0%.

Net attributable profit
(Million euros at constant exchange rate)



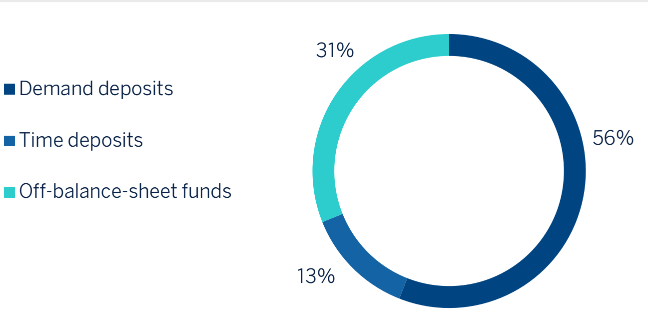
[1] At current exchange rate: +9.2%.

Breakdown of performing loans under management [1]
(31-12-2017)



[1] Excluding repos.

Breakdown of customer funds under management [1]
(31-12-2017)



[1] Excluding repos.

Macro and industry trends

Following the slowdown of **activity** in Mexico in the first half of 2017, the negative impact of natural phenomena led to a 0.3% quarterly decline in the third quarter. The adverse effect was noted in more sluggish consumption, also affected by increased inflation, and the decline in oil production and construction. However, this fall should be temporary and improve steadily with the boost from consumption of goods and services to help the victims of the disasters. As a result, GDP growth could have moderated to around 2% in 2017 as a whole, mainly supported by private consumption. However, investment was affected by the increased uncertainty linked to the negotiations of the trade agreement with the United States.

The significant depreciation of the peso in the first half of 2017 affected the behavior of **inflation** over the year, which remained high and reached rates of around 6.5% in recent months. In this context, **Banxico** increased interest rates by 150 basis points to 7.25%. Despite the uncertainty and volatility, the depreciation of the peso has been checked, so this effect on inflation began to decline in recent months.

The Mexican **banking system** has sustained excellent capital adequacy and asset quality levels over recent years. According to data released by the National Securities Banking Commission (CNBV, according to its acronym in Spanish), the capital adequacy ratio rose slightly to 15.73% in the third quarter. All the banks in the system registered ratios well above minimum requirements. The data on activity remained as strong as in previous quarters, with year-on-year growth in total lending of 8.9% and the total volume of deposits of 10.0%, as of November 2017. By portfolios, commercial loans grew by 12.2%, consumer finance by 8.5% and residential mortgage loans by 8.7%. Non-performing loans remained under control, with an NPL ratio of 2.2%, slightly below the November 2016 figure. The NPL coverage ratio remained relatively stable over the last twelve months, at 155%. Demand deposits grew by 8.6% to November 2017 in year-on-year terms, while time deposits increased by 19.4%.

Activity

All rates of change given below, for both activity and earnings, will be given at constant exchange rate, unless expressly stated otherwise. These rates, together with changes at current exchange rate, can be seen in the attached tables of financial statements and relevant business indicators.

BBVA's **lending** (performing loans under management) in Mexico increased by 5.5% since December 2016 and 0.9% over the fourth quarter. As a result, BBVA Bancomer has retained its leadership position, with a market share for its performing portfolio of 23.0% (according to the latest local information from the CNBV as of November 2017).

Financial statements and relevant business indicators
(Million euros. Percentage)

Income statement	2017	∆%	∆% [1]	2016
Net interest income	**5,437**	**6.1**	**9.5**	**5,126**
Net fees and commissions	1,217	5.9	9.3	1,149
Net trading income	249	12.3	15.9	222
Other income/expenses	177	(34.4)	(32.2)	270
Gross income	**7,080**	**4.6**	**8.0**	**6,766**
Operating expenses	(2,445)	2.1	5.3	(2,396)
Personnel expenses	(1,051)	0.3	3.5	(1,048)
Other administrative expenses	(1,138)	3.3	6.7	(1,101)
Depreciation	(256)	3.8	7.2	(247)
Operating income	**4,635**	**6.0**	**9.5**	**4,371**
Impairment on financial assets (net)	(1,652)	1.6	4.9	(1,626)
Provisions (net) and other gains (losses)	(35)	(47.8)	(46.2)	(67)
Profit/(loss) before tax	**2,948**	**10.1**	**13.6**	**2,678**
Income tax	(786)	12.8	16.4	(697)
Profit/(loss) for the year	**2,162**	**9.2**	**12.7**	**1,981**
Non-controlling interests	(0)	(42.5)	(40.6)	(1)
Net attributable profit	**2,162**	**9.2**	**12.7**	**1,980**

Balance sheets	31-12-17	∆%	∆% [1]	31-12-16
Cash, cash balances at central banks and other demand deposits	4,882	(6.0)	2.2	5,192
Financial assets	28,541	(8.7)	(0.8)	31,273
Loans and receivables	46,977	(2.1)	6.4	47,997
of which loans and advances to customers	45,080	(3.0)	5.4	46,474
Tangible assets	1,749	(10.6)	(2.8)	1,957
Other assets	7,195	4.3	13.3	6,900
Total assets/liabilities and equity	**89,344**	**(4.3)**	**4.1**	**93,318**
Financial liabilities held for trading and designated at fair value through profit or loss	9,405	(5.6)	2.6	9,961
Deposits from central banks and credit institutions	5,769	(2.6)	5.9	5,923
Deposits from customers	49,414	(2.3)	6.2	50,571
Debt certificates	7,312	(15.1)	(7.7)	8,611
Other liabilities	13,642	(2.1)	6.3	13,941
Economic capital allocated	3,802	(11.8)	(4.2)	4,311

Relevant business indicators	31-12-17	∆%	∆% [1]	31-12-16
Loans and advances to customers (gross) [2]	46,463	(2.9)	5.5	47,865
Non-performing loans and contingent liabilities	1,124	(2.5)	6.0	1,152
Customer deposits under management [2]	43,179	2.8	11.8	41,989
Off-balance-sheet funds [3]	19,472	1.9	10.7	19,111
Risk-weighted assets	43,715	(8.7)	(0.7)	47,863
Efficiency ratio (%)	34.5			35.4
NPL ratio (%)	2.3			2.3
NPL coverage ratio (%)	123			127
Cost of risk (%)	3.30			3.40

[1] Figures at constant exchange rate.
[2] Excluding repos.
[3] Includes mutual funds, pension funds and other off-balance-sheet funds.

The weight of the retail and **wholesale** portfolios was practically equal at the end of December (51% and 49% respectively). Wholesale lending was up 5.0% on December 2016 and 0.8% over the quarter. Within the wholesale portfolio, business loans (including loans to corporate clients and mid-sized companies, not including developer mortgage loans) grew by 8.7% on the close of 2016. Lending to housing developers continued the positive trend that began in the previous quarter, with year-on-year growth of 4.6%.

The **retail** portfolio registered growth of 6.0% over the last twelve months and 1.0% in the last quarter, buoyed by lending to SMEs and auto loans, which rose by 9.0% and 11.4% respectively in year-on-year terms. Meanwhile, credit cards increased by 2.6% over the year, with new production during this period of 8.3%. The mortgage portfolio continued to show the effect of early maturities on the overall amount, which increased year-on-year by 6.4% as of 31-Dec-2017.

This lending growth has been accompanied by stable asset **quality** indicators. The NPL and NPL coverage ratios closed the year at 2.3% and 123% respectively.

Total customer **funds** (customer deposits under management, mutual funds, and other off-balance-sheet funds) posted year-on-year growth of 11.4% (up 1.3% in the fourth quarter). All items continued to perform positively: current and savings accounts rose 11.5% year-on-year (up 1.5% on the previous quarter), and time deposits grew by 13.1% (up 0.4% over the quarter). BBVA in Mexico has a profitable funding mix, with low-cost items continuing to account for over 81% of total customer deposits under management. Finally, there was also an increase in mutual funds of 9.3% year-on-year and 1.0% over the quarter.

Results

The highlights of Mexico's income statement for 2017 are as follows:

- Positive performance of **net interest income**, with a year-on-year increase of 9.5%, driven primarily by greater activity volumes and favorable customer spreads.
- Good performance of **net fees and commissions**, with growth of 9.3% over the last twelve months. They remained strongly influenced by an increased volume of transactions with credit card customers and fees from online and investment banking.
- Strong growth in **NTI** (up 15.9% year-on-year), thanks to a very good performance from the Global Markets unit, basically in the first half of the year.
- In **other income/expenses** the comparison with last year is unfavorable (down 32.2% year-on-year), mainly due to insurance activity, as a result of a higher claims rate derived from the natural disasters that took place during the year.
- **Operating expenses** continued to grow at a controlled pace (up 5.3% year-on-year), below both the area's gross income growth of 8.0% and the country's inflation rate. As a result, the **efficiency** ratio stood at 34.5%.
- Year-on-year growth in **impairment losses on financial assets** (up 4.9%) was below that registered by lending (up 5.5%). As a result, the cumulative cost of risk in the area was 3.30%, six basis points below the cumulative figure through September and ten basis points less than that in 2016.

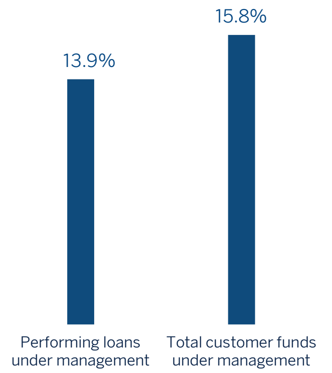
Overall, BBVA in Mexico posted a net attributable **profit** for the year of €2,162m, a year-on-year increase of 12.7%.

Turkey

Highlights

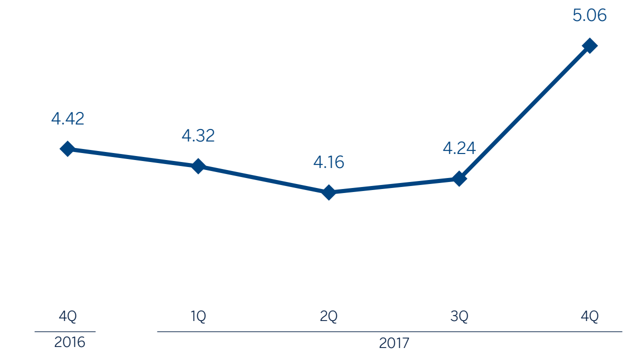
- Solid growth in activity.
- Very positive growth in more recurring revenue items.
- Operating expenses increase below the level of inflation and the rate of increase in gross income.
- Risk indicators affected by more additions to NPL from certain wholesale loans that are practically fully provisioned.

Business activity (1)
(Year-on-year change at constant exchange rate. Data as of 31-12-2017)

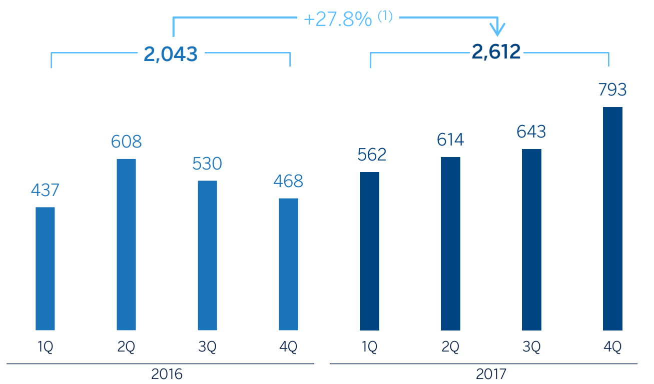


(1) Excluding repos.

Net interest income/ATAs
(Percentage. Constant exchange rate)

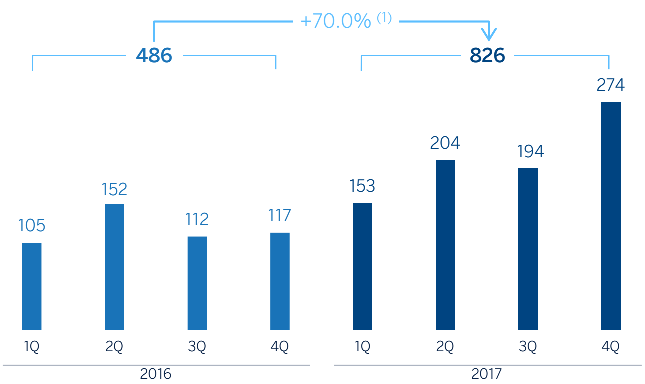


Operating income
(Million euros at constant exchange rate)



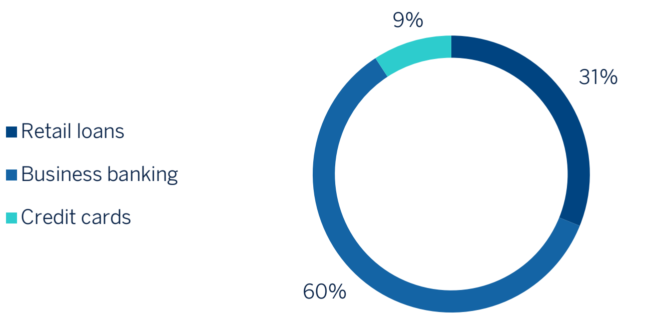
(1) At current exchange rate: +3.7%.

Net attributable profit
(Million euros at constant exchange rate)



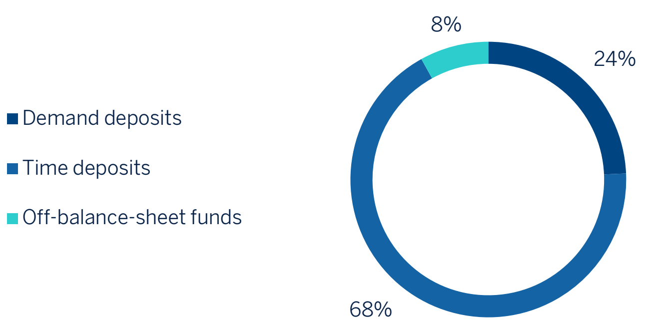
(1) At current exchange rate: +37.9%.

Breakdown of performing loans under management (1)
(31-12-2017)



(1) Excluding repos.

Breakdown of customer funds under management (1)
(31-12-2017)



(1) Excluding repos.

Macro and industry trends

According to the most recent figures from the Turkish Statistical Institute, year-on year **economic growth** rose to 11.1% in the third quarter of 2017. Government stimuli appear to be leveraging growth via private consumption, which is increasing household confidence, and by encouraging investment through access to credit facilities fostered by the Credit Guarantee Fund (CGF). BBVA Research has therefore revised its economic growth forecast up to 7% in 2017.

Annual inflation remained high, closing December at 11.9%, after reaching 13% in November, thanks to favorable base effects. The reduction was due to a significant upturn a year ago. Solid domestic demand and the exchange-rate effect increased core inflation to 12.3% at the end of 2017.

In this context of high inflation the CBRT kept its **monetary policy** tight. Since the end of last year, there has been an increase of around 450 basis points in the average funding rate, from 8.31% to 12.75%, (just over 75 basis points in the fourth quarter). The risk appetite in global financial markets will continue to have a key effect on the exchange rate.

The Turkish **financial sector** has showed signs of strength in 2017, thanks to access to the credit facilities fostered by the government-sponsored CGF program. Although the year-on-year growth rate in total lending (adjusted for the effect of the depreciation of the lira) stood at 20.5% at the end of December (compared to 20.4% as of September), the rate moderated in the second half of the year. Commercial loans ended the year with a higher growth rate than consumer loans, which is good for financial stability. Deposits from customers also maintained their strength, with year-on-year growth in December (adjusted for the effect of the depreciation of the lira) of 12.0%. Foreign-currency deposits grew by 15.3%, mainly due to the comparison with the very low figure at the same period last year, and Turkish lira deposits increased 12.6%. Lastly, the NPL ratio in the sector improved in 2017, closing the year at 2.9% (3.2% at the close of 2016).

Activity

In March 2017, BBVA completed the acquisition of an additional 9.95% stake in the share capital of Garanti, increasing BBVA's total stake in this entity to 49.85%. Garanti continues to be incorporated into the Group's financial statements by the full integration method.

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and earnings, will be given at constant exchange rate. These rates, together with changes at current exchange rate, can be seen in the attached tables of financial statements and relevant business indicators.

Financial statements and relevant business indicators
(Million euros. Percentage)

Income statement	2017	Δ%	Δ% (1)	2016
Net interest income	**3,331**	**(2.1)**	**20.6**	**3,404**
Net fees and commissions	703	(3.9)	18.5	731
Net trading income	14	(81.2)	(76.8)	77
Other income/expenses	67	46.5	80.6	46
Gross income	**4,115**	**(3.3)**	**19.2**	**4,257**
Operating expenses	(1,503)	(13.5)	6.6	(1,738)
Personnel expenses	(799)	(10.1)	10.8	(889)
Other administrative expenses	(526)	(17.2)	2.1	(635)
Depreciation	(178)	(16.7)	2.7	(214)
Operating income	**2,612**	**3.7**	**27.8**	**2,519**
Impairment on financial assets (net)	(453)	(13.0)	7.3	(520)
Provisions (net) and other gains (losses)	(12)	(87.2)	(84.2)	(93)
Profit/(loss) before tax	**2,147**	**12.7**	**38.9**	**1,906**
Income tax	(426)	9.2	34.7	(390)
Profit/(loss) for the year	**1,720**	**13.5**	**40.0**	**1,515**
Non-controlling interests	(895)	(2.4)	20.4	(917)
Net attributable profit	**826**	**37.9**	**70.0**	**599**

Balance sheets	31-12-17	Δ%	Δ% (1)	31-12-16
Cash, cash balances at central banks and other demand deposits	4,036	48.2	81.7	2,724
Financial assets	11,819	(13.5)	6.0	13,670
Loans and receivables	59,683	(7.9)	12.9	64,814
of which loans and advances to customers	51,378	(7.6)	13.3	55,612
Tangible assets	1,344	(6.0)	15.3	1,430
Other assets	1,812	(18.7)	(0.3)	2,229
Total assets/liabilities and equity	**78,694**	**(7.3)**	**13.7**	**84,866**
Financial liabilities held for trading and designated at fair value through profit or loss	648	(35.8)	(21.3)	1,009
Deposits from central banks and credit institutions	11,195	(17.0)	1.8	13,490
Deposits from customers	44,691	(5.4)	16.0	47,244
Debt certificates	8,346	5.5	29.4	7,907
Other liabilities	11,321	(12.1)	7.7	12,887
Economic capital allocated	2,493	7.0	31.3	2,330

Relevant business indicators	31-12-17	Δ%	Δ% (1)	31-12-16
Loans and advances to customers (gross) (2)	53,445	(7.8)	13.1	57,941
Non-performing loans and contingent liabilities	2,553	28.8	58.0	1,982
Customer deposits under management (2)	44,499	(6.3)	14.9	47,489
Off-balance-sheet funds (3)	3,902	4.0	27.5	3,753
Risk-weighted assets	62,768	(10.8)	9.4	70,337
Efficiency ratio (%)	36.5			40.8
NPL ratio (%)	3.9			2.7
NPL coverage ratio (%)	85			124
Cost of risk (%)	0.82			0.87

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance-sheet funds.

The growth of **lending activity** (performing loans under management) in the area rose to 13.9% in year-on-year terms, mainly driven by Turkish lira loans. By segments, business banking loans performed very favorably throughout the year, thanks to the aforementioned CGF program launched at the start of the year. General purpose loans also performed well. In mortgages, Garanti gained market share among private banks thanks to using alternative sale channels effectively and providing flexible payment plan options. Garanti also performed positively, above the average of its private-sector peers, in auto loans, and strengthened its leading position in the credit card segment, thanks to the increase in both commercial and consumer credit cards.

In terms of **asset quality**, the NPL ratio rose to 3.9% as a result of increased additions to NPLs from certain wholesale loans, although they were practically fully provisioned (with hardly any impact on results). The NPL coverage ratio closed at 85%.

Customer **deposits** remained the main source of funding for the balance sheet in the area, and grew by 14.9% in 2017 (up 4.6% in the last quarter). Both, Turkish lira and foreign currency deposits grew in year-on-year terms, with current and savings accounts performing well and continuing to support growth in net interest income growth: they have almost zero cost and represent 26% of total customer deposits in Garanti.

Results

Turkey generated a cumulative net attributable **profit** of €826m in 2017, up 70.0% compared with the figure in 2016. The most significant aspects of the year-on-year changes in the income statement were as follows:

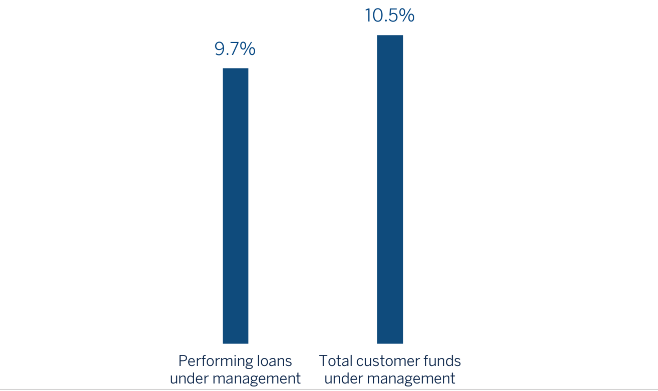
- Positive performance of **net interest income** (up 20.6%). This positive trend is a result of increased in activity, good management of customer spreads (despite the increase in cost of funding) and higher income from inflation-linked bonds (CPI linkers).
- **Income from fees and commissions** increased 18.5% year-on-year, thanks to good diversification (payment systems, money transfers, loans, insurance and brokerage). This positive performance has been achieved despite the lower generation of fees from account maintenance due to the suspension of charges in the retail segment implemented by the Turkish Council of State as of January, 2016, and the high revenues generated in 2016 by the Miles & Smiles program.
- Reduction of **NTI** (down 76.8%), mainly due to the higher base of comparison due to the capital gains generated in the first half of 2016 from the VISA deal.
- Overall, **gross income** was up 19.2% in 2017.
- **Operating expenses** increased by 6.6%, below both the inflation rate and the year-on-year growth rate in gross income, thanks to strict cost discipline. As a result, the efficiency ratio declined to 36.5% (40.8% in 2016).
- **Impairment losses on financial assets** rose by 7.3% year-on-year, less than the rise in lending activity. As a result, the cumulative cost of risk of the area closed 2017 at 0.82%, below the level of 2016 (0.87%).
- Finally, BBVA Group's additional stake of 9.95% in the capital of Garanti had a positive effect on reducing the non-controlling interest heading by approximately €150m.

South America

Highlights

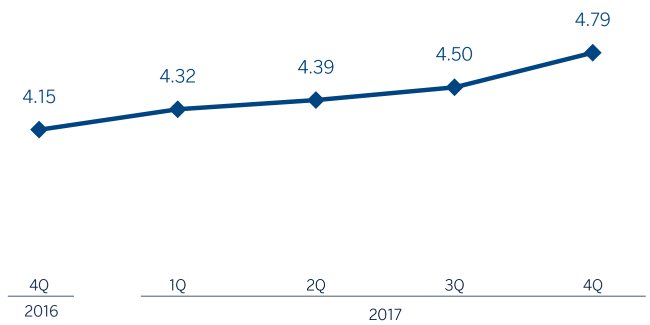
- Activity continues to grow at a good pace.
- More recurring revenue items performing very well.
- Expenses grow below gross income.
- Stable risk indicators.

Business activity [1]
(Year-on-year change at constant exchange rates. Data as of 31-12-2017)

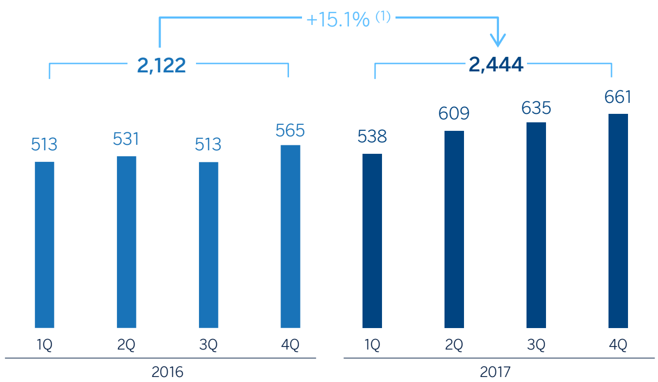


[1] Excluding repos.

Net interest income/ATAs
(Percentage. Constant exchange rates)

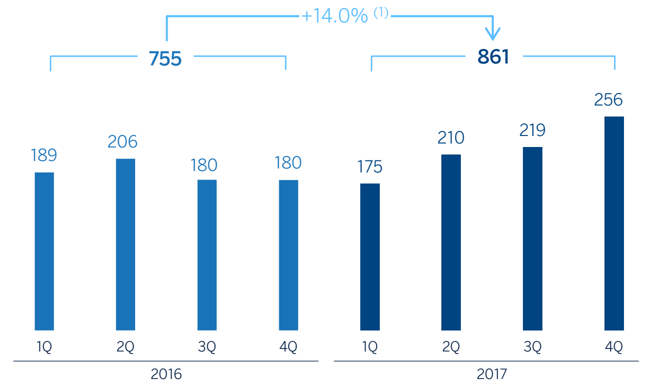


Operating income
(Million euros at constant exchange rates)



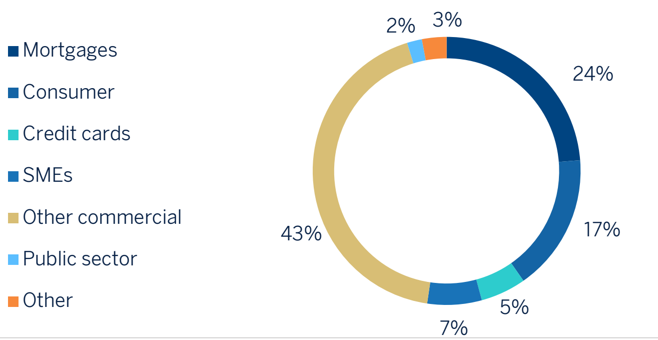
[1] At current exchange rates: +13.1%.

Net attributable profit
(Million euros at constant exchange rates)



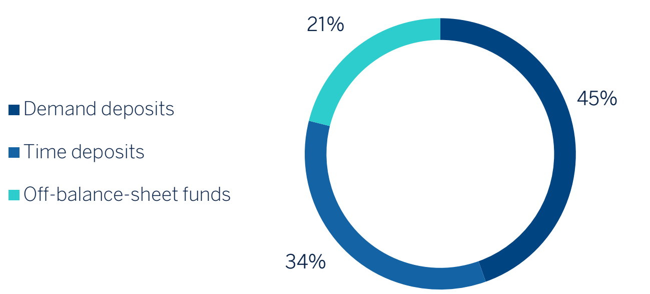
[1] At current exchange rates: +11.6%.

Breakdown of performing loans under management [1]
(31-12-2017)



[1] Excluding repos.

Breakdown of customer funds under management [1]
(31-12-2017)



[1] Excluding repos.

Macro and industry trends

The **economies** of South America consolidated their recovery in 2017, though the pace of growth was still moderate. The external environment improved due to rising global demand and commodity prices, and this was accompanied by a gradual increase in confidence among agents in the region. At the same time, the buoyant financial markets have stimulated capital flows into the emerging economies. The result has been a strong export sector, growth in investment and early signs of an improvement in consumption.

In most countries in the region, **inflation** moderated in 2017 as a result of relatively stable exchange rates and weak domestic demand. Against this backdrop of low inflationary pressure and very moderate growth, the central banks continued to apply expansive **monetary policies** (except in Argentina).

Regarding the **banking systems** within BBVA's regional footprint, the macroeconomic backdrop and reduced levels of banking penetration in these countries in aggregate terms (obviously with differences between countries) led to strong results in terms of the main indicators of profitability and solvency, while non-performing loans remained under control. In addition, there has been sustained growth in lending and deposits.

Activity

All the comments below on rates of change, for both activity and earnings, will be given at constant exchange rate, unless expressly stated otherwise. These rates, together with changes at the current exchange rate, can be seen in the attached tables of financial statements and relevant business indicators.

Growth in **lending** (performing loans under management) accelerated in the last quarter of the year, and closed 9.7% above the figure at the end of December 2016 and 4.5% up on the close of September. By segments, the strong performance of the individual customer segment (particularly consumer finance, credit cards and, to a lesser extent, mortgages) outpaced growth in the commercial and public sector (wholesale portfolio). By country, the fastest growth continued to be in Argentina (up 65.8% year-on-year), Colombia (up 8.5%) and Chile (up 6.7%).

With respect to **credit quality**, there was a slight improvement in the NPL ratio over the quarter, closing the year at 3.4%. The NPL coverage ratio ended the year at 89%.

Financial statements and relevant business indicators
(Million euros. Percentage)

Income statement	2017	Δ%	Δ% [1]	2016
Net interest income	**3,200**	**9.2**	**15.1**	**2,930**
Net fees and commissions	713	12.4	17.9	634
Net trading income	480	3.4	6.2	464
Other income/expenses	59	135.6	(18.9)	25
Gross income	**4,451**	**9.8**	**13.9**	**4,054**
Operating expenses	(2,008)	6.0	12.4	(1,894)
Personnel expenses	(1,035)	5.4	10.6	(982)
Other administrative expenses	(851)	5.0	12.1	(811)
Depreciation	(121)	20.8	32.8	(100)
Operating income	**2,444**	**13.1**	**15.1**	**2,160**
Impairment on financial assets (net)	(650)	23.6	26.1	(526)
Provisions (net) and other gains (losses)	(103)	26.2	(12.9)	(82)
Profit/(loss) before tax	**1,691**	**8.9**	**13.5**	**1,552**
Income tax	(486)	(0.3)	10.1	(487)
Profit/(loss) for the year	**1,205**	**13.1**	**15.0**	**1,065**
Non-controlling interests	(345)	17.0	17.6	(294)
Net attributable profit	**861**	**11.6**	**14.0**	**771**

Balance sheets	31-12-17	Δ%	Δ% [1]	31-12-16
Cash, cash balances at central banks and other demand deposits	9,039	(14.6)	5.2	10,586
Financial assets	11,742	9.3	20.5	10,739
Loans and receivables	51,207	(5.3)	6.4	54,057
of which loans and advances to customers	48,272	(0.9)	11.2	48,718
Tangible assets	725	(10.1)	13.5	807
Other assets	1,923	11.2	25.1	1,729
Total assets/liabilities and equity	**74,636**	**(4.2)**	**8.7**	**77,918**
Financial liabilities held for trading and designated at fair value through profit or loss	2,823	9.2	16.0	2,585
Deposits from central banks and credit institutions	7,552	13.5	23.7	6,656
Deposits from customers	45,666	(4.7)	10.0	47,927
Debt certificates	7,209	(3.2)	4.0	7,447
Other liabilities	8,505	(19.8)	(9.0)	10,600
Economic capital allocated	2,881	6.6	23.5	2,703

Relevant business indicators	31-12-17	Δ%	Δ% [1]	31-12-16
Loans and advances to customers (gross) [2]	49,845	(0.9)	11.2	50,316
Non-performing loans and contingent liabilities	1,884	15.1	26.8	1,637
Customer deposits under management [3]	45,676	(5.5)	9.0	48,334
Off-balance-sheet funds [3]	12,197	2.5	16.6	11,902
Risk-weighted assets	55,665	(3.1)	11.5	57,443
Efficiency ratio (%)	45.1			46.7
NPL ratio (%)	3.4			2.9
NPL coverage ratio (%)	89			103
Cost of risk (%)	1.32			1.15

[1] Figures at constant exchange rates.
[2] Excluding repos.
[3] Includes mutual funds, pension funds and other off-balance-sheet funds.

Total **customer funds** ended 2017 with quarterly growth of 5.2% and year-on-year growth of 10.5%. The trend over the year is explained by the good performance of transactional funds (up 16.3% since December 2016) and off-balance-sheet funds (up 16.6%). By countries, the trend was particularly positive in Argentina (up 37.3% on December 2016) and Colombia (up 12.9%).

Results

South America posted a cumulative **net attributable profit** of €861m in 2017, a year-on-year increase of 14.0%. The key aspects of the income statement in this area were:

- **Gross income** grew by 13.9%, thanks to the capacity to generate recurring revenues in the area. Net interest income outpaced growth in the loan book (up 15.1%), on the back of greater volumes and effective price management, while income from fees and commissions rose by 17.9%. The contribution from NTI was also positive, favored by improved results from foreign-currency operations.
- **Operating expenses** increased by less than gross income (up 12.4%) due to cost controls implemented in all the countries. In fact, they also increased below or in line with the average inflation in most of the countries.
- **Impairment losses on financial assets** moderated their year-on-year growth with respect to the previous quarter, with a cumulative increase of 26.1%. This heading is affected by the impact of provisions associated with one particular customer. However, the slowdown allowed the cumulative cost of risk to reach 1.32% at the close of December, below the third quarter of 2017 (1.51%).

By country, recurring revenues performed very well in **Argentina**, with notable growth in both net interest income and the excellent performance of net fees and commissions, which contributed to a growth in gross income of 25.0%. However, expenses remained affected by high inflation. In July, BBVA Francés carried out a USD 400m share capital increase to finance the bank's organic growth, given the country's good economic outlook. The transaction has resulted in a higher charge under the non-controlling interests heading. As a result, net attributable profit increased by 19.1% year-on-year. In **Chile**, positive trend in gross income (net interest income up thanks to favorable figures in lending and effective management of customer spreads) and strict control of growth in expenses comfortably offset the rise in loan-loss provisioning and the increase in the nominal tax rate. Accordingly, the country recorded a rise of 27.0% in net attributable profit relative to 2016. In **Colombia**, gross income performed strongly, thanks to positive figures from net interest income (due to both activity and spreads) and net fees and commissions, albeit mitigated by lower NTI (the same period of 2016 included capital gains from the disposal of equity holdings) and an increase in loan-loss provisioning. As a result, net attributable profit was 8.5% lower than in 2016. In **Peru**, net attributable profit grew by 6.0% when compared to the figure for the previous year. The good NTI performance, strict control of expenses and a reduction of loan-loss provisions were partly mitigated by moderate growth in recurring revenues.

South America. Data per country (Million euros)

	Operating income				Net attributable profit			
Country	2017	Δ%	Δ% [(1)]	2016	2017	Δ%	Δ% [(1)]	2016
Argentina	522	3.5	18.8	504	219	3.8	19.1	211
Chile	421	19.5	17.0	352	188	29.8	27.0	145
Colombia	644	20.6	19.0	534	206	(7.3)	(8.5)	222
Peru	726	4.1	2.6	698	180	7.5	6.0	167
Other countries [(2)]	131	82.8	77.0	72	68	161.1	135.1	26
Total	**2,444**	**13.1**	**15.1**	**2,160**	**861**	**11.6**	**14.0**	**771**

(1) Figures at constant exchange rates.

(2) Venezuela, Paraguay, Uruguay and Bolivia. Additionally, it includes eliminations and other charges.

South America. Relevant business indicators per country (Million euros)

	Argentina		Chile		Colombia		Peru	
	31-12-17	31-12-16	31-12-17	31-12-16	31-12-17	31-12-16	31-12-17	31-12-16
Loans and advances to customers (gross) [(1, 2)]	5,856	3,392	15,067	14,028	12,475	11,240	13,309	13,247
Deposits from customers	45	36	420	404	672	455	645	649
Customer deposits under management [(1, 3)]	6,779	5,046	9,687	9,619	12,288	11,222	12,019	12,186
Off-balance sheet funds [(1, 4)]	1,253	805	1,295	1,428	1,118	655	1,581	1,385
Risk-weighted assets	9,364	8,717	14,300	14,300	12,249	12,185	14,750	17,400
Efficiency ratio (%)	56.1	53.8	45.2	49.1	36.0	38.9	35.6	35.8
NPL ratio (%)	0.8	0.8	2.6	2.6	5.3	3.5	3.8	3.4
NPL coverage ratio (%)	198	391	60	66	88	105	100	106
Cost of risk (%)	0.61	1.48	0.76	0.74	2.59	1.34	1.13	1.31

(1) Figures at constant exchange rates.

(2) Excluding repos.

(3) Excluding repos and including specific marketable debt securities.

(4) Includes mutual funds, pension funds and other off-balance-sheet funds.

Rest of Eurasia

Highlights

- Positive trend in lending in Europe.
- Trend in deposits strongly influenced by the negative interest-rate environment.
- Earnings down due to lower revenues, despite the good performance of expenses and loan-loss provisions.
- Good performance of asset quality indicators.

Macro and industry trends

The **Eurozone** economy continued to post solid growth in 2017. In accordance with information from Eurostat, GDP in the region grew at a relatively stable rate of around 0.6% in the first three quarters of the year. The most recent indicators suggest that this growth was maintained in the final part of the year. The improving labor market and increased confidence, alongside favorable financing conditions, underpinned momentum in consumption and investment. The latter factors were also boosted by increased global demand and the impact of growth in exports, which were not greatly affected by the appreciation of the euro over the year. As a result, the economy could have grown by around 2.4% overall in 2017. Despite the solid growth of domestic demand, inflation continued to moderate, below the ECB target, and the core component was relatively stable at around 1.1%. In this context, the ECB remains cautious and will continue to apply an accommodative monetary policy, steadily reducing asset purchases starting in January 2018 but extending the program at least until September.

Activity and results

This business area basically includes the Group's retail and wholesale business in Europe (excluding Spain) and Asia.

The **lending activity** (performing loans under management) in the area fell year-on-year by 2.7% at the close of 2017. In the rest of Europe there was growth of 1.6%, which did not offset the reduction in Asia of 19.1%.

Regarding the main credit **risk indicators**, the NPL ratio closed at 2.4% in December (2.6% in September 2017, and 2.7% in December 2016) and the NPL coverage ratio closed at 74% (85% as of 30-Sep-2017 and 84% as of 31-Dec-2016).

Financial statements and relevant business indicators
(Million euros. Percentage)

Income statement	2017	Δ%	2016
Net interest income	**180**	**8.7**	**166**
Net fees and commissions	164	(15.2)	194
Net trading income	123	40.4	87
Other income/expenses	1	(97.3)	45
Gross income	**468**	**(4.8)**	**491**
Operating expenses	(308)	(9.9)	(342)
Personnel expenses	(156)	(13.5)	(181)
Other administrative expenses	(141)	(5.5)	(149)
Depreciation	(11)	(10.4)	(12)
Operating income	**160**	**7.0**	**149**
Impairment on financial assets (net)	23	(24.3)	30
Provisions (net) and other gains (losses)	(6)	n.s.	23
Profit/(loss) before tax	**177**	**(12.9)**	**203**
Income tax	(52)	0.3	(52)
Profit/(loss) for the year	**125**	**(17.4)**	**151**
Non-controlling interests	-	-	-
Net attributable profit	**125**	**(17.4)**	**151**

Balance sheets	31-12-17	Δ%	31-12-16
Cash, cash balances at central banks and other demand deposits	877	(34.4)	1,337
Financial assets	990	(44.6)	1,787
Loans and receivables	15,009	(3.6)	15,574
of which loans and advances to customers	14,864	(3.0)	15,325
Inter-area positions	-	-	-
Tangible assets	36	(6.3)	38
Other assets	352	(4.6)	369
Total assets/liabilities and equity	**17,265**	**(9.6)**	**19,106**
Financial liabilities held for trading and designated at fair value through profit or loss	45	(33.4)	67
Deposits from central banks and credit institutions	2,364	(11.5)	2,670
Deposits from customers	6,700	(28.7)	9,396
Debt certificates	354	12.4	315
Inter-area positions	5,643	17.0	4,822
Other liabilities	1,246	116.0	577
Economic capital allocated	913	(27.5)	1,259

Relevant business indicators	31-12-17	Δ%	31-12-16
Loans and advances to customers (gross) [1]	15,261	(3.6)	15,835
Non-performing loans and contingent liabilities	556	(12.1)	633
Customer deposits under management [1]	6,660	(28.6)	9,322
Off-balance-sheet funds [2]	376	2.7	366
Risk-weighted assets	12,916	(17.4)	15,637
Efficiency ratio (%)	65.9		69.6
NPL ratio (%)	2.4		2.7
NPL coverage ratio (%)	74		84
Cost of risk (%)	(0.16)		(0.22)

(1) Excluding repos.

(2) Includes mutual funds, pension funds and other off-balance-sheet funds.

Customer **deposits** under management were still strongly influenced by the environment of negative interest rates. With data as of December 2017 they fell by 28.6% year-on-year (down 15.6% in Europe and down 79.3% in Asia).

Regarding **earnings**, gross income declined 4.8% year-on-year, with the figures differing from geographic area: Rest of Europe showed growth of 12.1%, while Asia posted a decline of 62.3%, mainly due to the payment of the CNCB dividend in 2016. Operating expenses continue to moderate (down 9.9% year-on-year), mainly due to control of all cost items (personnel, other administrative expenses and depreciation). Finally, there was also a decline in impairment losses on financial assets, as a result of which this geography contributed a cumulative net attributable profit in 2017 of €125m, 17.4% less than in 2016.

Corporate Center

The Corporate Center basically includes the costs of the head offices that have a corporate function; management of structural exchange-rate positions; specific issues of equity instruments to ensure adequate management of the Group's global solvency; portfolios and their corresponding results, whose management is not linked to customer relations, such as industrial holdings; certain tax assets and liabilities; funds due to commitments with employees; goodwill and other intangibles.

The Corporate Center's income statement has been influenced by the recognition of the impairment losses of €1,123m from BBVA's stake from Telefónica, S.A.

- Greater contribution from **NTI** than last year, mainly due to the recording of €228m in pre-tax capital gains from the sale of the stake in CNCB (€204m in the first quarter for the sale of 1.7% and €24m in the third quarter for the disposal of the remaining 0.34%). In 2016 there was also a sale of 0.75% in the third quarter with lower capital gains.
- Reduction in the **other income/expenses** heading (down 54.5% year-on-year), mainly impacted by the cut in the dividend paid by Telefónica.
- Moderation of **operating expenses**, which remained at similar levels to those of 2016 (up 0.9% year-on-year).

As a result, the Corporate Center had a net attributable loss of €1,844m, which compares with a loss of €794m in 2016. Excluding the effect of the impairment losses in Telefónica, the net attributable loss was €722m.

Financial statements (Million euros. Percentage)

Income statement	2017	Δ%	2016
Net interest income	**(357)**	**(21.6)**	**(455)**
Net fees and commissions	(86)	(21.2)	(110)
Net trading income	436	22.2	357
Other income/expenses	80	(54.5)	177
Gross income	**73**	**n.s.**	**(31)**
Operating expenses	(884)	0.9	(876)
Personnel expenses	(484)	0.3	(483)
Other administrative expenses	(97)	12.7	(86)
Depreciation	(303)	(1.3)	(307)
Operating income	**(811)**	**(10.6)**	**(907)**
Impairment on financial assets (net)	(1,125)	n.s.	(37)
Provisions (net) and other gains (losses)	(73)	(47.3)	(139)
Profit/(loss) before tax	**(2,009)**	**85.4**	**(1,084)**
Income tax	166	(43.3)	293
Profit/(loss) for the year	**(1,843)**	**133.1**	**(791)**
Non-controlling interests	(1)	(60.0)	(3)
Net attributable profit	**(1,844)**	**132.3**	**(794)**

Balance sheets	31-12-17	Δ%	31-12-16
Cash, cash balances at central banks and other demand deposits	5	n.s.	(2)
Financial assets	2,520	50.4	1,675
Loans and receivables	-	-	130
of which loans and advances to customers	-	-	130
Inter-area positions	(1,501)	(67.8)	(4,658)
Tangible assets	1,893	(6.4)	2,023
Other assets	17,579	(7.6)	19,017
Total assets/liabilities and equity	**20,496**	**12.7**	**18,186**
Financial liabilities held for trading and designated at fair value through profit or loss	-	-	-
Deposits from central banks and credit institutions	-	-	-
Deposits from customers	-	-	-
Debt certificates	8,772	(16.4)	10,493
Inter-area positions	(16,384)	(14.7)	(19,217)
Other liabilities	443	(83.4)	2,666
Economic capital allocated	(24,941)	(6.1)	(26,559)
Shareholders' funds	52,606	3.5	50,803

Customer relationship

Customer experience

BBVA's main focus of attention is to satisfy its customers' needs and connect with them in a more attractive way that combines innovation, technology and experience. That is because a **new standard in customer experience** is one of the Group's Strategic Priorities, as explained in the Strategy section.

A customer-centric approach

There has been a radical change in the way clients interact with banks. "Do it yourself", new technologies and the desire of customers to be connected at any time and from anywhere is booming. In this changing scenario, BBVA has a clear strategy: to put the customer at the center of everything we do.

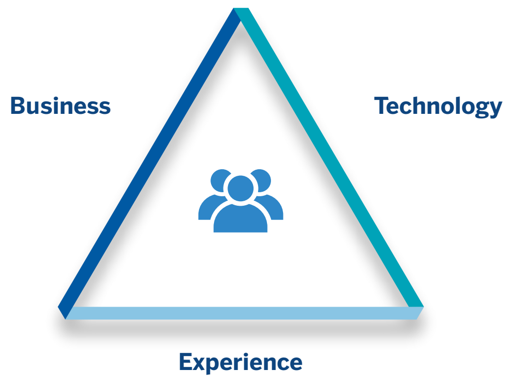
The objective of BBVA is to move from being infrastructure providers around the money to helping our clients in making financial decisions, providing them with relevant advice and solutions with greater added value. In short: at BBVA we want to have a positive impact on the lives of people and companies.

In addition, BBVA promotes a customer-centered mentality throughout the Organization, because it considers all its employees can have a positive effect on customers, regardless of the department they work in. That is why it is implementing new ways of doing things, such as design thinking method, intra-entrepreneurship, external collaboration, and other.

BBVA is also becoming an increasingly **global** bank through its focus on creating global products and experiences. This allows it to leverage best practices, wherever they come from. This model of creation is present in each global project, and is supported by two key elements: the **triangle** and **3-6-9**. It aims to offer incredible experiences to customers, while reducing execution time.

The **triangle** is formed by three vertices: business, customer experience and technology. It represents the connection between three disciplines in a single project: those responsible for the business, for user experience (designers and data experts) and for the responsibles for technology (or software engineers).

Relationship model



The aim of the **3-6-9** methodology is to speed up the pace of creation and launch solutions onto the market in record time, starting from when teams are defined until the solution is made available to customers.

Net Promoter Score

Agility, simplicity and transparency are key factors that mark the improvement initiatives at BBVA Group to ensure that all customer interactions with the Bank are a positive experience.

The internationally recognized **Net Promoter Score** (NPS or Net Recommendation Index - IReNe) methodology calculates the level of recommendation, and hence, the level of satisfaction of BBVA customers with its different products, channels and services. This index is based on a survey that measures on a scale of 0 to 10 whether a bank's customers are positive (score of 9 or 10), neutral (score of 7 or 8) or negative (score of 0 to 6) when asked if they would recommend their bank, a specific product or a channel to a friend or family member. This is vital information for identifying their needs and drawing up improvement plans, on multidisciplinary teams work to create unique and personal experiences.

The Group's internalization and application of this methodology over the last six years has led to a steady increase in the customers' level of trust, as they recognize BBVA to be one of the most secure and recommendable banking institutions in every country where it operates.

In **2017**, BBVA ranked first in the NPS indicator in eight countries (seven in 2016): Spain, Mexico, Turkey, Argentina, Colombia, Peru, Venezuela and Paraguay. By channels, there was also an improvement in this indicator in both digital banking and branches, with the improvement experienced among digital customers being greater.

Net Promoter Score (NPS) (31-12-2017)

Spain	#1	Colombia	#1
Mexico	#1	Peru	#1
Turkey	#1	Paraguay	#1
Argentina	#1	Venezuela	#1

Peer Group: Spain: Santander, CaixaBank, Bankia, Sabadell, Popular // Mexico: Banamex, Santander, Banorte, HSBC // Turkey: AKbank, Isbank , YKB, Deniz, Finanz // Argentina: Galicia, HSBC, Santander Río // Colombia: Davivienda, Bogotá, Bancolombia // Peru: Interbank, BCP, Scotiabank // Paraguay: Continental, Itaú, Regional // Venezuela: Banesco, Mercantil, Banco de Venezuela.

TCR Communication

The Transparent, Clear and Responsible (TCR) Communication project promotes transparent, clear and responsible relations between BBVA and its customers.

- T is for transparency: providing customers with all relevant information at the right time, maintaining a balance between benefits and costs.
- C is for clarity, meaning easy to understand. It is achieved by the Group through language, structure and design.
- R is for responsibility, and means looking after the customers' interests in the short, medium and long term.

The **objectives** are to help customers make informed decisions, improve customer relations with the Bank, look out for their interests and make BBVA the most transparent and clearest bank in all the markets where it operates. It also means BBVA can attract new customers and encourage existing customers to recommend it.

The project is **coordinated** by a global team together with a network of local TCR owners located in the main countries where the Bank operates, while its execution involves the participation of many of the Bank's areas and employees.

The project has two main **lines of work**:

- Implement TCR to transform the traditional bank, through the creation of product cards, the adaptation of the agreements to a TCR format, the amendment of the claims response letters and the follow up of the telephone sales and advertising of the Entity.
- Implement TCR in the new bank and progress in the training and change towards a TCR culture.

TCR indicators

BBVA has an indicator called the Net TCR Score (NTCRS), which measures the degree to which customers perceive BBVA as a transparent and clear bank in comparison with its peers in the main geographic areas where the Group operates.

In **2017** BBVA was in first place in six countries: Mexico, Turkey, Colombia, Peru, Venezuela and Uruguay.

Customer care

Complaints and claims

The BBVA Group has an appropriate claims management and service **model** that positively transforms customer experience. Customer opinions are gathered by digital feedback quickly and efficiently, allowing BBVA to anticipate any problems that they may have in real situations and meet their expectations. In this way, BBVA wants to respond precisely to its customers' demands, avoiding bad experiences that can harm its image and lose trust.

In line with the commitment to **digital transformation**, any type of opinion provided by the customer is examined, whatever its source (NPS, digital feedback, complaints, claims, etc.). In addition, BBVA is active in the social media, which gives it the opportunity to respond and manage negative comments from dissatisfied customers, and offer solutions to problems with simple, friendly, quick and above all personalized responses.

Main indicators of claims (BBVA Group)

	2017	2016
Number of claims before the banking authority (for each 10.000 active customers)	10.02	9.93
Average time for settling claims (normal days)	7	12
Claims settled by First Contact Resolution (FCR) (%)	31	37

The various **claims units** in BBVA Group are constantly evolving, optimizing processes and improving and developing new functionalities to which defined protocols are applied. All this will lead to greater efficiency in the service offered to customers.

In addition, work continues on a specific **site** for recording and monitoring the claims metrics. All the information related to complaints and claims is loaded into it, and it generates reports that analyze changes and behavior that is reported to senior management. The site also includes work on a system of alerts on the main claims indicators by country, designed to ensure compliance with the benchmark indicators based on the acceptable number of claims for each country.

The Group's claims units implemented **action plans** on a regular basis, in which the most important initiatives to be carried out were prioritized to solve the problems detected, based on understanding of the root causes identified in the claims analysis.

In short, BBVA's claims management is an opportunity to offer greater value to customers and increase their loyalty to the Group.

Customer claims in **2017** showed a growth trend compared to the previous year in Spain, a very focused increase in clauses related to mortgage loans. Mexico, with the biggest active customer base, is also the country with the biggest number of claims.

Number of claims before the banking authority (For each 10.000 active customers) [(1)]

	2017	2016
Spain	4,87	0.82
The United States	4.96	n/av
Mexico	16.12	19.87
Turkey	3.21	3.76
Argentina	2.68	1.90
Chile	5.55	5.90
Colombia	21.65	19.69
Peru	2.21	2.02
Venezuela	1.04	1.93
Paraguay	0.79	0.19
Uruguay	0.41	0.39
Portugal	34.84	43.66

n/av = not available

[(1)] The banking authority refers to the external body in which the customers can complain against BBVA.

The **average time for settling claims** in the Group has been reduced by nearly half, mainly due to the significant reduction in the average time for resolution in Mexico (from 13 days in 2016 to 4 in 2017).

Average time for settling claims by countries (normal days)

	2017	2016
Spain	25	15
The United States	3	n/av
Mexico	4	13
Turkey	2	1
Argentina	7	8
Chile	5	6
Colombia	4	4
Peru	12	15
Venezuela	13	4
Paraguay	6	5
Uruguay	8	6
Portugal	5	3

n/av = not available

The claims settled by the First Contact Resolution (FCR) model account for 31% of total claims, thanks to the management and attention of these claims are aimed to reduce the time of resolution and increase the quality service, improving so the customer experience.

Claims settled by First Contact Resolution (FCR. Percentage)

	2017	2016
Spain [1]	n/a	n/a
The United States	63	n/av
Mexico	38	40
Turkey [2]	44	39
Argentina	27	34
Chile	6	18
Colombia	73	78
Peru	4	4
Venezuela	1	8
Paraguay	28	35
Uruguay	12	16
Portugal [3]	n/a	n/a

n/a = not applicable

n/av = not available

(1) In Spain, is applicable a FCR type called IRR (Immediate resolution response) to credit card incidents, but not claims.

(2) In Turkey, the weighting is calculated by the total number of customers.

(3) This kind of management does not apply in Portugal.

Customer Care Service and Customer Ombudsman

The **activities** of the Customer Care Service and Customer Ombudsman in 2017 were carried out in accordance with the stipulations of Article 17 of the Ministerial Order (OM) ECO/734/2004, dated March 11, of the Ministry of the Economy, regarding customer care and consumer ombudsman departments at financial institutions, and in line with the new "Regulations for Customer Protection in Spain" of the BBVA Group approved by the Board of Directors of the Bank in 2015, regulating the activities and powers of the Customer Care Service and Customer Ombudsman.

The Customer Care Service processes **complaints and claims** addressed to both the Customer Ombudsman and the Customer Care Service itself in the first instance, except for matters falling within the powers of the Customer Ombudsman as established in the aforementioned regulation.

Activity report on the Customer Care Service in Spain

2017 was marked by a difficult environment, above all relating to the various clauses in mortgage loan agreements (arrangement fees), which have conditioned the figures for claims in the Spanish financial system. In addition, the Customer Care Service Department assumed the claims of all customers from Catalunya Bank, which were integrated into BBVA in September 2016, which resulted in a greater number of claims compared to the previous year.

Customer **claims** admitted by BBVA's Customer Care Service in Spain amounted to 174,249 cases in 2017, of which 171,146 were resolved by the Customer Care Service itself and concluded in the same year, which accounted for 98% of the total. A total of 3,103 cases remained as pending analysis.

On the other hand, 153,061 cases were not admitted to processing as they did not comply with the requirements of OM ECO/734. Practically 90% of the claims received corresponded to mortgage loans, mainly to expenses from the formalization of mortgages.

In 2016, the admitted claims amounted to 23,060 and the cases resolved and concluded amounted to 20,279, an 88% of the issues.

Claims handled by Customer Care Service by complaint type (Percentage)

Type	2017	2016
Resources	9	24
Assets products	79	27
Insurances	1	7
Collection and payment services	2	8
Financial counselling and quality service	2	7
Credit cards	4	10
Securities and equity portfolios	1	5
Other	2	12
Total	**100**	**100**

Claims handled by Customer Care Service according to resolution (Number)

	2017	2016
In favor of the person submitting the claim	29,041	7,071
Partially in favor of the person submitting the claim	90,047	2,830
In favor of the BBVA Group	52,058	10,378
Total	**171,146**	**20,279**

The claims management **model** and the principles governing the activity of the Customer Care Service are aimed at achieving recognition and trust on the part of the Group's customers, with the aim of increasing their satisfaction levels. The model operates from the origination stage, as the Customer Care Service sits on the committees presenting new products and services. In this way, possible customer dissatisfaction can be anticipated and avoided.

Additionally, in accordance with the recommendation of the regulatory body, progress continued in 2017 on the ambitious **training plan** that has been created for the whole team making up this Service. The aim is to guarantee the BBVA managers have the knowledge to improve identification of customer needs and contribute high added value solutions.

Report on the activity of the BBVA Group Customer Ombudsman in Spain

In 2017, the Customer Ombudsman maintained the goal common to the BBVA Group as a whole of unifying criteria and fostering the protection and security of customers, making progress in compliance with regulations on transparency and customer protection. With the aim of passing on effectively its reflections and criteria on matters subjected to its consideration, the Ombudsman meets with areas and units in BBVA Group: Insurance, Pension Plan Manager, Business, Legal Services, etc.

The number of customer **claims** managed by the Customer Ombudsman for resolution in 2017 was 1,661. Of these, 121 were finally not processed as they did not meet the requirements set out in OM ECO/734/2004.

Claims handled by the Customer Ombudsman by complaint type (Number)

Type	2017	2016
Insurance and welfare product	600	590
Assets operations	367	305
Investment services	133	141
Liabilities operations	257	175
Other banking products (credit card, ATM, etc.)	140	100
Collection and payment services	69	63
Other	95	127
Total	**1,661**	**1,501**

The **type** of complaints managed in the table above follow the criteria established by the Complaints Department of the Bank of Spain in their requests for information.

Claims handled by Customer Ombudsman according to resolution (Number)

	2017	2016
In favor of the person submitting the claim	-	-
Partially in favor of the person submitting the claim	797	861
In favor of the BBVA Group	622	516
Suspended processing	8	-
Total	**1,427**	**1,377**

51.48% of the customers who submitted a claim to the Ombudsman in 2017 reported some level of satisfaction, either because of the decision of the Customer Ombudsman or its role as mediator between BBVA Group entities and customers.

Customers who are not satisfied with the Customer Ombudsman's response may refer the matter to the official **supervisory bodies** (the Bank of Spain, CNMV and the Directorate General of Insurance and Pension Funds). The number of claims submitted by customers to the supervisory bodies in 2017 was 127.

In 2017, BBVA Group continued to make progress in implementing the suggestions of the Customer Ombudsman related to adapting products to the profile of customers and the need for transparent, clear and responsible information. The recommendations and suggestions made by the Customer Ombudsman are focused on increasing the level of **transparency and clarity** of information that BBVA Group provides for its customers, both in its commercial products that it makes available to them, and in compliance with the orders and instructions issued by customers. The aim is to guarantee that customers understand the nature and risks of the financial products that they are offered, that the product is adapted to the customer profile and that the information provided by the Entity is impartial and clear, including the advertising targeted at customers. To do so, the Group is employing the Transparent, Clear and Responsible (TCR) communication initiative for Responsible Business, providing as much data and documentation as necessary.

In addition, with the increasing digitalization of the products offered to customers and their growing complexity, a special sensitivity is required with some groups of customers that due to their profile, age or personal situation present a high level of vulnerability.

Operational risk management and customer protection

Security measures have been strengthened in 2017 as a result of the increase in cyber threats and cyber crime in general. Protection and prevention strategies have been applied to mitigate the risk of attacks and their possible impacts on internal and external resources.

A working **methodology** has been developed to allow the deployment of baselines (resources, capacities, plans and responsibilities) according to the different vectors of attack, based on four key elements: prevention, preparation, response and recovery. This working methodology forms part of a general framework that BBVA defined at the end of 2016 for the Group's organizational resilience, geared to:

- improving the procedures for detection, prioritization and escalation;
- improving the global capacity for reaction and response; and
- strengthening the technical teams in all the countries dedicated to cybersecurity and engineering risk management.

In addition, the capacities created by the Engineering Risk & Corporate Assurance (ERCA) committee have been consolidated in the area of **security** mechanisms, and specifically in the area of identification and authentication, allowing the Group to generate new customer experiences and improve existing ones. As a result of this work with a single team, together with the business areas, and with the precept that the customer is first, a significant increase in new experiences for customers has been noted, which allows BBVA to follow the path of the latest technological innovations offered by the major players.

A number of initiatives have been taken within the area of **business continuity**, in other words, incidents with a low probability of occurrence and very high impact, such as reviewing and updating the corporate regulations; continuing with the implementation of the business impact analysis, with the resulting update of the continuity plans; and reviewing technological dependency on critical processes, informing the corresponding continuity committees of their results so they can be aware and improve response where necessary, in a scenario of unavailability due to failures in the information systems.

During **2017** numerous business continuity strategies have been activated in BBVA Group, among them related to the earthquakes in Chile, and particularly Mexico; those affecting the United States as a result of hurricanes and storms: Harvey in Texas, Irma in Florida and Stella in New York; the problems of social conflict in Venezuela; serious flooding in the north of Peru; and the torrential rains in the area of Mocoa, Colombia.

As regards **personal data protection**, there has been much work done in 2017 to implement the General Data Protection Regulation in BBVA Group, which will enter into force in 2018. Moreover, in compliance with one of the new requirements under the aforementioned Regulation, a Data Protection Officer for the BBVA Group was appointed.

With respect to the personal data **security** measures, and in line with the above, a supplementary organizational project was implemented to review and update all functions, processes, methodologies, classification models, controls, incident management, etc. and ensure they are adapted to the new Regulation.

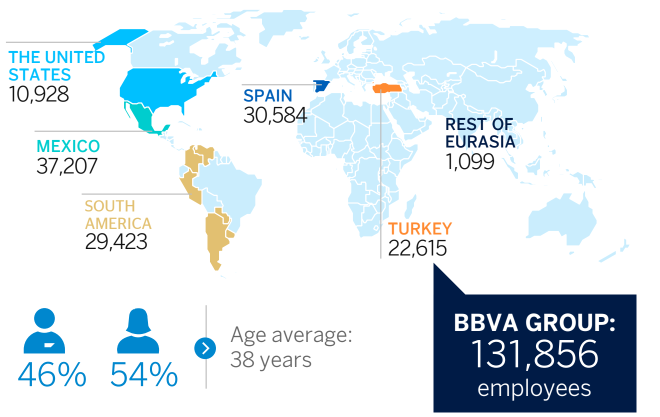
Staff information

Team management

BBVA's most important asset is its team: the people who make up the Group. That is why one of BBVA's six Strategic Priorities is **a first-class workforce**.

As of December 31, **2017**, BBVA Group had 131,856 employees located in over 30 countries, 54% of them women and 46% men. The average age of the workforce was 37.5 years. The average length of service in the Organization was 10.2 years, with a staff turnover of 7.3% over the year.

BBVA Group (December 2017)



In 2017, the number of the Group employees decreased (down 2,936). This reduction was due, to a large extent, to the transformation plans of the distribution model that are being carried out in countries, such as in Turkey, and to the efficiency plans that are being carried out in South America, within the framework of the current legislation in each country.

Over the last few years, BBVA Group has been incorporating talent from a series of capacities that were not usual in the financial sector, but which are key in the new era in which the Group is operating (specialists in data, customer experience, etc.). In addition, to accompany the transformation process, a new, more transversal, transparent and effective **people management model** is being developed, so that each employee may occupy the role that best suits his or her profile and contribute the greatest value to the Organization, with the greatest commitment, and training and growing professionally.

There has also been a transformation in **ways of working** over the last year, moving toward an agile model of organization, where the teams are responsible end to end for everything they do; constructing everything based on customer feedback and focusing on delivering solutions that best satisfy current and future customer needs.

BBVA understands corporate culture as a set of values, beliefs, policies, practices and conducts that are shared by the people in the Organization and that generate characteristics of identity differentiating it from other companies. This has been done by implementing the **Our Values** project.

For further information on the process of identifying and defining the three Values, see the section Our Values in the Strategy section.

Professional development

In the current context of transformation in the financial industry, all the evidence from the market demonstrates that the differential factor for assuming change is the **people** who form part of the organization. It is therefore crucial to have the best professionals available and to be capable of retaining them.

To achieve so, in 2016 a project was launched to create a new **people management model** in BBVA that allows it to guarantee the best professionals were available for each role: those capable of generating the greatest value, the most committed, those who could grow and learn; and that this should be possible with greater flexibility in managing the professional careers of employees, contributing greater transparency, simplicity and consistency. In 2017 the definition of the model was completed, and its implementation began through a number of pilot projects across the whole Group, reaching around 40,000 employees. The new model puts the BBVA employees at the center of their professional development, so that they have the tools allowing them to measure all their capabilities, detect whether there is an area for improvement and identify their growth opportunities within the Bank.

Selection and development

Throughout 2017, BBVA worked on transforming the Group's **selection model** with the aim of attracting and selecting the talent needed in the different units to provide the best possible experience to all those involved in the process, without giving up the levers of equal opportunities and objective criteria in processes of assessing what is required in specific job positions.

The transformation of this model means, generating a global framework of reference that provides uniform support to all the geographic areas in which the Group operates, and also enrichment of the teams with the incorporation of new professionals who arrive from talent communities that the Bank wants to attract. The use of **technology** and the implementation of new tools allow to streamline and standardized the selection processes, whose decisions are based on data analysis.

Thanks to the brand positioning actions and the launch onto the market of the professional options available in BBVA, more than 321,000 candidates have been attracted, of whom 57% were women and 43% men; and 75% were young people under the age of 30.

Over the year 19,151 professionals were incorporated into the Group, of whom 51% were young people under the age of 30.

The **internal mobility** model also experienced an important evolution aimed at putting the focus on the employees, implementing new policies based on transparency, trust and flexibility that will have to contribute to increase internal mobility, between areas and geographies, of the people who are part of BBVA.

Training

The **strategic training agenda** has put the emphasis on developing innovative initiatives that provide professionals with continuous learning, in such a way the new capacities and talent needed are developed to meet the challenges posed by the Bank's transformation. In 2017 online has been consolidated as the main channel in this respect, with 65% of the training given through it, making it possible to give an average of 39 hours of training per employee.

A special effort has also been made to structure a digital offering segmented by levels and available for the whole workforce. Around 11,500 employees around the world have taken part in the Design Thinking and Agile programs in their different forms. The course on Security in information teaches employees to detect possible cyber threats when processing information on mobile devices. This course has been taken for more than 21,000 professionals, in other words, 16% of the workforce.

Basic training data (BBVA Group)

	2017	2016
Total investment in training (million euros)	52.2	45,5
Investment in training per employee (euros) [1]	396	337
Hours of training per employee [2]	39	39
Employees who received training (%)	84	91
Satisfaction with the training (rating out of 10)	8,6	8.8
Subsidies received from FORCEM for training in Spain (million euros)	3.1	2,7

Note: excluding Turkey in 2016, except for Investment in training.

[1] Ratio calculated considering the Group's workforce at closing.

[2] Ratio calculated considering the workforce of BBVA with access to the training platform.

With respect to the legal requirements of the MiFID II (Markets in Financial Instruments Directive) on the knowledge required by employees who distribute information or advise on financial products and services in the european area , it is worth noting that 12,682 professionals are officially certified in Spain in the different forms authorized by the EFPA (DAF/EIP, EFA and EFP).

Self-development, which makes each employee responsible for his or her training experience, has meant the design of technological solutions in mobility that adapt to when, how and where employees can choose to receive training. This has allowed specialized training resources to be made available openly to all, as a result of integration with external digital content platforms, thus accounting for more than 76,000 training hours.

Diversity and inclusion

BBVA is committed to **diversity** in its workforce as one of the key elements to attract and retain the brightest talent and offer the best possible service to its customers. This diversity, understood in the broadest sense, includes not only gender diversity but also generational, experiential, racial, ethnic and geographic diversity (among others).

In terms of gender diversity, women account for 54% of the Group's workforce. Women are in 48% of management positions, 31% of technology and engineering and 58% of the business and profit generating jobs.

To give greater external and internal visibility to women who are key in their areas of responsibility, as well as providing incentives and supporting local initiatives in favor of gender equality, the initiative **Women@BBVA** was launched in 2017. It has given the chance to get to know BBVA professionals whose career paths have made them models both inside and outside the bank. A series of interviews sets out their main professional challenges, their leadership style, what characteristics they value most in their colleagues and why BBVA is an excellent place to develop their professional aspirations.

Meanwhile, BBVA continues to demonstrate its commitment to ensure the labor integration of people with different capabilities through the **Plan Integra**, which was conceived with the belief that employment is an essential pillar in achieving equal opportunity for everyone.

Progress is also being made on making the branches of the different banks making up the Group more accessible. The corporate headquarters of BBVA in Madrid, BBVA Bancomer in Mexico, BBVA Francés in Argentina and BBVA Chile are all accessible.

Workplace

BBVA conducts a general survey to measure the employees' commitment and to know their opinions. In 2017, the percentage of employee participation that BBVA has throughout the world was 87%, 13 points more than in 2016. One of the highlights of the results is the average of the 12 main questions of the survey, which was 4.02 out of 5, which represents an increase of 0.11 points with respect to 2016. Finally, the level of commitment of BBVA employees increased from 3.7 in 2016 to 4.4 in 2017. This improvement has been possible thanks to the more than 11,000 action plans that were agreed as a result of the previous year's survey.

Freedom of association and representation

In accordance with the different regulations in force in countries in which BBVA operates, the **employment rights and conditions** are included in the standards, agreements and arrangements subscribed, in this instance, with the corresponding employee representatives.

On matters of freedom of association and labor union representation, BBVA always aims for solutions via consensus. It places a very high value on dialog and negotiation as the best way of resolving any conflict in accordance with the pertinent local regulations in force where BBVA has its global footprint.

In BBVA Spain, the **collective agreement** for the banking sector is applicable to 100% of the workforce. There are also company agreements that complement and develop the provisions of this agreement and are signed with the labor unions representatives.. Labor union representatives sitting on company committees are elected every four years by personal, free, direct and secret vote and are informed of any relevant changes to the organization of work in the Bank, as provided for by the pertinent legislation currently in force.

Occupational health and safety

BBVA considers the promotion of health and safety as one of its basic principles and fundamental goals, which is served by means of the continuous improvement of working conditions.

The **occupational risk prevention** model in BBVA in Spain is a participative one, based on the right of workers to consult and participate, through their representatives in matters related to health and safety at work. Its application reaches 100% of the workforce throughout Spain.

The safety policy in Spain is carried out through the Occupational Risk Prevention Service, with activities such as the periodic assessment of occupational risks at work, specific assessment of workstations, the implementation of emergency and evacuation plans and coordination of preventive activities. It is also responsible for monitoring the health of workers through medical checkups, protecting vulnerable workers and adapting workstations with specific ergonomic material. In 2017 activities and campaigns were organized to improve the health of workers.

Occupational health (Spain)

	2017	2016
Technical preventive actions	2,655	2,420
Preventive actions to improve working conditions	3,429	2,981
Appointments for health checks	18,471	15,100
Employees represented in health and safety committees (%)	100	100
Absenteeism rate (%)	2.6	2.4

BBVA Occupational Health received recognition for good business practice in health promotion by the National Institute for Health and Safety at Work (INSHT), which complies with the requirements of the European Network for Workplace Health Promotion.

In **Mexico**, a number of campaigns were run in 2017 to promote awareness and prevention in occupational health and safety.

In **Turkey** a software was developed to manage all the processes related to occupational health and safety (OHS): risk assessment, monitoring of employee health, training programs, OHS unit committees, accidents at work, etc.

Argentina incorporated new workshops to the range of schemes for employees to promote healthy habits. In **Colombia**, promotion and prevention activities were carried out focused on the needs detected in the results of periodic medical examinations and the analysis of absenteeism. And in **Venezuela** the Integrated Health Center remained active, with periodic medical checkups have been given to nearly 1,000 workers.

Volunteer work

The BBVA **Corporate Volunteering Policy** manifests BBVA's pledge to activities of this type and provides employees with conditions for engaging in corporate volunteer actions that generate a positive social impact. The policy is applied in all countries.

The activities of corporate volunteering enhance the professional development of employees, channeling their spirit of solidarity, and allowing them to make a personal contribution of their time and knowledge to provide help for people who need it most. This improves self-esteem, increases the sense of pride in belonging to the company and thus has an effect on talent attraction and retention. It also generates a positive impact at the level of corporate social responsibility of the company.

In **2017**, nearly 8,000 employees took part in volunteering actions. These corporate volunteering activities are designed to boost initiatives arising from the employees themselves or coordinated by BBVA, in connection with education, primarily to boost financial education and thus support the strategic lines set out in the responsible banking model.

Ethical behaviour

Compliance system

The Group's **compliance system** constitutes one of the bases upon which BBVA consolidates its institutional pledge to conduct all operations and businesses in accordance with strict codes of ethical conduct.

A basic element in BBVA's compliance system is the Code of Conduct, updated in 2015 and available on BBVA's corporate website (bbva.com).

In line with the principles set by the Bank for International Settlements (BIS) and the reference regulations in this area, the Compliance Unit continues to organize its activity around the development and implementation of policies and procedures; communication and training; and the identification, assessment and mitigation of potential compliance risks, understood as those that affect the following issues:

- Prevention of money laundering and terrorist financing (PML&TF).
- Conduct with customers.
- Conduct on securities markets.
- Dealing with conflicts of interest.
- Prevention of corruption and bribery.

The **model** of compliance risk assessment and management associated with these matters is global in nature. It is not a static concept; it evolves over time, strengthening those elements and pillars on which it is based and anticipating any new developments and initiatives that may arise in this field.

This model is built on the following basic **pillars**:

- A suitable organizational structure with a clear assignment of roles and responsibilities throughout the organization.
- Policies and procedures that clearly define positions and requirements to be applied.
- Mitigation processes and controls applied to enforce these policies and procedures.
- A technology infrastructure focused on monitoring and designed to guarantee the above objective.
- Communication, training systems and policies implemented to raise employee awareness of the applicable requirements.
- Metrics and indicators that allow the supervision of the global model implementation.
- Independent periodic review of effective model implementation.

During **2017** the documentation and management of the model continued to be improved through a set of technological tools and improvements to the internal processes in the different countries. With respect to the digital transformation activities, it should be noted that during 2017 the supervision and advice governance teams that operate from Compliance Units were also strengthened. In addition, with the aim of the new European data protection regulations, during 2017 the activities and programs related to personal data protection developed by the Compliance Unit began to be integrated within BBVA's Legal Services function, in which the position of data protection officer (DPO) was created.

Prevention of money laundering and terrorist activity financing

Prevention of money laundering and terrorist financing (hereinafter PML&TF) constitutes above all an ever-present objective that BBVA Group associates with its pledge to make improvements in the different communities in which it operates.

For BBVA, ensuring that its products and services are not used for illegal purposes likewise constitutes an essential requirement for safeguarding its corporate integrity, and thereby one of its main assets, namely, the trust of the people and institutions it deals with on a day-to-day basis (customers, employees, shareholders, suppliers, etc.) in the different jurisdictions where it operates.

To achieve the above objective, as a global financial group with branches and subsidiaries that operate in numerous countries, BBVA adopted a corporate **model** for managing the risk associated with PMN&TF. This model is applicable to all of the entities forming part of BBVA Group within the scope of PML&TF and not only takes into account regulations on prevention of money laundering in the jurisdictions in which BBVA operates, but also incorporates the best practices in the international financial industry in this regard, as well as the recommendations issued by international institutions such as the FATF (Financial Action Task Force). This management model is constantly evolving. In particular, risk analysis ensures that controls can be tightened and any additional mitigating measures that may be required to enhance the model can be implemented.

The risk management model of PLD&TF is subject to continuous independent **review**. Pursuant to Spanish regulations, an independent expert annually audits the BBVA Group matrix. This review is complemented by internal and external audits carried out by local supervisory bodies, both in Spain in other jurisdictions.

During 2017, BBVA continued to deploy the new **monitoring tool**, in Spain, Turkey and Mexico. The Group also began to apply new technologies to enhance PML&TF (for example, identification of customers through videoconference using facial recognition techniques). It carries out ongoing analysis of opportunities for applying new technologies (machine learning, artificial intelligence, etc.) to strengthen both the capacities to detect suspicious activities of the different entities making up BBVA and the efficiency of the PML&TF processes.

In addition, the different entities in BBVA Group in various jurisdictions were selected by local authorities to participate in a mutual **review** process carried out by FATF-GAFI.

Also worth noting BBVA's collaboration with the different governmental bodies and international organizations in this field.

In the area of **training** related to PML&TF, each of the BBVA Group entities has an annual training plan for all its employees. T.

Conduct with customers

BBVA's Code of Conduct places the customers at the center of its activities, with the aim of establishing lasting relations based on mutual confidence and the contribution of value.

To achieve this objective, BBVA has implemented **policies and procedures** to get to know its customers better, with the aim of being able to offer them products and services in line with their financial needs, as well as providing them with clear and accurate information, sufficiently in advance, on the risks of the products in which they invest. BBVA has also implemented processes geared to prevention, or where this is not possible, management of the possible conflicts of interest that may arise in the marketing of its products.

During **2017**, the Compliance Unit focused its activity on adapting its rules and processes for the entry into force in 2018 of the new regulations on investor protection in the securities markets, such as the EU Markets in Financial Instruments Directive (MiFID II) and Regulation on Packaged Retail and Insurance-Based Investment Products (PRIIPs). During the year work also began to adapt to the European Union directives on distribution of insurance and real-estate credit.

Also of note is progress in the implementation of a **global model of customer compliance** that aims to establish a minimum framework of rules of conduct to respect in relation to customers, applicable in all jurisdictions and in line with the principles of BBVA Group's Code of Conduct.

In addition, in **2017** the Compliance Unit carried out training courses for employees in its territorial units and its network of agents to achieve a better level of knowledge of the rules of conduct applicable to the customer products with particular focus on retail customers. Within the work for adapting to the new MiFID II Directive on knowledge and competence of the personnel that offers information or advice, BBVA S.A. has established a program of training and accreditation of the knowledge that the personnel must have to inform or advise on financial instruments.

Conduct on securities markets

Integrity in market activity is one of the commitments of BBVA's Code of Conduct to the values making up the corporate culture of BBVA Group. For this purpose it establishes the general guidelines for action designed to preserve the integrity of the markets, which include standards and principles geared to the prevention of market abuse and guaranteeing their transparency and free competition.

The Policy for Conduct in the Securities Markets includes the principles and general criteria for action designed to uphold BBVA's integrity in the markets. Specifically, this Policy contains the minimum procedural guidelines regarding the treatment of privileged information, prevention of price manipulation, management of potential conflicts of interest and own account trading by employees.

It is worth noting in this respect that in 2017 the Policy and the Internal Regulation on Conduct in Securities Markets was updated, incorporating the regulatory changes derived from the Market Abuse Regulation, as well as best practices in the industry. As well as this, during the year the capacities of processes and tools for the detection of suspicious operations initially implemented in 2016 continued to be enhanced. There was also stronger compliance with the U.S. Dodd-Frank Act in terms of BBVA's condition of swap dealer, with the development of a General Swap Dealer Policy that covers all the aspects of the Act.

From the point of view of **prevention of market abuse**, and as an additional measure for strengthening the body of policies and procedures covering this matter, the training of employees continued to be one of the unit's priorities. In 2017 training actions were implemented for the areas and professionals with greatest exposure to market activity, including courses on privileged information for sales and market analysis teams in Corporate & Investment Banking and on market manipulation for trading and sales teams specializing in currency trading.

Other standards of conduct

The Code of Conduct, together with other internal policies and rules, develop the aspects related with the prevention of money laundering and terrorist financing, commitments with respect to politically exposed persons and those relating to conduct in business.

One of the main mechanisms for managing conduct risk in the Group is its **whistleblowing channels**. As set out in the Code of Conduct, BBVA employees have the obligation not to tolerate any conduct that is contrary to the Code, or any conduct in the performance of their professional duties that may harm the reputation or good name of BBVA. This whistleblowing channel is a means for enabling employees to report any breaches they observe or are notified by their collaborators, customers, suppliers or colleagues. The channel is available 24/7 and is also open to the Group's suppliers. The reports are processed diligently and promptly. They are checked and measures are taken to resolve any issues. The information is analyzed in an objective, impartial and confidential manner.

The work carried out in **2017** included ongoing advice on applying the Code of Conduct. In particular, individual written and phone queries were responded to in the Group. Basically, they focused on potential conflicts of interest in matters such as managing personal assets or engaging in professional activities. During the year, BBVA continued its work on communication and dissemination of the new Code of Conduct, as well as training related to its contents.

In addition, since the introduction in Spain of the new regulations on the criminal liability of legal entities, BBVA has been operating in accordance with the legislation in force by establishing effective systems of supervision and control geared to preventing employees from committing crimes. This has been done through the establishment of a specific model of criminal prevention implemented in all the companies controlled by BBVA S.A. in Spain.

Among the possible crimes included in the crime prevention model are those related to **corruption and bribery**, as there are a number of risks that could arise in this respect in an entity of the nature of BBVA. Among these risks are those related to the following activities:

- Acceptance or delivery of gifts or personal benefits and invitations to events, or similar.
- Payments for facilitating activity.
- Political contributions.
- Donations.
- Sponsorship activities.
- Handling of corporate and travel expenses.
- Hiring of employees.
- Contracting of suppliers, agents or intermediaries.
- Mergers, acquisitions or joint ventures.
- Accounting and registration of transactions.

To regulate the identification and management of risks, BBVA has a body of internal regulations made up of principles, policies and other internal arrangements, including:

Principles:

- Principles applicable to the disinvestment processes for BBVA Group goods or services in favor of Group employees.
- Principles to be applied to those involved in BBVA's procurement process.

Policies:

- Policy for the prevention and management of conflicts of interest in BBVA.
- Responsible procurement policy.
- Policy of events and acceptance of gifts related to sporting events of relevance.
- Corporate travel policy.

The **anti-corruption framework** in BBVA is not only composed of this body of regulations, but also has a program that includes a risk map, as well as i) a set of mitigation measures aimed at reducing this risk; ii) procedures for action in case of situations of risk; iii) training programs and plans; and iv) indicators geared to the knowledge of the risk situation and its mitigation and control framework.

In addition to the above, BBVA has established other specific instruments for **managing core commitments** in each functional area. The most salient of these are:

- The Compliance Statute.
- Basic principles of risk management and the Risk Management Policy Manual.
- Rules on dealing with individuals and entities of public importance in matters of financing and guarantees.

Within the general training program in this area, there is an online course that describes matters such as the basic principles related to the Group's prevention framework on anti-corruption that reminds employees of BBVA's **zero tolerance** commitment with respect to any form of corruption or bribery in its business activities.

It is worth noting that in 2017 BBVA was the first financial institution to obtain an AENOR certificate accrediting that its system for managing criminal compliance is in accordance with UNE 19601:2017 Standard published in May 2017.

Other basic commitments acquired by the Group are:

- Rules of Conduct in Defense.
- Environmental Policy.
- Responsible Procurement Policy.
- Commitment to Human Rights.

Commitment to human rights

BBVA has a commitment to human rights and work was performed to update it throughout 2017. This involved carrying out a due diligence process in all BBVA's business and support areas across the Group's whole footprint. This process has been carried out taking as a reference the guidelines on the Guiding Principles on Business and Human Rights, endorsed on June 16, 2011 by the United Nations Human Rights Council. It It has also been anchored in the BBVA's Purpose: to bring the age of opportunity to everyone. The materiality analysis carried out by the Group among its stakeholders makes clear that the main issues they are concerned with are related to human rights. Combined with this, BBVA has wanted to mitigate any reputational risk related to human rights, and to respond to demands by consumers, investors, analysts and civil society on the role of companies in this highly significant issue.

The Guiding Principles mentioned above are based on three **pillars**:

- The State duty to protect human rights;
- The corporate responsibility to respect human rights;
- The joint duty to find mechanisms that ensure remedy in the case of any abuse of human rights.

To comply with these Principles and with the responsibility to prevent, mitigate and remedy the potential impacts on human rights in all its areas of operation and all its businesses, BBVA has begun a process in which it has:

- identified the potential impacts of its operations on human rights;
- designed mechanisms within the Company to prevent and mitigate them;
- set up adequate channels and procedures to ensure that in the case of human rights violations there are sufficient measures in place to ensure remedy for the people affected.

Based on an analysis of the different areas in the Group and a study of the corporate culture, the Bank's processes, its policies and mechanisms for handling claims and complaints, the **issues** on which BBVA has room for maneuver have been identified. These issues have been prioritized and set out in an action plan.

The main responsibility for applying this commitment relies with each area and each employee in the Organization. They have the duty to know the issues within their area of responsibility that may imply a violation of human rights and apply the due diligence to avoid them. Employees are also subject to the Bank's Code of Conduct and each country's legislation. The Responsible Banking area is in charged of the design, implementation and improvement of the commitment, as well as acting as a second line of defense for the rest of the areas; in this it shares duties with Legal Services and Regulatory Compliance.

In addition to this commitment to human rights, the Bank has a number of **policies and regulations** that help strengthen compliance, which include:

- BBVA's Code of Conduct, as mentioned above in the section on Compliance;
- the Housing Policy in Spain;
- the Responsible Procurement Policy;
- the Equator Principles, which is developed in the section on Management of environmental and social impacts.

The Housing Policy in Spain

In Spain, the comprehensive plan to provide solutions to families in difficulties implemented by BBVA since the beginning of the crisis has been consolidated under BBVA's Social Housing Policy, whose main **aim** is to help customers keep their homes.

This plan is divided into three core **areas**:

- Offering solutions to all families with difficulties to pay their mortgage loans.
- Ensuring that any family that is a BBVA customer and at risk of exclusion has a home and is not evicted.
- Supporting families through employment programs that enable customers to regain their confidence and self-esteem.

In February 2012, BBVA decided to voluntarily adhere to the Code of Good Practices approved by the Government, which had the objective of granting benefits to families at risk of exclusion who had contracted a mortgage loan. With the approval of Royal Decree-Law (RDL) 27/2012, the Law 1/2013 and, finally, the RDL 1/2015 and the Law 9/2015, BBVA decided to proactively inform all its customers, engaged in a foreclosure process, of the existence of the above mentioned regulations and the extent of their effects, so that they could benefit from the advantages set out. A total of 2,676 homes are assigned to public entities.

BBVA is seeking at every refinancing option available in accordance with the customers' ability to pay, in order to allow them to keep their homes. The Group has done this for 60,900 customers so far. Any situation can be referred to the Committee for the Protection of Mortgage Debtors for review. It analyzes every case in which the customers or their families face the risk of exclusion without legal protection, and provides individual solutions in accordance with each family's specific circumstances (refinancing, debt remission, dation in payment, rented social housing in the debtor's own home or the Bank's available homes, etc.).

In this context, since the beginning of the crisis, BBVA has agreed more than 16,500 dations in payment with its customers (including dations involving products such as mortgage loans, consumer finance, etc.).

Responsible Procurement Policy

BBVA aims to integrate ethical, social and environmental factors in the supply chain for which it is responsible. That is why in 2017 it has drafted an Ethical Code for Suppliers, which defines the minimum standards of behavior in ethical, social and environmental conduct that suppliers are expected to comply with when they provide products and services.

The Responsible Procurement Policy establishes that during the procurement process special attention should be paid to comply with the legal requirements applicable with respect to human rights, employment rights, rights of association and environmental rights by all those affected by this process, and to involve them in the Group's efforts aimed at preventing corruption. Likewise, the aim is to ensure that the choice of suppliers is adapted to the internal rules in place at any time, and in particular aligned to the values of the Group's Code of Conduct, based on respect for the law, commitment to integrity, competition, objectivity, transparency, value creation and confidentiality.

The Responsible Procurement Policy also establishes as one of its principles to "raise awareness in social accountability of staff and other stakeholders involved in the Group's procurement process."

Sustainable finance

Banks play a crucial role in the **fight against climate change**, thanks to their unique position in mobilizing capital through investment, loans and advisory functions. Although most banks have worked in recent years to mitigate the direct impacts of their activity, there are other very important ways they can contribute to this challenge: first, by providing innovative solutions to their customers to help them move to a low-carbon economy and by promoting sustainable finance; and second, by systematically integrating social and environmental risks into decision-making.

BBVA's commitment to sustainable development is reflected in its Environmental policy , which is global in scope.

During **2017**, BBVA has worked on its strategy on climate change and sustainable development. The strategy covers comprehensive management of the risks and opportunities deriving from the fight against climate change and the resolve to achieve the Sustainable Development Goals (SDGs).

This strategy is based on a threefold **commitment** to 2025:

- First, a commitment to finance, which contributes to the mobilization of the capital needed to halt climate change and achieve the SDGs.
- Second, a commitment to mitigate the social and environmental risks derived from the Bank's activity, to minimize their potential direct and indirect negative impacts.
- And finally, a commitment to engagement with all the stakeholders involved in the collective promotion of the role of the financial industry in sustainable development.

As of December 31, 2017, the accompanying Annual Financial Statements of the BBVA Group do not include any material item that would warrant inclusion in the environmental information document set forth in the Ministry of Justice Order JUS / 471/2017, of May 19, which approves the new models for the presentation in the Companies Registry of the financial statements of the subjects bound to its publication.

Sustainable financing

Sustainable bonds and loans

Sustainable bonds and loans are instruments used for channeling funds to finance our customers' projects in sectors such as renewable energies, energy efficiency, waste management, water treatment and access to essential goods and services such as homes or inclusive finance.

BBVA has the knowledge and experience to provide its customers with comprehensive advice on sustainable financing solutions through both bonds and loans, and it is also playing a relevant role in the development of this market. Since 2014 BBVA is signatory of the **Green Bond Principles**, a series of voluntary guidelines that establish the issuance transparency requirements and promote integrity in the development of the green bond market. In addition, since 2017, it has also formed part of the working group that is developing the Green Lending Principles, an initiative of the Loan Market Association adapted to the needs in the case of loans.

In **bonds**, the Bank has been very active in the green bond market in the Iberian Peninsula in 2017. It is a globally recognized institution, having advised, placed and structured green bonds for customers in a variety of sectors in Mexico, the United States and Europe in both local currency and euros and U.S. dollars.

On another note, **green loans** are beginning to take off in the market. In 2017, the Bank has been very active as structuring bank, with a total of ten operations.

Financing sustainable projects

BBVA has been supporting the **renewable energy** sector for years. Thus, in 2017, the Group financed projects of this type with a total installed capacity of more than 700 MW, for a total volume of €218m.

Among the highlighted operations of **2017** are the financing of seven wind farms in Portugal, two in Italy and Spain and one photovoltaic plant in Mexico. Moreover, in 2017 the Bank also financed social infrastructure projects for an amount of €333m.

Socially Responsible Investment

BBVA assumed its **commitment** to Socially Responsible Investment (SRI) in 2008 when it joined the United Nations Principles for Responsible Investment (PRI) through the employee pension plan and one of the Group's major asset management companies, Gestión de Previsión y Pensiones.

The **goal** at the time was to start building BBVA's own SRI model from the ground, with the initial implementation focused on employment pension funds. Nine years later, the Group continues to work on improving its model, making it more complete and solid every day.

During **2017**, BBVA Asset Management (BBVA AM) continued to adapt to the market and changes in it, working to extend and improve the SRI solutions offered. Among them are the training solutions in place, such as events streamed and available via its website and the regular newsletters addressing SRI matters, which are also posted on the BBVA AM website; and in particular through personal meetings with its customers to address their specific concerns in this field.

BBVA AM's SRI model has implemented the following **strategies**:

- Integration of ESG criteria in the investment process.
- Exclusion: Rules of Conduct in Defense.
- ESG analysis of third-party funds.
- Engagement and exercise of voting rights.

Financial inclusion

BBVA is aware that greater financial inclusion has a favorable impact on the welfare and sustained economic growth of countries. The fight against financial exclusion is therefore consistent with its ethical and social commitment, as well as its medium-term and long-term business objectives. For this purpose, the Group has developed a financial inclusion (FI) business **model** to cover the low-income population in emerging countries within its global footprint. This model is based on the development of a responsible business model that is sustainable in the long term, shifting from a model that is intensive in human capital and of limited scalability to a scalable strategy that is intensive in alternative and digital channels with a multi-product focus. In short, this model is based on:

- the use of new digital technologies,
- an increase in products and services offered through non-branch platforms,
- innovative low-cost financial solutions designed for this segment.

At the end of 2017, BBVA had more than 8 million active customers in this segment.

Management of environmental and social impacts

Social, environmental and reputational risks

As a financial institution, BBVA has an **impact** on the environment and society: directly through the consumption of natural resources and its relationship with stakeholders; and indirectly through its credit activity and the projects it finances.

These **non-financial risks** may affect the credit profile of borrowers or the projects financed by the Bank. To manage such risks, BBVA takes into account environmental, social and reputational aspects in its risk management, alongside traditional financial variables.

In **2017**, BBVA worked with a number of areas involved in the development of new standards for the mining, energy, infrastructure and agricultural business sectors, and a new improved process of due diligence that can assess new operations, customers or products with criteria that are aligned with BBVA's strategy of climate change and sustainable development.

1. Equator Principles

The energy, transport and social services infrastructures that boost economic development and create jobs can have an impact on the environment and society. BBVA is **committed** to managing the financing of these projects in order to avoid and reduce their negative impacts and boost their economic, social and environmental value.

All the decisions on project finance are based on the criterion of **return adjusted to principles**. Placing people at the core of the business implies dealing with stakeholder expectations and the social demand to fight against climate change and respect human rights.

In line with this commitment, BBVA adhered to the **Equator Principles** in 2004. Based on the International Finance Corporation's (IFC) Policy and Performance Standards on Social and Environmental Sustainability and the World Bank's Environmental, Health and Safety guidelines, the Equator Principles are a set of standards for managing environmental and social risks in project finance. These principles have set the benchmark for responsible finance.

During **2017**, the Group contributed to their development and dissemination as a member of the working groups in which it participates and has been one of the eleven signatories to the letter sent to the Equator Principles Association, in which it urged measures to be taken to tighten the environmental and social due diligence requirements for project finance.

The Corporate & Investment Banking (CIB) Sustainable Finance and Reputational Risk team is responsible for analysis of the projects, representation of the Bank before its stakeholders, accountability to senior management, and the design and implementation of the management system, proposing the adoption of best practices and contributing toward training and communication on matters related to the Equator Principles.

The application of the Equator Principles in BBVA is integrated into the internal processes for structuring, admission and monitoring of transactions, and is subject to regular controls by the Internal Audit Department.

In 2017, BBVA took the decision to enhance its **due diligence procedures** associated with the financing of projects whose development affects indigenous communities. When this occurs, the free, prior and informed consent (FPIC) by these communities must be taken into consideration, regardless of the geographic location of the project. This means extending the current demands of the Equator Principles, which limits this requirement to countries classified as "non-designated", leaving out the "designated" countries (those that are considered to have a robust legal system and an institutional capacity that provides sufficient guarantees of environmental protection and their people's social rights). BBVA is one of the ten banks that in 2017 called on the rest of the banks adhering to the Equator Principles to support the adoption of amendments in this respect.

Details of the Equator Principles operations analyzed (BBVA Group)

	2017	2016
Number of operations [1]	22	32
Total Amount (millon euros)	7,069	6,863
Amount financed by BBVA (millon euros)	1,054	1,451

[1] Within the 22 analized operations, 9 are into Ecuator Principles Scope and the other 13 are analized voluntarily by BBVA under the same criteria.

2. Eco-rating

The Eco-rating tool is used to rate the risk portfolio of SMEs from an environmental point of view. This is done by assigning a level of credit risk to each customer in accordance with a combination of several factors such as location, polluting emissions, consumption of resources, potential to affect the environment and applicable legislation.

3. Reputational risk management

Since 2006, BBVA has had a **methodology** in place for identifying, evaluating and managing reputational risk. Through this methodology, the Bank regularly defines and reviews a map in which it prioritizes the reputational risks it faces, together with a set of action plans to mitigate them.

This prioritization is carried out according to two **variables**: the impact on stakeholder perceptions and the strength of BBVA's resilience to risk.

This reputational exercise is carried out in each country, and the integration of all of them provides a consolidated view of the Group. In addition, since 2017 a specific exercise has been carried out for the CIB EMEA area.

This exercise has been performed since 2015 using a computer **tool** that allows risks to be assessed by the competent areas.

The main milestones related to reputational risk management in **2017** were:

- Strengthening of the reputational risk model with the establishment of the position of Corporate Reputation Specialist, integrated into BBVA's model of three lines of defense.
- Participation of the Reputational Risk Department in the 2017 corporate Risk Assessment processes and in estimating the impacts of the scenarios in the recovery plan.
- Global Risk Management calculated reputational risk capital for the first time.
- Integration of key risk indicators into the reputational risk management tool with the aim of improving risk monitoring.
- Integration of CIB into the reputational risk management model.

Eco-efficiency

BBVA also assumes its commitment to mitigate the direct impacts of its activity. These impacts are fundamentally those derived from the use of its buildings and offices around the world.

During 2017, BBVA has continued to work on its third **Global Eco-efficiency Plan** (GEP), focused on positioning the Group among the leading entities at global level in terms of eco-efficiency. The GEP establishes the following strategic areas and global targets for the period 2016-2020, continuing on from the two previous plans that were begun in 2008 and 2012, respectively, and setting the following targets:

Global Eco-efficiency Plan

Vectors	Strategic guidelines	Global target
Environmental management and sustainable construction	% occupants in certified buildings	42%
Energy and climate change	Consumption per occupant (kWh/occup)	-5%
	% of clean energy	48%
	$CO_{2\,eq}$ emissions per occupant ($tCO_{2\,eq}$/occp)	-8%
Water	Consumption per occupant (m^3/occup)	-5%
	% occupants in buildings with alternative water sources	9%
Paper and waste	Paper consumption per occupant (kg/occup)	-5%
	% occupants in occupants in buildings with separate waste collection	30%
Extension of the commitment	Awareness campaigns for employees and supplier	

Goals per person

During **2017** a number of the **goals** set have been achieved, such as the percentage of people in certified buildings, in buildings with alternative water sources and with selective collection of waste, which have already reached 42%, 11% and 41%, respectively. The evolution of the GEP indicators in the last year is reflected in the table below:

Main GEP indicators

	2017	2016
People working in certified buildings (%) [1]	42	40
Electricity usage per person (MWh)	5.9	5.8
Energy coming from renewable sources (%)	27	25
CO2 emissions per person (T)	2.2	2.1 [2]
Water consumption per person (m^3)	23	21.1
People working in buildings with alternative sources of water supply (%)	11	10
Paper consumption per person (T)	0.1	0.1
People working in buildings with separate waste collection certificate (%)	41	32

[1] Including ISO 14001 and LEED certifications.

[2] This figure has been adjusted according to update of the emissions factor applied.

Note: indicators calculated based on employees and external staff.

To achieve these targets, BBVA continued its efforts to minimize its **environmental footprint** through initiatives in all the countries where the Group is present, most notably:

- Improvement in efficiency in the air conditioning and lighting systems of buildings and branches.
- Remodeling of some headquarters.
- Adaptation to ISO 14001:2015 of the Environmental Management System certifications under ISO 14001. In total, 1,034 branches and 79 of the Group's buildings around the world possess this certification.
- Achievement of LEED Platinum certification in two new buildings. In addition to the 19 BBVA buildings that have already received it.
- Participation in the Earth Hour campaign in 177 cities around the world.

Engagement

BBVA is participating in major international sustainable development initiatives (UN Global Compact, Equator Principles, Principles for Responsible Investment, United Nations Environment Programme Finance Initiative, Thun Group of Banks and Human Rights, Green Bond Principles and Social Bond Principles), and has been committed, since 2017, to achieve the United Nations Sustainable Development Goals (SDGs). BBVA is also part of the pilot group of banks that have committed to implement financing and climate change recommendations that were published in July by the Financial Stability Board in the framework of the G20.

Sustainable Development Goals

On September 25, 2015, the world leaders adopted 17 **SDGs** to protect the planet, fight poverty and try to eradicate it and to achieve a prosperous world for future generations. These goals are part of the 2030 Sustainable Development Agenda. The aim is to involve everyone: governments, companies, civil society and individuals. Each goal, set out with a specific purpose, has in turn a number of targets to be achieved; and each target has its own indicators that serve to determine the level of achievement of each goal.

Given its broad spectrum of business, **BBVA** contributes to a number of SDGs, together with the BBVA Microfinance Foundation and the different geographic areas in which it operates. To respond to the obligations it has imposed on itself as a bank, BBVA has defined its strategy for climate change and sustainable development that orders its different commitments and relates them directly to the SDGs. In this way, BBVA aims to respond to the commitments of the 2030 Agenda, but at the same time to take advantage of the business opportunities derived from compliance.

Task Force on Climate-related Financial Disclosures (TCFD)

BBVA is **committed** to mitigating the impacts derived from climate change and to integrating these risks into its risk management model. To further this end, it has joined the pilot group of banks working under the tutelage of the UN Environment Program - Finance Initiative (UNEP FI) to implement the recommendations of the Task Force on Climate Related Climate Disclosures, created by the Financial Stability Board (FSB).

This pilot group of 16 banks aims to analyze how **climate change** affects the banking industry in its governance model, strategy and risk model.

Over the next two years (2018-2019), a number of possible climate change scenarios will be used to determine how global warming will affect the banking business. The basic aim of the working group will be focused on analyzing **risks**, whether physical (associated mainly with the direct effects of climate change) or transitional (regulatory, technological or social changes), and how these form part of each entity's risk model.

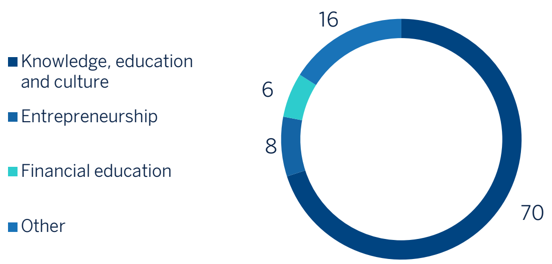
Currently, the group is working to determine the **sectors** on which the analysis will focus, together with the geographic areas of analysis on which the pilot program will be run.

Contribution to society

Investment in social programs

In **2017**, BBVA allocated €103m to social projects. This figure accounts for 2.9% of the Group's net attributable profit.

Investment in social programs by focus of actions (Percentage)



Investment in social programs by geographical area and Foundation (Thousand euros)

	2017	%	2016	%
Spain and corporate areas	24,728	24	16,923	16
The United States	9,042	9	8,732	8
Mexico	26,847	26	24,612	24
Turkey	5,184	5	6,193	6
South America	5,971	6	6,380	6
BBVA Foundation	25,930	25	25,598	25
BBVA Microfinance Foundation	5,372	5	4,827	5
Total	**103,075**	**100**	**93,265**	**100**

In 2017, BBVA continued to push forward the main **areas** of action of the Community Investment Plan for the period 2016-2018, which include:

1. Financial education, aimed at promoting the acquisition of financial skills and competencies to enable people to make informed financial decisions.

2. Social entrepreneurship, designed to support the most vulnerable entrepreneurs and those whose companies have a positive social impact.

3. Knowledge, through support for initiatives that drive development and create opportunities for people.

Education for society was one of the core areas of the previous Plan until 2016. It is now framed within the strategic line of knowledge. Nonetheless, it retains a significant weight in BBVA's social investment, which continues to support access to education, educational quality and education in values as sources of opportunity. However, it also shares this space with other Group initiatives such as the BBVA Foundation activities and research work by the BBVA Research Department.

The BBVA's **community support** activity has been focusing on these three strategic lines since 2016, although at the local level the Group's banks will maintain their commitment to investment in the community to address local social problems. In this regard, the Support to Social Organizations program backs educational and community development projects carried out by non-governmental organizations, and other non-profit associations and institutions.

Financial education

Financial education is one of the three lines of action established in the 2016-2018 Community Investment Plan.

Through its financial education **programs**, BBVA fosters the acquisition of financial knowledge, skills and abilities that allow people to make better financial decisions and thus access new opportunities.

Since 2008, BBVA has run its own financial education programs and worked together with other actors on more projects. These programs are designed for a diverse target audience, including children, young people and adults, and also entrepreneurs and managers of small businesses. They cover a broad range of subjects, from financial planning to savings and investment. BBVA also adapts its programs at a local level to provide financial education adapted to the environment and economic reality across its global footprint.

In these ten years, BBVA has invested over €73m, benefiting over 11 million people.

Entrepreneurship

In the 2016-2018 Community Investment Plan the entrepreneurship support programs are organized into a single line of action that thus becomes particularly important. Through this line of action, BBVA supports two types of entrepreneurs:

- Vulnerable entrepreneurs, who are supported through the BBVA Microfinance Foundation.
- Entrepreneurs who create high social impact through their enterprises, who are supported by the BBVA Momentum program.

Knowledge, education and culture

Knowledge, education and culture are three areas of activity that are grouped together in a new line of action included in the new Community Investment Plan for 2016-2018 and that encompasses the activities carried out by the BBVA Foundation and local educational and cultural initiatives.

Fiscal transparency

Fiscal strategy

In 2015, the BBVA Board of Directors approved the "Corporate Principles in BBVA's Tax and Fiscal Strategy".

The strategy forms part of BBVA's corporate governance system and establishes the policies, principles and values that guide the way the Group behaves with respect to taxes. This strategy has a global scope and affects everyone who is part of the Bank. Compliance with the strategy is very important, given the scale and impact that the tax contributions of large multinationals such as BBVA have on the jurisdictions where they operate.

Effective compliance with the tax strategy is duly monitored and supervised by BBVA's governing bodies.

Accordingly, BBVA's **fiscal strategy** consists of the following basic points:

- BBVA's decisions concerning fiscal-related matters are determined by the payment of taxes, given that they contribute heavily to the economies of all the jurisdictions in which it operates. Tax payments are aligned with effective business practices and the generation of value in the different geographic areas in which BBVA operates.
- Active adaptation to the new digital environment, also in terms of taxation, through the incorporation of virtual presence into the generation of value, and its consequent valuation.
- The establishment of reciprocal cooperative relations with tax authorities that are based on the principles of transparency, mutual trust, good faith and fairness.
- Promotion of a clear, transparent and responsible reporting strategy to stakeholders on its main fiscal-related matters.

Total tax contribution

BBVA is committed to providing full **transparency** in tax payments, which is why once more this year the Group has voluntarily disclosed all major tax payments in the countries where it has a significant presence, as it has done every year since 2011.

BBVA Group's total tax contribution (TTC), which uses a method created by PwC, includes its own and third-party payments of corporate taxes, VAT, local taxes and fees, income tax withholdings, Social Security payments, and payments made during the year arising from tax litigation in relation to the aforementioned taxes. In other words, it includes both the taxes related to the BBVA Group companies (taxes which represent a cost to them and affect their results) and taxes collected on behalf of third parties. The Total Tax Contribution Report gives all the stakeholders an opportunity to understand BBVA's tax payments and represents a forward-looking approach and commitment to corporate social responsibility, by which it assumes a leading position in fiscal transparency.

Global Tax Contribution (BBVA Group. Million euros)

	2017	2016
Own taxes	4,106	3,762
Third-party taxes	5,775	5,678
Total tax contribution	**9,881**	**9,440**

Offshore financial centers

BBVA maintains a **policy** on activities in entities permanently registered in offshore financial centers, which includes a plan for reducing the number of offshore financial centers.

In this respect, both from the OCDE and the Spanish regulation perspective, as of December 31, **2017**, the BBVA Group's permanent establishments registered in offshore financial centers considered tax havens are as follows:

- Branches of the BBVA Group's banks in the Cayman Islands,
- Issuers of securities in the Cayman Islands: BBVA Global Finance, Ltd., Continental DPR Finance Company, Garanti Diversified Payment Rights Finance Company and RPV Company.

1. Banking branch

As of December 31, 2017, the BBVA Group had a banking branch registered in the Cayman Islands engaging in corporate banking activities.The activities and business of this branch, which do not include the provision of private banking services, are pursued under the strictest compliance with the applicable law, both in the jurisdictions in which it is domiciled and in those where its operations are effectively managed, in this case the United States of America.

Branch at offshore entities (BBVA Group. Million euros)

Main figures of the balance sheets	31-12-17	31-12-16
Loans and advances to customers	1,499	805
Deposits from customers	1,144	430

2. Issuers of securities

The BBVA Group has four **issuers** registered in Grand Cayman, two of them from the Garanti Group.

Issues outstanding at offshore entities (BBVA Group. Million euros)

Issuing entity	31-12-17	31-12-16
Subordinated debts (1)		
BBVA Global Finance LTD	162	188
Other debt securities		
Continental DPR Finance Company (2)	59	102
Garanti Diversified Payment Rights Finance Company	1,879	1,760
RPV Company	1,262	1,457
TOTAL	3,362	3,508

(1) Securities issued before the enactment of Act 19/2003 dated 4 July 2003.

(2) Securitization bond issues on flows generated from export bills.

3. Supervision and control of the permanent establishments of the BBVA Group in offshore financial centers

The BBVA Group applies risk management **criteria and policies** to all its permanent establishments in offshore financial centers that are identical to those for the rest of the companies making up the Group.

During the reviews carried out annually on each and every one of the BBVA Group's permanent establishments in offshore financial centers, BBVA's **Internal Audit** Department checks the following: i) that their activities match the definition of their corporate purpose, ii) that they comply with corporate policies and procedures in matters relating to knowledge of the customers and prevention of money laundering, iii) that the information submitted to the parent company is true, iv) and that they comply with tax obligations. In addition, every year a specific review of Spanish legislation applicable to the transfer of funds between the Group's banks in Spain and its companies established in offshore centers is performed.

In 2017, BBVA's **Compliance and Internal Audit** Departments have supervised the action plans deriving from the audit reports on each one of these centers.

As far as **external audits** are concerned, one of the functions of the Audit and Compliance Committee is to select an external auditor for the Consolidated Group and for all the companies in it. For 2017, all of the BBVA Group's permanent establishments registered in offshore financial centers have the same external auditor (KPMG), except Continental DPR Finance Company.

Other information

Main risks and uncertainties

BBVA Group's risk management system and risk exposure is described in Note 7 "Risk management" of the accompanying Consolidated Financial Statements.

Contractual obligations and off-balance-sheet operations

Information on contingent risks and commitments can be found in Note 33 of the accompanying Consolidated Financial Statements. Information on sale and purchase commitments and future payment obligations can be found in Note 35 of the accompanying Consolidated Financial Statements.

Patents, licenses or similar

At the time of preparing the accompanying Consolidated Financial Statements, the BBVA Group is not materially dependent on the issuance of patents, licenses and industrial, mercantile or financial contracts or on new manufacturing processes in carrying out its business purpose.

Subsequent events

From January 1, 2018 to the date of preparation of these Annual Consolidated Accounts, 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.

Transition to IFRS 9

Under Commission Regulation (EU) No. 2016/2067 of 22 November 2016, all companies governed by the law of a Member State of the European Union, and whose securities are traded on a regulated market in one of the States of the European Union, must apply IFRS 9 as from the commencement date of their first financial year starting on or after January 1, 2018 (see Note 2.3 from the attached Annual Financial Statements); and it is the Group's intention to use the option allowed by the standard itself of not reformulating the comparative financial statements for 2017 that will be presented in the Consolidated Financial Statements for 2018.

Alternative Performance Measures (APMs)

BBVA presents its results in accordance with the International Financial Reporting Standards (EU-IFRS). However, it also considers that some alternative performance measures (APMs) provide useful additional financial information that should be taken into account when evaluating performance. These APMs are also used when making financial, operational and planning decisions within the Entity. The Group firmly believes that they give a true and fair view of its financial information. These APMs are generally used in the financial sector as indicators for monitoring the assets, liabilities and economic and financial situation of entities.

BBVA Group's APMs are given below. They are presented n accordance with the European Securities and Markets Authority (ESMA) guidelines, published on October 5, 2015 (ESMA/2015/1415en). These guidelines are aimed at promoting the usefulness and transparency of APMs included in prospectuses or regulated information to protect investors in the European Union. In accordance with the indications given in the guidelines, BBVA Group's APMs.

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

Book value per share

The book value per share determines the value of the company on its books for each share held by the shareholder:

$$\frac{\text{Shareholders' funds + Accumulated other comprehensive income}}{\text{Number of shares outstanding - Treasury shares}}$$

Explanation of the formula: The figures for both the shareholders' funds and accumulated other comprehensive income are taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend before publication. The denominator includes the final number of outstanding shares excluding own shares (treasury shares). The denominator is also adjusted to include the capital increase resulting from the execution of the "dividend-option" explained above. Both the numerator and the denominator take into account specific balances.

Relevance of its use: It is important to know the company's book value for each share issued. It is a generally used ratio, not only in the banking sector but also in others.

Book value per share

			31-12-17	31-12-16	31-12-15
Numerator (million euros)	+	Shareholders' funds	55,136	52,821	50,639
	+	Dividend-option adjustment	-	-	-
	+	Accumulated other comprehensive income	(8,792)	(5,458)	(3,349)
Denominator (million shares)	+	Number of shares outstanding	6,668	6,567	6,367
	+	Dividend-option	-	-	-
	-	Treasury shares	13	7	39
=		**Book value per share (euros / share)**	**6.96**	**7.22**	**7.47**

Tangible book value per share

The tangible book value per share determines the value of the company on its books for each share held by shareholders in the event of liquidation.

$$\frac{\text{Shareholders' funds + Accumulated other comprehensive income - Intangible assets}}{\text{Number of shares outstanding - Treasury shares}}$$

Explanation of the formula: The figures for shareholders' funds, accumulated other comprehensive income and intangible assets are all taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend before publication. The denominator includes the final number of shares outstanding excluding own shares (treasury shares). The denominator is also adjusted to include the result of the capital increase resulting from the execution of the "dividend options" explained above. Both the numerator and the denominator take into account specific balances.

Relevance of its use: It is important to know the company's book value for each share issued, after deducting intangible assets. It is a generally used ratio, not only in the banking sector but also in others.

Tangible book value per share

			31-12-17	31-12-16	31-12-15
Numerator (million euros)	+	Shareholders' funds	55,136	52,821	50,639
	+	Dividend-option adjustment	-	-	-
	+	Accumulated other comprehensive income	(8,792)	(5,458)	(3,349)
	-	Intangible assets	8,464	9,786	10,052
Denominator (million shares)	+	Number of shares outstanding	6,668	6,567	6,367
	+	Dividend-option	-	-	-
	-	Treasury shares	13	7	39
=		**Tangible book value per share (euros / share)**	**5.69**	**5.73**	**5.88**

Dividend yield

This is the remuneration given to the shareholders in the last twelve calendar months divided into the closing price for the period.

$$\frac{\sum\text{Dividend per share over the last twelve months}}{\text{Closing price}}$$

Explanation of the formula: The remuneration per share takes into account the gross amounts per share paid out over the last twelve months, both in cash and through the flexible remuneration system called the "dividend option".

Relevance of its use: This ratio is generally used by analysts, shareholders and investors for companies and entities that are traded on the stock market. It compares the dividend paid by a company every year with its market price.

Dividend yield				
		31-12-17	31-12-16	31-12-15
Numerator (euros)	∑ Dividends	0.30	0.37	0.37
Denominator (euros)	Closing price	7.11	6.41	6.74
=	**Dividend yield**	**4.2%**	**5.8%**	**5.5%**

Non-performing loan (NPL) ratio

This is the ratio between the risks classified for accounting purposes as non-performing loans and the total credit risk balance for customers and contingent risks.

$$\frac{\text{Non-performing loans}}{\text{Total credit risk}}$$

Explanation of the formula: Both non-performing loans and credit risk include contingent liabilities, now called collateral given. Their calculation is based on the headings in the first table on page 30 of this report.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the current situation and changes in credit risk quality, and specifically the relationship between risks classified in the accounts as non-performing loans and the total balance of credit risk, with respect to customers and contingent liabilities.

Non-Performing Loans (NPLs) ratio				
		31-12-17	31-12-16	31-12-15
Numerator (million euros)	NPLs	20,492	23,595	25,996
Denominator (million euros)	Total credit risk	461,303	480,720	482,518
=	**Non-Performing Loans (NPLs) ratio**	**4.4%**	**4.9%**	**5.4%**

NPL coverage ratio

It reflects the degree to which the impairment of non-performing loans has been covered in the accounts via loan-loss provisions.

$$\frac{\text{Impairment on financial assets (net)}}{\text{NPLs}}$$

Explanation of the formula: Non-performing loans include contingent liabilities, now called collateral given. Their calculation is based on the headings in the first table on page 30 of this report.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk, reflecting the degree to which the impairment of non-performing loans has been covered in the accounts via loan-loss provisions.

NPL coverage ratio				
		31-12-17	31-12-16	31-12-15
Numerator (million euros)	Impairment on financial assets (net)	13,319	16,573	19,405
Denominator (million euros)	NPLs	20,492	23,595	25,996
=	**NPL coverage ratio**	**65%**	**70%**	**74%**

Efficiency ratio

It measures the percentage of gross income consumed by an entity's operating expenses.

$$\frac{\text{Operating expenses}}{\text{Gross income}}$$

Explanation of the formula: Operating expenses are the sum of personnel expenses, plus administrative expenses, plus depreciation.

Relevance of its use: This ratio is generally used in the banking sector. It is also a ratio linked to one of the Group's six Strategic Priorities.

Efficiency ratio				
		2017	2016	2015
Numerator (million euros)	Operating expenses	(12,500)	(12,791)	(12,317)
Denominator (million euros)	Gross income	25,270	24,653	23,680
=	**Efficiency ratio**	**49.5%**	**51.9%**	**52.0%**

ROE

The ROE ratio (return on equity) measures the return obtained on an entity's shareholders' funds.

$$\frac{\text{Annualized net attributable profit}}{\text{Average shareholders' funds}}$$

Explanation of the formula:
Annualized net attributable profit: it measures the net profit attributable to the Group after deducting the results from non-controlling interests. If the metric is presented on a date before the close of the fiscal year, the numerator must be annualized. If extraordinary items (results from corporate operations) are included in the net attributable profit for the months covered, they are eliminated from the figure before it is annualized, and then added to the metric once it has been annualized.

Average shareholders' funds: These are shareholders' funds adjusted to take into account the result of the "dividend-option" at the closing dates before publication on which it was agreed to distribute this type of dividend. Average shareholders' funds are a moving weighted average of shareholders' funds over the last twelve calendar months.

Relevance of its use: This ratio is very commonly used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds.

In addition, a derivative of this metric may be reported, such as ROE not including the results from corporate operations. In this case the numerator will not include the results from corporate operations.

ROE				
		2017	2016	2015
Numerator (million euros)	Annualized net attributable profit	3,519	3,475	2,642
Denominator (million euros)	Average shareholders' funds	54,649	51,947	50,767
=	**ROE**	**6.4%**	**6.7%**	**5.2%**

ROTE

The ROTE ratio (return on tangible equity) measures the return on an entity's shareholders' funds, excluding intangible asset.

$$\frac{\text{Annualized net attributable profit}}{\text{Average shareholders' funds - Average intangible assets}}$$

Explanation of the formula:
Annualized net attributable profit: calculated in the same way as ROE above.

Average shareholders' funds: calculated in the same way as ROE above.

Average intangible assets: intangible assets on the balance sheet, including goodwill and other intangible assets. The average balance is calculated in the same way as for shareholders' funds.

Relevance of its use: This metric is generally used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds not including intangible assets.

A derivative of this metric may also be reported, such as ROTE not including the results from corporate operations. In this case the numerator does not include the results from corporate operations.

ROTE

			2017	2016	2015
Numerator (million euros)		Annualized net attributable profit	3,519	3,475	2,642
Denominator (million euros)	+	Average shareholders' funds	54,649	51,947	50,767
	-	Average intangible assets	9,073	9,819	9,634
=		ROTE	7.7%	8.2%	6.4%

ROA

The ROA ratio (return on assets) measures the return obtained on an entity's assets.

$$\frac{\text{Annualized profit for the year}}{\text{Average total assets}}$$

Explanation of the formula:
Annualized profit for the year: If the metric is presented on a date before the close of the fiscal year, the numerator must be annualized. If extraordinary items (results from corporate operations) are included in the net attributable profit for the months covered, they are eliminated from the figure before it is annualized, and then added to the metric once it has been annualized.

Average total assets: A moving weighted average of the total assets in the last twelve calendar months.

Relevance of its use: This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

A derivative of this metric may also be reported, such as ROA not including the results from corporate operations. In this case the numerator does not include the results from corporate operations.

ROA

		2017	2016	2015
Numerator (million euros)	Annualized profit for the year	4,762	4,693	3,328
Denominator (million euros)	Average total assets	702,511	735,636	716,379
=	ROA	0.68%	0.64%	0.46%

RORWA

The RORWA ratio (return on risk-weighted assets) measures the accounting return obtained on average risk-weighted assets.

$$\frac{\text{Annualized profit for the year}}{\text{Average risk-weighted assets}}$$

Explanation of the formula:
Annualized profit for the year: calculated in the same way as ROA above.

Average risk-weighted assets (RWA): a moving weighted average of RWA over the last twelve calendar months.

Relevance of its use: This ratio is generally used in the banking sector to measure the return obtained on RWA.

A derivative of this metric may also be reported, such as RORWA not including the results from corporate operations. In this case the numerator does not include the results from corporate operations.

RORWA

		2017	2016	2015
Numerator (million euros)	Annualized profit for the year	4,762	4,693	3,328
Denominator (million euros)	Average RWA	375,589	394,356	380,844
=	**RORWA**	**1.27%**	**1.19%**	**0.87%**

Other customer funds

It includes off-balance sheet funds (mutual funds, pension funds and other off-balance-sheet funds) and customer portfolios.

Explanation of the formula: Sum of mutual funds + pension funds + other off-balance sheet funds + customer portfolios; as displayed in the table on page 27 of this report.

Relevance of its use: This metric is generally used in the banking sector, as apart from on-balance sheet funds, financial institutions manage other types of customer funds, such as mutual funds, pension funds, etc.

Other customer funds (Million euros)

		31-12-17	31-12-16	31-12-15
+	Mutual funds	60,939	55,037	54,419
+	Pension Funds	33,985	33,418	31,542
+	Other off-balance-sheet funds	3,081	2,831	3,786
+	Customer portfolios	36,901	40,805	42,074
=	**Other customer funds**	**134,906**	**132,092**	**131,822**

Annual Corporate Governance Report

In accordance with the provisions of Article 540 of the Spanish Corporate Act, the BBVA Group prepared the Annual Corporate Governance Report for 2017 (which is an integral part of the Management Report for that year) following the content guidelines set down in Order ECC/461/2013, dated March 20, and in CNMV Circular 5/2013, dated June 12 in the wording provided by Comisión Nacional del Mercado de Valores (CNMV) Circular 7/2015, dated December 22, including a section detailing the degree to which the Bank is compliant with existing corporate governance recommendations in Spain. In addition, all the information required by Article 539 of the Spanish Corporations Act can be accessed on BBVA's website www.bbva.com.