

The logo consists of a vertical bar on the left side of the page, divided into six horizontal segments of varying shades of blue, from dark at the top to light at the bottom. To the right of this bar, the text "BBVA Group" is written in a bold, blue, sans-serif font.

**BBVA Group**

**Consolidated financial  
statements, management  
report and auditor's report  
for the year 2016**

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1.2 and 57). In the event of a discrepancy, the Spanish-language version prevails.*

## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Banco Bilbao Vizcaya Argentaria, S.A. ("the Bank") and companies composing, together with the Bank, the Banco Bilbao Vizcaya Argentaria Group ("the Group"), which comprise the consolidated balance sheet as at 31 December 2016, and the consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

#### *Directors' Responsibility for the Consolidated Financial Statements*

The Bank's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of the Group in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain (identified in Note 1.2 to the accompanying consolidated financial statements) and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

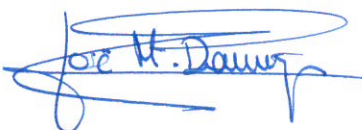
#### *Opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Banco Bilbao Vizcaya Argentaria Group as at 31 December 2016, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

### **Report on Other Legal and Regulatory Requirements**

The accompanying consolidated directors' report for 2016 contains the explanations which the Bank's directors consider appropriate about the situation of the Group, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2016. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Banco Bilbao Vizcaya Argentaria, S.A. and Subsidiaries.

DELOITTE, S.L.  
Registered in R.O.A.C. under N° S0692



José Manuel Domínguez  
13 February 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.

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## MANAGEMENT REPORT

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.

# BBVA Group

## Consolidated balance sheets as of December 31, 2016, 2015 and 2014

ASSETS	Notes	Millions of Euros		
		2016	2015 (*)	2014 (*)
<b>CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND</b>				
<b>DEPOSITS</b>	9	<b>40,039</b>	<b>29,282</b>	<b>27,719</b>
<b>FINANCIAL ASSETS HELD FOR TRADING</b>	10	<b>74,950</b>	<b>78,326</b>	<b>83,258</b>
Derivatives		42,955	40,902	44,229
Equity instruments		4,675	4,534	5,017
Debt securities		27,166	32,825	33,883
Loans and advances to central banks		-	-	-
Loans and advances to credit institutions		-	-	-
Loans and advances to customers		154	65	128
<b>FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	11	<b>2,062</b>	<b>2,311</b>	<b>2,761</b>
Equity instruments		1,920	2,075	2,024
Debt securities		142	173	737
Loans and advances to central banks		-	-	-
Loans and advances to credit institutions		-	62	-
Loans and advances to customers		-	-	-
<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>	12	<b>79,221</b>	<b>113,426</b>	<b>94,875</b>
Equity instruments		4,641	5,116	7,267
Debt securities		74,580	108,310	87,608
<b>LOANS AND RECEIVABLES</b>	13	<b>465,977</b>	<b>471,828</b>	<b>376,086</b>
Debt securities		11,209	10,516	6,659
Loans and advances to central banks		8,894	17,830	5,429
Loans and advances to credit institutions		31,373	29,317	25,342
Loans and advances to customers		414,500	414,165	338,657
<b>HELD-TO-MATURITY INVESTMENTS</b>	14	<b>17,696</b>	-	-
<b>HEDGING DERIVATIVES</b>	15	<b>2,833</b>	<b>3,538</b>	<b>2,551</b>
<b>FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK</b>	15	<b>17</b>	<b>45</b>	<b>121</b>
<b>INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES</b>	16	<b>765</b>	<b>879</b>	<b>4,509</b>
Joint ventures		229	243	4,092
Associates		536	636	417
<b>INSURANCE OR REINSURANCE ASSETS</b>	23	<b>447</b>	<b>511</b>	<b>559</b>
<b>TANGIBLE ASSETS</b>	17	<b>8,941</b>	<b>9,944</b>	<b>7,820</b>
Property, plants and equipment		8,250	8,477	6,428
For own use		7,519	8,021	5,985
Other assets leased out under an operating lease		732	456	443
Investment properties		691	1,467	1,392
<b>INTANGIBLE ASSETS</b>	18	<b>9,786</b>	<b>10,052</b>	<b>7,371</b>
Goodwill		6,937	6,915	5,697
Other intangible assets		2,849	3,137	1,673
<b>TAX ASSETS</b>	19	<b>18,245</b>	<b>17,779</b>	<b>12,426</b>
Current		1,853	1,901	2,035
Deferred		16,391	15,878	10,391
<b>OTHER ASSETS</b>	20	<b>7,274</b>	<b>8,565</b>	<b>8,094</b>
Insurance contracts linked to pensions		-	-	-
Inventories		3,298	4,303	4,443
Rest		3,976	4,263	3,651
<b>NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE</b>	21	<b>3,603</b>	<b>3,369</b>	<b>3,793</b>
<b>TOTAL ASSETS</b>		<b>731,856</b>	<b>749,855</b>	<b>631,942</b>

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

The accompanying Notes 1 to 57 and Appendices I to XIV are an integral part of the consolidated balance sheet as of December 31, 2016.

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.

# BBVA Group

## Consolidated balance sheets as of December 31, 2016, 2015 and 2014.

LIABILITIES AND EQUITY	Notes	Millions of Euros		
		2016	2015 (*)	2014 (*)
<b>FINANCIAL LIABILITIES HELD FOR TRADING</b>	10	<b>54,675</b>	<b>55,202</b>	<b>56,798</b>
Trading derivatives		43,118	42,149	45,052
Short positions		11,556	13,053	11,747
Deposits from central banks		-	-	-
Deposits from credit institutions		-	-	-
Customer deposits		-	-	-
Debt certificates		-	-	-
Other financial liabilities		-	-	-
<b>FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	11	<b>2,338</b>	<b>2,649</b>	<b>2,724</b>
Deposits from central banks		-	-	-
Deposits from credit institutions		-	-	-
Customer deposits		-	-	-
Debt certificates		-	-	-
Other financial liabilities		2,338	2,649	2,724
<b>FINANCIAL LIABILITIES AT AMORTIZED COST</b>	22	<b>589,210</b>	<b>606,113</b>	<b>491,899</b>
Deposits from central banks		34,740	40,087	28,193
Deposits from credit institutions		63,501	68,543	65,168
Customer deposits		401,465	403,362	319,334
Debt certificates		76,375	81,980	71,917
Other financial liabilities		13,129	12,141	7,288
<b>HEDGING DERIVATIVES</b>	15	<b>2,347</b>	<b>2,726</b>	<b>2,331</b>
<b>FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO</b>				
<b>HEDGES OF INTEREST RATE RISK</b>	15	-	<b>358</b>	-
<b>LIABILITIES UNDER INSURANCE CONTRACTS</b>	23	<b>9,139</b>	<b>9,407</b>	<b>10,460</b>
<b>PROVISIONS</b>	24	<b>9,071</b>	<b>8,852</b>	<b>7,444</b>
Provisions for pensions and similar obligations	25	6,025	6,299	5,970
Other long term employee benefits		69	68	62
Provisions for taxes and other legal contingencies		418	616	262
Provisions for contingent risks and commitments		950	714	381
Other provisions		1,609	1,155	769
<b>TAX LIABILITIES</b>	19	<b>4,668</b>	<b>4,656</b>	<b>4,157</b>
Current		1,276	1,238	980
Deferred		3,392	3,418	3,177
<b>OTHER LIABILITIES</b>	20	<b>4,979</b>	<b>4,610</b>	<b>4,519</b>
<b>LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE</b>		-	-	-
<b>TOTAL LIABILITIES</b>		<b>676,428</b>	<b>694,573</b>	<b>580,333</b>

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

The accompanying Notes 1 to 57 and Appendices I to XIV are an integral part of the consolidated balance sheet as of December 31, 2016.

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.

# BBVA Group

## Consolidated balance sheets as of December 31, 2016, 2015 and 2014.

		Millions of Euros		
LIABILITIES AND EQUITY (Continued)	Notes	2016	2015 (*)	2014 (*)
<b>SHAREHOLDERS' FUNDS</b>		<b>52,821</b>	<b>50,639</b>	<b>49,446</b>
<b>Capital</b>		<b>3,218</b>	<b>3,120</b>	<b>3,024</b>
Paid up capital	26	3,218	3,120	3,024
Unpaid capital which has been called up		-	-	-
<b>Share premium</b>	27	<b>23,992</b>	<b>23,992</b>	<b>23,992</b>
<b>Equity instruments issued other than capital</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Other equity</b>	44.1.1	<b>54</b>	<b>35</b>	<b>67</b>
<b>Retained earnings</b>	28	<b>23,688</b>	<b>22,588</b>	<b>20,280</b>
<b>Revaluation reserves</b>	28	<b>20</b>	<b>22</b>	<b>23</b>
<b>Other reserves</b>	28	<b>(67)</b>	<b>(98)</b>	<b>633</b>
Reserves or accumulated losses of investments in subsidiaries, joint ventures and associates		(67)	(98)	633
Other		-	-	-
<b>Less: Treasury shares</b>	29	<b>(48)</b>	<b>(309)</b>	<b>(350)</b>
<b>Profit or loss attributable to owners of the parent</b>		<b>3,475</b>	<b>2,642</b>	<b>2,618</b>
<b>Less: Interim dividends</b>	4	<b>(1,510)</b>	<b>(1,352)</b>	<b>(841)</b>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>	30	<b>(5,458)</b>	<b>(3,349)</b>	<b>(348)</b>
<b>Items that will not be reclassified to profit or loss</b>		<b>(1,095)</b>	<b>(859)</b>	<b>(777)</b>
Actuarial gains or ( ) losses on defined benefit pension plans		(1,095)	(859)	(777)
Non-current assets and disposal groups classified as held for sale		-	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates		-	-	-
Other adjustments		-	-	-
<b>Items that may be reclassified to profit or loss</b>		<b>(4,363)</b>	<b>(2,490)</b>	<b>429</b>
Hedge of net investments in foreign operations [effective portion]		(118)	(274)	(373)
Foreign currency translation		(5,185)	(3,905)	(2,173)
Hedging derivatives. Cash flow hedges [effective portion]		16	(49)	(46)
Available-for-sale financial assets		947	1,674	3,816
Non-current assets and disposal groups classified as held for sale		-	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates		(23)	64	(796)
<b>MINORITY INTERESTS (NON-CONTROLLING INTEREST)</b>	31	<b>8,064</b>	<b>7,992</b>	<b>2,511</b>
Valuation adjustments		(2,246)	(1,333)	(53)
Rest		10,310	9,325	2,563
<b>TOTAL EQUITY</b>		<b>55,428</b>	<b>55,282</b>	<b>51,609</b>
<b>TOTAL EQUITY AND TOTAL LIABILITIES</b>		<b>731,856</b>	<b>749,855</b>	<b>631,942</b>
		Millions of Euros		
MEMORANDUM ITEM (OFF-BALANCE SHEET EXPOSURES)	Notes	2016	2015 (*)	2014 (*)
Financial guarantees given	33	50,540	49,876	33,741
Contingent commitments	33	117,573	135,733	106,252

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

The accompanying Notes 1 to 57 and Appendices I to XIV are an integral part of the consolidated balance sheet as of December 31, 2016.

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.

# BBVA Group

## Consolidated income statements for the years ended December 31, 2016, 2015 and 2014.

Millions of Euros				
Consolidated income statements	Notes	2016	2015 (*)	2014 (*)
Interest income	37	27,708	24,783	22,838
Interest expenses	37	(10,648)	(8,761)	(8,456)
<b>NET INTEREST INCOME</b>		<b>17,059</b>	<b>16,022</b>	<b>14,382</b>
Dividend income	38	467	415	531
Share of profit or loss of entities accounted for using the equity method	39	25	174	343
Fee and commission income	40	6,804	6,340	5,530
Fee and commission expenses	40	(2,086)	(1,729)	(1,356)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	41	1,375	1,055	1,439
Gains or (-) losses on financial assets and liabilities held for trading, net	41	248	(409)	11
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	41	114	126	32
Gains or (-) losses from hedge accounting, net	41	(76)	93	(47)
Exchange differences (net)	41	472	1,165	699
Other operating income	42	1,272	1,315	959
Other operating expenses	42	(2,128)	(2,285)	(2,705)
Income on insurance and reinsurance contracts	43	3,652	3,678	3,622
Expenses on insurance and reinsurance contracts	43	(2,545)	(2,599)	(2,714)
<b>GROSS INCOME</b>		<b>24,653</b>	<b>23,362</b>	<b>20,725</b>
Administration costs	44	(11,366)	(10,836)	(9,414)
Personnel expenses		(6,722)	(6,273)	(5,410)
Other administrative expenses		(4,644)	(4,563)	(4,004)
Depreciation	45	(1,426)	(1,272)	(1,145)
Provisions or (-) reversal of provisions	46	(1,186)	(731)	(1,142)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	47	(3,801)	(4,272)	(4,340)
Financial assets measured at cost		-	-	-
Available-for-sale financial assets		(202)	(23)	(35)
Loans and receivables		(3,597)	(4,248)	(4,304)
Held to maturity investments		(1)	-	-
<b>NET OPERATING INCOME</b>		<b>6,874</b>	<b>6,251</b>	<b>4,684</b>
Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates		-	-	-
Impairment or (-) reversal of impairment on non-financial assets	48	(521)	(273)	(297)
Tangible assets		(143)	(60)	(97)
Intangible assets		(3)	(4)	(8)
Other assets		(375)	(209)	(192)
Gains (losses) on derecognized of non financial assets and subsidiaries, net	49	70	(2,135)	46
Negative goodwill recognised in profit or loss	18	-	26	-
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	50	(31)	734	(453)
<b>OPERATING PROFIT BEFORE TAX</b>		<b>6,392</b>	<b>4,603</b>	<b>3,980</b>
Tax expense or (-) income related to profit or loss from continuing operation	19	(1,699)	(1,274)	(898)
<b>PROFIT FROM CONTINUING OPERATIONS</b>		<b>4,693</b>	<b>3,328</b>	<b>3,082</b>
Profit from discontinued operations (net)		-	-	-
<b>PROFIT</b>		<b>4,693</b>	<b>3,328</b>	<b>3,082</b>
Attributable to minority interest [non-controlling interests]	31	1,218	686	464
Attributable to owners of the parent		3,475	2,642	2,618

Euros				
EARNINGS PER SHARE	Notas	2016	2015 (*)	2014 (*)
Basic earnings per share from continued operations	5	0.50	0.37	0.40
Diluted earnings per share from continued operations		0.50	0.37	0.40
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 Appendices I to XIV are an integral part of the consolidated income statement corresponding to the year ended December 31, 2016.



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.

# BBVA Group

## Consolidated statements of recognized income and expenses for the years ended December 31, 2016, 2015 and 2014.

Consolidated statements of recognized income and expenses	Millions of Euros		
	2016	2015 (*)	2014 (*)
<b>PROFIT RECOGNIZED IN INCOME STATEMENT</b>	<b>4,693</b>	<b>3,328</b>	<b>3,082</b>
<b>OTHER RECOGNIZED INCOME (EXPENSES)</b>	<b>(3,022)</b>	<b>(4,280)</b>	<b>3,359</b>
<b>ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT</b>	<b>(240)</b>	<b>(74)</b>	<b>(346)</b>
Actuarial gains and losses from defined benefit pension plans	(303)	(135)	(498)
Non-current assets available for sale	-	-	-
Entities under the equity method of accounting	-	8	(5)
Income tax related to items not subject to reclassification to income statement	63	53	157
<b>ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT</b>	<b>(2,782)</b>	<b>(4,206)</b>	<b>3,705</b>
<b>Hedge of net investments in foreign operations [effective portion]</b>	<b>166</b>	<b>88</b>	<b>(273)</b>
Valuation gains or (-) losses taken to equity	166	88	(273)
Transferred to profit or loss	-	-	-
Other reclassifications	-	-	-
<b>Foreign currency translation</b>	<b>(2,167)</b>	<b>(2,911)</b>	<b>760</b>
Valuation gains or (-) losses taken to equity	(2,120)	(3,154)	761
Transferred to profit or loss	(47)	243	(1)
Other reclassifications	-	-	-
<b>Cash flow hedges [effective portion]</b>	<b>80</b>	<b>4</b>	<b>(71)</b>
Valuation gains or (-) losses taken to equity	134	47	(71)
Transferred to profit or loss	(54)	(43)	-
Transferred to initial carrying amount of hedged items	-	-	-
Other reclassifications	-	-	-
<b>Available-for-sale financial assets</b>	<b>(694)</b>	<b>(3,196)</b>	<b>4,306</b>
Valuation gains or (-) losses taken to equity	438	(1,341)	5,706
Transferred to profit or loss	(1,248)	(1,855)	(1,400)
Other reclassifications	116	-	-
<b>Non-current assets held for sale</b>	<b>-</b>	<b>-</b>	<b>(4)</b>
Valuation gains or (-) losses taken to equity	-	-	(4)
Transferred to profit or loss	-	-	-
Other reclassifications	-	-	-
<b>Entities accounted for using the equity method</b>	<b>(89)</b>	<b>861</b>	<b>338</b>
<b>Income tax</b>	<b>(78)</b>	<b>948</b>	<b>(1,351)</b>
<b>TOTAL RECOGNIZED INCOME/EXPENSES</b>	<b>1,671</b>	<b>(952)</b>	<b>6,441</b>
Attributable to minority interest [non-controlling interests]	305	(594)	341
Attributable to the parent company	1,366	(358)	6,100

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

The accompanying Notes 1 to 57 and Appendices I to XIV are an integral part of the consolidated statement of recognized income and expenses for the years ended December 31, 2016, 2015 and 2014.

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.

# BBVA Group

## Consolidated statements of changes in equity for the years ended December 31, 2016, 2015 and 2014.

2016	Millions of Euros													
	Capital (Nota 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Non-controlling interest		Total
												Valuation adjustments	Rest	
<b>Balances as of January 1, 2016</b>	3,120	23,992	-	35	22,588	22	(98)	(309)	2,642	(1,352)	(3,349)	(1,333)	9,325	55,281
<b>Total income/expense recognized</b>	-	-	-	-	-	-	-	-	3,475	-	(2,109)	(913)	1,218	1,671
<b>Other changes in equity</b>	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	93	-	(93)	-	-	(130)	-	-	(234)	(1535)
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 between total equity entries	-	-	-	-	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)	-	-	(20)	-	-	2	(209)
<b>Balances as of December 31, 2016</b>	<b>3,218</b>	<b>23,992</b>	<b>-</b>	<b>54</b>	<b>23,688</b>	<b>20</b>	<b>(67)</b>	<b>(48)</b>	<b>3,475</b>	<b>(1,510)</b>	<b>(5,458)</b>	<b>(2,246)</b>	<b>10,310</b>	<b>55,428</b>

The accompanying Notes 1 to 57 and Appendices I to XIV are an integral part of the total consolidated statement of changes in equity for the year ended December 31, 2016.

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.

# BBVA Group

## Consolidated statements of changes in equity for the years ended December 31, 2016, 2015 and 2014. (continued).

2015 (*)	Millions of Euros													Total
	Capital (Nota 25)	Share Premium (Nota 26)	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 comprehensiv e income	Non-controlling interest		
												Valuation adjustments	Rest	
<b>Balances as of January 1, 2015</b>	3,024	23,992	-	66	20,281	23	633	(350)	2,618	(841)	(348)	(53)	2,563	51,609
<b>Total income/expense recognized</b>	-	-	-	-	-	-	-	-	2,642	-	(3,000)	(1,280)	686	(953)
<b>Other changes in equity</b>	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	86	-	(86)	-	-	(1222)	-	-	(146)	(1368)
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 between total equity entries	-	-	-	-	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
<b>Balances as of December 31, 2015</b>	<b>3,120</b>	<b>23,992</b>	<b>-</b>	<b>35</b>	<b>22,588</b>	<b>22</b>	<b>(98)</b>	<b>(309)</b>	<b>2,642</b>	<b>(1,352)</b>	<b>(3,349)</b>	<b>(1,333)</b>	<b>9,325</b>	<b>55,281</b>

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

The accompanying Notes 1 to 57 and Appendices I to XIV are an integral part of the total consolidated statement of changes in equity for the year ended December 31, 2016.

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.

## BBVA Group

Consolidated statements of changes in equity for the years ended December 31, 2016, 2015 and 2014. (continued).

2014 (*)	Millions of Euros													
	Capital (Nota 25)	Share Premium (Note 26)	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Non-controlling interest		Total
												Valuation adjustments	Rest	
<b>Balances as of January 1, 2014</b>	2,835	22,111	-	59	19,291	26	450	(66)	2,084	(765)	(3,831)	70	2,301	44,565
<b>Total income/expense recognized</b>	-	-	-	-	-	-	-	-	2,618	-	3,483	(123)	464	6,442
<b>Other changes in equity</b>	189	1,881	-	8	989	(2)	182	(284)	(2,084)	(76)	-	-	(201)	602
Issuances of common shares	189	1,881	-	-	(70)	-	-	-	-	-	-	-	-	2,000
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	-	-	-	-	91	-	(91)	-	-	(597)	-	-	(243)	(840)
Purchase of treasury shares	-	-	-	-	-	-	-	(3,770)	-	-	-	-	-	(3,770)
Sale or cancellation of treasury shares	-	-	-	-	5	-	-	3,486	-	-	-	-	-	3,491
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	-	-	1,044	(2)	277	-	(2,084)	765	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(36)	7	-	-	-	-	-	-	-	-	(29)
Other increases or (-) decreases in equity	-	-	-	44	(88)	-	(4)	-	-	(244)	-	-	42	(250)
<b>Balances as of December 31, 2014</b>	<b>3,024</b>	<b>23,992</b>	<b>-</b>	<b>67</b>	<b>20,280</b>	<b>23</b>	<b>633</b>	<b>(350)</b>	<b>2,618</b>	<b>(841)</b>	<b>(348)</b>	<b>(53)</b>	<b>2,563</b>	<b>51,609</b>

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

The accompanying Notes 1 to 57 and Appendices I to XIV are an integral part of the total consolidated statement of changes in equity for the year ended December 31, 2016.

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.

# BBVA Group

## Consolidated statements of cash flows for the years ended December 31, 2016, 2015 and 2014.

Millions of Euros				
Consolidated statements of cash flow	Notes	2016	2015 (*)	2014 (*)
<b>A) CASH FLOW FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)</b>	51	<b>6,623</b>	<b>23,101</b>	<b>(6,188)</b>
<b>1. Profit for the year</b>		<b>4,693</b>	<b>3,328</b>	<b>3,082</b>
<b>2. Adjustments to obtain the cash flow from operating activities:</b>		<b>6,784</b>	<b>18,327</b>	<b>8,315</b>
Depreciation and amortization		1,426	1,272	1,145
Other adjustments		5,358	17,055	7,170
<b>3. Net increase/decrease in operating assets</b>		<b>(4,428)</b>	<b>(12,954)</b>	<b>(53,244)</b>
Financial assets held for trading		1,289	4,691	(11,145)
Other financial assets designated at fair value through profit or loss		(2)	337	(349)
Available-for-sale financial assets		14,445	3,360	(13,485)
Loans and receivables		(21,075)	(20,498)	(27,299)
Other operating assets		915	(844)	(966)
<b>4. Net increase/decrease in operating liabilities</b>		<b>1,273</b>	<b>15,674</b>	<b>36,557</b>
Financial liabilities held for trading		361	(2,475)	11,151
Other financial liabilities designated at fair value through profit or loss		(53)	120	256
Financial liabilities at amortized cost		(7)	21,422	24,219
Other operating liabilities		972	(3,393)	931
<b>5. Collection/Payments for income tax</b>		<b>(1,699)</b>	<b>(1,274)</b>	<b>(898)</b>
<b>B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)</b>	51	<b>(560)</b>	<b>(4,411)</b>	<b>(1,151)</b>
<b>1. Investment</b>		<b>(3,978)</b>	<b>(6,416)</b>	<b>(1,984)</b>
Tangible assets		(1,312)	(2,171)	(1,419)
Intangible assets		(645)	(571)	(467)
Investments in joint ventures and associates		(76)	(41)	-
Subsidiaries and other business units		(95)	(3,633)	(98)
Non-current assets held for sale and associated liabilities		-	-	-
Held-to-maturity investments		(1,850)	-	-
Other settlements related to investing activities		-	-	-
<b>2. Divestments</b>		<b>3,418</b>	<b>2,005</b>	<b>833</b>
Tangible assets		795	224	167
Intangible assets		20	2	-
Investments in joint ventures and associates		322	1	118
Subsidiaries and other business units		73	9	-
Non-current assets held for sale and associated liabilities		900	1,683	548
Held-to-maturity investments		1,215	-	-
Other collections related to investing activities		93	86	-
<b>C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)</b>	51	<b>(1,113)</b>	<b>127</b>	<b>3,157</b>
<b>1. Investment</b>		<b>(4,335)</b>	<b>(5,717)</b>	<b>(5,955)</b>
Dividends		(1,599)	(879)	(826)
Subordinated liabilities		(502)	(1,419)	(1,046)
Treasury stock amortization		-	-	-
Treasury stock acquisition		(2,004)	(3,273)	(3,770)
Other items relating to financing activities		(230)	(146)	(313)
<b>2. Divestments</b>		<b>3,222</b>	<b>5,844</b>	<b>9,112</b>
Subordinated liabilities		1,000	2,523	3,628
Treasury stock increase		-	-	2,000
Treasury stock disposal		2,222	3,321	3,484
Other items relating to financing activities		-	-	-
<b>D) EFFECT OF EXCHANGE RATE CHANGES</b>		<b>(3,463)</b>	<b>(6,781)</b>	<b>725</b>
<b>E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)</b>		<b>1,489</b>	<b>12,036</b>	<b>(3,457)</b>
<b>F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>43,466</b>	<b>31,430</b>	<b>34,887</b>
<b>G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (E+F)</b>		<b>44,955</b>	<b>43,466</b>	<b>31,430</b>

Millones de euros				
(Continued)	Notas	2016	2015 (*)	2014 (*)
Cash		7,413	7,192	6,247
Balance of cash equivalent in central banks (**)		37,542	36,275	25,183
Other financial assets		-	-	-
Less: Bank overdraft refundable on demand		-	-	-
<b>TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	9,13	<b>44,955</b>	<b>43,466</b>	<b>31,430</b>

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

(\*\*) Balance of cash equivalent in central banks include short-term deposits at central banks under the heading "Loans and receivables" in the accompanying consolidated balance sheets (see Note 13).

The accompanying Notes 1 to 57 and Appendices I to XIV are an integral part of the consolidated statement of cash flows for the year ended December 31, 2016.

*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.*

# 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 on its web site ([www.bbva.com](http://www.bbva.com)).

In addition to the activities it carries out directly, the Bank heads a group of subsidiaries, joint venture 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 therefore required to prepare the Group’s consolidated financial statements.

As of December 31, 2016, the BBVA Group had 370 consolidated entities and 89 entities accounted for using the equity method (see Notes 3 and 16 Appendix I to V).

The consolidated financial statements of the BBVA Group for the year ended December 31, 2015 were approved by the shareholders at the Annual General Meetings (“AGM”) on March 11, 2016.

BBVA Group’s consolidated financial statements and the financial statements for the Bank and most of the remaining entities within the Group have been prepared as of December 31, 2016, 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, 2016, considering the Bank of Spain Circular 4/2004, of 22 December (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, 2016 were prepared by the Group’s Directors (through the Board of Directors held on February 9, 2017) 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, 2016, together with the consolidated results of its operations and cash flows generated during the year ended December 31, 2016.

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 total in these consolidated financial statements do so because of 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.

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

### 1.3 Comparative information

The consolidated financial statements of BBVA Group for the year 2016 are prepared in accordance with the presentation models required by Circular 5/2015 of the Comisión Nacional del Mercado de Valores. The aim is to adapt the content of the public financial information from the credit institutions and formats of the financial statements established mandatory by the European Union regulation for the credit institution.

The information included in the accompanying consolidated financial statements and the explanatory notes referring to December 31, 2015 and December 31, 2014 are presented exclusively for the purpose of comparison with the information for December 31, 2016. In order to facilitate the comparison, the financial statements and the information referred of those dates of 2015 and 2014, has been restated according to the new models mentioned in the previous paragraph. As shown in Appendix XIV attached, the presentation of the consolidated financial statements in accordance with these new formats has no significant impact on the financial statements included in the consolidated financial statements for the years ended December 31, 2015 and 2014.

Certain financial information for the year 2015 has been restated, with no significant impact, as a result of the end in 2016 of the purchase accounting period related to the Garanti Group acquisition (July 2015), as required by IFRS 3 "Business Combinations" paragraph 49 (see Note 18).

Likewise, during 2016, the BBVA Group operating segments have not been significant changes with regard to the existing structure in 2015 (Note 6). The information related to operating segments as of December 31, 2015 and 2014 has been restated for comparability purposes, as required by IFRS 8 "Operating segments".

### 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 traditional 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 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 Notes 24 and 25) 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, 2016 on the events analyzed, 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.

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## 1.6 BBVA Group's Internal Control over financial reporting

The financial information prepared by the BBVA Group is subject to an Internal Control over Financial Reporting (hereinafter "ICFR"), which provides reasonable assurance with respect to its reliability and the integrity of the consolidated financial information. It is also aimed to ensure that the transactions are processed in accordance with the applicable laws and regulations.

The ICFR was developed by the BBVA Group's management in accordance with the 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, processes, 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.

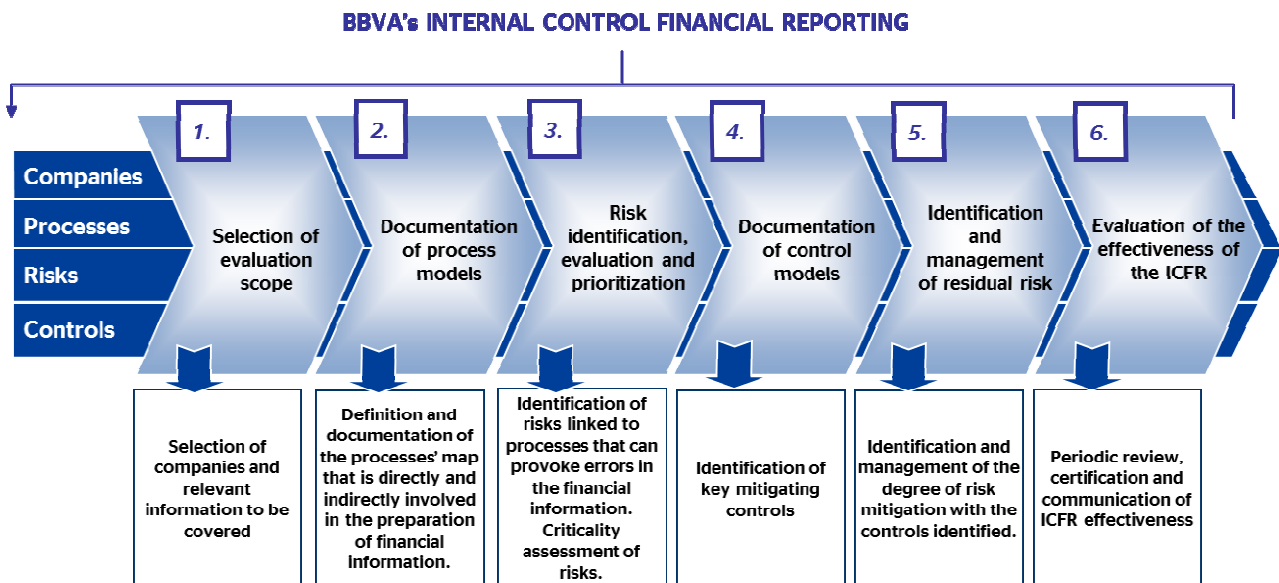
These internal control units are integrated within the BBVA internal control model which is based in two pillars:

- A control system organized into three lines of defense:
  - The first line are integrated by the business 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 (Legal Compliance, Global Accounting & Information Management/Internal Financial Control, Internal Risk Control, IT Risk, Fraud & Security, and Operations Control among others). This second line defines the models and control policies under their areas of responsibility and monitors the design and the 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:



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The Internal Control Units, ICFR Model is subject to annual evaluations by the Group's Internal Audit Unit and external auditors. 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 in the U.S. Securities and Exchange Commission ("SEC"). The main senior executives of the Group take part in the design, compliance and implementation of the internal control model to make it efficient and to ensure the quality and accuracy of the financial information.

The description of the Internal Financial Control System for financial information is detailed 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, 2016.

## 1.7 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.

## 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 the 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).

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Note 3 includes information related to the main subsidiaries in the Group as of December 31, 2016. 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, 2016, 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.

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The main structured entities of the Group are the so-called asset securitization funds, to which the BBVA Group transferred 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 and other purposes (See Appendix 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 contractual. 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 deregistered 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 access to customers to certain investment, transfer risks, and other purposes, but without the Group having control of the vehicles and are not consolidated in accordance with IFRS 10. 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, 2016, there was no material financial support from the Bank or subsidiaries to unconsolidated structured entities.

The Group does not consolidate any of the mutual funds it managed 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 of arrangers) and, for this reason it does not control the mutual funds when exercising its authority for decision making.

On the other hand, 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 to 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, results of equity method investees acquired by the BBVA Group in a particular period are included taking into account only the period from the date of acquisition to the financial statements date. Similarly, the results of entities disposed of during any year are included taking into account only the period from the start of the year to the date of disposal.

The financial statements of subsidiaries, associates and joint ventures used in the preparation of the consolidated financial statements of the Group relate to the same date of presentation than 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 adjusting to take into account the most significant transactions. As of December 31, 2016, save for the case of the financial statements of 5 associates and joint-ventures deemed non-significant (four of which presented financial statements as of November 30, 2016 and one as of October 31, 2016), all of the financial statements of all Group entities were available.

Our banking subsidiaries, associates and joint venture around the world, 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 regulator 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.

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## 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 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 December 31, 2015 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 which, unless there is evidence to the contrary, 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 interests and similar items are recognized under the headings "Interest income" or "Interest expenses", as appropriate, in the accompanying consolidated income statement for the year in which the change occurred (see Note 37). The dividends received from other entities, other than associate entities and joint venture entities, are recognized under the heading "Dividend income" in the accompanying consolidated income statement for the year in which the right to receive them arises (see Note 38).

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

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

The assets and liabilities recognized under these headings of the consolidated balance sheets are measured upon acquisition at fair value and changes in the fair value (gains or losses) are recognized as their net value under the heading "Gains (losses) on financial assets and liabilities (net)" in the accompanying consolidated income statements (see Note 41). Except those interests derivatives designated as economic hedges on interest rate are registered in interest income or expense (Note 37), depending on where 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.

#### "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 for their amount net of tax effect, under the heading "Accumulated other comprehensive income- Items that may be reclassified to profit or loss - Available-for-sale financial assets" in the consolidated balance sheets.

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.

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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 in 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.

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.

#### **“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 measured once acquired 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 item 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 Financial Statements 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).

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- 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 Financial Statements 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.

### 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.

### 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 by the owners of the financial instruments 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.

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### **Impairment of debt securities measured at amortized cost**

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

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 study, approval and execution of debt instruments and Commitments and guarantees given; as well as in identifying the impairment and, where appropriate, in calculating the amounts necessary to cover estimated losses.

The amount of impairment losses on debt instruments measured at amortized cost is calculated based on whether the impairment losses are determined individually or collectively. First it is determined whether there is objective evidence of impairment individually for individually significant debt instrument, and collectively for debt instrument that are not individually significant. In the case where the Group determines that no objective evidence of impairment in the case of debt instrument analyzed individually will be included in a group of debt instrument with similar risk characteristics and collectively impaired is analyzed.

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

- Significant financial difficulties of the 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 the 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**

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

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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 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. The analysis of the LIPs is carried out on the basis of uniform risk portfolios.

When the property right is contractually acquired at the end of the foreclosure process or when the assets of distressed borrowers are purchased, the asset is recognized in the financial statements (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 on the market; other different thresholds may exist for certain equity instruments or specific sectors.



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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, save for 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 for 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 with 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).

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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 heading "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).

This heading includes 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 donated in repayment 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. Profit or loss from 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 this heading.

Fair value of non-current assets and disposable instruments held for sale from foreclosures or recoveries is based, mainly, in appraisals or valuations made by independent experts on a yearly based or less should there be evidence 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.

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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 balance sheet or is derecognized from the balance sheet. As long as an asset remains in this category, it will not be amortized. This heading includes the earnings from their sale or other disposal.

## 2.2.5 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 on which the buildings and other structures stand is considered to have an indefinite life and is therefore not depreciated.

The tangible asset depreciation charges are recognized in the accompanying consolidated income statements under the heading "Depreciation" (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):

Type of Assets	Annual Percentage
Building 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 has been recovered, 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.

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## 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 during 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. Borrowing 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 real-Estate assets above mentioned, 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 (see Note 48). 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.

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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 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. So far, the 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 it is clear that 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 and 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.

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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.

They 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 time 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 "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 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.

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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, insureds or beneficiaries and the premiums to be returned to policyholders or insureds, 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

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

The income and expenses directly recognized in 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 referred to by 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; and
- 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 that these assets 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 reported in the consolidated financial statements.



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## 2.2.12 Pensions and other post-employment commitments

Below we provide a description of the most significant accounting criteria 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" 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.

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 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).

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

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

In establishing the actuarial assumptions we taken into account that:

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

The 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’ equity - Other equity” in the consolidated balance sheet. These services are measured at fair value for the employees services received, unless such fair value cannot be calculated reliably. In such case, they are measured by reference to the fair value of the equity instruments granted, taking into account the date on which the commitments were granted and the terms and other conditions included in the commitments.

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

### **2.2.14 Termination benefits**

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

### **2.2.15 Treasury stock**

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. Thus, all balances and transactions denominated in currencies other than the euro are deemed to be denominated in “foreign currency”.

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

- Conversion of the foreign currency to the 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 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 in force 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 financial year which, owing to their impact on the statements as a whole, 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. However, the exchange differences in non-monetary items, measured at fair value, are recognized temporarily in equity under the heading "Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Exchange differences" in the consolidated balance sheets.

### **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 average spot exchange rates as of the date of each of the consolidated financial statements.
- Income and expenses and cash flows are converted by applying the exchange rate in force 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. 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" 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:

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- On February 10, 2015, the Venezuelan government announced the creation of a new foreign-currency system called SIMADI.
- The Group used the SIMADI exchange rate from March 2015 for the conversion of the financial statements of the Group companies located in Venezuela for their consolidated financial statements. The SIMADI exchange rate started to reflect the exchange rate of actual transactions increasing rapidly to approximately 200 Venezuelan bolivars per U.S. dollar (approximately 218 Venezuelan bolivars per euro), however, from May, and during the second half of 2015 the trend was confirmed, the SIMADI exchange rate had hardly fluctuated, reaching as of December 31, 2015 216.3 Venezuelan bolivars per euro, which could be considered unrepresentative of the convertibility of the Venezuelan currency.
- In February 2016, the Venezuelan government approved a new exchange rate agreement which sets two new mechanisms that regulate the purchase and sale of foreign currency (DIRCOM) and the suspension of the SIMADI exchange rate.
- As of December 31, 2015 and 2016, the Board of Directors considers that the use of the new exchanges rates and, previously, SIMADI 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, 2015 and 2016, the Group has used in the conversion of the financial statements of these foreign exchange rates amounting to 469 and 1,893 Venezuelan bolivars per euro, respectively. These exchanges rates have been calculated taking into account the estimated evolution of inflation in Venezuela at those dates (170% and 300%, respectively) by the Research Service of the Group (see Note 2.2.20).

The summarized balance sheet and income statements of the Group subsidiaries in Venezuela, 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 SIMADI exchange rate, are as follows:

Million of Euros			
Balance sheet December 2016	Estimated exchange rate	DIRCOM	Variation
Cash and balances with central banks	363	971	608
Securities portfolio	93	248	155
Loans and receivables	513	1,371	858
Tangible assets	66	177	111
Other	36	95	59
<b>TOTAL ASSETS</b>	<b>1,070</b>	<b>2,862</b>	<b>1,791</b>
Deposits from central bank and credit institutions	2	5	3
Customer deposits	778	2,080	1,302
Provisions	21	57	35
Other	112	299	187
<b>TOTAL LIABILITIES</b>	<b>913</b>	<b>2,441</b>	<b>1,528</b>

Million of Euros			
Income statements December 2016	Estimated exchange rate	DIRCOM	Variation
<b>NET INTEREST INCOME</b>	<b>103</b>	<b>275</b>	<b>172</b>
<b>GROSS INCOME</b>	<b>52</b>	<b>139</b>	<b>87</b>
Administration costs	55	146	91
<b>NET OPERATING INCOME</b>	<b>(3)</b>	<b>(7)</b>	<b>(5)</b>
<b>OPERATING PROFIT BEFORE TAX</b>	<b>31</b>	<b>82</b>	<b>51</b>
Tax expense or (-) income related to profit or loss from continu	38	100	63
<b>PROFIT</b>	<b>(7)</b>	<b>(19)</b>	<b>(12)</b>
Attributable to minority interest [non-controlling interests]	(3)	(8)	(5)
Attributable to owners of the parent	(4)	(10)	(6)

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### 2.2.17 Recognition of income and expenses

The most significant criteria 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. The direct costs incurred in originating these loans and advances can be deducted from the amount of financial fees and commissions recognized. 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.

However, when a loan is deemed to be impaired individually or is included in the category of instruments that are impaired because their recovery is considered to be remote, the recognition of accrued interest in the consolidated income statement is discontinued. This interest is recognized for accounting purposes as income, as soon as it is received.

- Commissions, fees and similar items.

Income and expenses relating to commissions and similar fees are recognized in the 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 single acts, which are recognized when this single act is carried out.

- Non-financial income and expenses:

These are recognized for accounting purposes on an accrual basis.

- Deferred collections and payments:

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

### 2.2.18 Sales 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 in 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.

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).

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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 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 and the inflation index used as of December 31, 2016 and 2015 for the inflation restatement of the financial statements of the Group companies located in Venezuela is as follows:

General Price Index	2016 (*)	2015 (**)
GPI	9,431.60	2,357.90
Average GPI	5,847.74	1,460.50
Inflation of the period	300%	170%

(\*) As of December 31, 2016, the Venezuelan government had not released the official inflation figures since December 2015, as in the Annual Report of 2015, the group estimated the inflation rate applicable at 300%.

(\*\*) At the date of preparation of these consolidated financial statements in 2015, the Venezuelan government had not released the official inflation figures. The Group has estimated the inflation rate applicable to December 31, 2015, based on the best estimate of BBVA Research of the Group (170%) in line with other estimates made by various international organizations. Subsequently, at the publication of the consolidated financial statements, the official inflation figures was published, ending at 180.9%

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 €28 and 45 million in 2016 and 2015 respectively.

## 2.3 Recent IFRS pronouncements

### Changes introduced in 2016

The following modifications to the IFRS standards or their interpretations (hereinafter "IFRIC") came into force after January 1, 2016. They have not had a significant impact on the BBVA Group's consolidated financial statements corresponding to the period ended December 31, 2016.

#### Amended IFRS 11 - "Joint Arrangements"

The amendments made to IFRS 11 require the acquirer of an interest in a joint operation in which the activity constitutes a business to apply all of the principles on business combinations accounting in IFRS 3 and other

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IFRSs. These modifications will be applied to the accounting years starting on or after January 1, 2016, although early adoption is permitted.

#### **Amended IAS 16 - "Property, Plant and Equipment" and Amended IAS 38 - "Intangible Assets".**

The amendments made to IAS 16 and IAS 38 exclude, as general rule, as depreciation method to be used, those methods based on revenue that is generated by an activity that includes the use of an asset, because the revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits of the asset.

#### **Amended IAS 27 - "Separate financial statements"**

Changes to IAS 27 allow entities to use the equity method to account for investment in subsidiaries, joint ventures and associates, in their separate financial statements.

#### **Annual improvements cycle to IFRSs 2012-2014**

The annual improvements cycle to IFRSs 2012-2014 includes minor changes and clarifications to IFRS 5 - Non current assets held for sale and discontinued operations, IFRS 7 - Financial instruments: Information to disclose, IAS 19 - Employee benefits and IAS 34 - interim financial information.

#### **Amended IAS 1 - Presentation of Financial Statements**

The amendments made to IAS 1 further encourage companies to apply professional judgment in determining what information to disclose in their financial statements, in determining when line items are disaggregated and additional headings and subtotals included in the statement of financial position and the statement of profit or loss and other comprehensive income, and in determining where and in what order information is presented in the financial disclosures.

#### **Amended IFRS 10 - "Consolidated Financial Statements", Amended IFRS 12 - "Disclosure of interests in other entities" and Amended IAS 28 - "Investments in Associates and Joint Ventures"**

The amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities in three aspects:

- The amendments confirm that a parent entity that is a subsidiary of an investment entity has the possibility to apply the exemption from preparing consolidated financial statements
- The amendments clarify that if an investment entity has a subsidiary whose main purpose is to support the investment entity's investment activities by providing investment-related services or activities, to the entity or other parties, and that is not itself an investment entity, it shall consolidate that subsidiary; but if that subsidiary is itself an investment entity, the investment entity parent shall measure the subsidiary at fair value through profit or loss.
- The amendments require a non-investment entity investor to retain, when applying the equity method, the fair value measurement applied by an investment entity associate or joint venture to its interests in subsidiaries.

#### **Standards and interpretations issued but not yet effective as of December 31, 2016**

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 December 31, 2016. Although in some cases the IASB permits early adoption before they come into force, the BBVA Group has not done so as of this date, as it is still analyzing the effects that will result from them.

#### **IFRS 9 - "Financial instruments"**

As of July, 24, 2014, IASB issued the IFRS 9 which will replace IAS 39 and includes a new classification and assessment requirements of financial assets and liabilities, impairment requirements of financial assets and hedge accounting policy.

- **Classification and assessment of financial assets and liabilities**

The classification of financial assets will depend on the company's business model used for management purposes and the characteristics of the contractual cash flows, resulting in the measurement of such financial

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assets at amortized cost, fair value with changes in other comprehensive income and liabilities not measured at fair value through profit or loss, net.

The combined effect of applying the company's business model and the characteristics of the contractual cash flows may result in differences in the stock of financial assets measured at amortized cost or at fair value compared to IAS 39, although the Group does not expect significant changes in this regard.

With regard to financial liabilities, the classification categories proposed by IFRS 9 are similar to those contained in IAS 39, so there should not be very significant differences save for the requirement to recognize changes in fair value related to own credit risk as a component of equity, in the case of financial liabilities designated at fair value through profit or loss.

- **Financial assets impairments**

Impairment requirements will apply to financial assets measured at amortized cost and at fair value through other comprehensive income, and to lease receivables and certain loan commitments and financial guarantee contracts.

At initial recognition, an allowance is required for expected credit losses resulting from default events that may occur within the next 12 months ("12 month expected credit losses").

In the event of a significant increase in credit risk, an allowance is required for expected credit losses resulting from all possible default events over the expected life of the financial instrument ("lifetime expected credit losses").

The assessment of whether the credit risk has increased significantly since initial recognition should be performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment of credit risk, and the estimation of expected credit losses, should be performed so that they are probability-weighted and unbiased and shall include all available information that is relevant to the assessment, including information about past events, current conditions and reasonable and supportable expectations of future events and economic conditions at the reporting date.

As a result, the goal is for the recognition and measurement of impairment to be more proactive and forward-looking than under the current incurred loss model of IAS 39.

Theoretically, an increase in the total level of impairment allowances is expected, since all financial assets will be assessed for at least 12 month expected credit losses and the population of financial assets to which lifetime expected credit losses will be applied is expected to be larger than the population for which there is objective evidence of impairment under IAS 39

- **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 the 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.

The IASB has established January 1, 2018, as the mandatory application date, with the possibility of early adoption.

During 2015 and 2016, the Group has been analyzing this new Standard and the implications it will have in 2018 on the classification of portfolios and the valuation models for financial instruments, focusing on impairment loss models for financial assets through expected loss models.

In 2017, the Group will continue working on the definition of accounting policies, 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.

As of the date of preparation of these Consolidated Financial Statements, the Group does not have an estimation of the quantitative impact that this Standard will have on January 1, 2018 when it will come into force. The



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Group expects to have a parallel calculation during 2017 in order to have comparative information for the previous year when the Standard comes into effect.

#### **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 contractually agreed. 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.

#### **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.

#### **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.

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## **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 on debt instruments measured at fair value. 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 amounts from recovering assets for 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.

These modifications will be applied to the accounting periods beginning on or after January 1, 2017, although early application is permitted.

## **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.

## **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 the extent necessary 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.

These modifications will be applied to the accounting periods beginning on or after January 1, 2017, although early application is permitted.

## **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, 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

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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 modifications will be applied to the accounting periods beginning on or after January 1, 2018, although early application is permitted.

#### **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.

#### **Annual improvements cycle to IFRSs 2014-2016**

The annual improvements cycle to IFRSs 2014-2016 includes minor changes and clarifications to IFRS 1- First-time Adoption of International Financial Reporting Standards, IFRS 12 - Disclosure of Interests in Other Entities and IAS 28 - Investments in Associates and Joint Ventures.

Amendments to IFRS 1 and IAS 28 will be applied to the accounting periods beginning on or after January 1, 2018, although early application is permitted to amendments to IAS 28. Amendments to IFRS 12 will be applied to the accounting periods beginning on or after January 1, 2017.

#### **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.

#### **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.

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The amendments will be applied to the accounting periods beginning on or after January 1, 2018, although early adoption is allowed.

### 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, 2016 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, 2015, and Appendix IV gives details of the consolidated subsidiaries and which, based on the information available, are more than 10% owned by non-Group shareholders as of December 31, 2016.

The following table sets forth information related to the Group's total assets as of December 31, 2016, 2015 and 2014, broken down by the Group's entities according to their activity:

	<b>Millions of Euros</b>		
<b>Contribution to Consolidated Group Total Assets. Entities by Main Activities</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Banks and other financial services	699,592	717,981	601,794
Insurance and pension fund managing companies	26,831	25,741	23,370
Other non-financial services	5,433	6,133	6,778
<b>Total</b>	<b>731,856</b>	<b>749,855</b>	<b>631,942</b>

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, 2016, 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, 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.

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- 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, Seoul, Tokyo, Hong Kong, Singapore and Shanghai) and representative offices (in Beijing, Mumbai, Abu Dhabi, Sydney and Jakarta).

## Changes in the Group in 2016

### Mergers

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

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

## Changes in the Group in 2015

During 2015, it was registered the full consolidation of Garanti since the date of effective control (third quarter) and 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 stated that if the payment of dividends for the year 2014 was executed by Dogus before the closing of the acquisition, that amount would be deducted from the amount payable by BBVA. On April 27, 2015, Dogus received the amount of the dividend paid to shareholders of Garanti, which amounted to Turkish Liras 0.135 per batch.

On July 27, 2015, after obtaining all the required regulatory approvals, the Group has materialized said participation increase after the acquisition of the new shares. Now the Group's interest in Garanti is 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 is generated by the exchange rate differences due to the depreciation of the TL against Euro since the initial acquisition by BBVA of the 25.01% stake in Garanti Bank up to the date of effective control. As of December 31, 2015, these exchange rate differences were already registered as Other Comprehensive Income deducting the stock shareholder's equity of the BBVA Group.

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The agreements with the Dogus group include 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). The 39.9% stake in Garanti is consolidated in the BBVA Group, because of these management agreements.

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

### **Acquisition of Catalunya Banc**

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

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

According to the purchase method, the comparison between the fair values assigned to the assets acquired and the liabilities assumed from Catalunya Banc, and the cash payment made to the FROB in consideration of the transaction generated a difference of €26 million, which is registered under the heading "Negative goodwill recognized in profit or loss" in the accompanying consolidated income statement as of December 31, 2015. According to the IFRS 3, there is a period, up to a year, to complete the necessary adjustments to the calculation of initial acquisition (see Note 18.1). 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 Group BBVA 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 Xinhua Zhongbao Co., Ltd (Xinhua) (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".

#### **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. The closing of such agreement is subject to the relevant regulatory approvals. The estimated impact on the attributable profit of the consolidated financial statements of the BBVA Group will not be significant.

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

### **Changes in the Group in 2014**

In 2014 there were no significant changes.

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## 4. Shareholder remuneration system

### Shareholder remuneration scheme

During 2012, 2013, 2014, 2015 and 2016 a shareholder remuneration system called the “Dividend Option” was implemented.

Under this remuneration scheme, BBVA offers its shareholders the possibility to receive all or part of their remuneration in the form of BBVA newly-issued ordinary shares; whilst maintaining the possibility for BBVA shareholders to receive their entire remuneration in cash by selling their free allocation rights to BBVA (in execution of the commitment assumed by BBVA to acquire the free allocation rights attributed to the shareholders at a guaranteed fixed price) or by selling their free allocation rights on the market at the prevailing market price at that time.

On September 28, 2016, the Board of Directors approved the execution of the second of the share capital increases charged to voluntary reserves, as agreed by the AGM held on March 11, 2016 to implement the Dividend Option. As a result of this increase, the Bank’s share capital increased by €42,266,085.33 by the issuance of 86,257,317 BBVA newly-issued shares at a €0.49 par value each. 87.85% of the right owners have opted to receive newly-issued BBVA ordinary shares. The other 12.15% of the right owners opted to sell the rights of free allocation assigned to them to BBVA, and as a result, BBVA acquired 787,374,942 rights for a total amount of €62,989,995.36. The price at which BBVA has acquired such rights of free allocation (in execution of said commitment) was €0.08 per right, registered in “Total Equity-Dividends and Remuneration” of the consolidated balance sheet as of December, 31, 2016.

On March 31, 2016, the Board of Directors approved the execution of the first of the share capital increases charged to voluntary reserves, as agreed by the AGM held on March 11, 2016 to implement the Dividend Option. As a result of this increase, the Bank’s share capital increased by €55,702,125.43 by the issuance of 113,677,807 BBVA newly-issued shares at a €0.49 par value each. 82.13% of the right owners have opted to receive newly-issued BBVA ordinary shares. The other 17.87% of the right owners opted to sell the rights of free allocation assigned to them to BBVA, and as a result, BBVA acquired 1,137,500,965 rights for a total amount of €146,737,624.49. The price at which BBVA has acquired such rights of free allocation (in execution of said commitment) was €0.129 per right, registered in “Total Equity-Dividends and Remuneration” of the consolidated balance sheet as of June, 30, 2016.

On September 30, 2015, the Board of Directors approved the execution of the second of the share capital increases charged to voluntary reserves, as agreed by the AGM held on March 13, 2015 to implement the Dividend Option. As a result of this increase, the Bank’s share capital increased by €30,106,631.94 by the issuance of 61,442,106 BBVA newly-issued shares at a €0.49 par value each. 89.65% of the right owners opted to receive newly issued ordinary shares. The other 10.35% of the right owners opted to sell the rights of free allocation assigned to them to BBVA, and as a result, BBVA acquired 652,564,118 rights for a total amount of €52,205,129.44. The price at which BBVA acquired such rights of free allocation was €0.08 per right, registered in “Total Equity- Interim dividends” of the consolidated balance sheet as of December 31, 2015.

On March 25, 2015, the Board of Directors approved the execution of the first of the share capital increases charged to voluntary reserves, as agreed by the AGM held on March 13, 2015 to implement the Dividend Option. As a result of this increase, the Bank’s share capital increased by €39,353,896.26 (80,314,074 shares at a €0.49 par value each). 90.31% of the right owners opted to receive newly-issued BBVA ordinary shares. The other 9.69% of the right owners opted to sell the rights of free allocation assigned to them to BBVA, and as a result, BBVA acquired 602,938,646 rights for a total amount of €78,382,023.98. The price at which BBVA acquired such rights of free allocation was €0.13 per right, registered in “Total Equity- Interim dividends” of the consolidated balance sheet as of December 31, 2015.

### Dividends

The Board of Directors, at its meeting held on June 22, 2016, approved the payment in cash of €0.08 (€0.0648 withholding tax) per BBVA share, as gross interim dividend against 2016 results. The dividend has been set to be paid on July 11, 2017

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 gross interim dividend against 2016 results. The dividend has been set to be paid on January 12, 2017 (see Note 22.4).

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The interim accounting statements prepared in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of the interim dividend in the amount approved, are as follows:

Available Amount for Interim Dividend Payments	Millions of Euros	
	May 31, 2016	November 30, 2016
Profit of BBVA, S.A. at each of the dates indicated, after the provision for income tax	1,371	1,826
Less -		
Estimated provision for Legal Reserve	11	20
Acquisition by the bank of the free allotment rights in 2016 capital increase	147	210
Additional Tier I capital instruments remuneration	114	260
Interim dividends for 2016 already paid	-	518
<b>Maximum amount distributable</b>	<b>1,099</b>	<b>818</b>
<b>Amount of proposed interim dividend</b>	<b>518</b>	<b>525</b>
<b>BBVA cash balance available to the date</b>	<b>2,614</b>	<b>3,003</b>

The first amount of the 2016 interim dividend which was paid to the shareholders on July 11, 2016, after deducting the treasury shares held by the Group's entities, amounted to €517 million, and is recognized under the heading "Stockholders' funds - Interim dividends" of the interim balance sheet as of December 31, 2016

The total amount of the second dividend of 2016, which was paid to the shareholders on January 12, 2017, after deducting the treasury shares held by the Group's companies, amounted to €525 million and was recognized under the heading "Stockholders' funds - Interim dividends" charged in the "Financial liabilities at amortized cost - Other financial liabilities (see Note 22.4) of the consolidated balance sheet as of December 31, 2016.

As of February 1, 2017 and in accordance with BBVA's remuneration policy, it is expected to be proposed for the consideration of the competent governing bodies of approval of a capital increase to be charged to reserves for the instrumentation of a "Dividend Option" in 2017 in a gross of 0.13 euro per share approximately. The subsequent shareholders' remunerations that could be approved would be fully in cash.

The allocation of earnings for 2016 subject to the approval of the Board of Directors at the Annual Shareholders Meeting is presented below:

Allocation of Earnings	Millions of Euros
	2016
<b>Profit for year (*)</b>	<b>1,662</b>
<b>Distribution:</b>	
Interim dividends	1,043
Acquisition by the bank of the free allotment rights(**)	210
Additional Tier 1 securities	260
Legal reserve	19
Voluntary reserves	130

(\*) 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".



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## 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 2016, 2015 and 2014 (see "Dividend Option" Program in 2015 in Note 26). In accordance with IAS 33, when events, other than the conversion of potential shares, have changed the number of shares outstanding without a corresponding change in resources, the weighted average number of shares outstanding during the period and for all the periods presented shall be adjusted. The prior year weighted average number of shares is adjusted by applying a corrective factor.

The calculation of earnings per share is as follows:

Basic and Diluted Earnings per Share	2016	2015 (*)	2014 (*)
<b>Numerator for basic and diluted earnings per share (millions of euros)</b>			
Profit attributable to parent company	3,475	2,642	2,618
Adjustment: Additional Tier 1 securities <sup>(1)</sup>	(260)	(212)	(126)
<b>Profit adjusted (millions of euros) (A)</b>	<b>3,215</b>	<b>2,430</b>	<b>2,492</b>
<b>Profit from discontinued operations (net of non-controlling interest) (B)</b>	-	-	-
<b>Denominator for basic earnings per share (number of shares outstanding)</b>			
Weighted average number of shares outstanding <sup>(2)</sup>	6,468	6,290	5,908
Weighted average number of shares outstanding x corrective factor <sup>(3)</sup>	6,468	6,517	6,278
<b>Adjusted number of shares - Basic earning per share (C)</b>	<b>6,468</b>	<b>6,517</b>	<b>6,278</b>
<b>Adjusted number of shares - diluted earning per share (D)</b>	<b>6,468</b>	<b>6,517</b>	<b>6,278</b>
<b>Earnings per share</b>	<b>0.50</b>	<b>0.37</b>	<b>0.40</b>
Basic earnings per share from continued operations (Euros per share)A-B/C	0.50	0.37	0.40
Diluted earnings per share from continued operations (Euros per share)A-B/D	0.50	0.37	0.40
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), excluded weighted average of treasury shares during the period.

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

(\*) Data recalculated due to the mentioned corrective factor.

As of December 31, 2016, 2015 and 2014, there were no other financial instruments or share options awarded 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 provided 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 management into operating segments and, ultimately, the reportable segments themselves.

During 2016, 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 2015. The structure of the operating segment is as follows:

- 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.

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- Real estate activity in Spain  
Covers specialist management of real-estate assets in the country (excluding buildings for own use), including: foreclosed real-estate assets from residential mortgages and developers; as well as lending to developers.
- The United States  
Includes the Group's business activity in the country through the BBVA Compass group and the BBVA New York branch.
- Turkey  
Includes the activity of the Garanti Group.
- Mexico  
Includes all the banking, real-estate and insurance businesses in the country.
- South America  
Basically 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 comprised of the rest of the items 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. It also comprises the result from certain corporate operations.

The breakdown of the BBVA Group's total assets by operating segments as of December 31, 2016, 2015 and 2014 is as follows:

	<b>Millions of Euros</b>		
<b>Total Assets by Operating Segments</b>	<b>2016</b>	<b>2015 <sup>(1)</sup></b>	<b>2014</b>
Banking Activity in Spain	332,642	339,775	318,446
Real Estate Activity in Spain	13,713	17,122	17,365
United States	88,902	86,454	69,261
Turkey <sup>(2)</sup>	84,866	89,003	22,342
Mexico	93,318	99,594	93,731
South America	77,918	70,661	84,364
Rest of Eurasia	18,980	23,469	22,325
<b>Subtotal Assets by Operating Segments</b>	<b>710,339</b>	<b>726,079</b>	<b>627,834</b>
Corporate Center and other adjustments <sup>(3)</sup>	21,517	23,776	4,108
<b>Total Assets BBVA Group</b>	<b>731,856</b>	<b>749,855</b>	<b>631,942</b>

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

(2) The information is presented under management criteria, pursuant to which Garanti's information has been proportionally integrated based on our 25.01% interest in Garanti. After the agreement Garanti Group begins to consolidate.

(3) Other adjustments include adjustments made to account for the fact that, in our Consolidated Financial Statements, Garanti is accounted for using the equity method until the additional acquisition of 14.89% rather than using the management criteria referred above.

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The attributable profit and main earning figures in the consolidated income statements for the six months period ended December 31, 2016, 2015 and 2014 by operating segments are as follows:

Main Margins and Profits by Operating Segments	Millions of Euros									
	BBVA Group	Operating Segments							Corporate Center	Adjustments <sup>(3)</sup>
	Spain	Real Estate Activity in Spain	United States	Turkey	Mexico	South America	Rest of Eurasia			
<b>2016</b>										
Net interest income	17,059	3,883	60	1,953	3,404	5,126	2,930	166	(461)	-
Gross income	24,653	6,445	(6)	2,706	4,257	6,766	4,054	491	(60)	-
Net operating income <sup>(2)</sup>	11,862	2,846	(130)	863	2,519	4,371	2,160	149	(916)	-
Operating profit / (loss) before tax	6,392	1,278	(743)	612	1,906	2,678	1,552	203	(1,094)	-
<b>Profit</b>	<b>3,475</b>	<b>912</b>	<b>(595)</b>	<b>459</b>	<b>599</b>	<b>1,980</b>	<b>771</b>	<b>151</b>	<b>(801)</b>	<b>-</b>
<b>2015 <sup>(1)</sup></b>										
Net interest income	16,022	4,001	71	1,811	2,194	5,387	3,202	183	(424)	(404)
Gross income	23,362	6,804	(28)	2,631	2,434	7,081	4,477	473	(192)	(318)
Net operating income <sup>(2)</sup>	11,254	3,358	(154)	825	1,273	4,459	2,498	121	(1,017)	(109)
Operating profit / (loss) before tax	4,603	1,548	(716)	685	853	2,772	1,814	111	(1,187)	(1,276)
<b>Profit</b>	<b>2,642</b>	<b>1,085</b>	<b>(496)</b>	<b>517</b>	<b>371</b>	<b>2,094</b>	<b>905</b>	<b>75</b>	<b>(1,910)</b>	<b>-</b>
<b>2014</b>										
Net interest income	14,382	3,830	(38)	1,443	735	4,910	4,699	189	(651)	(734)
Gross income	20,725	6,621	(220)	2,137	944	6,522	5,191	736	(575)	(632)
Net operating income <sup>(2)</sup>	10,166	3,534	(373)	640	550	4,115	2,875	393	(1,328)	(240)
Operating profit / (loss) before tax	3,980	1,220	(1,287)	561	392	2,519	1,951	320	(1,615)	(83)
<b>Profit</b>	<b>2,618</b>	<b>858</b>	<b>(901)</b>	<b>428</b>	<b>310</b>	<b>1,915</b>	<b>1,001</b>	<b>255</b>	<b>(1,249)</b>	<b>-</b>

(1) The figures corresponding to 2015 have been restated in order to allow homogenous comparisons due to changes in the scope of operating segments (see Note 1.3).

(2) Gross Income less Administrative Cost and Amortization.

(3) From the third quarter of 2015, BBVA consolidated Garanti (39.9% owned). In prior periods, Garanti's revenues and costs are reflected in our 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 income statements and the balance sheets by operating segments in more detail.

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## 7.1 General risk management and control model

The BBVA Group has an overall risk management and control model (hereinafter 'the model') tailored to their individual business, their organization and the geographies in which they operate, allowing them to develop their activity in accordance with their strategy and policy control and risk management defined by the governing bodies of the Bank and adapt to a changing economic and regulatory environment, tackling risk management globally and adapted to the circumstances of each instance. 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 encourages the development of a risk culture to ensure consistent application of the control and risk management Model in the Group, and to ensure that the risk function is understood and assimilated at all levels of the organization.

### 7.1.1 Governance and organization

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

Thus, as developed below, the corporate bodies are the ones that approve this risk strategy and corporate policies for the different types of risk, being the risk function responsible for the management, its implementation and development, 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 the policies, standards, procedures, infrastructure and controls, based on the framework set by the governing bodies, which are defined by the function risk.

To perform this task properly, the risk function in the BBVA Group is configured as a single, comprehensive and independent role of commercial areas.

### Corporate governance system

BBVA Group has developed a corporate governance system that is in line with the best international practices and adapted to the requirements of the regulators in the countries in which its various business units operate.

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

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

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

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Lastly, the Board has set up a Board committee focus 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 amendment of the Group's risk strategy and of its elements is the exclusive power of the BBVA Board of Directors, while the Executive Committee is responsible for amending the metrics by type of risk within its scope of decision and the Group's basic structure of limits, when applicable. In both cases, the amendments follow the same decision-making process described above, so the proposals for amendment are submitted by the Chief Risk Officer ("CRO") and later analyzed, first by the Risks Committee, for later submission to the Board of Directors or to the Executive Committee, as appropriate.

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

The head of the risk function in the executive hierarchy is the Group's CRO, who carries out its functions with independence, authority, rank, experience, knowledge and resources to do so. He is appointed by the Board of the Bank as a member of its Senior Management, and has direct access to its corporate bodies (Board, Executive Standing Committee and Risk Committee), who reports regularly on the status of risks to the Group.

The CRO, for the utmost performance of its functions, is supported by a cross composed set of units in corporate risk and the specific risk units in the geographical and / or business areas of the Group structure. Each of these units is headed by a Risk Officer for the geographical and/or business area who, within his/her field of competence, 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 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 that it is aligned with the Group's corporate risk policies and goals.

## **Organizational structure and committees**

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

- The corporate area's risk units develop and present the Group's risk appetite proposal, corporate policies, rules and global procedures and infrastructures to the CRO, within the action framework approved by the corporate bodies, 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.

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

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

The risk function has a decision-making process to perform its functions, underpinned by a structure of committees, where the Global Risk Management Committee (GRMC) acts as the highest committee within Risk. 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 its businesses, the determination of risk limits by portfolio or counterparty; and the admission of the operations involving the most relevant risks. 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 Technical Operations Committee: It is responsible for analyzing and decision-making related to wholesale credit risk admission in certain customer segments.
- Monitoring, Assessment & Reporting Committee: It guarantees and ensures the appropriate development of aspects related to risk identification, assessment, monitoring and reporting, with an integrated and cross-cutting vision.
- Asset Allocation Committee: The executive body responsible for analysis and decision-making on all credit risk matters related to the processes intended for obtaining a balance between risk and return.
- Technology & Analytics Committee: It ensures an appropriate decision-making process regarding the development, implementation and use of the tools and models required to achieve an appropriate management of those risks to which the BBVA Group is exposed.
- Corporate Technological Risks and Operational Control Committee: It approves the Technological Risks and Operational Control Management Frameworks in accordance with the General Risk Management Model's architecture and monitors metrics, risk profiles and operational loss events.
- 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

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.

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 whose main function is to ensure there is an adequate internal regulatory framework in place, together with a process and measures defined for each type of risk identified in

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the Group, (and for other types of risk that could potentially affect the Group, to oversee their application and operation, and to ensure that the risk strategy is integrated into the Group's management. 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 is global both geographically and in terms of type of risk.

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

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

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

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

### **7.1.2 Risk appetite framework**

The Group's risk appetite framework, approved by the Board, determines the risks (and their level) that the Group is willing to assume to achieve its business objectives considering an organic evolution of its business. These are expressed in terms of solvency, liquidity and funding profitability, recurrent earnings, cost of risk 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**

Sets out the general principles of the Group's risk strategy and the target risk profile. The 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 and statements**

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



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- **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.
- **Income recurrence and profitability:** 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.

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

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

### By type of risk metrics and statements

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 statement of the Group. By type of risk metrics define the strategic positioning per type of risk and have a maximum appetite level.

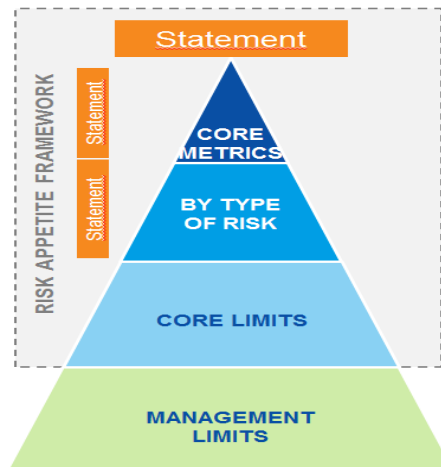
### Basic limits structure (core limits)

The purpose of the basic limits structure or core limits is to manage risks on an ongoing basis within the thresholds tolerated by core and "by type of risk" metrics; so they are a breakdown by geography and portfolio of the same metrics or complementary metrics.

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

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



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

The risk appetite framework defined by the Group 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 in the management and determines the basic lines of activity of the Group, because it sets the framework within the budget is developed.

During 2016, the Risk Appetite metrics evolved in line with the set profile.

### 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 GRM area is responsible for proposing the definition and development 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.

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Risk units of geographical and / or business areas continue to adapt to local requirements the regulatory framework 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 GRM area, which must ensure the consistency of the set of regulations at the level of the entire Group, and thus must give its approval prior to any 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 against the Group's risk appetite framework in terms of solvency, profitability, liquidity and funding.

It has 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 present within the rest of the Group's planning framework so as to ensure consistency among all of them.

## **Daily risk 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 5 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 should ensure that the Model has a dynamic and proactive vision to enable compliance with the risk appetite framework approved by the corporate bodies, even in adverse scenarios. 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.

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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 risk factors, aimed at generating a map with the most relevant risk factors that can compromise the Group's performance in relation to the thresholds defined in the risk appetite framework.
- Impact evaluation. This involves evaluating the impact that the materialization of one (or more) of the risk factors identified in the previous phase could have on the risk appetite framework metrics, through the occurrence of a given scenario.
- Response to undesired situations and realignment measures. Exceeding the parameters will trigger an analysis of the realignment measures to enable dynamic management of the situation, even before it occurs.
- Monitoring. The aim is to avoid losses before they occur by monitoring the Group's current risk profile and the identified risk factors.
- Reporting. This aims to provide information on the assumed risk profile by offering accurate, complete and reliable data to the corporate bodies and to senior management, with the frequency and completeness appropriate to the nature, significance and complexity of the risks.

### 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's risk function has an adequate workforce, in terms of number, skills, knowledge and experience.

With regards to technology, the Group 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

BBVA considers risk culture to be an essential element for consolidating and integrating the other components of the Model. 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

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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

According to the latest information available, global growth remains stable at approximately 3% year-on-year. Throughout the year there was an increase in the dynamism of global trade, the manufacturing cycle and the confidence indicators, due to lax monetary conditions, fiscal policies that, although not expansive, are also not cyclical, moderate raw material prices, especially oil prices (which favors the demand of importing economies) and the gradual reduction of the accumulated private leverage excess in developed economies. All of this would favor a slight improvement in global growth in 2017.

The risks of this scenario are compounded by:

- increasing vulnerabilities in China caused by the accumulation of corporate debt;
- uncertainty about the effective implementation of Great Britain's UE exit process;
- uncertainty arising from the potential increase in trade protectionism. All this in a complex geopolitical environment

The remaining events that make up the uncertainties for 2017, which could affect the valuation of the Group's holdings in certain countries:

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- Upward inflationary pressure and downward pressure on Mexico's growth. The Central Bank of Mexico (Banxico) has continued the interest rate increases since the end of 2015, around 50 basis points per quarter, to 5.75% in December. Next steps are likely to go in the same direction to counteract upward inflationary pressure and expectations against the depreciation of the Mexican peso (in 2016, -13.1% year-on-year depreciation against the euro). This behavior results from the deterioration of Mexico's growth expectations, assuming a less favorable framework for trade relations with the United States.
- In terms of geopolitical tensions in some geographies, it is noteworthy the uncertainty following the attempt of coup d'état last July in Turkey, which together with the tightening of global financing conditions favors an intense slowdown in economic growth.

Information on the macroeconomic and industry environment in each of the geographical areas where the Group operates mentions in the Business Areas section of the Management Report.

In this regard, the Group's geographical diversification is a key element in achieving a high level of revenue recurrence, despite the environmental 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 that allow for anticipation and adaptation to them in a timely manner, adopt best practices and more efficient and rigorous criteria in its implementation.
  - The financial sector is under ever closer scrutiny by regulators, governments and society itself. Negative news or inappropriate behavior can significantly damage the Group's reputation and affect its ability to develop a sustainable business. The attitudes and behaviors of the group and its members are governed by the principles of integrity, honesty, long-term vision and best practices through, inter alia, internal control Model, the Code of Conduct, 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.

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- 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.

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### 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, 2016, 2015 and 2014 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.

Millions of Euros				
Maximum Credit Risk Exposure	Notes	2016	2015	2014
<b>Financial assets held for trading</b>	10	<b>31,995</b>	<b>37,424</b>	<b>39,028</b>
Debt securities		27,166	32,825	33,883
Government		24,165	29,454	28,212
Credit institutions		1,652	1,765	3,048
Other sectors		1,349	1,606	2,623
Equity instruments		4,675	4,534	5,017
Customer lending		154	65	128
<b>Other financial assets designated at fair value through profit or loss</b>	11	<b>2,062</b>	<b>2,311</b>	<b>2,761</b>
Loans and advances to credit institutions		-	62	-
Debt securities		142	173	737
Government		84	132	141
Credit institutions		47	29	16
Other sectors		11	11	580
Equity instruments		1,920	2,075	2,024
<b>Available-for-sale financial assets</b>	12	<b>79,553</b>	<b>113,710</b>	<b>95,049</b>
Debt securities		74,739	108,448	87,679
Government		55,047	81,579	63,764
Credit institutions		5,011	8,069	7,377
Other sectors		14,682	18,800	16,538
Equity instruments		4,814	5,262	7,370
<b>Loans and receivables</b>		<b>482,011</b>	<b>490,580</b>	<b>390,362</b>
Loans and advances to central banks	13.1	8,894	17,830	5,429
Loans and advances to credit institutions	13.1	31,416	29,368	25,371
Loans and advances to customers	13.2	430,474	432,856	352,900
Government		34,873	38,611	37,113
Agriculture		4,312	4,315	4,348
Industry		57,072	56,913	37,580
Real estate and construction		37,002	38,964	33,152
Trade and finance		47,045	43,576	43,880
Loans to individuals		192,281	194,288	158,586
Other		57,889	56,188	38,242
Debt securities	13.3	11,226	10,526	6,663
Government		4,709	3,275	5,608
Credit institutions		37	125	81
Other sectors		6,481	7,126	975
<b>Held-to-maturity investments</b>	14	<b>17,710</b>	<b>-</b>	<b>-</b>
Government		16,049	-	-
Credit institutions		1,515	-	-
Other sectors		146	-	-
<b>Derivatives (trading and hedging)</b>		<b>54,122</b>	<b>49,350</b>	<b>47,248</b>
<b>Total Financial Assets Risk</b>		<b>667,454</b>	<b>693,375</b>	<b>574,448</b>
Loan commitments given		107,254	123,620	96,714
Financial guarantees given		18,267	19,176	14,398
Other Commitments given		42,592	42,813	28,881
<b>Total Loan commitments and financial guarantees</b>	33	<b>168,113</b>	<b>185,609</b>	<b>139,993</b>
<b>Total Maximum Credit Exposure</b>		<b>835,567</b>	<b>878,984</b>	<b>714,441</b>



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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.
- Our calculation of risk exposure for derivatives is based on the sum of two factors: the derivatives fair value and their potential risk (or "add-on").
  - The first factor, fair value, reflects the difference between original commitments and fair values on the reporting date (mark-to-market). 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, 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.

Millions of euros							
December 2016	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
<b>Loans and advances</b>	<b>8,894</b>	<b>34,820</b>	<b>31,373</b>	<b>17,009</b>	<b>176,192</b>	<b>186,633</b>	<b>454,921</b>
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

Millions of euros							
December 2015	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
<b>Loans and advances</b>	<b>17,830</b>	<b>38,544</b>	<b>29,379</b>	<b>14,206</b>	<b>173,267</b>	<b>188,213</b>	<b>461,438</b>
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

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

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

The following is a description of the main types of collateral for each financial instrument 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, 2016, 2015 and 2014 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.

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### 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-grant new transactions.

#### Rating

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

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

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

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

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The table below shows the abridged scale used to classify the BBVA Group's outstanding risk as of December 31, 2016:

External rating Standard&Poor's List	Internal rating Reduced List (22 groups)	Probability of default (basic points)		
		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.

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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, Compass and subsidiaries in Spain as of December 31, 2016 and 2015:

Credit Risk Distribution by Internal Rating	December 2016		December 2015	
	Amount (Millions of Euros)	%	Amount (Millions of Euros)	%
AAA/AA+/AA/AA-	35,430	11.84%	27,913	9.17%
A+/A/A-	58,702	19.62%	62,798	20.64%
BBB+	43,962	14.69%	43,432	14.27%
BBB	27,388	9.15%	28,612	9.40%
BBB-	41,713	13.94%	40,821	13.41%
BB+	32,694	10.92%	28,355	9.32%
BB	19,653	6.57%	23,008	7.56%
BB-	13,664	4.57%	12,548	4.12%
B+	10,366	3.46%	8,597	2.83%
B	4,857	1.62%	5,731	1.88%
B-	3,687	1.23%	3,998	1.31%
CCC/CC	7,149	2.39%	18,488	6.08%
<b>Total</b>	<b>299,264</b>	<b>100.00%</b>	<b>304,300</b>	<b>100.00%</b>

#### 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, 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):

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Millions of Euros									
December 2016	Past due but not impaired			Impaired assets	Carrying amount of the impaired assets	Specific allowances for financial assets, individually estimated	Specific allowances for financial assets, collectively estimated	Collective allowances for incurred but not reported losses	Accumulated write-offs
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days						
<b>Debt securities</b>	-	-	-	272	128	(120)	(24)	(46)	(1)
<b>Loans and advances</b>	<b>3,384</b>	<b>696</b>	<b>735</b>	<b>22,925</b>	<b>12,133</b>	<b>(3,084)</b>	<b>(7,708)</b>	<b>(5,224)</b>	<b>(29,346)</b>
Central banks	-	-	-	-	-	-	-	-	-
General governments	66	-	2	295	256	(19)	(20)	(13)	(13)
Credit institutions	3	-	82	10	3	-	(7)	(36)	(5)
Other financial corporations	4	7	21	34	8	(6)	(20)	(57)	(6)
No non-financial corporations	968	209	204	13,786	6,383	(2,602)	(4,801)	(2,789)	(18,020)
Households	2,343	479	426	8,801	5,483	(458)	(2,860)	(2,329)	(11,303)
<b>TOTAL</b>	<b>3,384</b>	<b>696</b>	<b>735</b>	<b>23,197</b>	<b>12,261</b>	<b>(3,204)</b>	<b>(7,733)</b>	<b>(5,270)</b>	<b>(29,347)</b>
<b>Loans and advances by product, by collateral and by subordination</b>									
On demand (call) and short notice (current account)	79	15	29	562	249	(70)	(243)	-	-
Credit card debt	377	88	124	643	114	(11)	(518)	-	-
Trade receivables	51	15	13	424	87	(67)	(271)	-	-
Finance leases	188	107	59	516	252	(18)	(246)	-	-
Reverse repurchase loans	-	-	82	1	-	-	(1)	-	-
Other term loans	2,685	469	407	20,765	11,429	(2,909)	(6,427)	-	-
Advances that are not loans	5	-	21	14	2	(10)	(2)	-	-
<i>of which: mortgage loans (Loans collateralized by immovable property)</i>	1,202	265	254	16,526	9,008	(1,256)	(4,594)	-	-
<i>of which: other collateralized loans</i>	593	124	47	1,129	656	(93)	(181)	-	-
<i>of which: credit for consumption</i>	1,186	227	269	1,622	455	(145)	(1,023)	-	-
<i>of which: lending for house purchase</i>	883	194	105	6,094	4,546	(140)	(1,408)	-	-
<i>of which: project finance loans</i>	138	-	0	253	105	(76)	(71)	-	-

(\*) In the appendix XII there is a breakdown of loans and advances in the heading of Loans and receivables impaired by geographical areas

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Millions of Euros

December 2015	Past due but not impaired			Impaired assets (*)	Carrying amount of the impaired assets	Specific allowances for financial assets, individually estimated	Specific allowances for financial assets, collectively estimated	Collective allowances for incurred but not reported losses	Accumulated write-offs
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days						
<b>Debt securities</b>	-	-	-	81	46	(21)	(14)	(113)	-
<b>Loans and advances</b>	<b>3,445</b>	<b>825</b>	<b>404</b>	<b>25,358</b>	<b>12,527</b>	<b>(3,830)</b>	<b>(9,001)</b>	<b>(5,911)</b>	<b>(26,143)</b>
Central banks	-	-	-	-	-	-	-	-	-
General governments	154	278	2	194	157	(14)	(23)	(30)	(19)
Credit institutions	-	-	-	25	9	(11)	(6)	(34)	(5)
Other financial corporations	7	1	14	67	29	(11)	(27)	(124)	(5)
Non-financial corporations	838	148	48	16,254	7,029	(3,153)	(6,071)	(3,096)	(15,372)
Households	2,446	399	340	8,817	5,303	(641)	(2,873)	(2,626)	(10,743)
<b>TOTAL</b>	<b>3,445</b>	<b>825</b>	<b>404</b>	<b>25,439</b>	<b>12,573</b>	<b>(3,851)</b>	<b>(9,015)</b>	<b>(6,024)</b>	<b>(26,143)</b>
<b>Loans and advances by product, by collateral and by subordination</b>									
On demand (call) and short notice (current account)	134	13	7	634	204	(106)	(324)		
Credit card debt	389	74	126	689	161	(24)	(503)		
Trade receivables	98	26	22	628	179	(119)	(330)		
Finance leases	136	29	21	529	222	(31)	(276)		
Reverse repurchase loans	1	-	-	1	1	-	(1)		
Other term loans	2,685	682	227	22,764	11,747	(3,540)	(7,477)		
Advances that are not loans	2	-	-	113	13	(10)	(89)		
<i>of which: mortgage loans (Loans collateralized by immovable property)</i>	1,342	266	106	16,526	9,767	(1,705)	(5,172)		
<i>of which: other collateralized loans</i>	589	102	27	1,129	809	(182)	(157)		
<i>of which: credit for consumption</i>	957	164	220	1,543	404	(129)	(1,010)		
<i>of which: lending for house purchase</i>	616	174	110	5,918	4,303	(293)	(1,322)		
<i>of which: project finance loans</i>	3	-	1	276	66	(32)	(178)		

(\*) In the appendix XII there is a breakdown of the impaired loans and advances by geographical areas.



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

Millions of Euros			
December 2016	Of which: non-performing	Accumulated impairment or Accumulated changes in fair value due to credit risk	Non-performing loans and advances as a % of the total
<b>General governments</b>	<b>295</b>	<b>(52)</b>	<b>0.8%</b>
<b>Credit institutions</b>	<b>10</b>	<b>(42)</b>	<b>0.0%</b>
<b>Other financial corporations</b>	<b>34</b>	<b>(82)</b>	<b>0.2%</b>
<b>Non-financial corporations</b>	<b>13,786</b>	<b>(10,192)</b>	<b>7.4%</b>
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%
<b>Households</b>	<b>8,801</b>	<b>(5,648)</b>	<b>4.6%</b>
<b>LOANS AND ADVANCES</b>	<b>22,925</b>	<b>(16,016)</b>	<b>5.0%</b>

Millions of Euros			
December 2015	Non-performing	Accumulated impairment or Accumulated changes in fair value due to credit risk	Non-performing loans and advances as a % of the total
<b>General governments</b>	<b>194</b>	<b>(67)</b>	<b>0.5%</b>
<b>Credit institutions</b>	<b>25</b>	<b>(51)</b>	<b>0.1%</b>
<b>Other financial corporations</b>	<b>67</b>	<b>(162)</b>	<b>0.5%</b>
<b>Non-financial corporations</b>	<b>16,254</b>	<b>(12,321)</b>	<b>8.8%</b>
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 defence, 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%
<b>Households</b>	<b>8,817</b>	<b>(6,140)</b>	<b>4.5%</b>
<b>LOANS AND ADVANCES</b>	<b>25,358</b>	<b>(18,742)</b>	<b>5.5%</b>

As of December 31, 2016, 2015 and 2014, the accumulated financial income accrued with origin in the impaired assets that, as mentioned in Note 2.2.1 are not recognized in the accompanying consolidated income

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statements as there are doubts as to the possibility of their collection, were 2,910, 3,429 and 3,091 million euros, respectively.

The changes in 2016, 2015 and 2014 of impaired financial assets and guarantees are as follow:

Millions of Euros			
Changes in Impaired Financial Assets and Contingent Risks	2016	2015	2014
<b>Balance at the beginning</b>	<b>26,103</b>	<b>23,234</b>	<b>25,978</b>
Additions (*)	11,133	14,872	8,874
Decreases (**)	(7,633)	(6,720)	(7,172)
<b>Net additions</b>	<b>3,500</b>	<b>8,152</b>	<b>1,702</b>
Amounts written-off	(5,592)	(4,989)	(4,720)
Exchange differences and other	(134)	(295)	274
<b>Balance at the end</b>	<b>23,877</b>	<b>26,103</b>	<b>23,234</b>

(\*) Includes the balance amounts attributable to Catalunya Banc upon its consolidation in April 2015 of €3,969 million and Garanti Group in July 2015 of €1,845 million.

(\*\*) Reflects the total amount of impaired loans derecognized from the balance sheet throughout the period as a result of mortgage foreclosures and real estate assets received in lieu of payment as well as monetary recoveries (see Notes 20 and 21 to the consolidated financial statement for additional information).

The changes in 2016, 2015 and 2014 in financial assets derecognized from the accompanying consolidated balance sheet as their recovery is considered unlikely (hereinafter "write-offs"), is shown below:

Millions of Euros			
Changes in Impaired Financial Assets Written-Off from the Balance Sheet	2016	2015	2014
<b>Balance at the beginning</b>	<b>26,143</b>	<b>23,583</b>	<b>20,752</b>
Acquisition of subsidiaries in the year	-	1,362	-
Increase:	5,699	6,172	4,878
Decrease:	(2,384)	(4,830)	(2,204)
Re-financing or restructuring	(32)	(28)	(3)
Cash recovery (Note 47)	(541)	(490)	(443)
Foreclosed assets	(210)	(159)	(116)
Sales of written-off	(45)	(54)	(66)
Debt forgiveness	(864)	(3,119)	(1,231)
Time-barred debt and other causes	(692)	(980)	(345)
Net exchange differences	(111)	(144)	156
<b>Balance at the end</b>	<b>29,347</b>	<b>26,143</b>	<b>23,583</b>

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 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:

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Millions of Euros								
December 2016	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
<b>Equity instruments</b>								
<b>Specific allowances for financial assets, individually estimated</b>								
<b>Debt securities</b>	<b>(3,851)</b>	<b>(765)</b>	<b>351</b>	<b>283</b>	<b>749</b>	<b>30</b>	<b>(3,204)</b>	<b>2</b>
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	(20)	-	-	5	-	-	(15)	-
Other financial corporations	(2)	(26)	-	26	-	-	(2)	-
Non-financial corporations	-	(138)	3	33	-	(1)	(103)	-
<b>Loans and advances</b>	<b>(3,830)</b>	<b>(601)</b>	<b>348</b>	<b>220</b>	<b>749</b>	<b>31</b>	<b>(3,084)</b>	<b>2</b>
Central banks	-	-	-	-	-	-	-	-
General governments	(14)	-	2	-	(6)	-	(19)	-
Credit institutions	(11)	-	-	-	10	-	-	-
Other financial corporations	(11)	(3)	1	-	6	3	(6)	-
Non-financial corporations	(3,153)	(494)	310	206	525	4	(2,602)	-
Households	(641)	(104)	35	13	214	24	(458)	2
<b>Specific allowances for financial assets, collectively estimated</b>								
<b>Debt securities</b>	<b>(9,015)</b>	<b>(6,146)</b>	<b>2,357</b>	<b>5,390</b>	<b>(872)</b>	<b>553</b>	<b>(7,733)</b>	<b>538</b>
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	(14)	(2)	3	-	(10)	(1)	(24)	-
Non-financial corporations	-	-	-	-	-	-	-	-
<b>Loans and advances</b>	<b>(9,001)</b>	<b>(6,144)</b>	<b>2,354</b>	<b>5,390</b>	<b>(862)</b>	<b>554</b>	<b>(7,708)</b>	<b>538</b>
Central banks	-	-	-	-	-	-	-	-
General governments	(23)	(2)	18	6	(21)	2	(20)	1
Credit institutions	(6)	(2)	3	-	-	(3)	(7)	-
Other financial corporations	(27)	(31)	8	22	5	4	(20)	-
Non-financial corporations	(6,071)	(3,211)	1,848	3,051	(804)	386	(4,801)	335
Households	(2,873)	(2,898)	476	2,312	(42)	165	(2,860)	203
<b>Collective allowances for incurred but not reported losses on financial assets</b>								
<b>Debt securities</b>	<b>(6,024)</b>	<b>(1,558)</b>	<b>1,463</b>	<b>88</b>	<b>775</b>	<b>(15)</b>	<b>(5,270)</b>	<b>1</b>
Debt securities	(113)	(11)	15	1	64	-	(46)	-
<b>Loans and advances</b>	<b>(5,911)</b>	<b>(1,546)</b>	<b>1,449</b>	<b>87</b>	<b>711</b>	<b>(15)</b>	<b>(5,224)</b>	<b>-</b>
<b>Total</b>	<b>(18,890)</b>	<b>(8,470)</b>	<b>4,172</b>	<b>5,762</b>	<b>652</b>	<b>568</b>	<b>(16,206)</b>	<b>541</b>

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Millions of euros								
December 2015	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
<b>Equity instruments</b>								
<b>Specific allowances for financial assets, individually estimated</b>								
<b>Debt securities</b>	<b>(2,563)</b>	<b>(1,375)</b>	<b>27</b>	<b>384</b>	<b>154</b>	<b>(479)</b>	<b>(3,851)</b>	<b>-</b>
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	(17)	(2)	1	-	(1)	-	(20)	-
Other financial corporations	(4)	(2)	4	-	1	-	(2)	-
Non-financial corporations	-	-	-	-	-	-	-	-
<b>Loans and advances</b>	<b>(2,542)</b>	<b>(1,371)</b>	<b>23</b>	<b>384</b>	<b>154</b>	<b>(478)</b>	<b>(3,830)</b>	<b>-</b>
Central banks	-	-	-	-	-	-	-	-
General governments	(9)	(4)	13	-	1	(15)	(14)	-
Credit institutions	(13)	(0)	3	-	-	-	(11)	-
Other financial corporations	-	(240)	1	-	233	(5)	(11)	-
Non-financial corporations	(2,175)	(872)	(1)	159	(242)	(22)	(3,153)	-
Households	(345)	(254)	8	225	162	(436)	(641)	-
<b>Specific allowances for financial assets, collectively estimated</b>								
<b>Debt securities</b>	<b>(7,956)</b>	<b>(4,797)</b>	<b>1,408</b>	<b>4,778</b>	<b>234</b>	<b>(2,681)</b>	<b>(9,015)</b>	<b>490</b>
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	(12)	(2)	3	-	-	(3)	(14)	-
Non-financial corporations	-	-	-	-	-	-	-	-
<b>Loans and advances</b>	<b>(7,944)</b>	<b>(4,795)</b>	<b>1,404</b>	<b>4,778</b>	<b>234</b>	<b>(2,678)</b>	<b>(9,001)</b>	<b>490</b>
Central banks	-	-	-	-	-	-	-	-
General governments	(16)	(11)	5	3	(13)	9	(23)	-
Credit institutions	(5)	(11)	2	-	9	(2)	(6)	1
Other financial corporations	(21)	(36)	1	23	(3)	8	(27)	-
Non-financial corporations	(5,434)	(2,357)	1,170	2,421	(56)	(1,815)	(6,071)	301
Households	(2,469)	(2,381)	227	2,331	297	(877)	(2,873)	187
<b>Collective allowances for incurred but not reported losses on financial assets</b>								
<b>Debt securities</b>	<b>(3,829)</b>	<b>(578)</b>	<b>576</b>	<b>110</b>	<b>(486)</b>	<b>(1,817)</b>	<b>(6,024)</b>	<b>-</b>
Debt securities	(42)	(9)	6	-	(67)	(1)	(113)	-
<b>Loans and advances</b>	<b>(3,787)</b>	<b>(569)</b>	<b>570</b>	<b>110</b>	<b>(420)</b>	<b>(1,816)</b>	<b>(5,911)</b>	<b>-</b>
<b>Total</b>	<b>(14,348)</b>	<b>(6,750)</b>	<b>2,011</b>	<b>5,272</b>	<b>(98)</b>	<b>(4,977)</b>	<b>(18,890)</b>	<b>490</b>

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### 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 over a sufficiently long period (around five years) 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.

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In accordance with the Group's policy, the conclusion of a loan refinancing and restructuring operation does not imply the loan is reclassified from "impaired" or "standard under special monitoring" to outstanding risk; such a reclassification must be based on the analysis mentioned earlier of the viability and sufficiency of the new guarantees provided.

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" (although as mentioned in the table in the following section, they continue to be classified as "standard under special monitoring" until the conditions established for their consideration as outstanding risk are met).

The conditions established for "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;
- At least two years must have elapsed since completion of the renegotiation or restructuring of the loan;
- The customer must have paid at least 10% of the outstanding principal amount of the loan as well as all the past-due amounts (principal and interest) that were outstanding as of the date of the renegotiation or restructuring of the loan; and
- 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 XI.

## 7.4 Market risk

### 7.4.1 Market risk 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.

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- Exchange-rate risk: This is caused by movements in the exchange rates of the different currencies in which a position is held. As in the case of equity risk, this risk is generated in spot currency positions, and in any derivative product whose underlying asset is an exchange rate. In addition, the quanto effect (operations where the underlying asset and the instrument itself are denominated in different currencies) means that in certain transactions in which the underlying asset is not a currency, an exchange-rate risk is generated that has to be measured and monitored.
- Credit-spread risk: Credit spread is an indicator of an issuer's credit quality. Spread risk occurs due to variations in the levels of spread of both corporate and government issues, and affects positions in bonds and credit derivatives.
- Volatility risk: This occurs as a result of changes in the levels of implied price volatility of the different market instruments on which derivatives are traded. This risk, unlike the others, is exclusively a component of trading in derivatives and is defined as a first-order convexity risk that is generated in all possible underlying assets in which there are products with options that require a volatility input for their valuation.

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

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

The standard metric used to measure market risk is Value at Risk ("VaR"), which indicates the maximum loss that may occur in the portfolios at a given confidence level (99%) and time horizon (one day). This statistic 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 commodity prices. The market risk analysis considers risks, such as credit spread, basis risk, volatility and correlation risk.

Most of the headings on the Group's consolidated 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, 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 2016		December 2015	
	Main market risk metrics - VaR	Main market risk metrics - Others (*)	Main market risk metrics - VaR	Main market risk metrics - Others (*)
<b>Assets subject to market risk</b>				
Financial assets held for trading	64,623	1,480	64,370	4,712
Available for sale financial assets	7,119	28,771	8,234	50,088
Of which: Equity instruments	-	3,559	-	4,067
Hedging derivatives	1,041	1,415	528	1,888
<b>Liabilities subject to market risk</b>				
Financial liabilities held for trading	47,491	2,223	42,550	6,277
Hedging derivatives	1,305	689	1,128	806

(\*) Includes mainly assets and liabilities managed by COAP.

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 66% of the Group's trading-book market risk. 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.

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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...). 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.

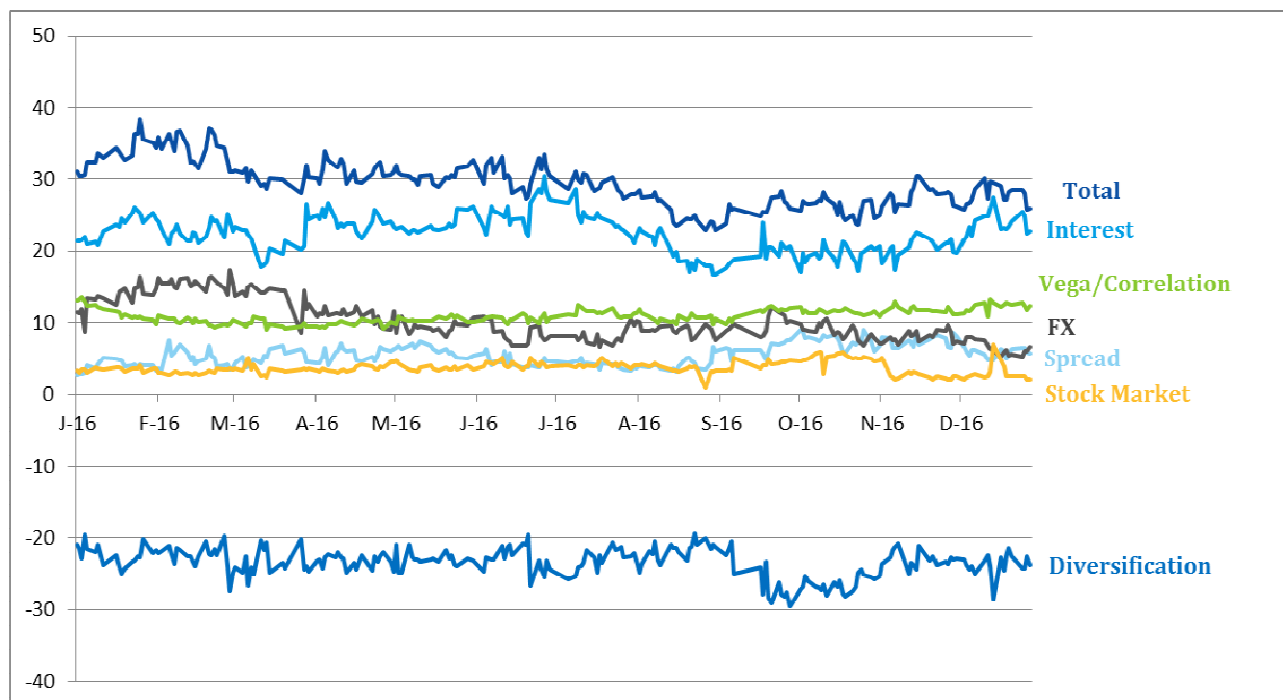
Validity tests are performed regularly on the risk measurement models used by the Group. They estimate the maximum loss that could have been incurred in the positions with a certain level of probability (backtesting), as well as measurements of the impact of extreme market events on risk positions (stress 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 2016

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 2016 the average VaR was €29 million, above 2015 figure, with a high on January 28, of €38 m. The evolution in the BBVA Group's market risk during 2016, 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:



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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 58% of the total at the end of 2016 (this figure includes the spread risk). The relative weight has increased compared with the close of 2015 (48%). Exchange-rate risk accounts 13%, decreasing its proportion with respect to December 2015 (21%), while equity, volatility and correlation risk have decreased, with a weight of 29% at the close of 2016 (vs. 32% at the close of 2015).

As of December 31, 2016, 2015 and 2014 the balance of VaR was €26 million, €24 million and €25 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
<b>December 2016</b>						
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
<b>End of period VaR</b>	<b>29</b>	<b>7</b>	<b>2</b>	<b>12</b>	<b>(24)</b>	<b>26</b>
<b>December 2015</b>						
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
<b>End of period VaR</b>	<b>21</b>	<b>9</b>	<b>3</b>	<b>11</b>	<b>(20)</b>	<b>24</b>
<b>December 2014</b>						
VaR average in the period						23
VaR max in the period	31	6	4	10	(22)	28
VaR min in the period	24	4	3	11	(23)	20
<b>End of period VaR</b>	<b>30</b>	<b>5</b>	<b>2</b>	<b>7</b>	<b>(20)</b>	<b>25</b>

(\*) 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.

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Two types of backtesting have been carried out during the year 2016:

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

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

For the period between the end of 2015 and the end of 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).

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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, 2016 is as follows:

		<b>Millions of Euros</b>						
<b>Expected Shortfall</b>	<b>Europe</b>	<b>Mexico</b>	<b>Peru</b>	<b>Venezuela</b>	<b>Argentina</b>	<b>Colombia</b>	<b>Chile</b>	<b>Turkey</b>
	(92)	(42)	(5)	-	(4)	(1)	(7)	(24)

## 7.4.2 Structural risk

The Assets and Liabilities Committee (ALCO) is the key body for the management of structural risks relating to liquidity/funding, interest rates, solvency and currency rates. Every month, with 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 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 Finance area carries out the management proposals for the structural balance sheet. The management objective is to ensure the stability of net interest income and book value in the face of changes in market interest rates, while respecting the internal solvency and limits in the different balance-sheets and for BBVA Group as a whole; and complying with current and future regulatory requirements.

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

In order to guarantee its effectiveness, the model is subjected to regular internal validation, which includes backtesting. In addition, 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.

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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 the first half of 2016:

Sensitivity to Interest-Rate Analysis - December 2016	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 (***)	14.12%	(7.09%)	4.90%	(3.62%)
Mexico	2.13%	(2.02%)	(2.42%)	2.55%
USA	8.91%	(8.30%)	0.41%	(7.57%)
Turkey	(6.64%)	4.64%	(2.78%)	3.84%
South America	2.40%	(2.41%)	(2.82%)	3.04%
<b>BBVA Group</b>	<b>4.15%</b>	<b>(2.89%)</b>	<b>2.69%</b>	<b>(2.47%)</b>

(\*) Percentage of "1 year" net interest income forecast for each unit.

(\*\*) Percentage of net assets for each unit.

(\*\*\*) In Europe downward movement allowed until more negative level than current rates.

In 2016 in Europe monetary policy has remained expansionary, which pushed interest rates lower, towards more negative levels in short term rates. In The United States, Fed's reference interest rate continues the upward cycle initiated in 2015. While in Mexico, the upward interest rates cycle has intensified given the Mexican peso evolution and the inflation prospects, setting the rates level at the maximum since 2009. In Turkey, the weakness of the Turkish lira has led to a rise in rates in the last quarter of the year following declines in the first three quarters. The main economies of South America appear to have completed the cycle of increases initiated at the end of 2015.

The BBVA Group in all its Balance Sheet Management Units ("BSMUs") maintains a positive sensitivity in its net interest income to an increase in interest rates. Turkey, helps to diversify the Group's net exposure due to the opposite direction of its position on Europe. The higher sensitivities in the net interest income, relatively speaking, are observed in mature markets (Europe and USA), where, however, the negative sensitivity in their net interest income to decrease in interest rates is limited by the plausible downward trend 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 system 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.

As for the market, in 2016 it is noteworthy the US dollar strength, boosted by higher yields, and the outperformance of the currencies of Andean area, while Mexican peso and Turkish lira depreciate against USD dollar, affected by higher uncertainty and concerns about the growth in these economies.

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The Group's structural exchange-rate risk exposure level has decreased since the end of 2015 mostly due to the increased hedging, focused on Mexican peso and Turkish lira, intended to keep low levels of sensitivity to movements in the exchange rates of emerging currencies against the euro. 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 the year, CET1 ratio sensitivity to the appreciation of 1% in the euro exchange rate for each currency is: US Dollar: +1.2 bps; Mexican peso -0.2 bps; Turkish Lira -0.2 bps; other currencies: -0.3 bps. On the other hand, hedging of emerging-currency denominated earnings of 2016 stood at 47%, 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.

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

In the market, it is remarkable the underperformance of European stock markets in 2016, while main US stock exchange indices have reached historical maximum levels. It is also noteworthy the upsurge in stock prices volatility, and the initial shock in the financial markets after the Brexit, due to the policy uncertainty that this process entails and its potential impact on the Eurozone growth expectations. This effect led to a deterioration of capital gains accumulated in the Group's equity portfolios as of the end of June, although it faded away as main equity indices have recovered pre-Brexit levels.

Structural equity risk, measured in terms of economic capital, has decreased in the period as a result of the reduction of the stake in China Citic Bank, along with lower positioning in some sectors.

Stress tests and analyses of sensitivity to different simulated scenarios are carried out periodically to analyze the risk profile in more depth. They are based on both past crisis situations and forecasts made by BBVA Research. This checks that the risks are limited and that the tolerance levels set by the Group are not at risk.

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 stood at around -€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 (except for the positions in the Treasury Area portfolios) and the net delta-equivalent positions in options on the same underlyings.

### 7.4.3 Financial Instruments compensation

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.

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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, 2016 and 2015:

Millions of Euros							
Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets (D)							
December 2016	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)	Financial Instruments	Cash Collateral Received/ Pledged	Net Amount (E=C-D)
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	35	25,833	2,912	22,921	23,080	174	(333)
<b>Total Assets</b>		<b>85,208</b>	<b>16,499</b>	<b>68,709</b>	<b>55,226</b>	<b>6,745</b>	<b>6,738</b>
Trading and hedging derivatives	10, 15	59,545	14,080	45,465	32,146	7,272	6,047
Repurchase, securities lending and similar agreements	35	49,474	2,912	46,562	47,915	176	(1,529)
<b>Total Liabilities</b>		<b>109,019</b>	<b>16,991</b>	<b>92,027</b>	<b>80,061</b>	<b>7,448</b>	<b>4,518</b>

Millions of Euros							
Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets (D)							
December 2015	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)	Financial Instruments	Cash Collateral Received/ Pledged	Net Amount (E=C-D)
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	35	21,531	4,596	16,935	17,313	24	(402)
<b>Total Assets</b>		<b>73,775</b>	<b>12,401</b>	<b>61,374</b>	<b>47,663</b>	<b>5,517</b>	<b>8,195</b>
Trading and hedging derivatives	10, 15	53,298	8,423	44,876	30,350	9,830	4,696
Repurchase, securities lending and similar agreements	35	72,998	4,596	68,402	68,783	114	(495)
<b>Total Liabilities</b>		<b>126,296</b>	<b>13,019</b>	<b>113,278</b>	<b>99,133</b>	<b>9,944</b>	<b>4,201</b>

## 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.

Finance Division, through Global ALM, 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.

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As first core element, the Bank's target behavior 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%.

Throughout 2016 the level of the LCR for BBVA Group has remained above 100%. At the European level the LCR ratio was effective beginning October 1, 2015, with an initial required level of 60%, and a phased-in level of up to 100% in 2018.

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 2016, in the sense that all the LMUs maintain levels of self-funding with stable customer funds higher than the required levels.

	LtSCD by LMU	
	December 2016	December 2015
<b>Group (average)</b>	<b>113%</b>	<b>116%</b>
Eurozone	113%	116%
Bancomer	113%	110%
Compass	108%	112%
Garanti	124%	128%
Other LMUs	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 less stable 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.

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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, 2016 and 2015 for the most significant entities:

Millions of Euros					
December 2016	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
<i>Of Which: Spanish government securities</i>	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
<b>ACCUMULATED AVAILABLE BALANCE</b>	<b>73,629</b>	<b>13,335</b>	<b>29,022</b>	<b>11,171</b>	<b>11,447</b>
<b>AVERAGE BALANCE</b>	<b>68,322</b>	<b>13,104</b>	<b>27,610</b>	<b>12,871</b>	<b>11,523</b>

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

Millions of Euros					
December 2015	BBVA Eurozone (1)	BBVA Bancomer	BBVA Compass	Garanti Bank	Other
Cash and balances with central banks	10,939	6,936	3,214	6,585	7,122
Assets for credit operations with central banks	51,811	5,534	22,782	4,302	4,559
Central governments issues	31,314	2,303	8,086	4,186	3,654
<i>Of Which: Spanish government securities</i>	25,317	-	-	-	-
Other issues	20,497	3,231	479	116	905
Loans	-	-	14,217	-	-
Other non-eligible liquid assets	5,760	757	20	1,680	229
<b>ACCUMULATED AVAILABLE BALANCE</b>	<b>68,510</b>	<b>13,227</b>	<b>26,016</b>	<b>12,567</b>	<b>11,910</b>
<b>AVERAGE BALANCE</b>	<b>67,266</b>	<b>12,222</b>	<b>24,282</b>	<b>12,418</b>	<b>10,863</b>

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

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

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

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

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



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Below is a matrix of residual maturities by contractual periods based on supervisory prudential reporting as of December 31, 2016 and 2015:

Millions of Euros											
December 2016	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
<b>Contractual Maturities</b>											
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

Millions of Euros											
December 2016	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
<b>Contractual Maturities</b>											
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
Securitized 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)

Millions of Euros											
December 2015	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
<b>Contractual Maturities</b>											
Cash, cash balances at central banks and other demand deposits	34,796	-	-	-	-	-	-	-	-	-	34,796
Deposits in credit entities	1,077	4,594	766	260	70	42	520	6	950	3,988	12,273
Deposits in other financial institutions	7	1,246	401	628	595	526	448	495	977	275	5,600
Reverse repo, securities borrowing and margin lending	-	12,348	853	546	201	2,323	10	84	125	370	16,859
Loans and Advances	1,364	21,639	25,624	23,777	16,750	18,477	40,512	33,835	54,790	140,602	377,371
Securities' portfolio settlement	484	2,001	4,014	7,073	7,835	4,129	11,944	14,722	20,366	59,755	132,324

Millions of Euros											
December 2015	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
<b>Contractual Maturities</b>											
Wholesale funding	7	5,106	9,093	5,751	2,222	5,160	15,856	7,845	11,072	33,840	95,953
Deposits in financial institutions	4,932	6,271	2,064	2,783	995	1,952	2,314	1,110	1,283	4,270	27,975
Deposits in other financial institutions and international agencies	13,380	8,907	6,494	2,939	2,442	2,217	205	12	7	274	36,877
Customer deposits	193,079	29,003	22,846	15,983	13,517	13,751	14,076	4,615	1,447	1,190	309,508
Securitized funding	-	50,042	11,166	1,197	495	966	2,253	15,045	1,815	1,103	84,081
Derivatives (net)	1	(2,621)	(208)	(21)	(253)	(74)	120	(220)	14	(95)	(3,357)

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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 in more than three years.

Long and short term wholesale funding markets were stable in 2016. The ECB carried out the new program Targeted Longer-Term Refinancing Operations (TLTRO II), based on four quarterly targeted 4 years refinancing operations, with the aim of boosting channeled lending and improving financial conditions for the whole European economy. In the first auction the Euro LMU took €23.7 billion after amortizing €14 billion in previous TLTRO auctions. In addition, over the whole year the Euro LMU made issues in the public market for €6,350 million, which has allowed it to obtain funding at favorable price conditions.

In Mexico, the liquidity position is still solid in spite of the market volatility after the US elections. Dependence on wholesale funding remains relatively low, where the good dynamics of customers funds have enabled a low appeal to wholesale markets, satisfied at the local market.

In United States, the decrease in the credit gap during the year has diminished the need of wholesale funding, staying in a comfortable liquidity situation during 2016.

In Turkey, despite geopolitical tension and downgrading of Moody's credit rating, the domestic environment has remained stable, with no pressure on funding sources, favored by global stability and by the measures adopted by the Central Bank of Turkey (CBRT). The liquidity position of the rest of subsidiaries has continued to be comfortable, 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 issues 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, 2016 and 2015, the encumbered (those provided as collateral for certain liabilities) and unencumbered assets are broken down as follows:

Millions of Euros					
December 2016	Encumbered assets		Book value of non-encumbered assets	Market value of non-encumbered assets	
	Book value of Encumbered assets	Market value of 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	-	

Millions of Euros					
December 2015	Encumbered assets		Book value of non-encumbered assets	Market value of non-encumbered assets	
	Book value of Encumbered assets	Market value of Encumbered assets			
Equity instruments	2,680	2,680	9,046	9,046	
Debt Securities	56,155	56,230	95,669	95,669	
Loans and Advances and other assets	100,139	-	486,165	-	

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.

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As of December 31, 2016 and 2015, collateral pledge mainly due to repurchase agreements and securities lending, and those which could be committed in order to obtain funding are provided below:

Millions of Euros			
December 2016 Collateral received	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
<b>Collateral received</b>	<b>19,921</b>	<b>10,039</b>	<b>173</b>
Equity instruments	58	59	-
Debt securities	19,863	8,230	28
Loans and Advances and other assets	-	1,750	144
<b>Own debt securities issued other than own covered bonds or ABSs</b>	<b>5</b>	<b>-</b>	<b>-</b>

Millions of Euros			
December 2015 Collateral received	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
<b>Collateral received</b>	<b>21,532</b>	<b>9,415</b>	<b>-</b>
Equity instruments	-	768	-
Debt securities	21,532	6,872	-
Loans and Advances and other assets	-	1,774	-
<b>Own debt securities issued other than own covered bonds or ABSs</b>	<b>6</b>	<b>162</b>	<b>-</b>

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, 2016 and 2015, financial liabilities issued related to encumbered assets in financial transactions as well as their book value were as follows:

Millions of Euros		
December 2016 Sources of encumbrance	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
<b>Book value of financial liabilities</b>	<b>134,387</b>	<b>153,632</b>
Derivatives	9,304	9,794
Loans and Advances	96,137	108,268
Outstanding subordinated debt	28,946	35,569
<b>Other sources</b>	<b>-</b>	<b>2,594</b>

Millions of Euros		
December 2015 Sources of encumbrance	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
<b>Book value of financial liabilities</b>	<b>155,999</b>	<b>180,735</b>
Derivatives	10,683	11,962
Loans and Advances	106,884	118,951
Outstanding subordinated debt	35,257	43,206
<b>Other sources</b>	<b>3,175</b>	<b>6,616</b>

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## 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 best practices.

### Operational Risk Management Principles

Operational risk management in BBVA Group should:

- Be aligned with the risk appetite framework statement set out by the Board of 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.

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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.

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 internal rating assignment 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:

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## **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.

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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 our 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 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.

The process for determining the fair value established in the Group to ensure that trading portfolio assets 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. The members of these Committees, responsible for valuation, are independent from the business (see Note 7).

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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 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 Department that reports to Global Risk Management.

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

The process for determining the fair value 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 referred to active markets - according to the Group policies. This level includes listed debt securities, listed equity instruments, some derivatives and mutual funds.
- *Level 2:* Measurement that applies techniques using 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, 2016, the affected instruments accounted for approximately 0.12% 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 units.

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	Notes	Millions of Euros					
		2016		2015		2014	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>ASSETS-</b>							
Cash and balances with central banks	9	40,039	40,039	29,282	29,282	27,719	27,719
Financial assets held for trading	10	74,950	74,950	78,326	78,326	83,258	83,258
Financial assets designated at fair value through profit or loss	11	2,062	2,062	2,311	2,311	2,761	2,761
Available-for-sale financial assets	12	79,221	79,221	113,426	113,426	94,875	94,875
Loans and receivables	13	465,977	468,844	471,828	480,539	376,086	377,108
Held-to-maturity investments	14	17,696	17,619	-	-	-	-
Derivatives - Hedge accounting	15	2,833	2,833	3,538	3,538	2,551	2,551
<b>LIABILITIES-</b>							
Financial liabilities held for trading	10	54,675	54,675	55,202	55,202	56,798	56,798
Financial liabilities designated at fair value through profit or loss	11	2,338	2,338	2,649	2,649	2,724	2,724
Financial liabilities at amortized cost	22	589,210	594,190	606,113	613,247	491,899	486,904
Derivatives - Hedge accounting	15	2,347	2,347	2,726	2,726	2,331	2,331

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.



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### 8.1.1 Fair value of financial instrument recognized at fair value, according valuation criteria

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

		Millions of Euros								
Fair Value of financial Instruments by Levels	Notes	2016			2015			2014		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>ASSETS-</b>										
<b>Financial assets held for trading</b>	10	<b>32,544</b>	<b>42,221</b>	<b>184</b>	<b>37,922</b>	<b>40,240</b>	<b>164</b>	<b>39,603</b>	<b>43,459</b>	<b>195</b>
Loans and advances		-	154	-	-	65	-	-	128	-
Debt securities		26,720	418	28	32,381	409	34	33,150	691	43
Equity instruments		4,570	9	96	4,336	106	93	4,923	17	77
Derivatives		1,254	41,640	60	1,205	39,661	36	1,530	42,623	76
<b>Financial assets designated at fair value through profit or loss</b>	11	<b>2,062</b>	<b>-</b>	<b>-</b>	<b>2,246</b>	<b>2</b>	<b>62</b>	<b>2,690</b>	<b>71</b>	<b>-</b>
Loans and advances		-	-	-	-	-	62	-	-	-
Debt securities		142	-	-	173	-	-	666	71	-
Equity instruments		1,920	-	-	2,074	2	-	2,024	-	-
<b>Available-for-sale financial assets</b>	12	<b>62,125</b>	<b>15,894</b>	<b>637</b>	<b>97,113</b>	<b>15,477</b>	<b>236</b>	<b>76,693</b>	<b>17,236</b>	<b>406</b>
Debt securities		58,372	15,779	429	92,963	15,260	86	70,225	16,987	396
Equity instruments		3,753	115	208	4,150	217	150	6,468	249	10
<b>Hedging derivatives</b>	15	<b>41</b>	<b>2,792</b>	<b>-</b>	<b>59</b>	<b>3,478</b>	<b>-</b>	<b>59</b>	<b>2,491</b>	<b>-</b>
<b>LIABILITIES-</b>										
<b>Financial liabilities held for trading</b>	10	<b>12,502</b>	<b>42,120</b>	<b>53</b>	<b>14,074</b>	<b>41,079</b>	<b>50</b>	<b>13,627</b>	<b>43,135</b>	<b>36</b>
Derivatives		952	42,120	47	1,037	41,079	34	1,880	43,135	36
Short positions		11,550	-	6	13,038	-	16	11,747	-	-
<b>Financial liabilities designated at fair value through profit or loss</b>	11	<b>-</b>	<b>2,338</b>	<b>-</b>	<b>-</b>	<b>2,649</b>	<b>-</b>	<b>-</b>	<b>2,724</b>	<b>-</b>
<b>Derivatives - Hedge accounting</b>	15	<b>94</b>	<b>2,189</b>	<b>64</b>	<b>-</b>	<b>2,594</b>	<b>132</b>	<b>-</b>	<b>2,270</b>	<b>62</b>

The heading "Available-for-sale financial assets" in the accompanying consolidated balance sheets as of December 31, 2016, 2015 and 2014 additionally includes €565 million, €600 and €540 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".

In 2016 and 2015, 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, 2016:

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Financial Instruments Level 2	Fair Value (Millions of euros)	Valuation technique(s)	Unobservable inputs
<b>Loans and advances</b>		<b>Present-value method</b> (Discounted future cash flows)	- Prepayment rates - Issuer credit risk - Current market interest rates
Financial assets held for trading	154		
<b>Debt securities</b>		<b>Present-value method</b> (Discounted future cash flows)	- Prepayment rates - Issuer credit risk - Current market interest rates
Financial assets held for trading	418		
Financial assets designated at fair value through profit or loss	-	<b>Active price in inactive market</b>	- Brokers/dealers quotes - External contributing prices - Market benchmarks
Available-for-sale financial assets	15,779	<b>Comparable pricing</b> (Observable price in a similar market)	
<b>Equity Instruments</b>		<b>Comparable pricing</b> (Observable price in a similar market)	- Brokers quotes - Market operations - NAVs published
Financial assets held for trading	9		
Financial assets designated at fair value through profit or loss	-		
Available-for-sale financial assets	115		
<b>Other financial liabilities</b>		<b>Present-value method</b> (Discounted future cash flows)	- Prepayment rates - Issuer credit risk - Current market interest rates
Financial liabilities designated at fair value through profit or loss	2,338		
<b>Derivatives</b>		<ul style="list-style-type: none"> <li>• Commodities: <b>Discounted cash flows and moment adjustment</b></li> <li>• Credit products: <b>Default model and Gaussian copula</b></li> <li>• Exchange rate products: <b>Discounted cash flows, Black, Local Vol and Moment adjustment</b></li> <li>• Fixed income products: <b>Discounted cash flows</b></li> <li>• Equity instruments: <b>Local-Vol, Black, Moment adjustment and Discounted cash flows</b></li> <li>• Interest rate products: <ul style="list-style-type: none"> <li>- Interest rate swaps, Call money Swaps y FRA: <b>Discounted cash flows</b></li> </ul> </li> <li>- Caps/Floors: <b>Black, Hull-White y SABR</b></li> <li>- Bond options: <b>Black</b></li> <li>- Swaptions: <b>Black, Hull-White y LGM</b></li> <li>- Interest rate options: <b>Black, Hull-White y SABR</b></li> <li>- Constant Maturity Swaps: <b>SABR</b></li> </ul>	- 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
<b>Derivatives</b>			
Financial assets held for trading	41,640		
Financial liabilities held for trading	42,120		
<b>Hedging derivatives</b>			
Assets	2,792		
Liability	2,189		

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Financial Instruments Level 3	Fair Value (Millions of euros)	Valuation technique(s)	Unobservable inputs
<b>Debt securities</b>		<b>Present-value method</b> (Discounted future cash flows)	- Credit spread - Recovery rates - Interest rates - Market benchmark - Default correlation
Financial assets held for trading	28		
Available-for-sale financial assets	429	<b>Comparable pricing</b> (Comparison with prices of similar instruments)	- Prices of similar instruments or market benchmark
<b>Equity Instruments</b>		<b>Net Asset Value</b>	- NAV provided by the administrator of the fund
Financial assets held for trading	96		
Available-for-sale financial assets	208	<b>Comparable pricing</b> (Comparison with prices of similar instruments)	- Prices of similar instruments or market benchmark
<b>Short Positions</b>		<b>Present-value method</b> (Discounted future cash flows)	- Credit spread - Recovery rates - Interest rates - Market benchmark - Default correlation
Financial liabilities held for trading	6		
<b>Derivatives</b>		Credit Option: <b>Gaussian Copula</b>	- Correlation default - Credit spread - Recovery rates - Interest rate yields
<b>Trading derivatives</b>			
Financial assets held for trading	60	Equity OTC Options : <b>Heston</b>	- Volatility of volatility - Interest rate yields - Dividends - Assets correlation
Financial liabilities held for trading	47		
<b>Hedging derivatives</b>		Interest rate options: <b>Libor Market Model</b>	- Beta - Correlation rate/credit - Credit default volatility
Liability	64		

Quantitative information of unobservable inputs used to calculate Level 3 valuations is presented below:

Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Max	Average	Units
Debt Securities	Net Present Value	Credit Spread	61.23	396.76	225.58	b.p.
		Recovery Rate	40.00%	61.46%	40.30%	%
	Comparable pricing		0.47%	93.40%	41.73%	%
Equity instruments	Net Asset Value		Too wide Range to be relevant			
	Comparable pricing					
Credit Option	Gaussian Copula	Correlation Default	0.48	0.73	0.67	%
Corporate Bond Option	Black 76	Price Volatility		5.16		vegas
Equity OTC Option	Heston	Forward Volatility Skew	79.58	79.58	79.58	Vegas
		Beta	0.25	18.00	9.00	%
Interest Rate Option	Libor Market Model	Correlation Rate/Credit	(100.00)	100.00		%
		Credit Default Volatility	0.00	0.00	0.00	Vegas

The main techniques used for the assessment of the main 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.

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- 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 are used to calculate its yield from the entry price or current rating making further adjustments to account for differences that may exist between financial instrument being valued and the comparable financial instrument. It can also be assumed that the price of the financial instrument is equivalent to the other.
- 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 input is dependent on credit instruments referenced by the CDS, the joint density function to integrate to value is constructed by a Gaussian copula that relates the marginal densities by a normal distribution, usually extracted from the correlation matrix of events approaching default by CDS issuers.
- Black 76: variant of Black Scholes model, which main application is the valuation of bond options, cap floors and swaptions to directly model the behavior of the Forward and not the Spot itself.
- 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 interest rate option. 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.

## 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 its own, respectively.

These adjustments are calculated by estimating Exposure At Default, Probability of Default and Loss Given Default, for all derivative products on any instrument at the legal entity level (all counterparties under a same ISDA / CMOF) 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, 2016 related to the valuation adjustments to the credit assessment of the derivative asset as "Credit Valuation Adjustments" ("CVA") and the derivative liabilities were -€275 million and €291 million respectively. The impact recorded under "Gains or (-) losses on financial assets and liabilities held for trading, net" in the consolidated income statement as of 2016 and 2015 corresponding to the mentioned adjustments was a net impact of €46 million and €109 million respectively.

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## 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 are as follows:

Financial Assets Level 3	Millions of Euros					
	2016		2015		2014	
Changes in the Period	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>Balance at the beginning</b>	<b>463</b>	<b>182</b>	<b>601</b>	<b>98</b>	<b>881</b>	<b>52</b>
Group incorporations	-	-	148	-	-	-
Changes in fair value recognized in profit and loss (*)	33	(86)	124	(100)	39	46
Changes in fair value not recognized in profit and loss	(81)	(3)	27	(123)	(43)	1
Acquisitions, disposals and liquidations (**)	438	(25)	(510)	89	(153)	(6)
Net transfers to Level 3	16	-	145	-	5	-
Exchange differences and others	(47)	49	(71)	219	(130)	5
<b>Balance at the end</b>	<b>822</b>	<b>116</b>	<b>463</b>	<b>182</b>	<b>601</b>	<b>98</b>

(\*) Profit or loss that is attributable to gains or losses relating to those financial assets and liabilities held as of December 31, 2016, 2015 and 2014. Valuation adjustments are recorded under the heading "Gains (losses) on financial assets and liabilities (net)".

(\*\*) Of which, in 2016, the assets roll forward is comprised of €849 million of acquisitions, €340 millions of disposals and €71 millions of liquidations. The liabilities roll forward is comprised of €47 million of acquisitions and €70 million of disposals y 3 millions of liquidations.

As of December 31, 2016, the profit/loss on sales of financial instruments classified as Level 3 recognized in the accompanying income statement was not material.

## Transfers between levels

The Global Valuation Area, in collaboration with the Technology and Methodology Area, has established the rules for a proper financials assets 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, 2016 are at the following amounts in the accompanying consolidated balance sheets as of December 31, 2016:

Transfer Between Levels	Millions of Euros						
	From:	Level 1		Level 2		Level 3	
	To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
<b>ASSETS</b>							
Financial assets held for trading		2	1	192	5	-	-
Available-for-sale financial assets		56	-	259	10	-	-
<b>Total</b>		<b>58</b>	<b>1</b>	<b>451</b>	<b>15</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES-</b>							
Financial liabilities held for trading		5	-	-	-	-	-
<b>Total</b>		<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The amount of financial instruments that were transferred between levels of valuation for the year ended December 31, 2016 is not material relative to the total portfolios, basically corresponding to the above revisions of the classification between levels because these financial instruments had modified some of its features. Specifically:

- The transfers between Level 1 and 2 represents debt securities, which are either no longer listed on an active market (transfer from Level 1 to 2) or are just starting to be listed (transfer from Level 2 to 1).
- The transfers from Level 2 to Level 3 are due mainly to equity instruments and debt securities for which observable inputs are not available.

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## 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, 2016, 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:

Millions of Euros				
Financial Assets Level 3 Sensitivity Analysis	Potential Impact on Consolidated Income Statement		Potential Impact on Total Equity	
	Most Favorable Hypothesis	Least Favorable Hypothesis	Most Favorable Hypothesis	Least Favorable Hypothesis
<b>ASSETS</b>				
Financial assets held for trading	17	(30)	-	-
Debt securities	4	(8)	-	-
Equity instruments	5	(14)	-	-
Derivatives	8	(8)	-	-
Available-for-sale financial assets	-	-	4	(3)
Debt securities	-	-	4	(3)
<b>LIABILITIES-</b>				
Financial liabilities held for trading	-	-	-	-
<b>Total</b>	<b>17</b>	<b>(30)</b>	<b>4</b>	<b>(3)</b>

### 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 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 prepayment rates and correlations of default 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, broken down according to the method of valuation used for the estimation:

Millions of Euros										
Fair Value of financial Instruments at amortized cost by Levels	Notes	2016			2015			2014		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>ASSETS-</b>										
Cash and cash balances at central banks	9	39,373	-	666	28,961	-	322	27,719	-	-
Loans and receivables	13	-	10,991	457,853	-	7,681	472,858	-	3,046	374,063
Held-to-maturity investments	14	17,567	11	41	-	-	-	-	-	-
<b>LIABILITIES-</b>										
Financial liabilities at amortized cost	22	-	-	594,190	-	-	613,247	-	-	486,904

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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, 2016:

Financial Instruments Level 2	Fair Value (Millions of euros)	Valuation technique(s)	Unobservable inputs
<b>Nivel 2</b>			
<b>Loans and receivables</b>		<b>Present-value method</b> (Discounted future cash flows)	- Credit spread - Interest rates
Debt securities	10,991		
<b>Nivel 3</b>			
<b>Loans and receivables</b>		<b>Present-value method</b> (Discounted future cash flows)	- Credit spread - Prepayment rates - Market interest rates
Central Banks	11,038		
Loans and advances to credit institutions	31,855		
Loans and advances to customers	414,742		
Debt securities	218		
<b>Financial liabilities at amortized cost</b>		<b>Present-value method</b> (Discounted future cash flows)	- Credit spread - Prepayment rates - Market interest rates
Deposits from central banks	34,736		
Deposits from credit institutions	63,626		
Customer deposits	404,400		
Debt certificates	61,395		
Other financial liabilities	30,033		

## Financial instruments at cost

As of December 31, 2016, 2015 and 2014 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 €565 million, €600 million and €540 million, respectively.

The table below outlines the financial instruments carried at cost that were sold in the six months period ended December 31, 2016, 2015 and 2014:

Sales of Financial Instruments at Cost	Millions of Euros		
	2016	2015	2014
Amount of Sale (A)	201	33	71
Carrying Amount at Sale Date (B)	58	22	21
<b>Gains/Losses (A-B)</b>	<b>142</b>	<b>11</b>	<b>50</b>

## 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, 2016 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.

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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 as of December 31, 2016 was performed from the latest appraisal values available. This value was corrected based on the following:

- Analysis of the property sales performed during the year and comparison of the value 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 of 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 the 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.



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## 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, 2016, 2015 and 2014 is provided below by hierarchy of fair value measurements:

		Millions of Euros								
Fair Value at Non-current assets and disposal groups classified as held for sale and inventories by levels		2016			2015			2014		
		Nivel 2	Nivel 3	Total	Nivel 2	Nivel 3	Total	Nivel 2	Nivel 3	Total
Non-current assets and disposal groups classified as held for sale	21									
Housing		2,059	301	2,360	2,192	98	2,291	2,045	9	2,054
Offices, warehouses and other		326	105	431	353	53	406	399	8	407
Land		-	150	150	12	236	248	-	237	237
<b>TOTAL</b>		<b>2,385</b>	<b>556</b>	<b>2,941</b>	<b>2,557</b>	<b>388</b>	<b>2,945</b>	<b>2,444</b>	<b>255</b>	<b>2,699</b>
Inventories	20									
Housing		903	-	903	1,452	-	1,452	1,424	-	1,424
Offices, warehouses and other		620	-	620	647	-	647	628	-	628
Land		-	1,591	1,591	-	2,056	2,056	-	2,169	2,169
<b>TOTAL</b>		<b>1,523</b>	<b>1,591</b>	<b>3,114</b>	<b>2,099</b>	<b>2,056</b>	<b>4,155</b>	<b>2,052</b>	<b>2,169</b>	<b>4,221</b>

Since the amount classified in Level 3 (€2,147 million) 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.

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## 9. Cash and cash balances at centrals and banks and other demands deposits and Financial liabilities measured at amortized cost

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

Millions of Euros			
Cash and cash balances at central banks	2016	2015	2014
Cash on hand	7,413	7,192	6,247
Cash balances at central banks	28,671	18,445	19,755
Other demand deposits	3,955	3,646	1,717
<b>Total</b>	<b>40,039</b>	<b>29,282</b>	<b>27,719</b>

Millions of Euros				
Financial liabilities measured at amortised cost	Notes	2016	2015	2014
<b>Deposits from Central Banks</b>				
Deposits from Central Banks (*)		30,022	20,956	19,405
Repurchase agreements	35	4,649	19,065	8,774
Accrued interest until expiration		69	66	14
<b>Total</b>	<b>22</b>	<b>34,740</b>	<b>40,087</b>	<b>28,193</b>

\* It is explained by participation in different TLTRO program (see Note 7.5).

## 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:

Millions of Euros			
Financial Assets and Liabilities Held-for-Trading	2016	2015	2014
<b>ASSETS-</b>			
Derivatives	42,955	40,902	44,229
Debt securities	27,166	32,825	33,883
Loans and advances	154	65	128
Equity instruments	4,675	4,534	5,017
<b>Total Assets</b>	<b>74,950</b>	<b>78,326</b>	<b>83,258</b>
<b>LIABILITIES-</b>			
Derivatives	43,118	42,149	45,052
Short positions	11,556	13,053	11,747
<b>Total Liabilities</b>	<b>54,675</b>	<b>55,202</b>	<b>56,798</b>

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.

## 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:

Millions of Euros			
Financial Assets Held-for-Trading	2016	2015	2014
Debt securities by issuer			
Issued by Central Banks	544	214	193
Spanish government bonds	4,840	7,419	6,332
Foreign government bonds	18,781	21,821	21,688
Issued by Spanish financial institutions	218	328	879
Issued by foreign financial institutions	1,434	1,438	2,169
Other debt securities	1,349	1,606	2,623
<b>Total</b>	<b>27,166</b>	<b>32,825</b>	<b>33,883</b>

## 10.3 Equity instruments

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

Millions of Euros			
Financial Assets Held-for-Trading	2016	2015	2014
Equity instruments by Issuer			
Shares of Spanish companies			
Credit institutions	781	804	865
Other sectors	956	1,234	1,677
<b>Subtotal</b>	<b>1,737</b>	<b>2,038</b>	<b>2,541</b>
Shares of foreign companies			
Credit institutions	220	255	107
Other sectors	2,718	2,241	2,368
<b>Subtotal</b>	<b>2,938</b>	<b>2,497</b>	<b>2,476</b>
<b>Total</b>	<b>4,675</b>	<b>4,534</b>	<b>5,017</b>

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## 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, 2016, 2015 and 2014, trading derivatives were mainly contracted in over-the-counter (OTC) markets, with counterparties which are mainly foreign credit institutions, and 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 2016	Millions of Euros		
	Assets	Liabilities	Notional amount - Total
<b>Interest rate</b>	<b>25,770</b>	<b>25,322</b>	<b>1,556,150</b>
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
<b>Equity</b>	<b>2,032</b>	<b>2,252</b>	<b>90,655</b>
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
<b>Foreign exchange and gold</b>	<b>14,872</b>	<b>15,179</b>	<b>425,506</b>
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
<b>Credit</b>	<b>261</b>	<b>338</b>	<b>19,399</b>
Credit default swap	246	230	15,788
Credit spread option	-	-	150
Total return swap	2	108	1,895
Other	14	-	1,565
<b>Commodities</b>	<b>6</b>	<b>6</b>	<b>169</b>
<b>Other</b>	<b>13</b>	<b>22</b>	<b>1,065</b>
<b>DERIVATIVES</b>	<b>42,955</b>	<b>43,118</b>	<b>2,092,945</b>
<i>of which: OTC - credit institutions</i>	<i>26,438</i>	<i>28,005</i>	<i>806,096</i>
<i>of which: OTC - other financial corporati</i>	<i>8,786</i>	<i>9,362</i>	<i>1,023,174</i>
<i>of which: OTC - other</i>	<i>6,404</i>	<i>4,694</i>	<i>175,473</i>

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Millions of Euros

Derivatives by type of risk / by product or by type of market - December 2015	Assets	Liabilities	Notional amount - Total
<b>Interest rate</b>	<b>22,425</b>	<b>23,152</b>	<b>1,289,986</b>
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
<b>Equity</b>	<b>3,223</b>	<b>3,142</b>	<b>108,108</b>
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
<b>Foreign exchange and gold</b>	<b>14,706</b>	<b>15,367</b>	<b>439,546</b>
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
<b>Credit</b>	<b>500</b>	<b>441</b>	<b>33,939</b>
Credit default swap	436	412	30,283
Credit spread option	-	-	300
Total return swap	-	28	1,831
Other	64	-	1,526
<b>Commodities</b>	<b>31</b>	<b>37</b>	<b>118</b>
<b>Other</b>	<b>16</b>	<b>10</b>	<b>675</b>
<b>DERIVATIVES</b>	<b>40,902</b>	<b>42,149</b>	<b>1,872,373</b>
<i>of which: OTC - credit institutions</i>	<i>23,385</i>	<i>28,343</i>	<i>974,604</i>
<i>of which: OTC - other financial corporati</i>	<i>9,938</i>	<i>8,690</i>	<i>688,880</i>
<i>of which: OTC - other</i>	<i>6,122</i>	<i>4,177</i>	<i>156,828</i>

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Millions of Euros			
Derivatives by type of risk / by product or by type of market - December 2014	Assets	Liabilities	Notional amount - Total
<b>Interest rate</b>	<b>29,504</b>	<b>28,770</b>	<b>1,160,445</b>
OTC options	3,919	4,301	214,621
OTC other	25,578	24,283	936,281
Organized market options	1	25	1,470
Organized market other	6	162	8,073
<b>Equity</b>	<b>2,752</b>	<b>3,980</b>	<b>108,327</b>
OTC options	1,229	1,874	64,552
OTC other	169	1,068	3,382
Organized market options	1,353	1,038	38,185
Organized market other	1	-	2,209
<b>Foreign exchange and gold</b>	<b>11,409</b>	<b>11,773</b>	<b>360,573</b>
OTC options	243	372	33,119
OTC other	10,862	11,098	323,275
Organized market options	1	-	10
Organized market other	303	304	4,170
<b>Credit</b>	<b>548</b>	<b>504</b>	<b>45,066</b>
Credit default swap	545	335	43,406
Credit spread option	3	1	1,650
Total return swap	-	-	-
Other	-	167	10
<b>Commodity</b>	<b>14</b>	<b>24</b>	<b>378</b>
<b>Other</b>	<b>1</b>	<b>1</b>	<b>247</b>
<b>DERIVATIVES</b>	<b>44,229</b>	<b>45,052</b>	<b>1,675,036</b>
<i>of which: OTC - credit institutions</i>	29,041	32,807	931,198
<i>of which: OTC - other financial corporations</i>	6,557	7,455	556,090
<i>of which: OTC - other</i>	6,966	3,261	133,631

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## 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:

Millions of Euros			
Financial assets and liabilities designated at fair value through profit or loss	2016	2015	2014
<b>ASSETS-</b>			
Equity instruments	1,920	2,075	2,024
Unit-linked products	1,749	1,960	1,930
Other securities	171	115	94
Debt securities	142	173	737
Unit-linked products	128	164	157
Other securities	14	9	580
Loans and advances to credit institutions	-	62	-
<b>Total Assets</b>	<b>2,062</b>	<b>2,311</b>	<b>2,761</b>
<b>LIABILITIES-</b>			
Other financial liabilities	2,338	2,649	2,724
Unit-linked products	2,338	2,649	2,724
<b>Total Liabilities</b>	<b>2,338</b>	<b>2,649</b>	<b>2,724</b>

As of December 31, 2016, 2015 and 2014 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:

Millions of Euros			
Available-for-Sale Financial Assets	2016	2015	2014
Debt securities	74,739	108,448	87,679
Impairment losses	(159)	(139)	(70)
<b>Subtotal</b>	<b>74,580</b>	<b>108,310</b>	<b>87,608</b>
Equity instruments	4,814	5,262	7,370
Impairment losses	(174)	(146)	(103)
<b>Subtotal</b>	<b>4,641</b>	<b>5,116</b>	<b>7,267</b>
<b>Total</b>	<b>79,221</b>	<b>113,426</b>	<b>94,875</b>

The amount of "Available for sale financial assets - debt securities" decreases in 2016, mainly due to:

- the reclassification of certain debt securities to "Loans and advances - debt securities", corresponding mostly to Government Bonds amounting to €862 million (see Note 13).

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- the reclassification of certain debt securities to "Held to maturity investments" amounting to €17,650 million, of which €15,835 million correspond to Government Bonds, €1,545 million correspond to Credit Entities issues and €270 million correspond to other sectors (see Note 14).
- and, the remainder corresponding mostly to portfolio sales.

## 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:

Millions of Euros				
Available-for-sale financial assets	Amortized	Unrealized	Unrealized	Book
Debt Securities	Cost (*)	Gains	Losses	Value
December 2016				
<b>Domestic Debt Securities</b>				
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
<b>Subtotal</b>	<b>24,731</b>	<b>828</b>	<b>(19)</b>	<b>25,540</b>
<b>Foreign Debt Securities</b>				
<b>Mexico</b>				
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
<b>The United States</b>	<b>14,256</b>	<b>48</b>	<b>(261)</b>	<b>14,043</b>
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
<b>Turkey</b>	<b>5,550</b>	<b>73</b>	<b>(180)</b>	<b>5,443</b>
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
<b>Other countries</b>	<b>17,923</b>	<b>634</b>	<b>(203)</b>	<b>18,354</b>
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
<b>Subtotal</b>	<b>49,253</b>	<b>773</b>	<b>(987)</b>	<b>49,040</b>
<b>Total</b>	<b>73,985</b>	<b>1,601</b>	<b>(1,006)</b>	<b>74,580</b>

(\*) The amortized cost includes portfolio gains/losses linked to insurance contracts in which the policyholder assumes the risk in case of redemption.



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Millions of Euros				
Available-for-sale financial assets	Amortized	Unrealized	Unrealized	Book
Debt Securities	Cost (*)	Gains	Losses	Value
December 2015				
<b>Domestic Debt Securities</b>				
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
<b>Subtotal</b>	<b>43,500</b>	<b>2,221</b>	<b>(53)</b>	<b>45,668</b>
<b>Foreign Debt Securities</b>				
<b>Mexico</b>				
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
<b>The United States</b>	<b>13,890</b>	<b>63</b>	<b>(236)</b>	<b>13,717</b>
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
<b>Turkey</b>	<b>13,414</b>	<b>116</b>	<b>(265)</b>	<b>13,265</b>
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
<b>Other countries</b>	<b>22,803</b>	<b>881</b>	<b>(490)</b>	<b>23,194</b>
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
<b>Subtotal</b>	<b>62,734</b>	<b>1,132</b>	<b>(1,226)</b>	<b>62,641</b>
<b>Total</b>	<b>106,234</b>	<b>3,354</b>	<b>(1,278)</b>	<b>108,310</b>

(\*) The amortized cost includes portfolio gains/losses linked to insurance contracts in which the policyholder assumes the risk in case of redemption.

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Millions of Euros				
Available-for-sale financial assets	Amortized	Unrealized	Unrealized	Book
Debt Securities	Cost (*)	Gains	Losses	Value
December 2014				
<b>Domestic Debt Securities</b>				
Spanish Government and other general governments agencies debt securities	34,445	2,290	(55)	36,680
Other debt securities	5,892	252	(22)	6,122
Issued by Central Banks	-	-	-	-
Issued by credit institutions	3,567	162	(13)	3,716
Issued by other issuers	2,325	90	(9)	2,406
<b>Subtotal</b>	<b>40,337</b>	<b>2,542</b>	<b>(77)</b>	<b>42,802</b>
<b>Foreign Debt Securities</b>				
<b>Mexico</b>				
Mexican Government and other general governments agencies debt securities	10,629	459	(76)	11,012
Other debt securities	2,034	34	(20)	2,048
Issued by Central Banks	-	-	-	-
Issued by credit institutions	141	3	(3)	142
Issued by other issuers	1,892	31	(17)	1,906
<b>The United States</b>				
Government securities	10,289	102	(83)	10,307
US Treasury and other US Government agencies	4,211	28	(8)	4,231
States and political subdivisions	2,672	22	(5)	2,689
Other debt securities	6,078	73	(76)	6,076
Issued by Central Banks	-	-	-	-
Issued by credit institutions	24	-	-	24
Issued by other issuers	6,054	73	(76)	6,052
<b>Other countries</b>				
Other foreign governments and other general governments agencies debt securities	10,355	715	(104)	10,966
Other debt securities	10,350	329	(206)	10,473
Issued by Central Banks	1,540	10	(9)	1,540
Issued by credit institutions	3,352	175	(55)	3,471
Issued by other issuers	5,459	143	(141)	5,461
<b>Subtotal</b>	<b>43,657</b>	<b>1,639</b>	<b>(490)</b>	<b>44,806</b>
<b>Total</b>	<b>83,994</b>	<b>4,181</b>	<b>(566)</b>	<b>87,608</b>

(\*) 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, 2016, 2015 and 2014 are as follows:

Available for Sale financial assets	December 2016		December 2015		December 2014	
	Fair Value (Millions of Euros)	%	Fair Value (Millions of Euros)	%	Fair Value (Millions of Euros)	%
<b>Debt Securities by Rating</b>						
AAA	4,922	6.6%	1,842	1.7%	1,459	1.7%
AA+	11,172	15.0%	10,372	9.6%	7,620	8.7%
AA	594	0.8%	990	0.9%	329	0.4%
AA-	575	0.8%	938	0.9%	1,059	1.2%
A+	1,230	1.6%	1,686	1.6%	597	0.7%
A	7,442	10.0%	994	0.9%	2,223	2.5%
A-	1,719	2.3%	4,826	4.5%	13,606	15.5%
BBB+	29,569	39.6%	51,885	47.9%	9,980	11.4%
BBB	3,233	4.3%	23,728	21.9%	41,283	47.1%
BBB-	6,809	9.1%	5,621	5.2%	2,568	2.9%
BB+ or below	2,055	2.8%	2,639	2.4%	3,942	4.5%
Without rating	5,261	7.1%	2,789	2.6%	2,942	3.4%
<b>Total</b>	<b>74,580</b>	<b>100%</b>	<b>108,310</b>	<b>100.0%</b>	<b>87,608</b>	<b>100.0%</b>

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## 12.3 Equity instruments

The breakdown of the balance under the heading "Equity instruments" of the accompanying financial statements as of December 31, 2016, 2015 and 2014 is as follows:

Millions of Euros				
Available-for-sale financial assets				
Equity Instruments	Amortized	Unrealized	Unrealized	Fair
December 2016	Cost	Gains	Losses	Value
<b>Equity instruments listed</b>				
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
<b>Subtotal</b>	<b>4,483</b>	<b>306</b>	<b>(960)</b>	<b>3,829</b>
<b>Unlisted equity instruments</b>				
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
<b>Subtotal</b>	<b>766</b>	<b>48</b>	<b>(3)</b>	<b>811</b>
<b>Total</b>	<b>5,248</b>	<b>355</b>	<b>(962)</b>	<b>4,641</b>

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.

Millions of Euros

Available-for-sale financial assets Equity Instruments December 2015	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>Equity instruments listed</b>				
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
<b>Subtotal</b>	<b>4,430</b>	<b>409</b>	<b>(602)</b>	<b>4,236</b>
<b>Unlisted equity instruments</b>				
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
<b>Subtotal</b>	<b>775</b>	<b>113</b>	<b>(8)</b>	<b>880</b>
<b>Total</b>	<b>5,204</b>	<b>522</b>	<b>(610)</b>	<b>5,116</b>

Millions of Euros

Available-for-sale financial assets Equity Instruments December 2014	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>Equity instruments listed</b>				
Listed Spanish company shares	3,129	92	(71)	3,150
Credit institutions	2	1	-	3
Other entities	3,126	92	(71)	3,147
Listed foreign company shares	2,227	1,235	(34)	3,428
United States	54	2	-	56
Mexico	54	-	(5)	49
Turkey				
Other countries	2,118	1,233	(28)	3,323
<b>Subtotal</b>	<b>5,356</b>	<b>1,327</b>	<b>(105)</b>	<b>6,578</b>
<b>Unlisted equity instruments</b>				
Unlisted Spanish company shares	48	1	-	49
Credit institutions	-	-	-	-
Other entities	48	1	-	49
Unlisted foreign companies shares	616	28	(3)	641
United States	486	16	-	502
Mexico	1	-	-	1
Turkey				
Other countries	129	12	(3)	138
<b>Subtotal</b>	<b>664</b>	<b>29</b>	<b>(3)</b>	<b>690</b>
<b>Total</b>	<b>6,020</b>	<b>1,356</b>	<b>(108)</b>	<b>7,267</b>

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.

## 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:

Millions of Euros			
Accumulated other comprehensive income-Items that may be reclassified to profit or loss- Available-for-Sale Financial Assets	2016	2015	2014
<b>Balance at the beginning</b>	<b>1,674</b>	<b>3,816</b>	<b>851</b>
Valuation gains and losses	400	(1,222)	5,777
Income tax	(62)	924	(1,414)
Amounts transferred to income	(1,181)	(1,844)	(1,398)
Other reclassifications	116	-	-
<b>Balance at the end</b>	<b>947</b>	<b>1,674</b>	<b>3,816</b>
<i>Of which:</i>			
Debt securities	1,629	1,769	2,965
Equity instruments	(682)	(95)	851

During 2016, the losses recognized mainly for certain Debt securities from Brazil, United States and Colombia 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 €157 million (Note 47). In 2015 and 2014 the losses recognized were not significant (€1 and €19 million respectively).

For the rest of debt securities, the 92.2% 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.

The losses recognized, for equity instruments Available-for-Sale, 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 accompanying consolidated income statement amounted to €46, €23 and €17 million in 2016, 2015 and 2014 respectively (see Note 47).

As of December 31, 2016, the Group has analyzed 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 generated over a period of more than 12 months and with a fall of more 20% in their price, as a first approximation to the existence of possible impairment. As of 31 December, 2016, 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 generated over a period of more than 18 months or with a fall of more 40% in their price are not significant in the accompanying consolidated financial statements.

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.

## 13. Loans and receivables

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:

Millions of Euros				
Loans and Receivables	Notes	2016	2015	2014
Debt securities	13.3	11,209	10,516	6,659
Loans and advances to central banks	13.1	8,894	17,830	5,429
Loans and advances to credit institutions	13.1	31,373	29,317	25,342
Loans and advances to customers	13.2	414,500	414,165	338,657
<b>Total</b>		<b>465,977</b>	<b>471,828</b>	<b>376,086</b>

### 13.1 Loans and advances to credit institutions

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

Millions of Euros				
Loans and Advances to Central Banks and Credit Institutions	Notes	2016	2015	2014
Loans and advances to central banks		8,872	17,821	5,428
Loans and advances to credit institutions		31,364	29,301	25,257
Deposits with agreed maturity		5,063	6,732	3,679
Other accounts		10,739	10,820	11,138
Reverse repurchase agreements	35	15,561	11,749	10,440
<b>Total gross</b>	<b>7.3.1</b>	<b>40,235</b>	<b>47,122</b>	<b>30,686</b>
Valuation adjustments		32	24	85
Impairment losses	7.3.4	(43)	(51)	(29)
Accrued interests and fees		75	75	114
Derivatives - Hedge accounting and others		-	-	-
<b>Total net</b>		<b>40,267</b>	<b>47,147</b>	<b>30,771</b>

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.

## 13.2 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:

Millions of Euros				
Loans and Advances to Customers	Notes	2016	2015	2014
Mortgage secured loans		142,269	144,203	124,097
Operating assets mortgage loans		9,376	6,813	4,062
Home mortgages		122,758	120,164	109,031
Rest of mortgages		10,135	17,226	11,005
Other loans secured with security interest		59,898	57,041	28,419
Cash guarantees		1,253	479	468
Secured loan (pledged securities)		709	734	518
Rest of secured loans (*)		57,936	55,828	27,433
Unsecured loans		134,275	137,322	119,002
Credit lines		12,268	13,758	12,851
Commercial credit		14,877	13,434	10,015
Receivable on demand and other		8,858	9,226	7,021
Credit cards		15,238	15,360	11,756
Finance leases		9,144	9,032	7,095
Reverse repurchase agreements	35	7,279	5,036	6,990
Financial paper		1,020	1,063	873
Impaired assets	7.3.4	22,915	25,333	22,703
<b>Total gross</b>	<b>7.3.1</b>	<b>428,041</b>	<b>430,808</b>	<b>350,822</b>
<b>Valuation adjustments</b>		<b>(13,541)</b>	<b>(16,643)</b>	<b>(12,166)</b>
Impairment losses	7.3.4	(15,974)	(18,691)	(14,244)
Derivatives - Hedge accounting and others		1,222	1,199	1,215
Rest of valuation adjustments		1,211	849	863
<b>Total net</b>		<b>414,500</b>	<b>414,165</b>	<b>338,657</b>

(\*) Includes loans with cash collateral, other financial assets with partial real estate and cash collateral.

As of December, 2016, 34% of "Loans and advances to customers" with maturity greater than one year have fixed-interest rates and 66% have variable interest rates.

The heading "Loans and receivables - Loans and advances to customers" includes financial leases that several Group entities execute with customers to fund acquisitions of goods, both properties and fixtures. The breakdown of financial lease agreements as of December 31, 2016, 2015 and 2014 was the following:

Millions of Euros			
Financial Lease Arrangements	2016	2015	2014
Movable property	6,265	6,181	4,413
Real Estate	2,878	2,851	2,682
Fixed rate	80%	74%	73%
Floating rate	20%	26%	27%

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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:

Millions of Euros			
Securitized Loans	2016	2015	2014
<b>Securitized mortgage assets</b>	<b>29,512</b>	<b>28,955</b>	<b>25,099</b>
<b>Other securitized assets</b>	<b>3,731</b>	<b>3,666</b>	<b>2,225</b>
Commercial and industrial loans	762	751	735
Finance leases	100	154	219
Loans to individuals	2,269	2,067	1,213
Other	601	694	58
<b>Total</b>	<b>33,243</b>	<b>32,621</b>	<b>27,324</b>

Of which:

Liabilities associated to assets retained on the balance sheet (*)	6,525	7,619	5,215
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(\*) These liabilities are recognized under "Financial liabilities at amortized cost - Debt securities" in the accompanying consolidated balance sheets (Note 22.3).

### 13.3 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:

Millions of Euros				
Debt securities	Notes	2016	2015	2014
Government		4,709	3,275	5,608
Credit institutions		37	125	81
Other sectors (*)		6,481	7,126	975
<b>Total gross</b>	<b>7.3.1</b>	<b>11,226</b>	<b>10,526</b>	<b>6,663</b>
Impairment losses		(17)	(10)	(4)
<b>Total net</b>		<b>11,209</b>	<b>10,516</b>	<b>6,659</b>

In 2016, some debt securities were reclassified from "Available-for-sale financial assets" to "Loans and receivables-Debt securities".

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, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
BBVA S.A.	862	862	844	863
<b>Total</b>	<b>862</b>	<b>862</b>	<b>844</b>	<b>863</b>



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.

The following table presents the amount recognized in 2016 income statement from the valuation at amortized cost of the reclassified financial assets, as well as the impact recognized on the income statement and under the heading "Total Equity - Accumulated other comprehensive income", as of December 31, 2016, if the reclassification was not performed.

Effect on Income Statement and Other Comprehensive Income	Millions of Euros		
	Recognized in	Effect of not Reclassifying	
	Income Statement	Income Statement	Equity "Valuation Adjustments"
BBVA S.A.	22	22	(5)
<b>Total</b>	<b>22</b>	<b>22</b>	<b>(5)</b>

## 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:

Millions of Euros	
Held-to-maturity investments Debt Securities	2016
<b>Domestic Debt Securities</b>	
Spanish Government and other general governments agencies debt securities	8,063
Other debt securities	562
Issued by Central Banks	-
Issued by credit institutions	494
Issued by other issuers	68
<b>Subtotal</b>	<b>8,625</b>
<b>Foreign Debt Securities</b>	
<b>Mexico</b>	-
<b>The United States</b>	-
<b>Turkey</b>	<b>6,184</b>
Turkey Government and other general governments agencies debt securities	5,263
Other debt securities	921
Issued by Central Banks	-
Issued by credit institutions	876
Issued by other issuers	45
<b>Other countries</b>	<b>2,887</b>
Other foreign governments and other general governments agencies debt securities	2,719
Other debt securities	168
Issued by Central Banks	-
Issued by credit institutions	146
Issued by other issuers	22
<b>Subtotal</b>	<b>9,071</b>
<b>Total</b>	<b>17,696</b>

(\*) As of December, 2015 and 2014 the Group BBVA has not registered any balances in this heading.

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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 the Group regarding how to manage such securities, is held to maturity.

As of December 31, 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 2016	
	Book value (Millions of Euros)	%
AAA	-	-
AA+	-	-
AA	43	0.2%
AA-	134	0.8%
A+	-	-
A	-	-
A-	-	-
BBB+	10,472	59.2%
BBB	591	3.3%
BBB-	5,187	29.3%
BB+ or below	-	-
Without rating	1,270	7.2%
<b>Total</b>	<b>17,696</b>	<b>100%</b>

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, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
BBVA S.A.	11,162	11,162	9,589	9,635
TURKIYE GARANTI BANKASI A.S	6,488	6,488	6,230	6,083
<b>Total</b>	<b>17,650</b>	<b>17,650</b>	<b>15,819</b>	<b>15,718</b>

(\*) 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 presents the amount recognized in the 2016 income statement from the valuation at amortized cost of the reclassified financial assets, as well as the impact recognized on the income statement and under the heading "Total Equity - Accumulated other comprehensive income", as of December 31, 2016, if the reclassification was not performed.

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Effect on Income Statement and Other Comprehensive Income	Recognized in	Effect of not Reclassifying	
	Income Statement	Income Statement	Equity "Accumulated other comprehensive
BBVA S.A.	230	230	(86)
TURKIYE GARANTI BANKASI A.S	326	326	(225)
<b>Total</b>	<b>557</b>	<b>557</b>	<b>(311)</b>

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

The balance of these headings in the accompanying 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		
	2016	2015	2014
<b>ASSETS-</b>			
Hedging Derivatives	2,833	3,538	2,551
Fair value changes of the hedged items in portfolio hedges of interest rate risk	17	45	121
<b>LIABILITIES-</b>			
Hedging Derivatives	2,347	2,726	2,331
Fair value changes of the hedged items in portfolio hedges of interest rate risk	-	358	-

As of December 2016, 2015 and 2014, 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 loan 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.

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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:

Millions of Euros			
Hedging Derivatives Breakdown by type of risk and type of hedge December 2016	Assets	Liabilities	Notional amount - Total hedging
<b>Interest rate</b>	<b>1,154</b>	<b>974</b>	<b>68,293</b>
OTC options	125	118	1,495
OTC other	1,029	856	66,798
Organized market options	-	-	-
Organized market other	-	-	-
<b>Equity</b>	<b>-</b>	<b>50</b>	<b>731</b>
OTC options	-	50	731
OTC other	-	-	-
Organized market options	-	-	-
Organized market other	-	-	-
<b>Foreign exchange and gold</b>	<b>817</b>	<b>553</b>	<b>2,883</b>
OTC options	-	-	-
OTC other	817	553	2,883
Organized market options	-	-	-
Organized market other	-	-	-
<b>Credit</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Commodities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FAIR VALUE HEDGES</b>	<b>1,970</b>	<b>1,577</b>	<b>71,908</b>
<b>Interest rate</b>	<b>194</b>	<b>358</b>	<b>26,798</b>
OTC options	-	-	-
OTC other	186	358	26,504
Organized market options	-	-	-
Organized market other	8	-	294
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Foreign exchange and gold</b>	<b>248</b>	<b>118</b>	<b>7,089</b>
OTC options	89	70	4,331
OTC other	160	48	2,758
Organized market options	-	-	-
Organized market other	-	-	-
<b>Credit</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Commodities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOW HEDGES</b>	<b>442</b>	<b>476</b>	<b>33,887</b>
<b>HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION</b>	<b>362</b>	<b>79</b>	
<b>PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK</b>	<b>55</b>	<b>214</b>	<b>13,133</b>
<b>PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK</b>	<b>4</b>	<b>-</b>	<b>284</b>
<b>DERIVATIVES-HEDGE ACCOUNTING</b>	<b>2,833</b>	<b>2,347</b>	<b>119,212</b>
<i>of which: OTC - credit institutions</i>	2,381	2,103	42,343
<i>of which: OTC - other financial corporations</i>	435	165	67,773
<i>of which: OTC - other</i>	9	79	8,803

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Millions of Euros			
Hedging Derivatives Breakdown by type of risk and type of hedge December 2015	Assets	Liabilities	Notional amount - Total hedging
<b>Interest rate</b>	<b>1,660</b>	<b>875</b>	<b>55,767</b>
OTC options	187	128	1,390
OTC other	1,473	747	54,377
Organized market options	-	-	-
Organized market other	-	-	-
<b>Equity</b>	<b>12</b>	<b>74</b>	<b>2,500</b>
OTC options	-	72	791
OTC other	12	2	1,709
Organized market options	-	-	-
Organized market other	-	-	-
<b>Foreign exchange and gold</b>	<b>675</b>	<b>389</b>	<b>3,335</b>
OTC options	-	-	1
OTC other	675	388	3,334
Organized market options	-	-	-
Organized market other	-	-	-
<b>Credit</b>	-	-	-
<b>Commodities</b>	-	-	-
<b>Other</b>	-	-	-
<b>FAIR VALUE HEDGES</b>	<b>2,347</b>	<b>1,337</b>	<b>61,602</b>
<b>Interest rate</b>	<b>204</b>	<b>319</b>	<b>13,593</b>
OTC options	-	-	-
OTC other	204	318	13,329
Organized market options	-	-	-
Organized market other	-	1	264
<b>Equity</b>	-	-	-
<b>Foreign exchange and gold</b>	<b>242</b>	<b>34</b>	<b>2,382</b>
OTC options	42	12	1,493
OTC other	200	22	889
Organized market options	-	-	-
Organized market other	-	-	-
<b>Credit</b>	-	-	-
<b>Commodities</b>	-	-	-
<b>Other</b>	-	-	-
<b>CASH FLOW HEDGES</b>	<b>446</b>	<b>353</b>	<b>15,974</b>
<b>HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION</b>	<b>47</b>	<b>304</b>	
<b>PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK</b>	<b>697</b>	<b>732</b>	<b>17,919</b>
<b>PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK</b>	-	-	-
<b>DERIVATIVES-HEDGE ACCOUNTING</b>	<b>3,538</b>	<b>2,726</b>	<b>100,858</b>
<i>of which: OTC - credit institutions</i>	3,413	2,366	49,776
<i>of which: OTC - other financial corporations</i>	95	256	47,881
<i>of which: OTC - other</i>	29	103	2,936

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.

Millions of Euros			
Hedging Derivatives Breakdown by type of risk and type of hedge- December 2014	Assets	Liabilities	Notional amount - Total hedging
<b>Interest rate</b>	<b>2,174</b>	<b>990</b>	<b>56,125</b>
OTC options	-	-	2
OTC other	2,174	990	56,123
Organized market options	-	-	-
Organized market other	-	-	-
<b>Equity</b>	<b>13</b>	<b>101</b>	<b>578</b>
OTC options	8	89	578
OTC other	6	12	-
Organized market options	-	-	-
Organized market other	-	-	-
<b>Foreign exchange and gold</b>	<b>-</b>	<b>12</b>	<b>2,741</b>
OTC options	-	-	-
OTC other	-	12	2,741
Organized market options	-	-	-
Organized market other	-	-	-
<b>Credit</b>	<b>-</b>	<b>-</b>	<b>20</b>
OTC options	-	-	20
OTC other	-	-	-
Organized market options	-	-	-
Organized market other	-	-	-
<b>Commodity</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other</b>	<b>-</b>	<b>61</b>	<b>115</b>
<b>FAIR VALUE HEDGES</b>	<b>2,188</b>	<b>1,164</b>	<b>59,578</b>
<b>Interest rate</b>	<b>265</b>	<b>272</b>	<b>6,014</b>
OTC options	3	7	-
OTC other	262	265	5,777
Organized market options	-	-	-
Organized market other	-	-	238
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Foreign exchange and gold</b>	<b>36</b>	<b>27</b>	<b>2,070</b>
OTC options	22	12	1,064
OTC other	14	16	1,006
Organized market options	-	-	-
Organized market other	-	-	-
<b>Credit</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Commodity</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOW HEDGES</b>	<b>301</b>	<b>299</b>	<b>8,085</b>
<b>HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION</b>	<b>-</b>	<b>502</b>	
<b>PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK</b>	<b>62</b>	<b>366</b>	<b>10,783</b>
<b>PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DERIVATIVES-HEDGE ACCOUNTING</b>	<b>2,551</b>	<b>2,331</b>	<b>82,606</b>
<i>of which: OTC - credit institutions</i>	2,305	1,954	42,724
<i>of which: OTC - other financial corporations</i>	236	280	39,169
<i>of which: OTC - other</i>	10	97	476

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The cash flows forecasts for the coming years for cash flow hedging recognized on the accompanying consolidated balance sheet as of December 31, 2016 are:

Cash Flows of Hedging Instruments	3 Months or Less	From 3 Months to 1 Year	From 1 to 5 Years	More than 5 Years	Total
Receivable cash inflows	548	1,103	1,794	2,857	6,302
Payable cash outflows	526	815	1,795	3,009	6,146

The above cash flows will have an impact on the Group's consolidated income statements until 2054.

In the years ended December 31, 2016, 2015 and 2014 there was no reclassification in the accompanying consolidated income statements of any amount corresponding to cash flow hedges that was previously recognized in equity.

The amount for derivatives designated as accounting hedges that did not pass the effectiveness test during the years ended December 31, 2016, 2015 and 2014 was not material.

## 16. Investments in subsidiaries, joint ventures and associates

### 16.1 Associates and joint venture entities

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:

	Millions of Euros		
	2016	2015	2014
<b>Associates Entities and joint ventures.</b>			
<b>Breakdown by entities</b>			
<b>Joint ventures</b>			
Fideicomiso 1729 invex enajenacion de cartera	57	66	70
Fideicomiso F 403853 5 BBVA Bancomer ser.zibata	33	44	20
PSA Finance Argentina compañía financiera S.A.	21	23	26
Other joint ventures	118	110	3,976
<b>Subtotal</b>	<b>229</b>	<b>243</b>	<b>4,092</b>
<b>Associates Entities</b>			
Metrovacesa, S.A.	-	351	233
Metrovacesa Suelo y Promoción, S.A.	208	-	-
Metrovacesa Promoción y Arrendamientos SA	67	-	-
Testa Residencial SOCIMI SAU	91	-	-
Atom Bank PLC	43	-	-
Brunara SICAV, S.A.	-	54	52
Servired Sociedad Española de Medios de Pago, S.A	11	92	8
Other associates	116	139	124
<b>Subtotal</b>	<b>536</b>	<b>636</b>	<b>417</b>
<b>Total</b>	<b>765</b>	<b>879</b>	<b>4,509</b>

Details of the joint ventures and associates as of December 31, 2016 are shown in Appendix II.

The following is a summary of the changes in the years ended December 31, 2016, 2015 and 2014, under this heading in the accompanying consolidated balance sheets:

*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.*

#### Millions of Euros

Associates Entities and joint ventures.	2016	2015	2014
<b>Changes in the Year</b>			
<b>Balance at the beginning</b>	<b>879</b>	<b>4,509</b>	<b>4,742</b>
Acquisitions and capital increases	456	464	36
Disposals and capital reductions	(91)	(32)	(10)
Transfers and changes of consolidation method	(351)	(3,850)	(948)
Share of profit and loss (Note 38)	25	174	343
Exchange differences	(34)	(250)	235
Dividends, valuation adjustments and others	(118)	(136)	111
<b>Balance at the end</b>	<b>765</b>	<b>879</b>	<b>4,509</b>

The variation in 2014 is mainly explained by the reclassification of CNBC to "Available-for-sale financial Assets" (see Note 3).

The variation in 2015 is 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.

The variation in 2016 is mainly explained, by:

- In January 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, including the share premium.
- In March 2016, there was a partial Split of Metrovacesa, S.A in favor of a beneficiary company from a new constitution denominated Metrovacesa Suelo y Promocion, S.A, through the transfer in block and by universal succession of the patrimony belonging to its branch activity of floor and real estate promotion.
- In October 2016, there was a total split of Metrovacesa, S.A through its extinction and division of its patrimony in three parts (Commercial Patrimony, Residential Patrimony and Non-Strategic Patrimony) that have been transmitted in block and by universal succession to Merlin Properties, SOCIMI, S.A, Testa Residencial, SOCIMI, S.A and Metrovacesa Promoción y Arrendamiento, S.A, respectively.
- As result of the previous mentioned splits, the Bank has received equity interests in the corresponding beneficiary companies. In the case of Merlin Properties, SOCIMI, S.A, 6.41% of its capital was received, having been transferred to the heading "Available-for-sale financial assets (see Note 12.3).

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, 2016 there was no financial support agreement or other contractual commitment to associates and joint ventures entities from the holding or the subsidiaries that are not recognized in the financial statements (see Note 53.2).

As of December 31, 2016 there was no contingent liability in connection with the investments in joint ventures and associates (see Note 53.2).

## 16.3 Impairment

As described in IAS 36, when there is indicator of impairment, the book value of the associates and joint venture entities should be compared with their recoverable amount, being the latter calculated as the higher between the value in use and the fair value minus the cost of sale. As of December 31, 2016, 2015 and 2014, there was no significant impairments recognized.



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## 17. Tangible 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:

Tangible Assets. Breakdown by Type of Assets and Changes in the year 2016	Millions of Euros						
	For Own Use			Total tangible asset of Own Use	Investment Properties	Assets Leased out under an Operating Lease	Total
	Land and Buildings	Work in Progress	Furniture, Fixtures and Vehicles				
<b>Cost -</b>							
<b>Balance at the beginning</b>	<b>5,858</b>	<b>545</b>	<b>7,628</b>	<b>14,029</b>	<b>2,391</b>	<b>668</b>	<b>17,088</b>
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)
<b>Balance at the end</b>	<b>6,176</b>	<b>240</b>	<b>7,059</b>	<b>13,473</b>	<b>1,163</b>	<b>958</b>	<b>15,594</b>
<b>Accrued depreciation -</b>							
<b>Balance at the beginning</b>	<b>1,103</b>	<b>-</b>	<b>4,551</b>	<b>5,654</b>	<b>116</b>	<b>202</b>	<b>5,972</b>
Additions (Note 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)
<b>Balance at the end</b>	<b>1,116</b>	<b>-</b>	<b>4,461</b>	<b>5,577</b>	<b>63</b>	<b>216</b>	<b>5,856</b>
<b>Impairment -</b>							
<b>Balance at the beginning</b>	<b>354</b>	<b>-</b>	<b>-</b>	<b>354</b>	<b>808</b>	<b>10</b>	<b>1,172</b>
Additions (Note 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)
<b>Balance at the end</b>	<b>379</b>	<b>-</b>	<b>-</b>	<b>379</b>	<b>409</b>	<b>10</b>	<b>798</b>
<b>Net tangible assets -</b>							
<b>Balance at the beginning</b>	<b>4,401</b>	<b>545</b>	<b>3,077</b>	<b>8,021</b>	<b>1,467</b>	<b>456</b>	<b>9,944</b>
<b>Balance at the end</b>	<b>4,681</b>	<b>240</b>	<b>2,598</b>	<b>7,519</b>	<b>691</b>	<b>732</b>	<b>8,941</b>

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Tangible Assets. Breakdown by Type of Assets and Changes in the year 2015	Millions of Euros						Total
	Land and Buildings	For Own Use Work in Progress	Furniture, Fixtures and Vehicles	Total Tangible Asset of Own Use	Investment Properties	Assets Leased out under an Operating Lease	
<b>Cost -</b>							
<b>Balance at the beginning</b>	<b>4,168</b>	<b>1,085</b>	<b>5,904</b>	<b>11,157</b>	<b>2,180</b>	<b>674</b>	<b>14,012</b>
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)
<b>Balance at the end</b>	<b>5,858</b>	<b>545</b>	<b>7,628</b>	<b>14,029</b>	<b>2,391</b>	<b>668</b>	<b>17,088</b>
<b>Accrued depreciation -</b>							
<b>Balance at the beginning</b>	<b>1,255</b>	<b>-</b>	<b>3,753</b>	<b>5,008</b>	<b>102</b>	<b>226</b>	<b>5,335</b>
Additions (Note 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)
<b>Balance at the end</b>	<b>1,103</b>	<b>-</b>	<b>4,551</b>	<b>5,654</b>	<b>116</b>	<b>202</b>	<b>5,972</b>
<b>Impairment -</b>							
<b>Balance at the beginning</b>	<b>148</b>	<b>-</b>	<b>16</b>	<b>164</b>	<b>687</b>	<b>6</b>	<b>857</b>
Additions (Note 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)
<b>Balance at the end</b>	<b>354</b>	<b>-</b>	<b>-</b>	<b>354</b>	<b>808</b>	<b>10</b>	<b>1,172</b>
<b>Net tangible assets -</b>							
<b>Balance at the beginning</b>	<b>2,764</b>	<b>1,085</b>	<b>2,135</b>	<b>5,985</b>	<b>1,392</b>	<b>443</b>	<b>7,819</b>
<b>Balance at the end</b>	<b>4,401</b>	<b>545</b>	<b>3,077</b>	<b>8,021</b>	<b>1,467</b>	<b>456</b>	<b>9,944</b>

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Tangible Assets. Breakdown by Type of Assets and Changes in the year 2014	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				
<b>Cost -</b>							
<b>Balance at the beginning</b>	<b>3,980</b>	<b>715</b>	<b>6,827</b>	<b>11,522</b>	<b>2,519</b>	<b>705</b>	<b>14,747</b>
Additions	153	517	568	1,238	4	176	1,418
Retirements	(48)	(32)	(697)	(777)	(96)	(38)	(911)
Acquisition of subsidiaries in the year	-	-	-	-	-	-	-
Disposal of entities in the year	-	-	-	-	-	-	-
Transfers	(30)	(94)	33	(91)	(41)	(173)	(305)
Exchange difference and other	113	(21)	(827)	(735)	(206)	4	(937)
<b>Balance at the end</b>	<b>4,168</b>	<b>1,085</b>	<b>5,904</b>	<b>11,157</b>	<b>2,180</b>	<b>674</b>	<b>14,012</b>
<b>Accrued depreciation -</b>							
<b>Balance at the beginning</b>	<b>1,179</b>	<b>-</b>	<b>4,801</b>	<b>5,980</b>	<b>102</b>	<b>233</b>	<b>6,314</b>
Additions (Note 45)	94	-	495	589	22	-	611
Retirements	(20)	-	(669)	(689)	(6)	(1)	(696)
Acquisition of subsidiaries in the year	-	-	-	-	-	-	-
Disposal of entities in the year	-	-	-	-	-	-	-
Transfers	(11)	-	(17)	(28)	(1)	(20)	(49)
Exchange difference and other	13	-	(857)	(844)	(15)	14	(845)
<b>Balance at the end</b>	<b>1,255</b>	<b>-</b>	<b>3,753</b>	<b>5,008</b>	<b>102</b>	<b>226</b>	<b>5,335</b>
<b>Impairment -</b>							
<b>Balance at the beginning</b>	<b>153</b>	<b>-</b>	<b>15</b>	<b>168</b>	<b>727</b>	<b>6</b>	<b>900</b>
Additions (Note 48)	25	-	10	35	61	-	97
Retirements	(1)	-	-	(1)	(46)	-	(47)
Acquisition of subsidiaries in the year	-	-	-	-	-	-	-
Disposal of entities in the year	-	-	-	-	-	-	-
Transfers	(17)	-	-	(17)	(17)	-	(34)
Exchange difference and other	(12)	-	(9)	(21)	(38)	-	(59)
<b>Balance at the end</b>	<b>148</b>	<b>-</b>	<b>16</b>	<b>164</b>	<b>687</b>	<b>6</b>	<b>857</b>
<b>Net tangible assets -</b>							
<b>Balance at the beginning</b>	<b>2,647</b>	<b>715</b>	<b>2,011</b>	<b>5,373</b>	<b>1,693</b>	<b>468</b>	<b>7,534</b>
<b>Balance at the end</b>	<b>2,764</b>	<b>1,085</b>	<b>2,135</b>	<b>5,985</b>	<b>1,392</b>	<b>443</b>	<b>7,820</b>

As of December 31, 2016, 2015 and 2014, the cost of fully amortized tangible assets that remained in use were €2,313, €2,663 and 2,198 million respectively while its recoverable residual value was not significant.

The balance of amortizations in this heading during the years ended December 2016, 2015 and 2014 are provided in Note 45.

As of December 31, 2016, 2015 and 2014 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		
	2016	2015	2014
Spain	3,303	3,811	3,112
Mexico	1,836	1,818	1,831
South America	1,667	1,684	1,676
The United States	676	669	672
Turkey	1,131	1,109	1
Rest of Eurasia	47	54	79
<b>Total</b>	<b>8,660</b>	<b>9,145</b>	<b>7,371</b>

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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, 2016, 2015 and 2014:

Millions of Euros			
Tangible Assets by Spanish and Foreign Subsidiaries Net Assets Values	2016	2015	2014
BBVA and Spanish subsidiaries	3,692	4,584	4,083
Foreign subsidiaries	5,249	5,360	3,737
<b>Total</b>	<b>8,941</b>	<b>9,944</b>	<b>7,820</b>

## 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:

Millions of Euros						
Goodwill. Breakdown by CGU and Changes of the year 2016	Balance at the Beginning	Additions	Exchange Difference	Impairment	Rest	Balance at the End
The United States	5,328	-	175	-	-	5,503
Turkey	727	-	(101)	-	(1)	624
Mexico	602	-	(79)	-	-	523
Colombia	176	-	14	-	-	191
Chile	62	-	6	-	-	68
Rest	20	8	-	-	-	28
<b>Total</b>	<b>6,915</b>	<b>8</b>	<b>15</b>	<b>-</b>	<b>(1)</b>	<b>6,937</b>

The change in 2016 is mainly as a result of the exchange differences due to the appreciation of the US Dollar against the euro and the depreciation of the Turkish lira and the Mexican peso.

Millions of Euros						
Goodwill. Breakdown by CGU and Changes of the year 2015	Balance at the Beginning	Additions	Exchange Difference	Impairment	Rest	Balance at the End
The United States	4,767	12	549	-	-	5,328
Turkey	-	788	(62)	-	-	727
Mexico	638	-	(35)	-	-	602
Colombia	208	-	(31)	-	-	176
Chile	65	-	(3)	-	-	62
Rest	20	-	(1)	-	-	20
<b>Total</b>	<b>5,697</b>	<b>800</b>	<b>418</b>	<b>-</b>	<b>-</b>	<b>6,915</b>

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.

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Millions of Euros

Goodwill. Breakdown by CGU and Changes of the year 2014	Balance at the Beginning	Additions	Exchange Difference	Impairment	Rest	Balance at the End
The United States	4,133	65	570	-	(1)	4,767
Mexico	630	-	7	-	-	638
Turkey	-	-	-	-	-	-
Colombia	227	-	(19)	-	-	208
Chile	66	-	(1)	-	-	65
Rest	12	8	-	-	-	20
<b>Total</b>	<b>5,069</b>	<b>73</b>	<b>557</b>	<b>-</b>	<b>(1)</b>	<b>5,697</b>

(\*) The change depicted in the above table corresponded to the acquisition of Simple.

## 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 in the United States 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 hypotheses are used when calculating the impairment test. They those 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 (2021), 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, 2016, 2015 and 2014, 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	2016	2015	2014
Discount rate	10.0%	9.8%	10.0%
Sustainable growth rate	4.0%	4.0%	4.0%

Given the potential growth of the sector, in accordance with paragraph 33 of IAS 36, as of December 31, 2016, 2015 and 2014 the Group used a steady growth rate of 4% based on the real GDP growth rate of the United States and expected inflation. This 4% 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.

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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:

<b>Millions of Euros</b>		
<b>Sensitivity analysis for main hypotheses</b>	<b>Impact of an increase of 50 basis points (*)</b>	<b>Impact of a decrease of 50 basis points (*)</b>
Discount rate	(1,106)	1,309
Sustainable growth rate	521	(441)

(\*) 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 (36 basis points).

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 December 2016 and the expected rise in interest rates in 2017, net interest income would be positively affected and, therefore, the recoverable amount of the CGU would increase.

### **Goodwill in business combinations 2016**

There were no significant business combinations.

### **Goodwill in business combinations 2015**

#### **Catalunya Banc**

As stated in Note 3, in the six month ended June 30, 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.

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Millions of Euros		
Valuation and calculation of badwill for the acquisition of stake in Catalunya Banc	Carrying Amount	Fair Value
<b>Acquisition cost (A)</b>	-	<b>1,165</b>
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
<b>Total fair value of assets and liabilities acquired (B)</b>	-	<b>1,205</b>
<b>Non controlling Interest Catanlunya Banc Group (**) (C)</b>	2	2
<b>Non controlling Interest after purchase (D)</b>	-	12
<b>Badwill (A)-(B)+(C)+(D)</b>	-	<b>(26)</b>

(\*) 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 "Badwill" (see Note 2.2.7).

The calculation of this amount was subject to change, since the estimate of all the fair values has been reviewed and, according to IFRS-3, they may be modified during a period of one year from the acquisition date (April 2015). After the deadline, there are not ben significant changes in that amount recorded in the year 2015.

### 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.

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Millions of Euros		
Valuation and calculation of goodwill in Garanti Bank	Carrying Amount	Fair Value
<b>Acquisition cost (A)</b>	-	<b>5,044</b>
Cash on hand	8,915	8,915
Financial assets held for trading	419	419
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 at Amortized Cost	(70,920)	(70,926)
Provisions	(394)	(697)
Other liabilities	(6,418)	(6,418)
Deferred tax	263	182
<b>Total fair value of assets and liabilities acquired (B)</b>	-	<b>10,560</b>
<b>Non controlling Interest Garanti Group (C)</b>	5,669	5,669
<b>Non controlling Interest after purchase (D)</b>	-	635
<b>Goodwill (A)-(B)+(C)+(D)</b>	-	<b>788</b>

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.

As of December 31, 2016, the calculation of goodwill, compared to the previous year, according to IFRS-3, they may be modified during a period of one year from the acquisition date. Subsequent to the abovementioned date, the Group has 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 hypotheses used in the impairment test of this mentioned CGU are:

Impairment test hypotheses CGU Goodwill in Turkey	2016	2015
Discount rate	17.7%	14.8%
Sustainable growth rate	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:

Millions of Euros		
Sensitivity analysis for main hypotheses	Impact of an increase of 50 basis points (*)	Impact of a decrease of 50 basis points (*)
Discount rate	(172)	189
Sustainable growth rate	123	(112)



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## 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:

Millions of Euros			
Other intangible assets	2016	2015	2014
Computer software acquisition expenses	1,877	1,875	1,517
Other intangible assets with a infinite useful life	12	26	22
Other intangible assets with a definite useful life	960	1,221	134
<b>Total</b>	<b>2,849</b>	<b>3,124</b>	<b>1,673</b>

Millions of Euros				
Other Intangible Assets. Changes Over the Period	Notes	2016	2015	2014
<b>Balance at the beginning</b>		<b>3,137</b>	<b>1,673</b>	<b>1,690</b>
Acquisition of subsidiaries in the year		-	1,452	-
Additions		645	571	467
Amortization in the year	45	(735)	(631)	(535)
Exchange differences and other		(196)	76	59
Impairment	48	(3)	(4)	(8)
<b>Balance at the end</b>		<b>2,849</b>	<b>3,137</b>	<b>1,673</b>

As of December 31, 2016, the balance of fully amortized intangible assets that remained in use was €1,501 million, 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, 2016 are 2010 and subsequent years for the main taxes applicable.

The remainders 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 2014 as a consequence of the tax authorities examination reviews, inspections were initiated until the year 2009 inclusive, all of them signed in acceptance during the year 2014.

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 could be conducted by the tax authorities in the future could 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.

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## 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					
	2016		2015		2014	
	Amount	Effective Tax %	Amount	Effective Tax %	Amount	Effective Tax %
<b>Profit or (-) loss before tax</b>	<b>6,392</b>		<b>4,603</b>		<b>3,980</b>	
From continuing operations	6,392		4,603		3,980	
From discontinued operations						
Taxation at Spanish corporation tax rate 30%	1,918		1,381		1,194	
Lower effective tax rate from foreign entities (*)	(298)		(221)		(318)	
Mexico	(105)	26%	(149)	25%	(145)	24%
Chile	(27)	17%	(28)	18%	(71)	-8%
Venezuela	22	36%	2	30%	2	30%
Colombia	(18)	26%	(13)	28%	(12)	28%
Peru	(176)	21%	-	-	-	-
Others	6		(33)		(92)	
Revenues with lower tax rate (dividends)	(69)		(65)		(88)	
Equity accounted earnings	(11)		(74)		(147)	
Other effects	159		253		257	
<b>Current income tax</b>	<b>1,699</b>		<b>1,274</b>		<b>898</b>	
<b>Of which:</b>						
Continuing operations	1,699		1,274		898	
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, 2016, 2015 and 2014 is as follows:

Effective Tax Rate	Millions of Euros		
	2016	2015	2014
<i>Income from:</i>			
Consolidated Tax Group	(483)	(1,426)	(997)
Other Spanish Entities	52	107	18
Foreign Entities	6,823	5,922	4,959
<b>Total</b>	<b>6,392</b>	<b>4,603</b>	<b>3,980</b>
Income tax and other taxes	1,699	1,274	898
<b>Effective Tax Rate</b>	<b>26.58%</b>	<b>27.68%</b>	<b>22.56%</b>

## 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:

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Millions of Euros			
Tax recognized in total equity	2016	2015	2014
<b>Charges to total equity</b>			
Debt securities	(533)	(593)	(953)
Equity instruments	(2)	113	(188)
<b>Subtotal</b>	<b>(535)</b>	<b>(480)</b>	<b>(1,141)</b>
<b>Total</b>	<b>(535)</b>	<b>(480)</b>	<b>(1,141)</b>

## 19.5 Deferred taxes

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

Millions of Euros			
Tax assets and liabilities	2016	2015	2014
<b>Tax assets-</b>			
Current	1,853	1,901	2,035
Deferred	16,391	15,878	10,391
Pensions	1,190	1,022	902
Portfolio	1,371	1,474	920
Other assets (investments in subsidiaries)	662	554	535
Impairment losses	1,390	1,346	1,041
Other	1,236	981	905
Secured tax assets (*)	9,431	9,536	4,881
Tax losses	1,111	965	1,207
<b>Total</b>	<b>18,245</b>	<b>17,779</b>	<b>12,426</b>
<b>Tax Liabilities-</b>			
Current	1,276	1,238	980
Deferred	3,392	3,418	3,177
Portfolio	1,794	1,907	2,096
Charge for income tax and other taxes	1,598	1,511	1,081
<b>Total</b>	<b>4,668</b>	<b>4,656</b>	<b>4,157</b>

(\*) Laws guaranteeing the deferred tax assets have been approved in Spain and Portugal in 2013 and 2014.

The most significant variations in the years ended December 31, 2016, 2015 and 2014 derived from the followings concepts:

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Guaranteed tax assets and liabilities	Millions of Euros					
	2016		2015		2014	
	Deferred Assets	Deferred Liabilities	Deferred Assets	Deferred Liabilities	Deferred Assets	Deferred Liabilities
<b>Balance at the beginning</b>	<b>15,878</b>	<b>3,418</b>	<b>10,391</b>	<b>3,177</b>	<b>9,202</b>	<b>1,537</b>
Pensions	168	-	120	-	152	-
Financials Instruments	(103)	(113)	554	(189)	(218)	1,171
Other assets	108	-	19	-	79	-
Impairment losses	44	-	305	-	251	-
Others	255	-	76	-	393	-
Guaranteed Tax assets (*)	(105)	-	4,655	-	508	-
Tax Losses	146	-	(242)	-	24	-
Charge for income tax and other taxes	-	87	-	430	-	469
<b>Balance at the end</b>	<b>16,391</b>	<b>3,392</b>	<b>15,878</b>	<b>3,418</b>	<b>10,391</b>	<b>3,177</b>

(\*) Acquisition of Catalunya Banc S.A in 2015.

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

- The decrease in guaranteed tax assets is mainly due to the corporate income tax return finally presented for the year 2015 that has generated some differences with respect to the estimation of the corporate income tax booked in the annual accounts for that year.
- The increase in assets due to deferred tax other than guaranteed tax is due to the generation of a higher amount as a consequence of the restrictions to the deduction of some items provided in the tax code in force.
- The increase in tax losses is mainly due to the offset in the corporate income tax return finally presented for the year 2015 of an amount of negative tax bases and deductions lower than estimated in the consolidated annual accounts for that year and, on the other hand, to the generation in 2016 of negative tax bases and deductions.

On the assets and liabilities due to deferred tax contained in the above table, 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, 2016, 2015 and 2014, 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 taxes, amounted to 874, 656 and 497 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		
	2016	2015	2014
Pensions	1,901	1,904	1,741
Impairment losses	7,530	7,632	3,140
<b>Total</b>	<b>9,431</b>	<b>9,536</b>	<b>4,881</b>

As of December 31, 2016, non-guaranteed net deferred tax assets of the above table amounted to €3,568 million (€2,924 and €2,333 million as of December 31, 2015 and 2014), which broken down by major geographies is as follows:

- Spain: Net deferred tax assets recognized in Spain totaled €2,007 million as of December 31, 2016 (€1,437 million and €1,383 as of December 31, 2015 and 2014). €1,088 million of the figure recorded in the year ended December 31, 2016 for net deferred tax assets related to tax credits and tax loss carry forwards and €919 million relate to temporary differences.

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- Mexico: Net deferred tax assets recognized in Mexico amounted to €698 million as of December 31, 2016 (€608 and €399 million as of December 31, 2015 and 2014). 99.96% of deferred tax assets as of December 31, 2016 relate to temporary differences. The remainders are tax credits carry forwards.
- South America: Net deferred tax assets recognized in South America amounted to €362 million as of December 31, 2016 (€330 and €364 million as of December 31, 2015 and 2014). All the deferred tax assets relate to temporary differences.
- The United States: Net deferred tax assets recognized in The United States amounted to €345 million as of December 31, 2016 (€300 and €160 million as of December 31, 2015 and 2014). All the deferred tax assets relate to temporary differences.
- Turkey: Net deferred tax assets recognized in Turkey amounted to €135 million as of December 31, 2016 (€217 million as of December 31, 2015). As of December 31, 2016, all the deferred tax assets correspond to €8 million of tax credits related to tax losses carry forwards and deductions and €127 million relate to temporary differences.

Based on the information available as of December 31, 2016, 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.

## 20. Other assets and liabilities

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

	Millions of Euros		
<b>Other assets and liabilities.</b>			
<b>Breakdown by nature</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>ASSETS-</b>			
Inventories	3,298	4,303	4,443
<i>Real estate companies</i>	3,268	4,172	4,389
<i>Others</i>	29	131	54
Transactions in progress	241	148	230
Accruals	723	804	706
Unaccrued prepaid expenses	518	558	491
Other prepayments and accrued income	204	246	215
Other items	3,012	3,311	2,715
<b>Total Assets</b>	<b>7,274</b>	<b>8,565</b>	<b>8,094</b>
<b>LIABILITIES-</b>			
Transactions in progress	127	52	77
Accruals	2,721	2,609	2,370
Unpaid accrued expenses	2,125	2,009	1,772
Other accrued expenses and deferred income	596	600	598
Other items	2,131	1,949	2,072
<b>Total Liabilities</b>	<b>4,979</b>	<b>4,610</b>	<b>4,519</b>

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 impairment included under the heading "Impairment or reversal of impairment on non-financial assets" of the accompanying consolidated financial statements were €375, €209 and €192 million for the years ended December 31, 2016, 2015 and 2014 respectively (see Note 48). The roll-forward of our inventories from distressed customers is provided below:

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Millions of Euros			
Inventories from Distressed Customers	2016	2015	2014
<b>Gross value</b>			
<b>Balance at the beginning</b>	<b>9,318</b>	<b>9,119</b>	<b>9,343</b>
Business combinations and disposals (*)	-	580	-
Acquisitions	336	797	479
Disposals	(1,214)	(1,188)	(971)
Others	59	10	268
<b>Balance at the end</b>	<b>8,499</b>	<b>9,318</b>	<b>9,119</b>
Accumulated impairment losses	(5,385)	(5,291)	(4,898)
<b>Carrying amount</b>	<b>3,114</b>	<b>4,154</b>	<b>4,219</b>

(\*) Mainly assets from Catalunya Banc acquisition in 2015.

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

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

Millions of Euros			
Non-current assets and disposal groups classified as held for sale	2016	2015	2014
<b>Breakdown by items</b>			
Foreclosures and recoveries	<b>4,225</b>	<b>3,991</b>	<b>3,330</b>
Foreclosures	4,057	3,775	3,144
Recoveries from financial leases	168	216	186
Other assets from:	<b>1,181</b>	<b>706</b>	<b>315</b>
Property, plant and equipment	378	431	272
Operating leases (*)	803	275	43
Business sale - Assets	<b>40</b>	<b>37</b>	<b>924</b>
Accrued amortization (**)	<b>(116)</b>	<b>(80)</b>	<b>(74)</b>
Impairment losses	<b>(1,727)</b>	<b>(1,285)</b>	<b>(702)</b>
<b>Total Non-current assets and disposal groups classified as held for sale</b>	<b>3,603</b>	<b>3,369</b>	<b>3,793</b>

(\*) Includes Real Estate transferred from BBVA Propiedad.

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

The changes in the balances of “Non-current assets available for sale” in 2016, 2015 and 2014 are as follows:

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Millions of Euros						
Non-current assets and disposal groups classified as held for sale Changes in the year 2016	Notes	Foreclosed Assets		From Own Use Assets (*)	Other assets	Total
		Foreclosed Assets through Auction Proceeding	Recovered Assets from Finance Leases			
<b>Cost (1)</b>						
<b>Balance at the beginning</b>		<b>3,775</b>	<b>216</b>	<b>626</b>	<b>37</b>	<b>4,617</b>
Additions		582	57	23	-	662
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(779)	(77)	(170)	3	(1,026)
Transfers, other movements and exchange differences		480	(28)	586	-	1,037
<b>Balance at the end</b>		<b>4,057</b>	<b>168</b>	<b>1,065</b>	<b>40</b>	<b>5,290</b>
<b>Impairment (2)</b>						
<b>Balance at the beginning</b>		<b>994</b>	<b>52</b>	<b>240</b>	<b>-</b>	<b>1,285</b>
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
<b>Balance at the end</b>		<b>1,237</b>	<b>47</b>	<b>443</b>	<b>-</b>	<b>1,727</b>
<b>Balance at the end of Net carrying value (1)-(2)</b>		<b>2,820</b>	<b>121</b>	<b>621</b>	<b>40</b>	<b>3,563</b>

(\*) Net of accumulated amortization until reclassified as non-current assets held for sale

Millions of Euros						
Non-current assets and disposal groups classified as held for sale Changes in the year 2015	Notes	Foreclosed Assets		From Own Use Assets (*)	Other assets (**)	Total
		Foreclosed Assets through Auction Proceeding	Recovered Assets from Finance Leases			
<b>Cost (1)</b>						
<b>Balance at the beginning</b>		<b>3,144</b>	<b>186</b>	<b>241</b>	<b>924</b>	<b>4,495</b>
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
<b>Balance at the end</b>		<b>3,775</b>	<b>216</b>	<b>626</b>	<b>37</b>	<b>4,654</b>
<b>Impairment (2)</b>						
<b>Balance at the beginning</b>		<b>578</b>	<b>53</b>	<b>70</b>	<b>-</b>	<b>702</b>
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
<b>Balance at the end</b>		<b>994</b>	<b>52</b>	<b>240</b>	<b>-</b>	<b>1,285</b>
<b>Balance at the end of Net carrying value (1)-(2)</b>		<b>2,781</b>	<b>164</b>	<b>387</b>	<b>37</b>	<b>3,369</b>

(\*) Net of accumulated amortization until reclassified as non-current assets held for sale

(\*\*) Business sale agreement (Note 3)

Millions of Euros						
Non-current assets and disposal groups classified as held for sale Changes in the year 2014	Notes	Foreclosed Assets		From Own Use Assets (*)	Other assets (**)	Total
		Foreclosed Assets through Auction Proceeding	Recovered Assets from Finance Leases			
<b>Cost (1)</b>						
<b>Balance at the beginning</b>		<b>2,914</b>	<b>186</b>	<b>253</b>	<b>92</b>	<b>3,445</b>
Additions		783	50	82	-	916
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(565)	(36)	(161)	-	(762)
Transfers, other movements and exchange differences		12	(14)	67	832	897
<b>Balance at the end</b>		<b>3,144</b>	<b>187</b>	<b>241</b>	<b>924</b>	<b>4,495</b>
<b>Impairment (2)</b>						
<b>Balance at the beginning</b>		<b>420</b>	<b>45</b>	<b>99</b>	<b>-</b>	<b>565</b>
Additions	50	391	12	4	-	406
Contributions from merger transactions		-	-	-	-	-
Retirements (sales and other decreases)		(140)	(7)	(51)	-	(198)
Transfers, other movements and exchange differences		(93)	3	19	-	(71)
<b>Balance at the end</b>		<b>578</b>	<b>53</b>	<b>71</b>	<b>-</b>	<b>702</b>
<b>Balance at the end of Net carrying value (1)-(2)</b>		<b>2,565</b>	<b>134</b>	<b>170</b>	<b>924</b>	<b>3,793</b>

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(\*) Net of accumulated amortization until reclassified as non-current assets held for sale

(\*\*) Business sale agreement (Note 3)

## Assets from foreclosures or recoveries

As of December 31, 2016, 2015 and 2014, assets from foreclosures and recoveries, net of impairment losses, by nature of the asset, amounted to €2,326, €2,415 and €2,330 million in assets for residential use; €574, €486 and €432 million in assets for tertiary use (industrial, commercial or office) and €41, €44 and €26 million in assets for agricultural use, respectively.

In December 31, 2016, 2015 and 2014, the average sale time of assets from foreclosures or recoveries was between 2 and 3 years.

During the years 2016, 2015 and 2014, 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 €219, €179 and €165 million, respectively; with an average financing of 78% of the sales price.

As of December 31, 2016, 2015 and 2014, 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, €18 and €22 million, respectively.

## 22. Financial liabilities at amortized cost

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

Millions of Euros				
Financial liabilities measured at amortised cost	Notes	2016	2015	2014
Deposits				
Deposits from Central Banks	9	34,740	40,087	28,193
Deposits from Credit Institutions	22.1	63,501	68,543	65,168
Customer deposits	22.2	401,465	403,362	319,334
Debt securities issued	22.3	76,375	81,980	71,917
Other financial liabilities	22.4	13,129	12,141	7,288
<b>Total</b>		<b>589,210</b>	<b>606,113</b>	<b>491,899</b>

### 22.1 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:

Millions of Euros				
Deposits from credit institutions	Notes	2016	2015	2014
Reciprocal accounts		165	160	218
Deposits with agreed maturity		30,286	37,859	26,731
Demand deposits		4,435	4,121	5,082
Other accounts		35	149	51
Repurchase agreements	35	28,421	26,069	32,935
<b>Subtotal</b>		<b>63,342</b>	<b>68,359</b>	<b>65,017</b>
Accrued interest until expiration		160	185	151
<b>Total</b>		<b>63,501</b>	<b>68,543</b>	<b>65,168</b>



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

Millions of Euros

Deposits from Credit Institutions December 2016	Demand Deposits & Reciprocal Accounts	Deposits with Agreed Maturity	Repurchase Agreements	Total
Spain	956	4,995	817	6,768
Rest of Europe	896	13,751	23,691	38,338
Mexico	306	426	2,931	3,663
South America	275	3,294	465	4,035
The United States	1,812	3,225	3	5,040
Turkey	317	1,140	5	1,463
Rest of the world	88	3,597	509	4,194
<b>Total</b>	<b>4,651</b>	<b>30,429</b>	<b>28,420</b>	<b>63,501</b>

Millions of Euros

Deposits from Credit Institutions December 2015	Demand Deposits & Reciprocal Accounts	Deposits with Agreed Maturity	Repurchase Agreements	Total
Spain	951	6,718	593	8,262
Rest of Europe	801	15,955	23,140	39,896
Mexico	54	673	916	1,643
South America	212	3,779	432	4,423
The United States	1,892	5,497	2	7,391
Turkey	355	1,423	8	1,786
Rest of the world	53	4,108	981	5,142
<b>Total</b>	<b>4,318</b>	<b>38,153</b>	<b>26,072</b>	<b>68,543</b>

Millions of Euros

Deposits from Credit Institutions December 2014	Demand Deposits & Reciprocal Accounts	Deposits with Agreed Maturity	Repurchase Agreements	Total
Spain	1,327	6,504	2,442	10,273
Rest of Europe	1,191	9,925	27,940	39,056
Mexico	125	1,066	1,875	3,065
South America	961	3,221	456	4,638
The United States	1,669	4,743	-	6,411
Rest of the world	33	1,461	231	1,725
<b>Total</b>	<b>5,306</b>	<b>26,920</b>	<b>32,944</b>	<b>65,168</b>

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.

## 22.2 Customer deposits

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

Millions of Euros				
Customer deposits	Notes	2016	2015	2014
General Governments		21,359	25,343	22,122
Current accounts		123,401	112,273	96,414
Savings accounts		88,835	82,975	65,555
Time deposits		153,123	165,125	111,796
Repurchase agreements	35	13,491	15,711	21,595
Subordinated deposits		233	285	260
Other accounts		329	812	677
Accumulated other comprehensive income		694	839	915
<b>Total</b>		<b>401,465</b>	<b>403,362</b>	<b>319,334</b>
<i>Of which:</i>				
In Euros		189,438	203,053	162,844
In foreign currency		212,027	200,309	156,489
<i>Of which:</i>				
Deposits from other creditors without valuation adjustment		400,742	402,689	318,657
Accrued interests		723	673	677

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

Millions of Euros				
Customer Deposits December 2016	Demand Deposits	Deposits with Agreed Maturity	Repurchase Agreements	Total
Spain	102,730	56,391	1,901	161,022
Rest of Europe	6,959	19,683	4,306	30,949
Mexico	36,468	10,647	7,002	54,117
The United States	26,997	23,023	263	50,282
Turkey	47,340	14,971	-	62,311
South America	9,862	28,328	21	38,211
Rest of the world	1,190	3,382	-	4,572
<b>Total</b>	<b>231,547</b>	<b>156,425</b>	<b>13,493</b>	<b>401,465</b>

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Millions of Euros

Customer Deposits December 2015	Demand Deposits	Deposits with Agreed Maturity	Repurchase Agreements	Total
Spain	86,564	70,816	11,309	168,689
Rest of Europe	5,514	22,833	7,423	35,770
Mexico	36,907	10,320	4,195	51,422
South America	24,574	19,591	304	44,469
The United States	47,071	15,893	24	62,988
Turkey	9,277	26,744	15	36,036
Rest of the world	357	3,631	-	3,988
<b>Total</b>	<b>210,264</b>	<b>169,828</b>	<b>23,270</b>	<b>403,362</b>

Millions of Euros

Customer Deposits December 2014	Demand Deposits	Deposits with Agreed Maturity	Repurchase Agreements	Total
Spain	43,732	90,206	9,783	143,721
Rest of Europe	2,267	7,884	8,036	18,187
Mexico	22,550	17,769	6,359	46,678
South America	23,118	34,680	441	58,239
The United States	19,020	31,881	1	50,902
Rest of the world	734	873	-	1,607
<b>Total</b>	<b>111,421</b>	<b>183,293</b>	<b>24,620</b>	<b>319,334</b>

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.

## 22.3 Debt securities issued (including bonds and debentures)

The breakdown of the balance under this heading, by currency, is as follows:

	Millions of Euros		
Debt securities issued	2016	2015	2014
<b>In Euros</b>	<b>45,619</b>	<b>51,449</b>	<b>49,659</b>
Promissory bills and notes	841	456	410
Non-convertible bonds and debentures at floating interest rates	3,138	3,375	2,376
Non-convertible bonds and debentures at fixed interest rates	5,284	6,389	8,555
Mortgage Covered bonds	23,869	28,740	26,119
Hybrid financial instruments	450	384	234
Securitization bonds made by the Group	3,548	4,580	4,741
Other securities	-	-	-
Accrued interest and others (*)	1,518	1,425	1,865
Subordinated liabilities	6,972	6,100	5,359
Convertible	4,000	3,000	1,500
<i>Convertible perpetual securities</i>	4,000	3,000	1,500
Non-convertible	2,852	3,040	3,778
<i>Preferred Stock</i>	359	357	1,033
<i>Other subordinated liabilities</i>	2,493	2,683	2,745
Accrued interest and others (*)	120	60	81
<b>In Foreign Currency</b>	<b>30,759</b>	<b>30,531</b>	<b>22,258</b>
Promissory bills and notes	377	192	660
Non-convertible bonds and debentures at floating interest rates	1,044	1,240	588
Non-convertible bonds and debentures at fixed interest rates	13,880	13,553	9,898
Mortgage Covered bonds	147	146	117
Hybrid financial instruments	2,030	2,392	1,945
Other securities associated to financial activities	-	-	-
Securitization bonds made by the Group	2,977	3,039	474
Other securities	-	-	-
Accrued interest and others (*)	288	254	114
Subordinated liabilities	10,016	9,715	8,462
Convertible	1,487	1,439	1,235
<i>Convertible perpetual securities</i>	1,487	1,439	1,235
Non-convertible	8,134	7,818	6,833
<i>Preferred Stock</i>	629	616	876
<i>Other subordinated liabilities</i>	7,505	7,202	5,957
Accrued interest and others (*)	394	458	394
<b>Total</b>	<b>76,375</b>	<b>81,980</b>	<b>71,917</b>

(\*) Hedging operations and issuance costs

Most of the foreign currency issues are denominated in U.S. dollars.

### 22.3.1 Promissory notes and bills

Promissory notes were issued by BBVA Senior Finance, S.A.U. and BBVA US Senior, S.A.U. The promissory notes issued by BBVA Senior Finance, S.A.U. and BBVA US Senior, S.A.U., are guaranteed jointly, severally and irrevocably by the Bank.

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### 22.3.2 Bonds and debentures issued

The senior debt issued by BBVA Senior Finance, S.A.U., BBVA U.S. Senior, S.A.U. and BBVA Global Finance, Ltd. are guaranteed jointly, severally and irrevocably by the Bank (included within "Non-convertible bonds and debentures at floating interest rates" and "Non-convertible bonds and debentures at fixed interest rates" in the table above).

### 22.3.3 Subordinated liabilities

Of the above, 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 April 8, 2016, BBVA carried out the fourth issuance of perpetual securities eventually convertible into new ordinary shares of BBVA, (additional tier I capital instruments) without pre-emption rights, for a nominal total amount of €1,000 million.

On February, 10 2015, BBVA carried out the third issuance of perpetual securities eventually convertible into new ordinary shares of BBVA, (additional tier I capital instruments) without pre-emption rights, for a nominal total amount of €1,500 million.

In 2014, BBVA carried out the second issuance of perpetual securities eventually convertible into new ordinary shares of BBVA, (additional tier I capital instruments) without pre-emption rights, for a nominal total amount of €1,500 million.

These securities were listed in the Global Exchange Market of the Irish Stock Exchange. This issuance was targeted only at qualified foreign investors and in any case would not be made or subscribed in Spain or by Spanish-resident investors.

These perpetual securities issued could be converted into new ordinary shares of BBVA if the common equity Tier 1 (CET 1) of the individual or consolidated Bank is below the 5.125%, among other assumptions.

These issues may be fully redeemed at BBVA's election only in the cases contemplated in its 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:

	<b>Millions of Euros</b>		
<b>Preferred Securities by Issuer</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
BBVA International Preferred, S.A.U. (*)	855	842	1,750
Unnim Group (**)	100	109	109
Compass Group	22	22	20
BBVA Capital Finance, S.A.U.	-	-	25
BBVA Colombia, S.A.	1	1	-
BBVA International, Ltd.	-	-	7
<b>Total</b>	<b>979</b>	<b>974</b>	<b>1,910</b>

(\*) Listed on the London and New York stock exchanges.

(\*\*) Unnim Group: Issuances prior to the acquisition by BBVA.

These issues were fully subscribed at the moment of the issue by 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.

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### Amortization of preferred securities

On February, 27, 2015 BBVA Capital Finance, S.A.U., BBVA International Limited, Caixa de Manlleu Preferents, S.A.U., Caixa Terrassa Societat de Participacions Preferents, S.A.U. CaixaSabadell Preferents, S.A.U. carried out the early redemption of following issuances which amounted to €46 million, after having obtained all required authorizations.

On December 19, 2014 the amortization in full of preferred securities called "Issue of Series E Preferred Securities" and "Issue of Series F Preferred Securities" was announced. At their nominal amount of €633 million and €251 million pounds (approximately €323 million as of December 31, 2014) respectively. These issues were made by BBVA International Preferred, S.A. Unipersonal on October 19, 2009. On January 21, 2015, after obtaining the necessary authorizations, BBVA International Preferred, S.A. Unipersonal proceeded to its effective amortization.

### Other subordinated liabilities

On February 27, 2015, BBVA announced the early redemption of some issuances that amounted to €36 million, after having obtained all required authorizations.

On September 23, 2014, BBVA announced the early expiration of the outstanding nominal amount of €633 million of the issue "Subordinated debt - October 04". On October 20, 2014, after having obtained the necessary approvals, BBVA completed the expiration.

## 22.4 Other financial liabilities

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

	Millions of Euros		
Other financial liabilities	2016	2015	2014
Creditors for other financial liabilities	3,465	3,303	1,692
Collection accounts	2,768	2,369	2,402
Creditors for other payment obligations	6,370	5,960	3,194
Dividend payable but pending payment (Note 4)	525	509	-
<b>Total</b>	<b>13,129</b>	<b>12,141</b>	<b>7,288</b>

## 23. Liabilities under reinsurance and insurance 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 life-saving insurance 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.

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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:

<b>Millions of Euros</b>			
<b>Technical Reserves by type of insurance product</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Mathematical reserves	7,813	8,101	9,352
Individual life insurance <sup>(1)</sup>	4,791	4,294	5,683
Savings	3,943	3,756	5,073
Risk	848	526	610
Others	-	12	-
Group insurance <sup>(2)</sup>	3,022	3,807	3,669
Savings	2,801	3,345	3,207
Risk	221	462	462
Others	-	-	-
Provision for unpaid claims reported	691	697	578
Provisions for unexpired risks and other provisions	635	609	529
<b>Total</b>	<b>9,139</b>	<b>9,407</b>	<b>10,460</b>

(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 Reinsurance and reinsurance contracts are shown below:

<b>Millions of Euros</b>					
<b>Maturity</b>	<b>Up to 1 Year</b>	<b>1 to 3 Years</b>	<b>3 to 5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Liabilities under Insurance and Reinsurance Contracts	1,705	1,214	1,482	4,738	<b>9,139</b>

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 96% 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 based on 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 used in the calculation of the mathematical reserves for insurance products in Spain and Mexico, respectively:

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Mathematical Reserves	Mortality table		Average technical interest type	
	Spain	Mexico	Spain	Mexico
Individual life insurance <sup>(1)</sup>	GKMF80/95% PASEM Hombre Own tables	Tables of the Comision Nacional De Seguros y Fianzas 2000-individual	1.15%-3.00%	2.5%
Group insurance <sup>(2)</sup>	PERMF2000/Own tables	Tables of the Comision Nacional De Seguros y Fianzas 2000-group	1.37%-3.00%	5.5%

(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, 2016, 2015 and 2014 the balance is €447 million, €511 million and €559 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:

Millions of Euros				
Provisions. Breakdown by concepts	Notes	2016	2015	2014
Pensions and other post employment defined benefit obligations	25	6,025	6,299	5,970
Other long term employee benefits	25	69	68	62
Pending legal issues and tax litigation		418	616	262
Commitments and guarantees given		950	714	381
Other provisions (*) (**)		1,609	1,155	769
<b>Total</b>		<b>9,071</b>	<b>8,852</b>	<b>7,444</b>

(\*) In the year 2016 this line item includes €577 million of provisions related to the invalidity of the clauses of limitation of interest rates in mortgage loans with consumers (the so-called "cláusulas suelo"), hereinafter discussed.

(\*\*) During the year 2015, 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).



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The change in provisions for pensions and similar obligations for the years ended December 31, 2016, 2015 and 2014 is as follows:

Millions of Euros				
Provisions for Pensions and Similar Obligations.				
Changes Over the Period	Notes	2016	2015	2014
<b>Balance at the beginning</b>		<b>6,299</b>	<b>5,970</b>	<b>5,512</b>
Add -				
Charges to income for the year		402	687	1,004
Interest expenses and similar charges	37.2	96	108	172
Personnel expenses	44.1	67	57	58
Provision expenses		239	522	774
Charges to equity (*)	25	339	135	497
Transfers and other changes (**)		66	440	75
Less -				
Benefit payments	25	(926)	(925)	(854)
Employer contributions	25	(154)	(8)	(264)
<b>Balance at the end</b>		<b>6,025</b>	<b>6,299</b>	<b>5,970</b>

(\*) 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).

(\*\*) In the year 2015 this line item correspond mainly to the incorporation of Garanti y Catalunya Banc (see Note 3).

Millions of Euros			
Provisions for Taxes, Legal Contingents and Other Provisions.			
Changes Over the Period	2016	2015	2014
<b>Balance at beginning</b>	<b>1,771</b>	<b>1,031</b>	<b>933</b>
Add -			
Charge to income for the year	1,109	334	387
Acquisition of subsidiaries (*)	-	1,256	-
Transfers and other changes	-	-	-
Less -			
Available funds	(311)	(205)	(75)
Amount used and other variations	(540)	(645)	(214)
Disposal of subsidiaries	-	-	-
<b>Balance at the end</b>	<b>2,028</b>	<b>1,771</b>	<b>1,031</b>

(\*) 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

Different entities of the BBVA Group are frequently party to legal actions in a number of jurisdictions (including, among others, Spain, Mexico and the United State) 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, except for the proceeding mentioned below, 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 consolidated or individual level of the Bank. The Group's Management believes that the provisions made in respect of such legal proceedings are adequate.

Regarding the consequences of the invalidity of the clauses of limitation of interest rates in mortgage loans with consumers (the so-called "cláusulas suelo") the legal situation is as follows:

- The Spanish Supreme Court, in a judgment dated May 9, 2013, rendered on a collective claim against BBVA among others, and that is definitive, resolved unanimously that those clauses should be deemed as invalid if they did not comply with certain requirements of material transparency set forth in the referred judgment. In addition, that judgment determined that there were no grounds for the refund of the amounts collected pursuant to those clauses before May 9, 2013.
- As communicated to the market by means of Relevant Event dated June 12, 2013, BBVA ceased to apply, in execution of that judgment, as from May 9, 2013, the "cláusula suelo" in all mortgage loan agreements with consumers in which it had been included.

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In an individual claim, the Provincial Court of Alicante raised a preliminary ruling to the Court of Justice of the European Union (CJEU), for the CJEU to determine if the time limitation for the refund of the amounts set forth by the Supreme Court complies with Directive 93/13/EEC. On July 13, the opinion of the Advocate-General of the CJEU was published and in its conclusions it stated that the European directive did not oppose to a Member State's Supreme Court limiting, due to exceptional circumstances, the restorative effects of the invalidity to the date on which its first judgment in this regard was issued.

Last December 21, the CJEU published its sentence that decided the preliminary ruling raised by the Provincial Court of Alicante and other national judicial bodies, in the sense that the Supreme Court's case law that limited in time the restorative effects related to the unfair declaration of a clause included in an agreement between a consumer and a professional is contrary to Article 6.1 of Directive 93/13/EEC on unfair terms in consumer contracts.

After the mentioned CJEU's decision, BBVA has made, once analyzed the portfolio of mortgage loans to consumers, in which the "cláusulas suelo" have applied, a provision of €577 million (with an impact on the attributed profit of approximately €404 million, as communicated to the market in the Relevant Event dated December 21, 2016), to cover future claims that could be filed.

## 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, defined contribution and defined benefit plans (see Note 44.1), 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 and 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 retirement.

The breakdown of the balance sheet net defined benefit liability as of December 31, 2016, 2015 and 2014 is provided below:

	Millions of Euros		
Net Defined Benefit Liability (asset) on the Balance Sheet	2016	2015	2014
Pension commitments	5,277	5,306	4,737
Early retirement commitments	2,559	2,855	2,803
Medical benefits commitments	1,015	1,023	1,083
Other long term employee benefits	69	68	62
<b>Total commitments</b>	<b>8,920</b>	<b>9,252</b>	<b>8,685</b>
Pension plan assets	1,909	1,974	1,697
Medical benefit plan assets	1,113	1,149	1,240
<b>Total plan assets (*)</b>	<b>3,022</b>	<b>3,124</b>	<b>2,937</b>
<b>Total net liability / asset on the balance sheet</b>	<b>5,898</b>	<b>6,128</b>	<b>5,748</b>
<i>Of which:</i>			
Net asset on the balance sheet (**)	(194)	(238)	(285)
Net liability on the balance sheet for provisions for pensions and similar obligations (***)	6,025	6,299	5,970
Net liability on the balance sheet for other long term employee benefits (****)	69	68	62

(\*) In Turkey, the foundation responsible for managing the benefit commitments holds an additional asset of €257 million which, in accordance with IFRS regarding the asset ceiling, has not been recognized in the accounts, because although it could be used to reduce future pension contributions it could not be immediately refunded to the employer.

(\*\*) Recorded under the heading "Other Assets - Other" of the consolidated balance sheet (see Note 20).

(\*\*\*) Recorded under the heading "Provisions - Provisions for pensions and similar obligations" of the consolidated balance sheet (see Note 24).

(\*\*\*\*) Recorded under the heading "Provisions - Other long-term employee benefits" of the consolidated balance sheet.

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The amounts relating to benefit commitments charged to consolidated income statement for the years 2016, 2015 and 2014 are as follows:

Millions of Euros				
Consolidated Income Statement Impact	Notes	2016	2015	2014
<b>Interest and similar expenses</b>	37.2	<b>96</b>	<b>108</b>	<b>172</b>
Interest expense		303	309	336
Interest income		(207)	(201)	(165)
<b>Personnel expenses</b>		<b>154</b>	<b>141</b>	<b>121</b>
Defined contribution plan expense	44.1	87	84	63
Defined benefit plan expense	44.1	67	57	58
<b>Provisions (net)</b>	46	<b>332</b>	<b>592</b>	<b>816</b>
Early retirement expense		236	502	681
Past service cost expense		(2)	26	(29)
Remeasurements (*)		3	20	93
Other provision expenses		95	44	71
<b>Total impact on Consolidated Income Statement: Debit (Credit)</b>		<b>582</b>	<b>841</b>	<b>1,109</b>

(\*) Actuarial losses (gains) on remeasurement of the net defined benefit liability relating to early retirements in Spain and other long-term employee benefits (see Note 2.2.12).

The amounts relating to post-employment benefits charged to the balance sheet as of December 31, 2016, 2015 and 2014 are as follows:

Millions of Euros				
Equity Impact	Notes	2016	2015	2014
Defined benefit plans		237	128	353
Post-employment medical benefits		119	7	144
<b>Total impact on equity: Debit (Credit) (*)</b>	2.2.12	<b>356</b>	<b>135</b>	<b>497</b>

(\*) Actuarial gains (losses) on remeasurement of the net defined benefit liability relating to pension and medical commitments before income taxes.

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## 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 year ended December 31, 2016, 2015 and 2014 is presented below.

Defined Benefits	Millions of Euros								
	2016			2015			2014		
	Defined Benefit Obligation	Plan Assets	Net Liability (asset)	Defined Benefit Obligation	Plan Assets	Net Liability (asset)	Defined Benefit Obligation	Plan Assets	Net Liability (asset)
<b>Balance at the beginning</b>	<b>9,184</b>	<b>3,124</b>	<b>6,060</b>	<b>8,622</b>	<b>2,937</b>	<b>5,685</b>	<b>7,714</b>	<b>2,375</b>	<b>5,337</b>
Current service cost	67	-	67	57	-	57	58	-	58
Interest income or expense	299	207	92	309	201	108	336	165	172
Contributions by plan participants	5	5	-	2	2	-	1	1	-
Employer contributions	-	154	(154)	-	8	(8)	-	264	(264)
Past service costs <sup>(1)</sup>	235	-	235	530	-	530	652	-	652
Remeasurements:	354	(5)	359	42	(113)	155	769	178	590
Return on plan assets <sup>(2)</sup>	-	(20)	20	-	(106)	106	-	178	(178)
From changes in demographic assumptions	107	-	107	8	-	8	31	-	31
From changes in financial assumptions	106	-	106	(53)	-	(53)	724	-	724
Other actuarial gain and losses	141	15	125	88	(7)	94	13	-	13
Benefit payments	(1,052)	(169)	(883)	(1,086)	(146)	(940)	(984)	(130)	(854)
Settlement payments	(43)	-	(43)	(2)	(17)	15	-	-	-
Business combinations and disposals	-	-	-	795	321	474	-	-	-
Effect on changes in foreign exchange rates	(282)	(293)	11	(136)	(98)	(38)	43	53	(10)
Other effects	84	-	84	50	28	22	33	31	3
<b>Balance at the end</b>	<b>8,851</b>	<b>3,022</b>	<b>5,829</b>	<b>9,184</b>	<b>3,124</b>	<b>6,060</b>	<b>8,622</b>	<b>2,937</b>	<b>5,685</b>
<i>Of which</i>									
Spain	6,157	358	5,799	6,491	380	6,111	6,212	382	5,830
Mexico	1,456	1,627	(171)	1,527	1,745	(219)	1,643	1,908	(266)
The United States	385	339	46	362	329	33	362	324	38
Turkey	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, 2016 includes €355 million relating to post-employment benefit commitments to former members of the Board of Directors and the Bank's Management.

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

The following table sets out the key actuarial assumptions used in the valuation of these commitments:

Actuarial Assumptions	2016				2015				2014		
	Spain	Mexico	USA	Turkey	Spain	Mexico	USA	Turkey	Spain	Mexico	USA
Discount rate	1.50%	9.95%	4.04%	11.50%	2.00%	9.30%	4.30%	10.30%	2.25%	8.75%	3.97%
Rate of salary increase	1.50%	4.75%	3.00%	9.30%	2.00%	4.75%	3.00%	8.60%	2.00%	4.75%	3.25%
Rate of pension increase	-	2.13%	-	7.80%	-	2.13%	-	7.10%	-	2.13%	2.25%
Medical cost trend rate	-	6.75%	-	10.92%	-	6.75%	-	9.94%	-	6.75%	8.00%
Mortality tables	PERM/F 2000P	EMSSA97 (adjustment EMSSA09)	RP 2014	CSO2001	PERM/F 2000P	EMSSA 97	RP 2014	CSO2001	PERM/F 2000P	EMSSA 97	RP 2014

Discount rates used to value future benefit cash flows have been determined by reference to high quality corporate bonds (Note 2.2.12) in Euro in the case of Spain, Mexican peso for Mexico and USD for the United States), and government bonds in new Turkish Lira for Turkey.

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

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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	Basis points change	Millions of Euros			
		2016		2015	
		Increase	Decrease	Increase	Decrease
Discount rate	50	(367)	401	(357)	391
Rate of salary increase	50	9	(9)	9	(9)
Rate of pension increase	50	28	(27)	23	(22)
Medical cost trend rate	100	263	(204)	213	(169)
Change in obligation from each additional year of longevity	-	121	-	130	-

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, 2016, 2015 and 2014 the actuarial liabilities for the outstanding awards amounted to €69 million, €68 million and €62 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.

### Post-employment commitments and similar obligations

These pension commitments relate mostly to pensions where the employees are already receiving payment, and which have been determined based on salary and years of service in accordance with the specific plan rules. For most plans pension payments are due on retirement, death and long term disability.

In addition, during the year 2016, Group entities in Spain offered certain employees the option to take early retirement (that is, earlier than the age stipulated in the collective labor agreement in force). This offer was accepted by 613 (1,817 and 1,706 during years 2015 and 2014, 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, 2016, 2015 and 2014 the value of these commitments amounted to €2,559 million, €2,855 million and €2,803 million respectively.

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The change in the benefit plan obligations and plan assets as of December 31, 2016 was as follows:

Millions of Euros					
Defined Benefit Obligation					
Post-employment commitments 2016	Spain	Mexico	USA	Turkey	Rest of the world
<b>Balance at the beginning</b>	<b>6,489</b>	<b>517</b>	<b>364</b>	<b>435</b>	<b>357</b>
Current service cost	10	6	4	22	5
Interest income or expense	105	42	14	41	11
Contributions by plan participants	-	-	-	4	1
Employer contributions	-	-	-	-	-
Past service costs <sup>(1)</sup>	240	1	-	4	(4)
Remeasurements:	223	-	7	31	34
Return on plan assets <sup>(2)</sup>	-	-	-	-	-
From changes in demographic assumptions	-	2	(5)	-	(1)
From changes in financial assumptions	192	(22)	13	(23)	37
Other actuarial gain and losses	31	19	(1)	54	(2)
Benefit payments	(931)	(41)	(16)	(21)	(11)
Settlement payments	(43)	-	-	-	-
Business combinations and disposals	-	-	-	-	-
Effect on changes in foreign exchange rates	-	(70)	13	(69)	(18)
Other effects	63	-	(2)	-	19
<b>Balance at the end</b>	<b>6,157</b>	<b>455</b>	<b>385</b>	<b>447</b>	<b>392</b>
<i>Of which:</i>					
Vested benefit obligation relating to current employees	161				
Vested benefit obligation relating to retired employees	5,996				

Millions of Euros					
Plan Assets					
Post-employment commitments 2016	Spain	Mexico	USA	Turkey	Rest of the world
<b>Balance at the beginning</b>	<b>380</b>	<b>596</b>	<b>329</b>	<b>337</b>	<b>333</b>
Current service cost	-	-	-	-	-
Interest income or expense	7	49	13	33	9
Contributions by plan participants	-	-	-	4	1
Employer contributions	-	14	1	17	9
Past service costs <sup>(1)</sup>	-	-	-	-	-
Remeasurements:	35	(23)	(3)	23	23
Return on plan assets <sup>(2)</sup>	35	(23)	(3)	23	23
From changes in demographic assumptions	-	-	-	-	-
From changes in financial assumptions	-	-	-	-	-
Other actuarial gain and losses	-	-	-	-	-
Benefit payments	(64)	(40)	(13)	(12)	(9)
Settlement payments	-	-	-	-	-
Business combinations and disposals	-	-	-	-	-
Effect on changes in foreign exchange rates	-	(81)	11	(54)	(14)
Other effects	-	-	1	-	(1)
<b>Balance at the end</b>	<b>358</b>	<b>514</b>	<b>339</b>	<b>348</b>	<b>350</b>

Millions of Euros					
Net Liability (Asset)					
Post-employment commitments 2016	Spain	Mexico	USA	Turkey	Rest of the world
<b>Balance at the beginning</b>	<b>6,109</b>	<b>(79)</b>	<b>35</b>	<b>97</b>	<b>24</b>
Current service cost	10	6	4	22	5
Interest income or expense	98	(7)	1	8	2
Contributions by plan participants	-	-	-	-	0
Employer contributions	-	(14)	(1)	(17)	(9)
Past service costs <sup>(1)</sup>	240	1	-	4	(4)
Remeasurements:	188	23	10	8	11
Return on plan assets <sup>(2)</sup>	(35)	23	3	(23)	(23)
From changes in demographic assumptions	-	2	(5)	-	(1)
From changes in financial assumptions	192	(22)	13	(23)	37
Other actuarial gain and losses	31	19	(1)	54	(2)
Benefit payments	(867)	-	(3)	(9)	(2)
Settlement payments	(43)	-	-	-	-
Business combinations and disposals	-	-	-	-	-
Effect on changes in foreign exchange rates	-	10	2	(15)	(4)
Other effects	63	-	(3)	-	20
<b>Balance at the end</b>	<b>5,799</b>	<b>(59)</b>	<b>46</b>	<b>99</b>	<b>42</b>

(1) Including gains and losses arising from settlements.

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

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The change in net liabilities (assets) during the years ended 2015 and 2014 was as follows:

Post-employment commitments	2015: Net liability (asset)					2014: Net liability (asset)			
	Spain	Mexico	USA	Turkey	Rest of the world	Spain	Mexico	USA	Rest of the world
<b>Balance at the beginning</b>	<b>5,830</b>	<b>(94)</b>	<b>38</b>	-	<b>69</b>	<b>5,395</b>	<b>(38)</b>	<b>32</b>	<b>76</b>
Current service cost	9	8	3	2	4	18	7	5	6
Interest income or expense	123	(10)	1	4	3	169	(3)	2	17
Contributions by plan participants	-	-	-	-	-	-	-	-	-
Employer contributions	-	(1)	-	-	(7)	-	(72)	(2)	(7)
Past service costs <sup>(1)</sup>	550	(15)	-	2	-	683	-	(20)	(12)
Remeasurements:	112	29	(9)	10	7	394	12	19	20
Return on plan assets <sup>(2)</sup>	-	50	19	(54)	(3)	-	(27)	(47)	(59)
From changes in demographic assumptions	-	-	(7)	15	-	-	1	31	-
From changes in financial assumptions	101	(23)	(18)	(25)	3	398	38	39	69
Other actuarial gain and losses	11	2	(3)	74	7	(4)	-	(3)	10
Benefit payments	(913)	-	(20)	(4)	(3)	(847)	-	(3)	(4)
Settlement payments	-	-	17	-	-	-	-	-	-
Business combinations and disposals	378	-	-	96	-	-	-	-	-
Effect on changes in foreign exchange rates	1	5	4	(11)	(45)	1	-	6	(16)
Other effects	23	1	(1)	-	(1)	17	-	(1)	(13)
<b>Balance at the end</b>	<b>6,111</b>	<b>(78)</b>	<b>33</b>	<b>98</b>	<b>23</b>	<b>5,830</b>	<b>(82)</b>	<b>38</b>	<b>89</b>
<i>Of which</i>									
Vested benefit obligation relating to current employees	172					221			
Vested benefit obligation relating to retired employees	5,939					5,609			

(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 the assets held for 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. and CatalunyaCaixa Vida –consolidated subsidiaries and related parties – 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, 2016 the value of these separate assets was €2,983 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, 2016, 2015 and 2014, the fair value of the aforementioned insurance policies (€358 million, €380 million and €382 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 of Social Security. Such system provides for the transfer of the various prior funds established.

The financial sector is in this stage at present, maintaining these pension commitments managed by external pension funds (foundations) established for that purpose.

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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 €218 million as of December 31, 2016 pending future social security transfer.

Furthermore, the Group has set up a defined benefit pension plan for employees, additional to the social security benefits, reflected in the consolidated balance sheet.

The Bank also has 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.

In 2016 as a consequence of certain Senior Management members leaving the Group, indemnities for an overall total of €1,788 thousand were paid, which have been recorded as Other Personnel Expenses (see Note 44).

## Medical benefit commitments

The change in defined benefit obligations and plan assets during the years 2016, 2015 and 2014 was as follows:

Medical Benefits Commitments	Millions of Euros								
	2016			2015			2014		
	Defined Benefit Obligation	Plan assets	Net liability (asset)	Defined Benefit Obligation	Plan assets	Net liability (asset)	Defined Benefit Obligation	Plan assets	Net liability (asset)
<b>Balance at the beginning</b>	<b>1,022</b>	<b>1,149</b>	<b>(127)</b>	<b>1,083</b>	<b>1,240</b>	<b>(157)</b>	<b>811</b>	<b>938</b>	<b>(128)</b>
Current service cost	24	-	24	31	-	31	23	-	23
Interest income or expense	86	97	(11)	95	109	(14)	78	90	(13)
Contributions by plan participants	-	-	-	-	-	-	-	-	-
Employer contributions	-	114	(114)	-	-	-	-	183	(183)
Past service costs <sup>(1)</sup>	(5)	-	(5)	1	-	1	1	-	1
Remeasurements:	59	(60)	119	(87)	(94)	7	190	46	144
Return on plan assets <sup>(2)</sup>	-	(60)	60	-	(94)	94	-	46	(46)
From changes in demographic assumptions	110	-	110	-	-	-	-	-	-
From changes in financial assumptions	(91)	-	(91)	(91)	-	(91)	181	-	181
Other actuarial gain and losses	39	-	39	4	-	4	10	-	10
Benefit payments	(33)	(30)	(2)	(30)	(30)	-	(29)	(28)	(1)
Settlement payments	-	-	-	(2)	-	(2)	-	-	-
Business combinations and disposals	-	-	-	-	-	-	-	-	-
Effect on changes in foreign exchange rates	(138)	(156)	18	(69)	(76)	8	9	10	(1)
Other effects	-	-	-	-	-	-	-	1	(1)
<b>Balance at the end</b>	<b>1,015</b>	<b>1,113</b>	<b>(98)</b>	<b>1,022</b>	<b>1,149</b>	<b>(127)</b>	<b>1,083</b>	<b>1,240</b>	<b>(157)</b>

(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 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.



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## Estimated benefit payments

The estimated benefit payments over the next ten years for all the entities in Spain, Mexico, The United States and Turkey are as follows:

Millions of Euros						
Estimated Benefit Payments	2017	2018	2019	2020	2021	2022-2026
Commitments in Spain	820	736	652	563	470	1,269
Commitments in Mexico	79	80	84	88	93	556
Commitments in United States	17	18	18	19	20	112
Commitments in Turkey	25	15	16	18	21	165
<b>Total</b>	<b>941</b>	<b>849</b>	<b>770</b>	<b>688</b>	<b>604</b>	<b>2,102</b>

## 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 entity's 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, 2016:

Millions of Euros	
Plan Assets Breakdown	2016
Cash or cash equivalents	151
Debt securities (Government bonds)	2,150
Property	1
Mutual funds	1
Insurance contracts	5
Other investments	9
<b>Total</b>	<b>2,317</b>
<i>Of which:</i>	
Bank account in BBVA	4
Debt securities issued by BBVA	3

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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, 2016:

<b>Millions of Euros</b>	
<b>Investments in listed markets</b>	<b>2016</b>
Cash or cash equivalents	151
Debt securities (Government bonds)	2,150
Mutual funds	1
<b>Total</b>	<b>2,302</b>
<i>Of which:</i>	
Bank account in BBVA	4
Debt securities issued by BBVA	3

The remainders of the assets are mainly invested in Level 2 assets in accordance with the classification established under IFRS 13 (mainly insurance contracts). As of December 31, 2016, 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 financial year. No liability is therefore recognized in the accompanying consolidated balance sheet (see Note 44.1).

## 26. Common stock

As of December 31, 2016, BBVA's common stock amounted to €3,217,641,468.58 divided into 6,566,615,242 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, 2016, 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.

As of December 31, 2016, 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 11.74%, 7.04%, and 5.18% 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 January 13, 2016, the Blackrock, Inc. reported to the Spanish Securities and Exchange Commission (CNMV) that, it now has an indirect holding of BBVA common stock totaling 5.606%, of which 5.253% are voting rights attributed to shares and 0.353% 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.

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The changes in the heading “Common Stock” of the accompanying consolidated balance sheets are due to the following common stock increases:

Capital Increase	Number of Shares	Common Stock (Millions of Euros)
<b>As of December 31, 2014</b>	<b>6,171,338,995</b>	<b>3,024</b>
Dividend option - January 2015	53,584,943	26
Dividend option - April 2015	80,314,074	39
Dividend option - October 2015	61,442,106	30
<b>As of December 31, 2015</b>	<b>6,366,680,118</b>	<b>3,120</b>
Dividend option - April 2016	113,677,807	56
Dividend option - October 2016	86,257,317	42
<b>As of December 31, 2016</b>	<b>6,566,615,242</b>	<b>3,218</b>

#### “Dividend Option” Program in 2016:

The AGM held on March 11, 2016 under Third Point of the Agenda, adopted four resolutions on capital increase to be charged to 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.

As a consequence of such agreement, on March 31, 2016, 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 €55,702,125.43 through the issue and circulation of 113,677,807 shares with a €0.49 par value each.

On September 28, 2016, 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 €42,266,085.33 through the issue and circulation of 86,257,317 shares with a €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.

#### “Dividend Option” Program in 2014:

Formerly, on December 17, 2014, Board of Directors of BBVA approved the execution of the third of the capital increases charged to reserves agreed by the aforementioned AGM. As of January 14, 2015, the Bank’s common stock increased by €26,256,622.07 through the issue and circulation of 53,584,943 ordinary shares with a €0.49 par value each, of the same class and series as the shares currently in circulation, without issuance premium and represented by book entries.

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## Capital increase

The Bank's AGM held on March 16, 2012 agreed, in Point Three of the Agenda, to confer authority on the Board of Directors to increase common stock in accordance with Article 297.1.b) of the Corporations Act, on one or several occasions, within the legal deadline of five years from the date the resolution takes effect, up to the maximum nominal amount of 50% of the subscribed and paid-up common stock on the date on which the resolution is adopted. Likewise, an agreement was made to enable the Board of Directors to exclude the preemptive subscription right on those common stock increases in line with the terms of Article 506 of the Corporations Act. This authority is limited to 20% of the common stock of the Bank on the date the agreement is adopted.

On November 19, 2014, the Board of Directors of BBVA, exercising the authority delegated by the AGM held on March 16, 2012 under point Three of its Agenda, decided to carry out a capital increase through an accelerated bookbuilt offering.

On November 20, 2014, the capital increase finished with a total par value of €118,787,879.56 through the issue of 242,424,244 shares of BBVA, each with a par value of €0.49, of the same class and series as the shares currently in circulation and represented by book entries. The subscription price of these new shares was determined to be €8.25 per share (corresponding €0.49 to par value and €7.76 to share premium). Therefore, the total effective amount of the Capital Increase was of €2,000,000,013 corresponding €118,787,879.56 euros to par value and €1,881,212,133.44 euros to share premium (see Note 27).

### Convertible and/or exchangeable securities:

At the AGM held on March 16, 2012 the shareholders resolved, in Point Five of the Agenda, to delegate to the Board of Directors the authority to issue bonds, convertible and/or exchangeable into BBVA shares, for a maximum total of €12 billion. The authority include the right to establish the different aspects and conditions of each issue; to exclude the pre-emptive subscription right of shareholders in accordance with the Corporations Act; to determine the basis and methods of conversion and/or exchange; and to increase the Banks common stock as required to address the conversion commitments.

Exercising the authority delegated by the AGM, BBVA, on April 8, 2016, BBVA S.A. has agreed to carry out the fourth issue of perpetual contingent convertible securities, convertible into issued ordinary shares of BBVA (Additional level I capital instruments), without pre-emption rights, for a nominal total amount of €1,000 million (see Note 22.3).

Likewise, exercising the authority delegated by the AGM, BBVA, on February 10, 2015, BBVA S.A. has agreed to carry out the third issue of perpetual contingent convertible securities, convertible into issued ordinary shares of BBVA (Additional level I capital instruments), without pre-emption rights, for a nominal total amount of €1,500 million (see Note 22.4).

Exercising the authority delegated by the AGM, BBVA, in 2014, BBVA S.A. has agreed to carry out the second issue of perpetual contingent convertible securities, convertible into issued ordinary shares of BBVA (Additional level I capital instruments), without pre-emption rights, for a nominal total amount of €1,500 million.

### Other securities:

At the AGM held on March 13, 2015, in Point Three of the agenda, the shareholders resolve to delegate to the Board of Directors, the authority to issue, within the three-year maximum period stipulated by law, on one or several occasions, directly or through subsidiaries, with the full guarantee of the Bank, any type of fixed-income securities, documented in obligations, bonds of any kind, promissory notes, all type of covered bonds, warrants, mortgage participation, mortgage transfers certificates and preferred securities (that are totally or partially exchangeable for shares already issued by the Bank or by another company, in the market or which can be settled in cash), or any other fixed-income securities, in euros or any other currency, that can be subscribed in cash or in kind, registered or bearer, unsecured or secured by any kind of collateral, including a mortgage guarantee, with or without incorporation of rights to the securities (warrants), subordinate or otherwise, for a limited or indefinite period of time, up to a maximum nominal amount of €250 billion.

## 27. Share premium

There are no changes for years 2016 and 2015 in the balances under this heading in the accompanying consolidated balance sheets, amounting €23,992 million due to the common stock increases carried out in 2014 (see Note 26).

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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.

## 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:

Millions of Euros				
Retained earnings, revaluation reserves and other reserves. Breakdown by concepts	Notes	2016	2015	2014
Legal reserve	28.1	624	605	567
Restricted reserve for retired capital	28.2	201	213	268
Reserves for balance revaluations		20	22	23
Voluntary reserves		8,521	6,971	6,784
<b>Total reserves holding company (*)</b>		<b>9,366</b>	<b>7,811</b>	<b>7,642</b>
Consolidation reserves attributed to the Bank and dependents consolidated companies.		14,275	14,701	13,294
<b>Total</b>		<b>23,641</b>	<b>22,512</b>	<b>20,936</b>

(\*) 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, 2016, 2015 and 2014, the Bank's restricted reserves are as follows:

Millions of Euros			
Restricted Reserves	2016	2015	2014
Restricted reserve for retired capital	88	88	88
Restricted reserve for Parent Company shares and loans for those shares	111	123	178
Restricted reserve for redenomination of capital in euros	2	2	2
<b>Total</b>	<b>201</b>	<b>213</b>	<b>268</b>

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 Bank's shares.

Finally, pursuant to Law 46/1998 on the Introduction of the Euro, a restricted reserve is recognized as a result of the rounding effect of the redenomination of the Bank's common stock in euros.

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## 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	2016	2015	2014
<b>Accumulated income and Revaluation reserves</b>			
Holding Company	14,101	14,763	11,634
BBVA Bancomer Group	9,108	8,178	7,482
BBVA Seguros, S.A.	(62)	261	431
Corporacion General Financiera, S.A.	1,187	1,192	711
BBVA Banco Provincial Group	1,752	1,751	1,592
BBVA Chile Group	1,264	1,115	1,048
Compañía de Cartera e Inversiones, S.A.	(27)	(16)	10
Anida Grupo Inmobiliario, S.L.	528	527	589
BBVA Suiza, S.A.	(1)	(4)	(17)
BBVA Continental Group	611	506	437
BBVA Luxinvest, S.A.	16	33	467
BBVA Colombia Group	803	656	492
BBVA Banco Francés Group	827	621	439
Banco Industrial De Bilbao, S.A.	61	33	43
Uno-E Bank, S.A. (*)	-	(62)	(65)
Gran Jorge Juan, S.A.	(30)	(40)	(45)
BBVA Portugal Group	(477)	(511)	(519)
Participaciones Arenal, S.L.	(180)	(180)	(180)
BBVA Propiedad S.A.	(431)	(412)	(342)
Anida Operaciones Singulares, S.L.	(4,127)	(3,962)	(1,788)
Grupo BBVA USA Bancshares	(1,053)	(1,459)	(1,747)
Garanti Turkiye Bankasi Group	127	-	-
Unnim Real Estate	(477)	(403)	(348)
Bilbao Vizcaya Holding, S.A.	139	73	70
BBVA Autorenting, S.A.	(38)	(49)	(30)
Pecri Inversión S.L.	(75)	(78)	15
Other	162	77	(75)
<b>Subtotal</b>	<b>23,708</b>	<b>22,610</b>	<b>20,304</b>
<b>Reserves or accumulated losses of investments in joint ventures and associates</b>			
Citic International.Financial Holdings Limited	-	-	197
Garanti Turkiye Bankasi Group	-	-	609
Metrovacesa	-	(143)	(68)
Metrovacesa Suelo	(52)	-	(94)
Other	(15)	45	(11)
<b>Subtotal</b>	<b>(67)</b>	<b>(98)</b>	<b>633</b>
<b>Total</b>	<b>23,641</b>	<b>22,512</b>	<b>20,937</b>

(\*) Absorbed into BBVA S.A.

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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, 2016, 2015 and 2014 the Group entities performed the following transactions with shares issued by the Bank:

Treasury Stock	2016		2015		2014	
	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros
<b>Balance at beginning</b>	<b>38,917,665</b>	<b>309</b>	<b>41,510,698</b>	<b>350</b>	<b>6,876,770</b>	<b>66</b>
+ Purchases	379,850,939	2,004	431,321,283	3,273	425,390,265	3,770
- Sales and other changes	(411,537,817)	(2,263)	(433,914,316)	(3,314)	(390,756,337)	(3,484)
+/- Derivatives on BBVA shares	-	(1)	-	-	-	(3)
+/- Other changes	-	-	-	-	-	-
<b>Balance at the end</b>	<b>7,230,787</b>	<b>48</b>	<b>38,917,665</b>	<b>309</b>	<b>41,510,698</b>	<b>350</b>
Of which:						
Held by BBVA, S.A.	2,789,894	22	1,840,378	19	5,001,897	46
Held by Corporación General Financiera, S.A.	4,440,893	26	37,077,287	290	36,480,861	304
Held by other subsidiaries	-	-	-	-	27,940	-
Average purchase price in Euros	5.27		7.60		8.86	
Average selling price in Euros	5.50		7.67		8.94	
Net gain or losses on transactions (Shareholders' funds-Reserves)		(30)		6		5

The percentages of treasury stock held by the Group in the years ended December 31, 2016, 2015 and 2014 are as follows:

Treasury Stock	2016			2015			2014		
	Min	Max	Closing	Min	Max	Closing	Min	Max	Closing
% treasury stock	0.081%	0.756%	0.110%	0.000%	0.806%	0.613%	0.000%	0.699%	0.672%

The number of BBVA shares accepted by the Group in pledge of loans as of December 31, 2016, 2015 and 2014 is as follows:

Shares of BBVA Accepted in Pledge	2016	2015	2014
Number of shares in pledge	90,731,198	92,703,291	97,795,984
Nominal value	0.49	0.49	0.49
% of share capital	1.38%	1.46%	1.58%

The number of BBVA shares owned by third parties but under management of a company within the Group as of December 31, 2016, 2015 and 2014 is as follows:

Shares of BBVA Owned by Third Parties but Managed by the Group	2016	2015	2014
Number of shares owned by third parties	85,766,602	92,783,913	101,425,692
Nominal value	0.49	0.49	0.49
% of share capital	1.31%	1.46%	1.64%

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### 30. Accumulated other comprehensive income

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

	Millions of Euros		
Accumulated other comprehensive income	2016	2015	2014
<b>Items that will not be reclassified to profit or loss</b>	<b>(1,095)</b>	<b>(859)</b>	<b>(777)</b>
Actuarial gains or (-) losses on defined benefit pension plans	(1,095)	(859)	(777)
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	-	-	-
<b>Items that may be reclassified to profit or loss</b>	<b>(4,363)</b>	<b>(2,490)</b>	<b>429</b>
Hedge of net investments in foreign operations [effective portion]	(118)	(274)	(373)
Foreign currency translation	(5,185)	(3,905)	(2,173)
Hedging derivatives. Cash flow hedges [effective portion]	16	(49)	(46)
Available-for-sale financial assets	947	1,674	3,816
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	(23)	64	(796)
<b>Total</b>	<b>(5,458)</b>	<b>(3,349)</b>	<b>(348)</b>

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

The main variation 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 2016 is mainly related to the depreciation of the Mexican peso and the Turkish lira, partially offset by the appreciation of the U.S. dollar against the euro.

### 31. Non-controlling interests

The breakdown by groups of consolidated entities of the balance under the heading "Non-controlling interests" of total equity in the accompanying consolidated balance sheets is as follows:

	Millions of euros		
Non-Controlling Interests	2016	2015	2014
BBVA Colombia Group	67	58	59
BBVA Chile Group	377	314	347
BBVA Banco Continental Group	1,059	913	839
BBVA Banco Provincial Group	97	100	958
BBVA Banco Francés Group	243	220	230
Garanti Group (Note 3)	6,157	6,302	-
Other companies	64	86	78
<b>Total</b>	<b>8,064</b>	<b>7,992</b>	<b>2,511</b>



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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:

Millions of Euros			
Profit attributable to Non-Controlling Interests	2016	2015	2014
BBVA Colombia Group	9	11	11
BBVA Chile Group	40	42	53
BBVA Banco Continental Group	193	211	195
BBVA Banco Provincial Group	(2)	-	131
BBVA Banco Francés Group	55	76	65
Garanti Group (Note 3)	917	316	-
Other companies	8	30	9
<b>Total</b>	<b>1,218</b>	<b>686</b>	<b>464</b>

Dividends distributed to non-controlling interests of the Group during the year 2016 are: BBVA Banco Continental Group €90 million, BBVA Chile Group €11 million, BBVA Banco Francés Group €12 million, Garanti Group €106 million, BBVA Colombia Group €4 million, and other Spanish entities accounted for €5 million.

## 32. Capital base and capital management

### Capital base

As of December 31, 2016, 2015 and 2014, 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, on a consolidated basis, effective from the 1<sup>st</sup> of January 2017, a phased-in total capital of 11.125% and on an individual bases, a phased-in total capital of 10.75%.

This total capital requirement of 11.125% 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 requirement (1.5%); v) the capital conservation buffer (CCB) (1.25% CET1 in a phased-in term and 2.5% in a fully loaded term) and vi) the Other Systemic Important Institution buffer (OSII) (0.375% CET1 in a phased-in term and 0.75% in a fully loaded term).

Since BBVA has been excluded from the list of global systemically important financial institutions in 2016 (which is updated every year by the Financial Stability Board (FSB)), as of January 1, 2017, the G-SIB buffer will not apply to BBVA in 2017, (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 CET1 requirement on phased-in terms stands at 7.625% on a consolidated basis and 7.25% on an individual basis.

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The Group's bank capital in accordance with the aforementioned applicable regulation, considering entities scope required by the above regulation, as of December 31, 2016, 2015 and 2014 is shown below: (please note that the information for the latter period has been adapted to the new presentation format for comparison purposes):

Eligible capital resources	Millions of euros		
	Reconciliation of total equity with regulatory capital December	Reconciliation of total equity with regulatory capital December	Reconciliation of total equity with regulatory capital December
	2016 (*)	2015 (**)	2014
Capital	3,218	3,120	3,024
Share premium	23,992	23,992	23,992
Retained earnings, revaluation reserves and other reserves	23,641	22,512	20,936
Other equity instruments (net)	54	35	67
Treasury shares	(48)	(309)	(350)
Attributable to the parent company	3,475	2,642	2,618
Attributable dividend	(1,510)	(1,352)	(841)
<b>Total equity</b>	<b>52,821</b>	<b>50,640</b>	<b>49,446</b>
Accumulated other comprehensive income	(5,458)	(3,349)	(348)
Non-controlling interest	8,064	8,149	2,511
<b>Shareholders' equity</b>	<b>55,428</b>	<b>55,440</b>	<b>51,610</b>
Intangible assets	(5,675)	(3,901)	(1,748)
Fin. treasury shares	(82)	(95)	(124)
Indirect treasury shares	(51)	(415)	-
<b>Deductions</b>	<b>(5,808)</b>	<b>(4,411)</b>	<b>(1,872)</b>
Temporary CET 1 adjustments	(129)	(788)	(3,567)
<i>Capital gains from the Available-for-sale debt instruments portfolio</i>	(402)	(796)	(2,713)
<i>Capital gains from the Available-for-sale equity portfolio</i>	273	8	(854)
Differences from solvency and accounting level	(120)	(40)	(140)
<b>Equity not eligible at solvency level</b>	<b>(249)</b>	<b>(828)</b>	<b>(3,707)</b>
<b>Other adjustments and deductions</b>	<b>(2,001)</b>	<b>(1,647)</b>	<b>(1,414)</b>
<b>Common Equity Tier 1 (CET 1)</b>	<b>47,370</b>	<b>48,554</b>	<b>44,617</b>
<b>Additional Tier 1 before Regulatory Adjustments</b>	<b>6,114</b>	<b>5,302</b>	<b>4,205</b>
<b>Total Regulatory Adjustments of Additional Tier 1</b>	<b>(3,401)</b>	<b>(5,302)</b>	<b>(6,990)</b>
<b>Tier 1</b>	<b>50,083</b>	<b>48,554</b>	<b>41,831</b>
<b>Tier 2</b>	<b>8,810</b>	<b>11,646</b>	<b>10,986</b>
<b>Total Capital (Total Capital=Tier 1 + Tier 2)</b>	<b>58,893</b>	<b>60,200</b>	<b>52,817</b>
<b>Total Minimum equity required</b>	<b>37,920</b>	<b>38,125</b>	<b>28,064</b>

(\*) Provisional data.

(\*\*) Figures originally reported in the Prudential Relevance Report corresponding to the year 2015, without restatements.

Capital Base	Millions of Euros		
	2016 (*)	2015	2014
Tier 1 (thousand of euros) (a)	50,083	48,554	41,832
Exposure (thousand of euros) (b)	747,217	766,589	671,081
Leverage ratio (a)/(b) (percentage)	6.70%	6.33%	6.23%

(\*) Provisional data

Variations in the amount of Tier 1 Common Equity in the above table are mainly explained by the organic generation of capital leaning against the recurrence of the results, net of dividends paid and remunerations; and the efficient management and allocation of capital in line with the strategic objectives of the Group.

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Additionally, there is a negative effect on the minority interests and deductions due to the regulatory phase-in calendar of 60% in 2016 compared with 40% in 2015.

During the first semester of the year, BBVA Group has completed the additional Tier 1 capital recommended by the Regulator (1.5% of Risk-Weighted Assets) with the issuance of perpetual securities eventually convertible into shares, classified as additional Tier 1 equity instruments (contingent convertible) under the solvency rules and contributing to the ratio of Tier 1 stood at 12.88%

Finally, the total capital ratio is located at 15.14% reflecting the effects discussed above.

The increase in minimum capital requirements is mainly due to the consideration of the aforementioned new prudential capital requirements applicable to BBVA.

A reconciliation of the balance sheet to the accounting and regulatory scope (provisional data) as of December 31, 2016 is provided below:

Millions of Euros				
Public balance sheet headings	Public balance sheet	Insurance companies and real estate companies	Jointly-controlled entities and other adjustments	Regulatory balance sheet
Cash and balances with central banks and other demand deposits	40,039	-	59	40,098
Financial assets held for trading	74,950	(1,117)	2,509	76,342
Other financial assets designated at fair value through profit or loss	2,062	(2,058)	-	4
Available for sale financial assets	79,221	(20,608)	25	58,638
Loans and receivables	465,977	(1,298)	2,010	466,689
Held to maturity investments	17,696	-	-	17,696
Fair value changes of the hedged items in portfolio hedges of interest rate risk	2,833	(124)	-	2,709
Hedging derivatives	17	-	-	17
Non-current assets held for sale	765	3,716	(103)	4,378
Investments in entities accounted for using the equity method	3,603	(14)	(29)	3,560
Other	44,693	(2,862)	2,622	44,453
<b>Total assets</b>	<b>731,856</b>	<b>(24,365)</b>	<b>7,093</b>	<b>714,584</b>

## 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).

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### 33. Commitments and guarantees given

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

	Millions of euros	
Loan commitments, financial guarantees and other commitments	2016	2015
<b>Loan commitments given</b>	<b>107,254</b>	<b>123,620</b>
of which: defaulted	411	446
Central banks	1	8
General governments	4,354	3,823
Credit institutions	1,209	1,239
Other financial corporations	4,155	4,032
Non-financial corporations	71,710	71,583
Households	25,824	42,934
<b>Financial guarantees given</b>	<b>18,267</b>	<b>19,176</b>
of which: defaulted	278	146
Central banks	-	-
General governments	103	100
Credit institutions	1,553	1,483
Other financial corporations	722	1,621
Non-financial corporations	15,354	15,626
Households	534	346
<b>Other commitments and guarantees given</b>	<b>42,592</b>	<b>42,813</b>
of which: defaulted	402	517
Central banks	12	15
General governments	372	101
Credit institutions	9,880	9,640
Other financial corporations	4,892	5,137
Non-financial corporations	27,297	27,765
Households	138	156
<b>Total Loan commitments and financial guarantees</b>	<b>168,113</b>	<b>185,609</b>

(\*) Non performing financial guarantees given amounted €680 and €664 million as of December 31, 2016 and 2015, 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 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 30, 2016, 2015 and 2014 there were no material contingent assets or liabilities other than those disclosed in the accompanying notes to the financial statements.

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## 35. Purchase and sale commitments and future payment obligations

The breakdown of purchase and sale commitments of the BBVA Group as of December 31, 2016, 2015 and 2014 is as follows:

Millions of Euros				
Purchase and Sale Commitments	Notes	2016	2015	2014
<b>Financial instruments sold with repurchase commitments</b>		<b>46,562</b>	<b>68,401</b>	<b>66,326</b>
Central Banks	9	4,649	19,065	8,774
Credit Institutions	22.1	28,421	26,069	32,935
General governments	22.2	-	7,556	3,022
Other domestic sectors	22.2	5,271	11,092	13,306
Foreign sectors	22.2	8,221	4,619	8,289
<b>Financial instruments purchased with resale commitments</b>		<b>22,921</b>	<b>16,935</b>	<b>17,639</b>
Central Banks	9	81	149	209
Credit Institutions	13.1	15,561	11,749	10,440
General governments	13.2	544	326	378
Other domestic sectors	13.2	3,388	3,952	5,932
Foreign sectors	13.2	3,347	758	680

A breakdown of the maturity of other payment obligations, not included in previous notes, due after December 31, 2016 is provided below:

Millions of Euros					
Maturity of Future Payment Obligations	Up to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
Finance leases	-	-	-	-	-
Operating leases	263	305	321	2,397	3,286
Purchase commitments	23	-	-	-	23
Technology and systems projects	2	-	-	-	2
Other projects	20	-	-	-	20
<b>Total</b>	<b>286</b>	<b>305</b>	<b>321</b>	<b>2,397</b>	<b>3,309</b>

## 36. Transactions on behalf of third parties

As of December 31, 2016, 2015 and 2014 the details of the most significant items under this heading are as follows:

Millions of Euros			
Transactions on Behalf of Third Parties	2016	2015	2014
Financial instruments entrusted by third parties	637,761	664,911	602,791
Conditional bills and other securities received for collection	16,054	15,064	4,438
Securities lending	3,968	4,125	3,945
<b>Total</b>	<b>657,783</b>	<b>684,100</b>	<b>611,174</b>

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As of December 31, 2016, 2015 and 2014 the customer funds managed by the BBVA Group are as follows:

Millions of Euros			
Customer Funds by Type	2016	2015	2014
<b>Asset management by type of customer (*):</b>			
Collective investment	55,037	54,419	52,782
Pension funds	33,418	31,542	27,364
Customer portfolios managed on a discretionary basis	40,805	42,074	35,129
<i>Of which:</i>			
Portfolios managed on a discretionary	18,165	19,919	17,187
Other resources	2,831	3,786	3,577
<b>Customer resources distributed but not managed by type of product:</b>			
Collective investment	3,695	4,181	3,197
Insurance products	39	41	-
Other	-	31	30
<b>Total</b>	<b>135,824</b>	<b>136,074</b>	<b>118,502</b>

(\*). 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:

Millions of Euros			
Interest Income Breakdown by Origin	2016	2015	2014
Central Banks	229	140	132
Loans and advances to credit institutions	217	260	235
Loans and advances to customers	21,608	19,200	17,565
General governments	408	550	693
Resident sector	2,983	3,360	3,754
Non resident sector	18,217	15,290	13,118
Debt securities	4,128	3,792	3,486
Held for trading	1,014	981	1,134
Available-for-sale financial assets	3,114	2,810	2,352
Adjustments of income as a result of hedging transactions	(385)	(382)	(321)
Cash flow hedges (effective portion)	12	47	6
Fair value hedges	(397)	(429)	(327)
Insurance activity	1,219	1,152	1,199
Other income	692	621	542
<b>Total</b>	<b>27,708</b>	<b>24,783</b>	<b>22,838</b>

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".

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## 37.2 Interest expense

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

Millions of Euros			
Interest Expenses Breakdown by Origin	2016	2015	2014
Central banks	192	138	62
Deposits from credit institutions	1,367	1,186	1,012
Customers deposits	5,766	4,340	4,246
Debt securities issued	2,323	2,548	2,546
Adjustments of expenses as a result of hedging transactions	(574)	(859)	(930)
Cash flow hedges (effective portion)	42	(16)	(18)
Fair value hedges	(616)	(844)	(912)
Cost attributable to pension funds (Note 25)	96	108	172
Insurance activity	846	816	912
Other expenses	634	484	436
<b>Total</b>	<b>10,648</b>	<b>8,761</b>	<b>8,456</b>

## 37.3 Average return on investments and average borrowing cost

The detail of the average return on investments in the years ended December 31, 2016, 2015 and 2014 is as follows:

Millions of Euros									
Assets	2016			2015			2014		
	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	26,209	10	0.04	23,542	2	0.01	15,219	4	0.02
Securities portfolio and derivatives	202,388	5,072	2.51	211,589	4,673	2.21	181,762	4,505	2.48
Loans and advances to central banks	15,326	229	1.50	12,004	140	1.17	11,745	132	1.12
Loans and advances to credit institutions	28,078	218	0.78	27,171	270	0.99	22,811	234	1.03
Loans and advances to customers	410,895	21,853	5.32	382,125	19,471	5.10	328,183	17,803	5.42
Euros	201,967	3,750	1.86	196,987	4,301	2.18	186,965	4,843	2.59
Foreign currency	208,928	18,104	8.67	185,139	15,170	8.19	141,218	12,960	9.18
Other assets	52,748	325	0.62	49,128	226	0.46	40,686	159	0.39
<b>Totals</b>	<b>735,645</b>	<b>27,708</b>	<b>3.77</b>	<b>705,559</b>	<b>24,783</b>	<b>3.51</b>	<b>600,407</b>	<b>22,838</b>	<b>3.80</b>

The average borrowing cost in the years ended December 31, 2016, 2015 and 2014 is as follows:

Millions of Euros									
Liabilities	2016			2015			2014		
	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	101,975	1,866	1.83	99,289	1,559	1.57	81,860	1,292	1.58
Customer deposits	398,851	5,944	1.49	366,249	4,390	1.20	307,705	4,335	1.41
Euros	195,310	766	0.39	187,721	1,024	0.55	160,946	1,725	1.07
Foreign currency	203,541	5,178	2.54	178,528	3,366	1.89	146,759	2,610	1.78
Debt securities issued	89,876	1,738	1.93	89,672	1,875	2.09	80,132	1,831	2.29
Other liabilities	89,328	1,101	1.23	96,049	936	0.97	83,620	998	1.19
Equity	55,616	-	-	54,300	-	-	47,091	-	-
<b>Totals</b>	<b>735,645</b>	<b>10,648</b>	<b>1.45</b>	<b>705,559</b>	<b>8,761</b>	<b>1.24</b>	<b>600,407</b>	<b>8,456</b>	<b>1.41</b>

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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:

Millions of Euros						
Interest Income and Expenses Change in the Balance	2016 / 2015			2015 / 2014		
	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	-	7	8	2	(4)	(1)
Securities portfolio and derivatives	(203)	602	399	739	(572)	168
Loans and advances to Central Banks	39	51	89	3	5	8
Loans and advances to credit institutions	9	(61)	(52)	45	(9)	36
Loans and advances to customers	1,466	916	2,382	2,926	(1,258)	1,668
In Euros	109	(660)	(552)	260	(801)	(542)
In other currencies	1,949	985	2,934	4,031	(1,821)	2,210
Other assets	17	82	99	33	34	67
<b>Interest income</b>			<b>2,925</b>			<b>1,945</b>
Deposits from central banks and credit institutions	42	265	307	275	(8)	267
Customer deposits	391	1,162	1,553	825	(769)	56
Domestic	41	(300)	(258)	287	(988)	(701)
Foreign	472	1,340	1,812	565	192	757
Debt securities issued	4	(142)	(137)	218	(174)	44
Other liabilities	(66)	230	165	148	(210)	(62)
<b>Interest expenses</b>			<b>1,888</b>			<b>305</b>
<b>Net Interest Income</b>			<b>1,037</b>			<b>1,641</b>

- (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:

Millions of Euros			
Dividend Income	2016	2015	2014
Dividends from:			
Financial assets held for trading	156	144	137
Available-for-sale financial assets	307	271	394
Other	5	-	-
<b>Total</b>	<b>467</b>	<b>415</b>	<b>531</b>



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### 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" in the accompanying consolidated income statements is as follows:

Millions of Euros			
Investments in Entities Accounted for Using the Equity Method	2016	2015	2014
CIFH	-	-	71
Garanti Group	-	167	312
Metrovacesa, S.A.	-	(46)	(75)
Other	25	53	35
<b>Total</b>	<b>25</b>	<b>174</b>	<b>343</b>

### 40. Fee and commission income and expenses

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

Millions of Euros			
Fee and Commission Income	2016	2015	2014
Credit and debit cards	2,679	2,336	2,061
Asset Management	839	686	594
Transfers and others payment orders	578	474	329
Current accounts	469	405	321
Contingent risks	406	360	297
Securities fees	335	283	274
Commitment fees	237	172	184
Checks	207	239	219
Insurance product commissions	178	171	79
Custody securities	122	314	308
Bills receivables	52	94	77
Other fees and commissions	701	807	787
<b>Total</b>	<b>6,804</b>	<b>6,340</b>	<b>5,530</b>

Millions of Euros			
Fee and Commission Expenses	2016	2015	2014
Credit and debit cards	1,334	1,113	881
Transfers and others payment orders	102	92	63
Commissions for selling insurance	63	69	53
Other fees and commissions	587	454	360
<b>Total</b>	<b>2,086</b>	<b>1,729</b>	<b>1,356</b>

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.

## 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 statements is as follows:

Millions of Euros			
Gains or losses on financial assets and liabilities and exchange differences Breakdown by Heading of the Balance Sheet	2016	2015	2014
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	1,375	1,055	1,439
Available-for-sale financial assets	1,271	980	1,400
Loans and receivables	95	76	31
Other	10	(1)	7
Gains or losses on financial assets and liabilities held for trading, net	248	(409)	11
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	114	126	32
Gains or losses from hedge accounting, net	(76)	93	(47)
<b>Subtotal Gains or losses on financial assets and liabilities</b>	<b>1,661</b>	<b>865</b>	<b>1,435</b>
Exchange Differences	472	1,165	699
<b>Total</b>	<b>2,133</b>	<b>2,030</b>	<b>2,134</b>

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:

Millions of Euros			
Gains or losses on financial assets and liabilities Breakdown by nature of the Financial Instrument	2016	2015	2014
Debt instruments	906	522	1,683
Equity instruments	459	(414)	345
Loans and advances to customers	65	88	35
Derivatives - Hedge accounting	109	561	(648)
Customer deposits	87	83	(4)
Other	35	25	24
<b>Total</b>	<b>1,661</b>	<b>865</b>	<b>1,435</b>

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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:

Millions of Euros			
Derivatives - Hedge accounting	2016	2015	2014
<b>Derivatives</b>			
Interest rate agreements	431	666	(429)
Security agreements	86	751	34
Commodity agreements	(29)	(1)	(1)
Credit derivative agreements	(118)	39	76
Foreign-exchange agreements	186	(1,001)	(285)
Other agreements	(371)	15	4
<b>Subtotal</b>	<b>185</b>	<b>468</b>	<b>(601)</b>
<b>Hedging Derivatives Ineffectiveness</b>			
Fair value hedges	(76)	80	(47)
Hedging derivative	(330)	(28)	(488)
Hedged item	254	108	441
Cash flow hedges	-	13	-
Subtotal	<b>(76)</b>	<b>93</b>	<b>(47)</b>
<b>Total</b>	<b>109</b>	<b>561</b>	<b>(648)</b>

In addition, in the years ended December 31, 2016, 2015 and 2014, under the heading “Gains or losses on financial assets and liabilities held for trading, net” of the consolidated income statement, net amounts of positive €151 million, positive €135 million, and positive €39 million, respectively were recognized for transactions with foreign exchange trading derivatives.

## 42. Other operating income and expenses

The breakdown of the balance under the heading “Other operating income” in the accompanying consolidated income statements is as follows:

Millions of Euros			
Other operating income	2016	2015	2014
Financial income from non-financial services	882	912	650
Of which: Real estate companies	588	668	464
Rest of other operating income	390	403	309
Of which: from rented buildings	76	90	65
<b>Total</b>	<b>1,272</b>	<b>1,315</b>	<b>959</b>

The breakdown of the balance under the heading “Other operating expenses” in the accompanying consolidated income statements is as follows:

Millions of Euros			
Other operating expenses	2016	2015	2014
Change in inventories	617	678	506
Of Which: Real estate companies	511	594	448
Rest of other operating expenses	1,511	1,607	2,200
<b>Total</b>	<b>2,128</b>	<b>2,285</b>	<b>2,706</b>

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### 43. Insurance and reinsurance contracts incomes and expenses

The breakdown of the balance under the headings “Insurance and reinsurance contracts incomes and expenses” in the accompanying consolidated income statements is as follows:

Millions of Euros			
Other operating expenses and expenses on insurance and reinsurance contracts	2016	2015	2014
Income on insurance and reinsurance contracts	3,652	3,678	3,622
Expenses on insurance and reinsurance contracts	(2,545)	(2,599)	(2,714)
<b>Total</b>	<b>1,107</b>	<b>1,080</b>	<b>908</b>

The table below shows the contribution of each insurance product to the Group’s income for the year ended December 31, 2016, 2015 and 2014:

Millions of Euros			
Revenues by type of insurance product	2016	2015	2014
Life insurance	634	670	599
Individual	268	329	272
Savings	30	80	67
Risk	238	249	205
Group insurance	366	342	327
Savings	8	22	90
Risk	357	320	237
Non-Life insurance	474	409	309
Home insurance	131	127	117
Other non-life insurance products	342	283	192
<b>Total</b>	<b>1,107</b>	<b>1,080</b>	<b>908</b>

### 44. Administration costs

#### 44.1 Personnel expenses

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

Millions of euros				
Personnel Expenses	Notes	2016	2015	2014
Wages and salaries		5,267	4,868	4,108
Social security costs		784	733	683
Defined contribution plan expense	25	87	84	63
Defined benefit plan expense	25	67	57	58
Other personnel expenses		516	531	498
<b>Total</b>		<b>6,722</b>	<b>6,273</b>	<b>5,410</b>

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The breakdown of the average number of employees in the BBVA Group in the years ended December 31, 2016, 2015 and 2014 by professional categories and geographical areas, is as follows:

Average Number of Employees by Geographical Areas	Average Number of Employees		
	2016	2015	2014
<b>Spanish banks</b>			
Management Team	1,044	1,026	1,079
Other line personnel	23,211	22,702	21,452
Clerical staff	3,730	4,033	3,793
Branches abroad	718	747	758
Subtotal (*)	28,703	28,508	27,081
<b>Companies abroad</b>			
Mexico	30,378	29,711	28,798
United States	9,710	9,969	10,193
Turkey (*)	23,900	11,814	-
Venezuela	5,097	5,183	5,221
Argentina	6,041	5,681	5,368
Colombia	5,714	5,628	5,464
Peru	5,455	5,357	5,312
Other	5,037	4,676	4,829
Subtotal	91,332	78,019	65,184
Pension fund managers	335	332	278
Other non-banking companies	16,307	17,337	16,695
<b>Total</b>	<b>136,677</b>	<b>124,196</b>	<b>109,239</b>
Of Which:			
Men	62,738	57,841	51,724
Women	73,939	66,355	57,515
Of Which:			
BBVA, S.A.	25,979	25,475	27,062

(\*) Increases due to changes of scope (see Note 3).

The breakdown of the number of employees in the BBVA Group as of December 31, 2016, 2015 and 2014 by category and gender, is as follows:

Number of Employees at the period end Professional Category and Gender	2016		2015		2014	
	Male	Female	Male	Female	Male	Female
Management Team	1,331	350	1,493	365	1,579	358
Other line personnel	38,514	39,213	38,204	38,868	24,103	21,845
Clerical staff	22,066	33,318	23,854	35,184	25,601	35,284
<b>Total</b>	<b>61,911</b>	<b>72,881</b>	<b>63,551</b>	<b>74,417</b>	<b>51,283</b>	<b>57,487</b>

#### 44.1.1 Share-based employee remuneration

The amounts recognized under the heading "Personnel expenses - Other personnel expenses" in the consolidated income statements for the years ended December 31, 2016, 2015 and 2014 corresponding to the plans for remuneration based on equity instruments in each year, amounted to €57, €38 and €68 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.

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## System of Variable Remuneration in Shares

In BBVA, the annual variable remuneration applying to all employees consists of a one incentive only, paid in cash, awarded once a year and linked to the achievement of previously established goals and to a sound risk management based on the design of incentives that are aligned with the company's long-term interests and that take into account current and future risks (hereinafter, the "Annual Variable Remuneration").

Nevertheless, the remuneration policy of the BBVA Group, in force since 2015, has a specific settlement and payment scheme of the Annual Variable Remuneration applicable to those employees, including the executive directors and members of the BBVA Senior Management, performing professional activities that may have a significant impact on the risk profile of the Group or engaged in control functions (hereinafter, the "Identified Staff"), that includes, among others, the payment in shares of part of their Annual Variable Remuneration.

This remuneration policy was approved for the directors by the Annual General Meeting, March 13, 2015.

The specific settlement and payment scheme for the Annual Variable Remuneration of executive directors and members of the Senior Management is described in Note 54, while the rules listed below are applicable to the rest of the Identified Staff:

- The Annual Variable Remuneration of members of the Identified Staff will be paid in equal parts in cash and BBVA shares.
- The payment of 40% of the Annual Variable Remuneration, - 50% in the case of the executive directors and the members of the Senior Management - both in cash and in shares, will be deferred in its entirety for three years. Its accrual and payment will be subject to compliance with a series of multi-year indicators related to share performance and the Group's basic control and risk management metrics measuring solvency, liquidity and profitability, which will be calculated throughout the deferral period (hereinafter "Multi-year Performance Indicators"). These Multi-year Performance Indicators may lead to a reduction in the amount deferred, and might even bring it down to zero, but they will not be used under any circumstances to increase the aforementioned deferred remuneration.
- All the shares delivered to these beneficiaries would be unavailable for a period of time after they have vested, according to the rules explained in the previous paragraph. This withholding will be applied against the net amount of the shares, after deducting any tax accruing on the shares received.
- A prohibition is also established against hedging with unavailable vested shares and shares pending reception.
- Moreover, circumstances have been established in which the payment of the deferred Annual Variable Remuneration may 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 any one financial year of those in the Identified Staff will be limited to an upper threshold of 100% of the fixed component of the total remuneration, unless the General Meeting should resolve to raise this limit which, in any event, may not exceed 200% of the fixed component of the total remuneration.

In this regard, the Annual General Meeting held on March 14, 2014 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 or are engaged in control functions. Additionally, the General Meeting held on March 13, 2015, resolved 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 on February 3, 2015.

According to the settlement and payment scheme mentioned above, in 2016 a number of 5,187,750 shares corresponding to the initial payment of 2015 Annual Variable Remuneration were delivered to the beneficiary members of the Identified Staff.

Additionally, the remuneration policy prevailing until 2014 provided a specific settlement and payment scheme for the variable remuneration of the Identified Staff that established a deferral period of three years for the Annual Variable Remuneration, being the deferred amount paid in thirds over this period.

According to this prior scheme, in 2016 the shares corresponding to the deferred parts of the Annual Variable Remuneration paid in shares from previous years, and their corresponding adjustments in cash, were delivered to

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the beneficiary members of the Identified Staff, giving rise in 2016, of a total of 945,053 shares corresponding to the first deferred third of the 2014 Annual Variable Remuneration were granted, and €349,670 as adjustments for updates of the shares granted; a total of 438,082 shares corresponding to the second deferred third of the 2013 Annual Variable Remuneration, and €340,828 in adjustments for updates; and a total of 502,622 shares corresponding to the final third of the 2012 Annual Variable Remuneration, with €551,879 in adjustments for updates.

Likewise, in 2016 the Identified Staff received the shares corresponding to the deferred parts of the long-term incentive programmes in the United States, as outlined below:

When the term of the Long-Term Incentive 2010-2012 Plan for the BBVA Compass Management Team ended, on December 31, 2012, it was settled pursuant to the conditions established when it began.

For those beneficiaries of this programme who are members of the Identified Staff, it was agreed that the same settlement and payment rules would be applied mentioned above, in line with the remuneration policy in force prior to 2015 which established a payment of the deferred amount in thirds over the deferral period.

Thus, in 2016 those beneficiaries who are members of the Identified Staff in BBVA Compass have been awarded 6,314 shares, corresponding to the last third of the deferred part of the shares resulting from the settlement of the 2010-2012 Long-Term Incentive Share Plan, and €6,933 in the adjustment to the updated share value.

Additionally, BBVA Compass' remuneration structure includes long-term incentive programmes for remuneration in shares for employees in certain key positions. These plans run over a three-year term. On December 31, 2016 there is one programme in force (2014-2016). In 2016, 206,190 shares corresponding to this programme were delivered.

## 44.2 General and administrative expenses

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

<b>Millions of Euros</b>			
<b>General and Administrative Expenses</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Technology and systems	673	625	585
Communications	294	281	271
Advertising	398	387	333
Property, fixtures and materials	1,080	1,030	916
Of which: Rent expenses (*)	616	591	461
Taxes other than income tax	433	466	418
Other expenses	1,766	1,775	1,480
<b>Total</b>	<b>4,644</b>	<b>4,563</b>	<b>4,004</b>

(\*) The consolidated companies do not expect to terminate the lease contracts early.

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## 45. Depreciation

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

Millions of Euros				
Depreciation	Notes	2016	2015	2014
Tangible assets	17	690	641	611
For own use		667	615	589
Investment properties		23	25	22
Assets leased out under financial lease		-	-	-
Other Intangible assets	18.2	735	631	535
<b>Total</b>		<b>1,426</b>	<b>1,272</b>	<b>1,145</b>

## 46. Provisions or reversal of provisions

In the years ended December 31, 2016, 2015 and 2014 the net provisions registered in this income statement line item were as follows:

Millions of Euros				
Provisions or reversal of provisions	Notes	2016	2015	2014
Pensions and other post employment defined benefit obligations	25	332	592	816
Other long term employee benefits		-	-	-
Commitments and guarantees given		56	10	14
Pending legal issues and tax litigation	24	76	(25)	94
Other Provisions	24	722	154	218
<b>Total</b>		<b>1,186</b>	<b>731</b>	<b>1,142</b>

## 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:

Millions of Euros				
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	Notes	2016	2015	2014
Financial assets measured at cost		-	-	-
Available-for-sale financial assets	12	202	24	35
Debt securities		157	1	19
Other equity instruments		46	23	17
Loans and receivables	7.3.5	3,597	4,248	4,304
Of which: Recovery of written-off assets	7.3.5	541	490	443
Held to maturity investments		1	-	-
<b>Total</b>		<b>3,801</b>	<b>4,272</b>	<b>4,340</b>



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## 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:

Millions of Euros				
Impairment or reversal of impairment on non-financial assets	Notes	2016	2015	2014
Tangible assets	17	143	60	97
Intangible assets	18.2	3	4	8
Others		375	209	192
<b>Total</b>		<b>521</b>	<b>273</b>	<b>297</b>

## 49. Gains (losses) on derecognized of non financial assets and subsidiaries, net

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

Millions of Euros			
Gains or losses on derecognition of non-financial assets and investments in subsidiaries, joint ventures and associates, net	2016	2015	2014
<b>Gains</b>			
Disposal of investments in subsidiaries	111	23	28
Disposal of tangible assets and other	64	71	38
<b>Losses:</b>			
Disposal of investments in subsidiaries	(58)	(2,222)	-
Disposal of tangible assets and other	(47)	(7)	(20)
<b>Total</b>	<b>70</b>	<b>(2,135)</b>	<b>46</b>

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 or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The main items included in the balance under this heading in the accompanying consolidated income statements are as follows:

Millions of Euros				
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	Notes	2016	2015	2014
Gains on sale of real estate		66	97	(5)
Impairment of non-current assets held for sale	21	(136)	(285)	(406)
Gains on sale of investments classified as non current assets held for sale		39	45	(42)
Gains on sale of equity instruments classified as non current assets held for sale (*)		-	877	-
<b>Total</b>		<b>(31)</b>	<b>734</b>	<b>(453)</b>

(\*) Includes various sales in CNCB (see Note 3)

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## 51. Consolidated statements of cash flows

Cash flows from operating activities decreased in the year ended December 31, 2016 by €16,478 million (compared with an increase of €29,289 million in 2015, respectively). The most significant reason for the change occurred under the heading “Financial liabilities at amortized cost”.

The variances in cash flows from investing activities increased in the year ended December 31, 2016 by €3,851 million (compared with a decrease of €3,260 million in 2015, respectively). The most significant reason for the change occurred under the heading “Investments in subsidiaries, joint ventures and associates”.

The variances in cash flows from financing activities decreased in the year ended December 31, 2016 by €1,240 million (compared with a decrease of €3,030 million in 2015, respectively). The most significant reason for the change occurred under the heading “Financial liabilities at amortized cost”.

## 52. Accountant fees and services

The details of the fees for the services contracted by entities of the BBVA Group in the year ended December 31, 2016 with their respective auditors and other audit entities are as follows:

Fees for Audits Conducted	Millions of Euros
	2016
Audits of the companies audited by firms belonging to the Deloitte worldwide organization and other reports related with the audit (*) issued by the national supervisory bodies of the countries in which the Group operates, reviewed by firms belonging to the Deloitte worldwide organization	26.5
Fees for audits conducted by other firms	3.6
	0.8

(\*) Including fees pertaining to annual statutory audits (€20.7 million in 2016).

In the year ended December 31, 2016, other entities in the BBVA Group contracted other services (other than audits) as follows:

Other Services Contracted	Millions of Euros
	2016
Firms belonging to the Deloitte worldwide organization	1.1
Other firms	30.1

The services provided by the auditors meet the independence requirements established under Audit of Accounts Law RD 1/2011 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 date of December 31, 2016, 2015 and 2014, the following are the transactions with related parties:

### 53.1 Transactions with significant shareholders

As of December 31, 2016, there were no shareholders considered significant (see Note 26).

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## 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:

Millions of euros			
Balances arising from transactions with Entities of the Group	2016	2015	2014
<b>Assets:</b>			
Loans and advances to credit institutions	69	109	835
Loans and advances to customers	442	710	639
<b>Liabilities:</b>			
Deposits from credit institutions	1	2	144
Customer deposits	533	449	332
Debt certificates			
<b>Memorandum accounts:</b>			
Financial guarantees given	1,586	1,671	162
Contingent commitments	42	28	108

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:

Millions of euros			
Balances of Income Statement arising from transactions with Entities of the Group	2016	2015	2014
<b>Income statement:</b>			
Financial incomes	26	53	55
Financial costs	1	1	7
Fee and Commission Income	5	5	6
Fee and Commission Expenses	58	55	71

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, 2016, there were no loans granted by the Group's entities to the members of the Board of Directors. As of December 31, 2015 and 2014 the amount availed against the loans by the Group's entities to the members of the Board of Directors was €200 and €235 thousand, respectively. 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 €5,573, €6,641 and €4,614 thousand, respectively.

As of December 31, 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, and as of December 31, 2014 there were no loans granted to parties related to the members of the Board of Directors. As of December 31, 2016, 2015 and 2014 the amount availed against the loans to parties related to members of the Senior Management amounted to €98, €113 and €291 thousand, respectively.

As of December 31, 2016, 2015 and 2014 no guarantees had been granted to any member of the Board of Directors.

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As of December 31, 2016, the amount availed against guarantees arranged with members of the Senior Management totaled €28 thousand. As of December 31, 2015 and 2014 no guarantees had been granted to any member of the Senior Management

As of December 31, 2016, 2015 and 2014 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, €1,679 and €419 thousand, respectively.

## 53.4 Transactions with other related parties

In the years ended December 31, 2016, 2015 and 2014 the Group did not conduct any transactions with other related parties that are not in the ordinary course of its business, which were carried out at arm's-length market conditions and of marginal relevance; whose information is not necessary to give a true picture of the BBVA Group's consolidated net equity, result of operations and financial condition.

## 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 2016**

The remuneration paid to the non-executive members of the Board of Directors during 2016 is indicated below. The figures are given individually for each non-executive director and itemised:

Thousands of Euros								
Remuneration for non-executive directors	Board of Directors	Executive Committee	Audit & Compliance Committee	Risks Committee	Remuneration Committee	Appointments Committee	Technology and Cybersecurity Committee	Total
Tomás Alfaro Drake	129	-	71	-	11	102	25	338
José Miguel Andrés Torrecillas	129	-	179	107	-	31	-	445
José Antonio Fernández Rivero	129	125	-	53	32	10	-	350
Belén Garijo López	129	-	71	-	32	-	-	232
Sunir Kumar Kapoor (1)	107	-	-	-	-	-	25	132
Carlos Loring Martínez de Irujo	129	125	18	80	27	-	-	379
Lourdes Máz Carro	129	-	71	-	-	31	-	231
José Maldonado Ramos	129	167	-	-	-	41	-	336
José Luis Palao García-Suelto	129	-	-	107	32	10	-	278
Juan Pi Llorens	129	-	54	27	91	-	25	325
Susana Rodríguez Vidarte	129	167	-	107	-	41	-	443
James Andrew Stott (2)	107	-	-	160	32	-	25	325
<b>Total (3)</b>	<b>1,502</b>	<b>584</b>	<b>464</b>	<b>642</b>	<b>257</b>	<b>265</b>	<b>100</b>	<b>3,813</b>

(1) Sunir Kumar Kapoor was appointed director upon resolution of the General Meeting held on 11 March 2016.

(2) James Andrew Stott was appointed director upon resolution of the General Meeting held on 11 March 2016.

(3) Includes the amounts as members of the different Committees during 2016. The composition of the Committees was changed in 31 March 2016.

In addition, Ramón Bustamante y de la Mora and Ignacio Ferrero Jordi, who ceased as directors on 11 March 2016, received in 2016 the total amount of €70 thousand and €85 thousand, respectively, as members of the Board of Directors and the different Board Committees.

Moreover, during 2016, €132 thousand was paid in healthcare and casualty insurance premiums for non-executive members of the Board of Directors.

- **Remuneration of executive directors received in 2016**

The remuneration scheme for the executive directors is in line with the general model applicable to BBVA senior managers. This comprises a fixed remuneration and a variable remuneration, which is in turn made up of a single incentive (hereinafter the "Annual Variable Remuneration").

Thus, during 2016, the executive directors were paid the amount of fixed remuneration corresponding to that year and the Annual Variable Remuneration corresponding to 2015, paid during the first quarter of the year 2016, according to the settlement and payment system set out in the current Remuneration Policy for BBVA Directors as approved by the General Meeting held on 13 March 2015 (hereinafter, the "Settlement and Payment System"). The Settlement and Payment System provides that:

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- The Annual Variable Remuneration will be paid in equal parts in cash and in BBVA shares.
- 50% of the Annual Variable Remuneration, in cash and in shares, will be 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 vested under the rules explained in the previous paragraphs would be unavailable for the period of time determined by the Board of Directors, as from the respective vesting. This withholding will be applied with respect to the net amount of the shares, after discounting the necessary part to pay the tax accruing on the shares received.
- No hedging strategies may be carried out on the shares received and unavailable or on the shares pending to be received.
- Moreover, circumstances have been established in which disbursement of the Annual Variable Remuneration may be limited or impeded ("malus" clauses).
- The deferred parts of the Annual Variable Remuneration would be adjusted to update them under the terms established by the Board of Directors.

Likewise, in application of the settlement and payment system of the Annual Variable Remuneration corresponding to years 2014, 2013 and 2012, under the applicable policy for those years, the executive directors have received the deferred parts of the Annual Variable Remuneration corresponding to those years, which vested in the first quarter of year 2016.

Pursuant to the above, the remuneration paid to the executive directors during 2016 is shown below. The figures are given individually for each executive director and itemised:

Thousands of Euros							
Remuneration of executive directors	Fixed Remuneration	2015 Annual Variable Remuneration in cash (1)	Deferred variable remuneration in cash (2)	Total Cash	2015 Annual Variable Remuneration in BBVA shares (1)	Deferred Variable Remuneration in BBVA shares (2)	Total Shares
Group Executive Chairman	1,966	897	893	3,756	135,300	103,112	238,412
Chief Executive Officer (*)	1,923	530	240	2,693	79,956	27,823	107,779
Head of Global Economics, Regulation & Public Affairs (Head of GERPA)	800	98	47	945	14,815	5,449	20,264
<b>Total</b>	<b>4,689</b>	<b>1,526</b>	<b>1,180</b>	<b>7,394</b>	<b>230,071</b>	<b>136,384</b>	<b>366,455</b>

(\*) The variable remuneration paid to the Chief Executive Officer, who was appointed for said position on 4 May 2015, includes as well the remuneration vested as Digital Banking Officer during the period in which he held this position (4 months).

(1) Amounts corresponding to 50% of 2015 Annual Variable Remuneration.

(2) Amounts corresponding to the sum of the deferred parts of the Annual Variable Remuneration from previous years (2014, 2013 and 2012), and their respective cash adjustments; payment or delivery of which was made in 2016, in application of the settlement and payment system, as broken down below:

- 1st third of deferred Annual Variable Remuneration from 2014

Under this item, the executive directors received: €302 thousand and 37,392 BBVA shares in the case of the Group Executive Chairman; €95 thousand and 11,766 BBVA shares in the case of the Chief Executive Officer; and €30 thousand and 3,681 BBVA shares in the case of the executive director Head of GERPA.

- 2nd third of deferred Annual Variable Remuneration from 2013

Under this item, the executive directors received €289 thousand and 29,557 BBVA shares in the case of the Group Executive Chairman; €78 thousand and 7,937 BBVA shares in the case of the Chief Executive Officer; and €17 thousand and 1,768 BBVA shares in the case of the executive director Head of GERPA.

- 3rd third of deferred Annual Variable Remuneration from 2012

Under this item, the Group Executive Chairman received €301 thousand and 36,163 BBVA shares, while the Chief Executive Officer received €68 thousand and 8,120 BBVA shares.

The executive directors will receive, during the first quarter of each of the next two years, the deferred amounts that in each case correspond in application of the settlement of the deferred Annual Variable Remuneration from previous years (2014 and 2013), and subject to the conditions established in the applicable settlement and payment system.

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Likewise, during 2016, the executive directors received payment in kind, including insurance premiums and others, amounting to an overall total of €240 thousand, of which €17 thousand were paid to the Group Executive Chairman; €139 thousand to the Chief Executive Officer; and €84 thousand to the executive director Head of GERPA.

- **Annual Variable Remuneration for executive directors for the year 2016**

Following year-end 2016, the Annual Variable Remuneration for the executive directors corresponding to that year has been determined applying the conditions established for that purpose at the beginning of that year, as set forth in the Remuneration Policy for BBVA Directors as approved by the General Meeting held on 13 March 2015. Consequently, during the first quarter of 2017, the executive directors will receive 50% of the 2016 Annual Variable Remuneration, in equal parts in cash and in shares, i.e., €734 thousand and 114,204 BBVA shares in the case of the Group Executive Chairman; €591 thousand and 91,915 BBVA shares the case of the Chief Executive Officer; and €89 thousand and 13,768 BBVA shares the case of the executive director Head of GERPA.

The remaining 50%, in cash and in shares, will be deferred for a three-year period, and its accrual and vesting will be subject to compliance with multi-year indicators established by the Board of Directors at the beginning of the year. Based on the result of each multi-year indicator during the deferred period and applying the performance scales assigned to each of them and their weightings, the final deferred amount of the Annual Variable Remuneration will be determined after the deferred period. The deferred Annual Variable Remuneration may be reduced and even reach zero, but in no event may be increased. To these effect, the maximum amounts that could be received during the first quarter of 2020 are: €734 thousand and 114,204 BBVA shares the case of the Group Executive Chairman; €591 thousand and 91,915 BBVA shares the case of the Chief Executive Officer; and €89 thousand and 13,768 BBVA shares the case of the executive director Head of GERPA; all subject to the settlement and payment conditions established in the Remuneration Policy for BBVA Directors.

These amounts are recorded under the item "Other Liabilities" of the balance sheet at 31 December 2016.

- **Remuneration of the members of the Senior Management received in 2016**

During 2016, the remuneration paid to the members of BBVA's Senior Management as a whole, excluding executive directors, is shown below (itemised):

Thousands of Euros							
Remuneration of members of the Senior Management	Fixed Remuneration	2015 Annual Variable Remuneration in cash (1)	Deferred Variable Remuneration in cash (2)	Total Cash	2015 Annual Variable Remuneration in BBVA Shares (1)	Deferred Variable Remuneration in BBVA Shares (2)	Total Shares
Total Members of the Senior Management (*)	11,115	2,457	1,343	14,915	370,505	155,746	526,251

(\*) This section includes aggregate information regarding the members of BBVA Group's Senior Management, excluding executive directors, who were members of the Senior Management as of 31 December 2016 (14 members).

(1) Amounts corresponding to 50% of 2015 Annual Variable Remuneration.

(2) Amounts corresponding to the sum of the deferred parts of the Annual Variable Remuneration from previous years (2014, 2013, and 2012), and their corresponding cash adjustments; payment or delivery of which was made in 2016, to the members of the Senior Management who had generated this right, as broken down below:

- 1st third of deferred Annual Variable Remuneration from 2014

Overall amount of €515 thousand and 63,862 BBVA shares.

- 2nd third of deferred Annual Variable Remuneration from 2013

Overall amount of €434 thousand and 44,426 BBVA shares.

- 3rd third of deferred Annual Variable Remuneration from 2012

Overall amount of €395 thousand and 47,458 BBVA shares.

During the first quarter of each of the next two years, under the applicable settlement and payment system of the variable remuneration, all members of the Senior Management will receive the corresponding amounts, stemming from the settlement of the deferred Annual Variable Remuneration from previous years (2014 and 2013), and subject to the conditions established in this system.

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Moreover, during 2016, all members of the Senior Management, with the exception of the executive directors, received remuneration in kind, including insurance premiums and others, for a total overall amount of €664 thousand.

- **System of remuneration 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 18 March 2006 and extended under General Meeting resolutions dated 11 March 2011 and 11 March 2016, for a further 5-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 of them in the previous year, according to the closing prices of the BBVA share during the sixty trading sessions prior to the Annual General Meeting approving the corresponding financial statements for each year.

These shares, where applicable, will be delivered to each beneficiary on the date they leave the position as director for any reason other than dereliction of duty.

The number of "theoretical shares" allocated in 2016 to the non-executive directors beneficiaries of the system of remuneration in shares with deferred delivery, corresponding to 20% of the total remuneration received in cash by said directors during 2015, is as follows:

	Theoretical shares allocated in 2016	Theoretical shares accumulated to 31st December 2016
Tomás Alfaro Drake	11,363	62,452
José Miguel Andrés Torrecillas	9,808	9,808
José Antonio Fernández Rivero	12,633	91,046
Belén Garijo López	6,597	19,463
Carlos Loring Martínez de Irujo	10,127	74,970
Lourdes Máiz Carro	5,812	8,443
José Maldonado Ramos	11,669	57,233
José Luis Palao García-Suelto	11,070	51,385
Juan Pi Llorens	9,179	32,374
Susana Rodríguez Vidarte	14,605	78,606
<b>Total (1)</b>	<b>102,863</b>	<b>485,780</b>

(1) In addition, in 2016, Ramón Bustamante y de la Mora and Ignacio Ferrero Jordi, who ceased as directors on 11 March 2016, were allocated 8,709 and 11,151 theoretical shares, respectively.

- **Pension commitments**

The commitments undertaken regarding pension benefits for the Chief Executive Officer and the executive director Head of GERPA, pursuant to the Company Bylaws and their respective contracts with the Bank include a pension system covering retirement, disability and death.

The Chief Executive Officer's contractual conditions determine that he will retain the pension system to which he was entitled previously as senior manager in the Group, with the benefits and the provisions being adjusted to the new remuneration conditions derived from the position that he currently holds.

The executive director Head of GERPA retains the same pension system he has had since his appointment in 2013, which comprises a defined-contributions system of 20% per year over the fixed remuneration received during that period to cover retirement commitments and provisions covering death and disability.

To such end, the provisions recorded as of 31 December 2016 to cover pension commitments undertaken for the Chief Executive Officer amounted to €16,051 thousand, of which, during 2016 and according to applicable

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accounting regulations, €2,342 thousand have been provisioned against earnings of the year and €836 thousand against equity, in order to adapt the interest rate assumption used for the valuation of pension commitments in Spain. In the case of the executive director Head of GERPA, the provisions recorded as of 31 December 2016 amounted to €609 thousand, of which €310 have been provisioned against earnings of the year. In both cases, these amounts include the provisions covering retirement, as well as death and disability.

There are no other pension obligations in favour of other executive directors.

The provisions recorded as of 31 December 2016 for pension commitments for members of the Senior Management, excluding executive directors, amounted to €46,299 thousand, of which, during 2016 and according to applicable accounting regulations, €4,895 thousand have been provisioned against earnings of the year and €2,226 thousand against equity, in order to adapt the interest rate assumption used for the valuation of pension commitments in Spain. These amounts include the provisions covering retirement, as well as death and disability.

As a result of the entry into force of Circular 2/2016, of the Bank of Spain to the credit institutions, 15% of the annual contributions agreed to pension systems determined on the basis of the vesting estimated for the financial year corresponding to executive directors and BBVA's senior managers, will be based on variable components and will be considered as discretionary pension benefits, and in consequence will be deemed as deferred variable remuneration, subject to the payment and retention conditions provided in the applicable regulations, as well as malus arrangements and other applicable conditions established to the variable remuneration in the Remuneration Policy for BBVA's Directors.

- **Extinction of contractual relationship**

The Bank has no commitments to pay severance indemnity to executive directors other than to the executive director Head of GERPA, whose contract includes, as of 31 December 2016, his right to receive an indemnity equivalent to two times his fixed remuneration should he cease to hold his position on grounds other than his own will, death, retirement, disability or dereliction of duty.

The contractual conditions of the Chief Executive Officer with regard to his pension arrangements determine that, as of 31 December 2016, in the event of his ceasing to hold his position on grounds other than his own will, retirement, disability or dereliction of duty, he will take early retirement with a pension that he may receive as a lifelong annuity or as a capital lump sum, at his own choice. The annual amount will be calculated as a function of the provisions which, according to the actuarial criteria applicable at any time, the Bank may have made up to that date to cover the retirement pension commitments provided for in his contract, without this commitment in any way compelling the Bank to set aside additional provisions. Moreover, this pension may not be greater than 75% of the pensionable base should the event occur before he reaches the age of 55, or 85% of the pensionable base should the event occur after having reached the age of 55.

According to the proposal for a new Remuneration Policy for BBVA's Directors to be submitted to the next Annual General Shareholders' Meeting in 2017, if approved, the pension scheme and the extinction of contractual relationships of the executive directors, the Chief Executive Officer and the Head of GERPA will be amended for 2017 and following financial years, in the terms established under such Policy.

## **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, 2016, there is no item in the Group's accompanying consolidated financial statements that requires disclosure in an environmental information report pursuant to Ministry of Economy Order JUS/206/2009 dated January 28, and consequently no specific disclosure of information on environmental matters is included in these financial statements.



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## 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 in 2016, 2015 and 2014 (cash basis dividend, regardless of the year in which they were accrued, but without including other shareholder remuneration, such as the "Dividend Option"). See Note 4 for a complete analysis of all remuneration awarded to shareholders during 2016, 2015 and 2014.

Dividends Paid (“Dividend Option” not included)	2016 (*)			2015			2014		
	% 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	16%	0.08	1,028	16%	0.08	504	16%	0.08	471
Rest of shares	-	-	-	-	-	-	-	-	-
<b>Total dividends paid in cash</b>	<b>16%</b>	<b>0.08</b>	<b>1,028</b>	<b>16%</b>	<b>0.08</b>	<b>504</b>	<b>16%</b>	<b>0.08</b>	<b>471</b>
Dividends with charge to income	16%	0.08	1,028	16%	0.08	504	16%	0.08	471
Dividends with charge to reserve or share premium	-	-	-	-	-	-	-	-	-
Dividends in kind	-	-	-	-	-	-	-	-	-

(\*) Corresponding to two payments.

### Earnings and ordinary income by operating segment

The detail of the consolidated profit for the years ended December 31, 2016, 2015 and 2014 for each operating segment is as follows:

Profit Attributable by Operating Segments	Millions of Euros		
	2016	2015 (1)	2014
Banking Activity in Spain	912	1,085	858
Real Estate Activity in Spain	(595)	(496)	(901)
Turkey	599	371	310
Rest of Eurasia	151	75	255
Mexico	1,980	2,094	1,915
South America	771	905	1,001
United States	459	517	428
<b>Subtotal operating segments</b>	<b>4,276</b>	<b>4,551</b>	<b>3,867</b>
Corporate Center	(801)	(1,910)	(1,249)
<b>Profit attributable to parent company</b>	<b>3,475</b>	<b>2,641</b>	<b>2,618</b>
Non-assigned income	-	-	-
Elimination of interim income (between segments)	-	-	-
Other gains (losses) (*)	1,218	686	464
Income tax and/or profit from discontinued operations	(1,699)	(1,274)	(898)
<b>Operating profit before tax</b>	<b>6,392</b>	<b>4,603</b>	<b>3,980</b>

(\*) Profit attributable to non-controlling interests.

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For the years ended December 31, 2016, 2015 and 2014 the detail of the BBVA Group's Gross income for each operating segment, which is made up of the "Interest and similar income", "Dividend income", "Fee and commission income", "Gains (losses) on financial assets and liabilities (net)" and "Other operating income", is as follows:

Gross income by Operating Segments	Millions of Euros		
	2016	2015	2014
Banking Activity in Spain	6,445	6,804	6,621
Real Estate Activity in Spain	(6)	(16)	(220)
Turkey (*)	4,257	2,434	944
Rest of Eurasia	491	473	736
Mexico	6,766	7,069	6,522
South America	4,054	4,477	5,191
The United States	2,706	2,652	2,137
Corporate Center	(60)	(212)	(575)
Adjustments and eliminations of ordinary profit between segments	-	(318)	(632)
<b>Total Ordinary Profit BBVA Group</b>	<b>24,653</b>	<b>23,362</b>	<b>20,725</b>

(\*) The information is presented under management criteria in 2015 and 2014 (see Note 6).

## 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		
	2016	2015	2014
Domestic	5,962	6,275	7,073
Foreign	21,745	18,507	15,765
European Union	291	387	369
Other OECD countries	17,026	13,666	9,492
Other countries	4,429	4,454	5,904
<b>Total</b>	<b>27,708</b>	<b>24,783</b>	<b>22,838</b>

## 56. Subsequent events

The interim dividend approved on December 21, 2016 was paid out on January 12, 2017, as detailed in Note 4.

On February 1, 2017, BBVA's shareholder remuneration policy for 2017 was announced (see Note 4).

From January 1, 2017 to the date of preparation of these consolidated financial statements, no other subsequent events not mentioned above in these financial statements have taken place that could significantly affect the Group's earnings or its equity position.

## 57. Explanation added for translation into English

These accompanying consolidated financial statements are presented on the basis of IFRS, as adopted by the European Union. Certain accounting practices applied by the Group that conform to EU-IFRS may not conform to other generally accepted accounting principles.

# **BBVA Group**

## **Appendices**

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

## APPENDIX I Additional information on consolidated subsidiaries and consolidated structured entities composing the BBVA Group

### Additional Information on Consolidated Subsidiaries and consolidated structured entities composing the BBVA Group

Company	Location	Activity	% Legal share of participation			Millions of Euros(*)				
			Direct	Indirect	Total	Affiliate Entity Data				
						Net Carrying Amount	Assets 31.12.16	Liabilities 31.12.16	Equity 31.12.16	Profit (Loss) 31.12.16
4D INTERNET SOLUTIONS, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	23	24	1	26	(3)
ACTIVOS MACORP, S.L. (**)	SPAIN	REAL ESTATE	50.63	49.37	100.00	2	90	87	2	2
ALCALA 120 PROMOC. Y GEST.IMMOB. S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	14	23	9	14	-
ALGARVETUR, S.L. (**)(***)	SPAIN	REAL ESTATE	-	100.00	100.00	-	19	41	(21)	(1)
AMERICAN FINANCE GROUP, INC.	UNITED STATES	INACTIVE	-	100.00	100.00	20	20	-	20	-
ANIDA DESARROLLOS INMOBILIARIOS, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	49	467	411	65	(10)
ANIDA GERMANIA IMMOBILIEN ONE, GMBH	GERMANY	IN LIQUIDATION	-	100.00	100.00	-	1	-	1	-
ANIDA GRUPO INMOBILIARIO, S.L. (**)	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	-	1,507	1,656	244	(393)
ANIDA INMOBILIARIA, S.A. DE C.V.	MEXICO	INVESTMENT COMPANY	-	100.00	100.00	166	119	-	116	3
ANIDA OPERACIONES SINGULARES, S.A. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	(105)	4,097	4,195	241	(339)
ANIDA PROYECTOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	94	107	14	85	9
ANIDAPORT INVERSIONES IMOBILIARIAS, UNIPESOA, LTDA	PORTUGAL	REAL ESTATE	-	100.00	100.00	31	103	96	12	(5)
APLICA SOLUCIONES TECNOLOGICAS CHILE LIMITADA	CHILE	SERVICES	-	100.00	100.00	-	-	-	-	-
APLICA TECNOLOGIA AVANZADA OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	4	14	9	-	4
APLICA TECNOLOGIA AVANZADA SERVICIOS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	3	2	-	-
APLICA TECNOLOGIA AVANZADA, S.A. DE C.V.- ATA	MEXICO	SERVICES	100.00	-	100.00	203	340	137	194	9
AREA TRES PROCAM, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	-	5	5	-	-
ARIZONA FINANCIAL PRODUCTS, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	928	928	-	928	-
ARRAHONA AMBIT, S.L. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	66	103	(31)	(5)
ARRAHONA IMMO, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	53	234	101	103	30
ARRAHONA NEXUS, S.L. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	213	322	(110)	2
ARRAHONA RENT, S.L.U.	SPAIN	REAL ESTATE	-	100.00	100.00	9	9	-	10	(1)
ARRELS CT FINSOL, S.A. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	278	368	(76)	(15)
ARRELS CT LLOGUER, S.A. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	48	61	(6)	(6)
ARRELS CT PATRIMONI I PROJECTES, S.A. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	121	157	(33)	(3)
ARRELS CT PROMOU, S.A. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	38	50	(10)	(2)
AUMERAVILLA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	2	2	-	2	-
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	230	4,028	3,808	218	2
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.	CHILE	BANKING	-	68.19	68.19	827	19,508	18,295	1,106	107
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY, S.A.	URUGUAY	BANKING	100.00	-	100.00	110	3,051	2,861	193	(4)
BANCO CONTINENTAL, S.A.	PERU	BANKING	-	46.12	46.12	913	22,269	20,290	1,621	358
BANCO DE PROMOCION DE NEGOCIOS, S.A.	SPAIN	BANKING	-	99.86	99.86	15	19	-	19	-
BANCO INDUSTRIAL DE BILBAO, S.A.	SPAIN	BANKING	-	99.93	99.93	97	139	2	112	24
BANCO OCCIDENTAL, S.A.	SPAIN	BANKING	49.43	50.57	100.00	17	18	-	18	-
BANCO PROVINCIAL OVERSEAS N.V.	CURACAO	BANKING	-	100.00	100.00	52	435	383	50	2
BANCO PROVINCIAL S.A. - BANCO UNIVERSAL	VENEZUELA	BANKING	1.46	53.75	55.21	80	917	814	138	(35)
BANCOMER FINANCIAL SERVICES INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	2	3	-	2	-
BANCOMER FOREIGN EXCHANGE INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	10	10	-	6	4
BANCOMER PAYMENT SERVICES INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1	2	1	-	1

(\*) Information on foreign companies at exchange rate on December 31, 2016

(\*\*) These companies have equity loans from BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

(\*\*\*) These companies have equity loans from CATALUNYA CAIXA INMOBILIARIA, 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

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**Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)**

Company	Location	Activity	% Legal share of participation			Millions of Euros(*)				
			Direct	Indirect	Total	Affiliate Entity Data				
						Net Carrying Amount	Assets 31.12.16	Liabilities 31.12.16	Equity 31.12.16	Profit (Loss) 31.12.16
BANCOMER TRANSFER SERVICES, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	49	101	52	37	13
BBV AMERICA, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	479	991	-	981	10
BBVA ASESORIAS FINANCIERAS, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	2	3	1	1	1
BBVA ASSET MANAGEMENT ADMINISTRADORA GENERAL DE FONDOS S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	15	18	3	9	6
BBVA ASSET MANAGEMENT CONTINENTAL S.A. SAF	PERU	FINANCIAL SERVICES	-	100.00	100.00	15	17	2	12	3
BBVA ASSET MANAGEMENT, S.A. SOCIEDAD FIDUCIARIA (BBVA FIDUCIARIA)	COLOMBIA	FINANCIAL SERVICES	-	100.00	100.00	30	33	3	25	6
BBVA ASSET MANAGEMENT, S.A., SGIIC	SPAIN	OTHER INVESTMENT COMPANIES	17.00	83.00	100.00	38	154	84	36	35
BBVA AUTOMERCANTIL, COMERCIO E ALUGER DE VEICULOS AUTOMOVEIS,LDA.	PORTUGAL	FINANCIAL SERVICES	100.00	-	100.00	5	18	13	5	-
BBVA AUTORENTING, S.A.	SPAIN	SERVICES	100.00	-	100.00	69	447	402	33	12
BBVA BANCO FRANCES, S.A.	ARGENTINA	BANKING	45.61	30.34	75.95	157	9,008	8,016	769	223
BBVA BANCOMER GESTION, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	21	36	15	8	13
BBVA BANCOMER OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	135	384	249	49	86
BBVA BANCOMER SEGUROS SALUD, S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	20	26	7	18	2
BBVA BANCOMER SERVICIOS ADMINISTRATIVOS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	25	130	105	20	5
BBVA BANCOMER, S.A. INSTITUCION DE BANCA MULTIPLE, GRUPO FINANCIERO BBVA BANCOMER	MEXICO	BANKING	-	100.00	100.00	7,301	86,242	78,939	5,691	1,612
BBVA BRASIL BANCO DE INVESTIMENTO, S.A.	BRASIL	BANKING	100.00	-	100.00	16	39	7	32	1
BBVA BROKER, CORREDURIA DE SEGUROS Y REASEGUROS, S.A.	SPAIN	FINANCIAL SERVICES	99.94	0.06	100.00	-	18	5	8	5
BBVA BROKER, S.A.	ARGENTINA	INSURANCES SERVICES	-	95.00	95.00	-	-	-	-	-
BBVA COLOMBIA, S.A.	COLOMBIA	BANKING	77.41	18.06	95.47	355	16,391	15,049	1,168	174
BBVA COMERCIALIZADORA LTDA.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	-	1	2	4	(4)
BBVA COMPASS BANCSHARES, INC	UNITED STATES	INVESTMENT COMPANY	100.00	-	100.00	11,703	12,197	128	11,735	334
BBVA COMPASS FINANCIAL CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	250	621	371	247	2
BBVA COMPASS INSURANCE AGENCY, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	166	170	3	159	7
BBVA COMPASS PAYMENTS, INC	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	63	63	-	46	17
BBVA CONSOLIDAR SEGUROS, S.A.	ARGENTINA	INSURANCES SERVICES	87.78	12.22	100.00	11	154	100	16	38
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 PEQUENA Y MICRO EMPRESA, EDPYME, S.A. (BBVA CONSUMER FINANCE - EDPYME)	PERU	FINANCIAL SERVICES	-	100.00	100.00	17	97	81	18	(2)
BBVA CORREDORA TECNICA DE SEGUROS LIMITADA	CHILE	FINANCIAL SERVICES	-	100.00	100.00	8	13	5	1	7
BBVA CORREDORES DE BOLSA LIMITADA	CHILE	SECURITIES DEALER	-	100.00	100.00	62	562	500	72	(10)
BBVA DATA & ANALYTICS, S.L.	SPAIN	SERVICES	-	100.00	100.00	6	4	2	1	1
BBVA DINERO EXPRESS, S.A.U	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	2	6	2	4	-
BBVA DISTRIBUIDORA DE SEGUROS S.R.L.	URUGUAY	FINANCIAL SERVICES	-	100.00	100.00	4	4	-	2	2
BBVA EMISORA, S.A.	SPAIN	FINANCIAL SERVICES	-	100.00	100.00	64	75	-	75	-
BBVA FACTORING LIMITADA (CHILE)	CHILE	FINANCIAL SERVICES	-	100.00	100.00	10	50	40	10	-
BBVA FINANZIA, S.p.A	ITALY	FINANCIAL SERVICES	100.00	-	100.00	6	21	14	15	(9)
BBVA FRANCES ASSET MANAGMENT S.A. SOCIEDAD GERENTE DE FONDOS COMUNES DE INVERSIÓN.	ARGENTINA	FINANCIAL SERVICES	-	100.00	100.00	11	20	6	7	7
BBVA FRANCES VALORES, S.A.	ARGENTINA	SECURITIES DEALER	-	100.00	100.00	6	6	-	3	3
BBVA FUNDOS, S.GESTORA FUNDOS PENSOES,S.A.	PORTUGAL	PENSION FUNDS MANAGEMENT	-	100.00	100.00	1	18	1	15	2
BBVA GLOBAL FINANCE LTD.	CAYMAN ISLANDS	FINANCIAL SERVICES	100.00	-	100.00	-	194	189	5	-

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Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

Company	Location	Activity	% Legal share of participation			Millions of Euros(*)				
			Direct	Indirect	Total	Affiliate Entity Data				
						Net Carrying Amount	Assets 31.12.16	Liabilities 31.12.16	Equity 31.12.16	Profit (Loss) 31.12.16
BBVA GLOBAL MARKETS B.V.	NETHERLANDS	FINANCIAL SERVICES	100.00	-	100.00	-	1,442	1,442	-	-
BBVA INMOBILIARIA E INVERSIONES, S.A.	CHILE	REAL ESTATE	-	68.11	68.11	5	47	40	7	-
BBVA INSTITUICAO FINANCEIRA DE CREDITO, S.A.	PORTUGAL	FINANCIAL SERVICES	49.90	50.10	100.00	40	298	251	45	3
BBVA INTERNATIONAL PREFERRED, S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	864	863	1	-
BBVA INVERSIONES CHILE, S.A.	CHILE	INVESTMENT COMPANY	61.22	38.78	100.00	483	1,640	2	1,507	131
BBVA IRELAND PLC	IRELAND	FINANCIAL SERVICES	100.00	-	100.00	180	407	217	186	4
BBVA LEASIMO - SOCIEDADE DE LOCAÇÃO FINANCEIRA, S.A.	PORTUGAL	FINANCIAL SERVICES	-	100.00	100.00	8	9	-	8	-
BBVA LUXINVEST, S.A.	LUXEMBOURG	INVESTMENT COMPANY	36.00	64.00	100.00	204	213	2	210	1
BBVA MEDIACION OPERADOR DE BANCA-SEGUROS VINCULADO, S.A.	SPAIN	FINANCIAL SERVICES	-	100.00	100.00	10	203	180	13	11
BBVA NOMINEES LIMITED	UNITED KINGDOM	SERVICES	100.00	-	100.00	-	-	-	-	-
BBVA OP3N S.L.	SPAIN	SERVICES	-	100.00	100.00	-	-	-	-	-
BBVA OP3N, INC	UNITED STATES	SERVICES	-	100.00	100.00	-	-	-	-	-
BBVA PARAGUAY, S.A.	PARAGUAY	BANKING	100.00	-	100.00	23	1,788	1,627	136	25
BBVA PARTICIPACIONES MEJICANAS, S.L.	SPAIN	INVESTMENT COMPANY	99.00	1.00	100.00	-	-	-	-	-
BBVA PENSIONES, SA, ENTIDAD GESTORA DE FONDOS DE PENSIONES	SPAIN	PENSION FUNDS MANAGEMENT	100.00	-	100.00	13	67	32	28	7
BBVA PLANIFICACION PATRIMONIAL, S.L.	SPAIN	FINANCIAL SERVICES	80.00	20.00	100.00	-	1	-	1	-
BBVA PREVISION AFP S.A. ADM.DE FONDOS DE PENSIONES	BOLIVIA	PENSION FUNDS MANAGEMENT	75.00	5.00	80.00	2	23	13	6	5
BBVA PROCUREMENT SERVICES AMERICA DEL SUR SpA	CHILE	SERVICES	-	100.00	100.00	6	9	3	6	-
BBVA PROPIEDAD, S.A.	SPAIN	REAL ESTATE INVESTMENT COMPANY	-	100.00	100.00	914	927	10	984	(67)
BBVA RE DAC	IRELAND	INSURANCES SERVICES	-	100.00	100.00	39	76	36	30	9
BBVA REAL ESTATE MEXICO, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	-	1	-	-
BBVA RENTAS E INVERSIONES LIMITADA	CHILE	INVESTMENT COMPANY	-	100.00	100.00	292	292	-	232	60
BBVA RENTING, S.A.	SPAIN	FINANCIAL SERVICES	5.94	94.06	100.00	21	650	556	85	9
BBVA SECURITIES INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	185	2,932	2,747	187	(1)
BBVA SEGUROS COLOMBIA, S.A.	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	10	83	64	14	4
BBVA SEGUROS DE VIDA COLOMBIA, S.A.	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	14	430	319	75	36
BBVA SEGUROS DE VIDA, S.A.	CHILE	INSURANCES SERVICES	-	100.00	100.00	70	227	156	65	5
BBVA SEGUROS GENERALES S.A.	CHILE	INSURANCES SERVICES	-	100.00	100.00	4	4	-	4	-
BBVA SEGUROS, S.A., DE SEGUROS Y REASEGUROS	SPAIN	INSURANCES SERVICES	99.95	-	99.95	682	16,797	15,297	1,239	260
BBVA SENIOR FINANCE, S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	7,090	7,089	1	-
BBVA SERVICIOS CORPORATIVOS LIMITADA	CHILE	SERVICES	-	100.00	100.00	-	6	6	1	(1)
BBVA SERVICIOS, S.A.	SPAIN	COMMERCIAL	-	100.00	100.00	-	9	1	7	1
BBVA SOCIEDAD DE LEASING INMOBILIARIO, S.A.	CHILE	FINANCIAL SERVICES	-	97.49	97.49	27	89	62	25	3
BBVA SUBORDINATED CAPITAL S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	1,770	1,769	1	-
BBVA SUIZA, S.A. (BBVA SWITZERLAND)	SWITZERLAND	BANKING	39.72	60.28	100.00	67	1,316	1,143	163	10
BBVA TRADE, S.A.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	13	36	23	13	-
BBVA U.S. SENIOR S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	1	-	-	-
BBVA VALORES COLOMBIA, S.A. COMISIONISTA DE BOLSA	COLOMBIA	SECURITIES DEALER	-	100.00	100.00	4	5	1	4	-
BBVA WEALTH SOLUTIONS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	6	6	-	5	-
BEEVA TEC OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	1	1	-	-

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Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

Company	Location	Activity	% Legal share of participation			Millions of Euros(*)				
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						Net Carrying Amount	Assets 31.12.16	Liabilities 31.12.16	Equity 31.12.16	Profit (Loss) 31.12.16
BEEVA TEC. S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	4	2	1	-
BETESE S.A DE C.V.	MEXICO	INVESTMENT COMPANY	-	100.00	100.00	61	61	-	53	7
BILBAO VIZCAYA HOLDING, S.A.	SPAIN	INVESTMENT COMPANY	89.00	11.00	100.00	35	236	36	135	66
BLUE INDICO INVESTMENTS, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	7	25	18	7	(1)
CAIXA MANRESA INMOBILIARIA ON CASA, S.L. (**)	SPAIN	REAL ESTATE	100.00	-	100.00	-	2	5	(2)	-
CAIXA MANRESA INMOBILIARIA SOCIAL, S.L. (**)	SPAIN	REAL ESTATE	100.00	-	100.00	-	4	4	1	-
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	-	92	90	1	-
CAIXASABADELL TINELIA, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	41	41	-	41	-
CAPITAL INVESTMENT COUNSEL, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	14	14	-	14	-
CARTERA E INVERSIONES S.A., CIA DE	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	92	108	78	21	9
CASA DE BOLSA BBVA BANCOMER, S.A. DE C.V.	MEXICO	SECURITIES DEALER	-	100.00	100.00	35	46	11	17	17
CATALONIA GEBIRA, S.L. (**)(****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	4	8	(3)	(1)
CATALONIA PROMODIS 4, S.A. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	9	14	(2)	(2)
CATALUNYACAIXA ASSEGURANCES GENERALS, S.A.	SPAIN	INSURANCES SERVICES	100.00	-	100.00	42	47	25	17	5
CATALUNYACAIXA CAPITAL, S.A.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	101	106	10	95	1
CATALUNYACAIXA INMOBILIARIA, S.A. (****)	SPAIN	REAL ESTATE	100.00	-	100.00	125	198	121	46	31
CATALUNYACAIXA SERVEIS, S.A.	SPAIN	SERVICES	100.00	-	100.00	2	10	7	2	1
CATALUNYACAIXA VIDA, S.A.	SPAIN	INSURANCES SERVICES	100.00	-	100.00	358	2,409	2,014	351	43
CB TRANSPORT, INC.	UNITED STATES	INACTIVE	-	100.00	100.00	18	18	-	18	-
CDD GESTION I, 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	(19)	(1)
CIDESSA DOS, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	15	15	1	14	-
CIDESSA UNO, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	5	240	150	67	24
CIERVANA, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	53	64	4	55	5
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	2	9	7	1	-
COMPASS ASSET ACCEPTANCE COMPANY, LLC	UNITED STATES	INACTIVE	-	100.00	100.00	463	463	-	463	-
COMPASS AUTO RECEIVABLES CORPORATION	UNITED STATES	INACTIVE	-	100.00	100.00	4	4	-	4	-
COMPASS BANK	UNITED STATES	BANKING	-	100.00	100.00	11,475	86,188	74,713	11,149	327
COMPASS CAPITAL MARKETS, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	7,657	7,657	-	7,587	70
COMPASS CUSTODIAL SERVICES, INC.	UNITED STATES	INACTIVE	-	100.00	100.00	-	-	-	-	-
COMPASS GP, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	46	58	11	46	-
COMPASS INVESTMENTS, INC.	UNITED STATES	INACTIVE	-	100.00	100.00	-	-	-	-	-
COMPASS LIMITED PARTNER, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	6,683	6,684	1	6,613	69
COMPASS LOAN HOLDINGS TRS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	77	77	-	76	-
COMPASS MORTGAGE CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	2,969	3,006	37	2,921	49

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(\*\*\*) This company has an equity loan from ARRELS CT PATRIMONI I PROYECTES, S.A.

(\*\*\*\*) These companies have an equity loan from UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS, S.A.

(\*\*\*\*\*) This company has equity loans from de BANCO BILBAO VIZCAYA ARGENTARIA, S.A., EXPANSION INTERCOMARCAL, S.L. y SATICEM INMOBILIARIA, S.L.

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						Net Carrying Amount	Assets 31.12.16	Liabilities 31.12.16	Equity 31.12.16	Profit (Loss) 31.12.16
COMPASS MORTGAGE FINANCING, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
COMPASS MULTISTATE SERVICES CORPORATION	UNITED STATES	INACTIVE	-	100.00	100.00	4	4	-	4	-
COMPASS SOUTHWEST, LP	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	5,515	5,515	-	5,455	61
COMPASS TEXAS ACQUISITION CORPORATION	UNITED STATES	INACTIVE	-	100.00	100.00	2	2	-	2	-
COMPASS TEXAS MORTGAGE FINANCING, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-	-	-
COMPASS TRUST II	UNITED STATES	INACTIVE	-	100.00	100.00	-	-	-	-	-
COMPAÑIA CHILENA DE INVERSIONES, S.L.	SPAIN	INVESTMENT COMPANY	99.97	0.03	100.00	580	781	-	781	-
COMPLEMENTOS INNOVACION Y MODA, S.L.	SPAIN	IN LIQUIDATION	-	100.00	100.00	-	-	-	-	-
CONJUNT RESIDENCIAL FREIXA, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	-	2	3	(1)	-
CONSOLIDAR A.F.J.P., S.A.	ARGENTINA	IN LIQUIDATION	46.11	53.89	100.00	-	3	2	1	(1)
CONSORCIO DE CASAS MEXICANAS, S.A.P.I. DE C.V.	MEXICO	REAL ESTATE	-	99.99	99.99	3	16	12	4	(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	6	11	5	5	1
CONTINENTAL DPR FINANCE COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	136	136	-	-
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	8	3	4	-
COPROMED S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	-	-	-	-
CORPORACION BETICA INMOBILIARIA, S.A. (***)(****)	SPAIN	REAL ESTATE	-	100.00	100.00	4	20	15	5	(1)
CORPORACION GENERAL FINANCIERA, S.A.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	510	1,578	-	1,556	22
CX PROPIETAT, FII	SPAIN	REAL ESTATE INVESTMENT COMPANY	67.94	-	67.94	35	61	-	62	(1)
DALLAS CREATION CENTER, INC	UNITED STATES	SERVICES	-	100.00	100.00	-	7	7	2	(1)
DATA ARCHITECTURE AND TECHNOLOGY S.L.	SPAIN	SERVICES	-	51.00	51.00	-	2	1	-	-
DESITEL TECNOLOGIA Y SISTEMAS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	1	-	1	-
DEUTSCHE BANK MEXICO SA FIDEICOMISO F/1859	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	16	16	-	-
DEUTSCHE BANK MEXICO SA FIDEICOMISO F/1860	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	16	16	-	-
DISTRITO CASTELLANA NORTE, S.A.	SPAIN	REAL ESTATE	-	75.54	75.54	82	123	15	110	(2)
ECASA, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	17	19	2	11	6
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	8	8	1	7	-
EMPREDIENDOS DE VALOR S.A.	URUGUAY	FINANCIAL SERVICES	-	100.00	100.00	3	7	4	3	-
ENTRE2 SERVICIOS FINANCIEROS, E.F.C., S.A.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	9	9	-	9	-
ESPAS CERDANYOLA, S.L. (*****)	SPAIN	REAL ESTATE	-	97.51	97.51	-	12	15	(3)	-
ESPAS SABADELL PROMOCIONS INMOBILIARIES, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	7	8	-	8	-
ESPAÑHOLA COMERCIAL E SERVIÇOS, LTDA.	BRASIL	IN LIQUIDATION	100.00	-	100.00	-	-	-	-	-
ESTACION DE AUTOBUSES CHAMARTIN, S.A.	SPAIN	SERVICES	-	51.00	51.00	-	-	-	-	-
EUROPEA DE TITULIZACION, S.A., S.G.F.T.	SPAIN	FINANCIAL SERVICES	87.86	-	87.86	2	41	3	36	3
EXPANSION INTERCOMARCAL, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	26	27	-	26	-
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	-	-	-	-	-
FACILEASING EQUIPMENT, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	51	411	301	90	21

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(\*\*\*\*) This company has an equity loan from ANIDA OPERACIONES SINGULARES, S.A.

(\*\*\*\*\*) These companies have equity loans from CATALUNYACAIXA INMOBILIARIA, S.A.



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Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group (Continued)

Company	Location	Activity	% Legal share of participation			Millions of Euros(*)				
			Direct	Indirect	Total	Affiliate Entity Data				
						Net Carrying Amount	Assets 31.12.16	Liabilities 31.12.16	Equity 31.12.16	Profit (Loss) 31.12.16
FACILEASING S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	92	730	646	68	16
FIDEICOMISO 28991-8 TRADING EN LOS MCADOS FINANCIEROS	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	3	3	-	2	-
FIDEICOMISO F/29764-8 SOCIO LIQUIDADOR DE OPERACIONES FINANCIERAS DERIVADAS	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	45	45	-	43	2
FIDEICOMISO F/403112-6 DE ADMINISTRACION DOS LAGOS	MEXICO	REAL ESTATE	-	100.00	100.00	7	7	-	7	-
FIDEICOMISO HARES BBVA BANCOMER F/ 47997-2	MEXICO	REAL ESTATE	-	100.00	100.00	14	15	1	13	1
FIDEICOMISO LOTE 6.1 ZARAGOZA	COLOMBIA	REAL ESTATE	-	59.99	59.99	1	2	-	2	-
FIDEICOMISO N.989, EN THE BANK OF NEW YORK MELLON, S.A. INSTITUCION DE BANCA MULTIPLE, FIDUCIARIO (FIDEIC.00989 6 EMISION)	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	115	115	(5)	5
FIDEICOMISO Nº 711, EN BANCO INVEX, S.A..INSTITUCION DE BANCA MULTIPLE, INVEX GRUPO FINANCIERO, FIDUCIARIO (FIDEIC. INVEX 1ª EMISION)	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	25	25	-	(1)
FIDEICOMISO Nº 752, EN BANCO INVEX, S.A..INSTITUCION DE BANCA MULTIPLE, INVEX GRUPO FINANCIERO, FIDUCIARIO (FIDEIC. INVEX 2ª EMISION)	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	13	13	-	-
FIDEICOMISO Nº 847, EN BANCO INVEX, S.A..INSTITUCION DE BANCA MULTIPLE, INVEX GRUPO FINANCIERO, FIDUCIARIO (FIDEIC. INVEX 4ª EMISION)	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	67	67	(1)	-
FIDEICOMISO SCOTIABANK INVERLAT S A F100322908	MEXICO	REAL ESTATE	-	100.00	100.00	5	12	8	5	-
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	107	109	2	92	15
FODECOR, S.L.	SPAIN	REAL ESTATE	-	60.00	60.00	-	-	1	(1)	-
FORUM COMERCIALIZADORA DEL PERU, S.A.	PERU	SERVICES	-	100.00	100.00	2	1	-	2	(2)
FORUM DISTRIBUIDORA DEL PERU, S.A.	PERU	FINANCIAL SERVICES	-	100.00	100.00	8	25	17	8	-
FORUM DISTRIBUIDORA, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	33	251	219	27	5
FORUM SERVICIOS FINANCIEROS, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	213	1,599	1,400	144	55
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	357	48	302	7
GARANTI BANK SA	ROMANIA	BANKING	-	100.00	100.00	276	1,983	1,732	253	(2)
GARANTI BILSIM TEKNOLOJISI VE TIC. TAS	TURKEY	SERVICES	-	100.00	100.00	28	20	3	16	1
GARANTI DIVERSIFIED PAYMENT RIGHTS FINANCE COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	3,417	3,417	-	-
GARANTI EMEKLILIK VE HAYAT AS	TURKEY	INSURANCES SERVICES	-	84.91	84.91	303	491	137	281	74
GARANTI FACTORING HIZMETLERI AS	TURKEY	FINANCIAL SERVICES	-	81.84	81.84	41	781	731	44	6
GARANTI FILO SIGORTA ARACILIK HIZMETLERI A.S.	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	-	1	-	-	-
GARANTI FILO YONETIM HIZMETLERI A.S.	TURKEY	SERVICES	-	100.00	100.00	3	319	309	6	4
GARANTI FINANSAL KIRALAMA A.S.	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	238	1,481	1,232	234	16
GARANTI HIZMET YONETIMI A.S	TURKEY	FINANCIAL SERVICES	-	99.40	99.40	-	2	1	2	(1)
GARANTI HOLDING BV	NETHERLANDS	INVESTMENT COMPANY	-	100.00	100.00	195	341	-	341	-
GARANTI KONUT FINANSMANI DANISMANLIK HIZMETLERI AS (GARANTI MORTGAGE)	TURKEY	SERVICES	-	100.00	100.00	-	1	-	-	-
GARANTI KULTUR AS	TURKEY	SERVICES	-	100.00	100.00	-	1	-	-	-
GARANTI ODEME SISTEMLERI A.S.(GOSAS)	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	-	7	3	5	(1)
GARANTI PORTFOY YONETIMI AS	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	14	17	3	10	4
GARANTI YATIRIM MENKUL KIYMETLER AS	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	18	91	72	12	6
GARANTI YATIRIM ORTAKLIGI AS	TURKEY	INVESTMENT COMPANY	-	99.97	99.97	-	10	-	9	1
GARANTIBANK INTERNATIONAL NV	NETHERLANDS	BANKING	-	100.00	100.00	546	4,823	4,276	532	15
GARRAF MEDITERRANIA, S.A. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	-	16	16	-	-
GESCAT LLEVANT, S.L.(***)	SPAIN	REAL ESTATE	-	100.00	100.00	-	14	16	(2)	-
GESCAT LLOGUERS, S.L.(****)	SPAIN	REAL ESTATE	100.00	-	100.00	-	7	16	(9)	-

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(\*\*\*) This company has an equity loan from CATALUNYACAIXA INMOBILIARIA, S.A.

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Additional Information on Consolidated Subsidiaries and structured entities composing the BBVA Group

Company	Location	Activity	% Legal share of participation			Millions of Euros(*)				
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						Net Carrying Amount	Assets 31.12.16	Liabilities 31.12.16	Equity 31.12.16	Profit (Loss) 31.12.16
GESCAT POLSKA, SP. ZOO	POLAND	REAL ESTATE	100.00	-	100.00	9	12	1	11	-
GESCAT SINEVA, S.L. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	-	2	3	(1)	-
GESCAT, GESTIO DE SOL, S.L. (***)	SPAIN	REAL ESTATE	100.00	-	100.00	-	21	42	(20)	(2)
GESCAT, VIVENDES EN COMERCIALIZAZIO, S.L. (**)(***)	SPAIN	REAL ESTATE	100.00	-	100.00	-	226	618	(355)	(37)
GESTIO D'ACTIUS TITULTZATS, S.A.	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	3	4	-	3	1
GESTION DE PREVISION Y PENSIONES, S.A.	SPAIN	PENSION FUNDS MANAGEMENT	60.00	-	60.00	9	32	3	21	7
GESTION Y ADMINISTRACION DE RECIBOS, S.A. - GARSA	SPAIN	SERVICES	-	100.00	100.00	1	2	1	1	-
GOBERNALIA GLOBAL NET, S.A.	SPAIN	SERVICES	-	100.00	100.00	2	15	6	7	2
GRAN JORGE JUAN, S.A.	SPAIN	REAL ESTATE	100.00	-	100.00	375	1,012	632	398	(17)
GRANFIDUCIARIA	COLOMBIA	IN LIQUIDATION	-	90.00	90.00	-	-	-	-	-
GRUPO FINANCIERO BBVA BANCOMER, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	99.98	-	99.98	6,678	8,720	1	6,745	1,974
GUARANTY BUSINESS CREDIT CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	35	35	-	35	-
GUARANTY PLUS HOLDING COMPANY	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	(42)	63	105	(40)	(2)
GUARANTY PLUS PROPERTIES LLC-2	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	44	44	-	44	-
GUARANTY PLUS PROPERTIES, INC-1	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	12	12	-	12	-
HABITAT ZENTRUM, S.L. (****)	SPAIN	REAL ESTATE	-	50.00	50.00	-	-	6	(6)	-
HABITATGES FINVER, S.L. (*****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	2	2	-	-
HABITATGES INVERCAP, S.L. (*****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	-	1	(1)	-
HABITATGES INVERVIC, S.L. (*****)	SPAIN	REAL ESTATE	-	35.00	35.00	-	1	14	(12)	(1)
HABITATGES JUVIPRO, S.L. (*****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	2	3	(1)	-
HIPOTECARIA NACIONAL, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	8	13	5	8	1
HOLVI PAYMENT SERVICE OY	FINLAND	FINANCIAL SERVICES	-	100.00	100.00	13	3	-	6	(4)
HOMEOWNERS LOAN CORPORATION	UNITED STATES	IN LIQUIDATION	-	100.00	100.00	8	9	1	9	(1)
HUMAN RESOURCES PROVIDER, INC	UNITED STATES	SERVICES	-	100.00	100.00	436	436	-	430	6
HUMAN RESOURCES SUPPORT, INC	UNITED STATES	SERVICES	-	100.00	100.00	431	431	-	426	5
INMESP DESARROLLADORA, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	26	38	13	31	(5)
INMUEBLES Y RECUPERACIONES CONTINENTAL S.A	PERU	REAL ESTATE	-	100.00	100.00	13	14	1	11	2
INNOVATION 4 SECURITY, S.L	SPAIN	SERVICES	-	100.00	100.00	-	4	1	1	2
INPAU, S.A. (**)	SPAIN	REAL ESTATE	-	100.00	100.00	5	46	40	(8)	14
INVERAHHORRO, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	13	91	78	16	(3)
INVERCARTERA INTERNACIONAL, S.L.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	8	8	-	8	-
INVERPRO DESENVOLUPAMENT, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	3	9	6	4	(1)
INVERSIONES ALDAMA, C.A.	VENEZUELA	IN LIQUIDATION	-	100.00	100.00	-	-	-	-	-
INVERSIONES BANPRO INTERNATIONAL INC. N.V.	CURACAO	INVESTMENT COMPANY	48.00	-	48.00	16	56	2	52	2
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	40	80	34	45	1
INVERSIONES P.H.R.4, C.A.	VENEZUELA	INACTIVE	-	60.46	60.46	-	-	-	-	-
INVESCO MANAGEMENT Nº 1, S.A.	LUXEMBOURG	FINANCIAL SERVICES	-	100.00	100.00	8	8	-	8	-
INVESCO MANAGEMENT Nº 2, S.A.	LUXEMBOURG	FINANCIAL SERVICES	-	100.00	100.00	-	3	18	(14)	(1)
IRIDION SOLUCIONS IMMOBILIARIES, S.L. (***)	SPAIN	REAL ESTATE	100.00	-	100.00	-	2	127	(121)	(4)

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(\*\*\*\*\*) These companies have equity loans from INVERPRO DESENVOLUPAMENT, S.L.

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JALE PROCAM, S.L.	SPAIN	REAL ESTATE	-	50.00	50.00	-	4	44	(40)	-
LEIX IMMOBLES, S.L. (****)(*****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	20	26	(4)	(2)
LIQUIDITY ADVISORS, L.P.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1,198	1,199	-	1,192	6
MADIVA SOLUCIONES, S.L.	SPAIN	SERVICES	-	100.00	100.00	9	2	1	1	-
MILLENNIUM PROCAM, S.L. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	-	1	-	-
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	38	157	135	17	5
MOTORACTIVE MULTISERVICES SRL	ROMANIA	SERVICES	-	100.00	100.00	-	10	10	-	-
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	3	2	1	-
MULTIASISTENCIA, S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	22	29	7	16	6
NEWCO PERU S.A.C.	PERU	INVESTMENT COMPANY	100.00	-	100.00	124	921	-	835	86
NOET, INC.	UNITED STATES	SERVICES	-	100.00	100.00	-	-	-	-	-
NOIDIRI, S.L. (**)	SPAIN	REAL ESTATE	100.00	-	100.00	-	-	12	(11)	-
NOVA EGARA-PROCAM, S.L. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	1	1	-	1	-
NOVA TERRASSA 3, S.L. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	4	12	8	4	-
OPCION VOLCAN, S.A.	MEXICO	REAL ESTATE	-	100.00	100.00	16	18	2	17	(2)
OPERADORA DOS LAGOS S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	1	-	-	-
OPPLUS OPERACIONES Y SERVICIOS, S.A.	SPAIN	SERVICES	100.00	-	100.00	1	29	10	16	3
OPPLUS S.A.C (En liquidacion)	PERU	IN LIQUIDATION	-	100.00	100.00	1	1	-	1	-
PARCSUD PLANNER, S.L. (*****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	7	9	(2)	(1)
PARTICIPACIONES ARENAL, S.L.	SPAIN	INACTIVE	-	100.00	100.00	8	8	-	8	-
PECRI INVERSION S.L.	SPAIN	OTHER INVESTMENT COMPANIES	100.00	-	100.00	98	98	-	99	(1)
PENSIONES BBVA BANCOMER, S.A. DE C.V., GRUPO FINANCIERO BBVA BANCOMER	MEXICO	INSURANCES SERVICES	-	100.00	100.00	197	4,040	3,843	156	41
PHOENIX LOAN HOLDINGS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	312	334	22	306	6
PI HOLDINGS NO. 1, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	90	90	-	90	-
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	-
PRO-SALLUD, C.A.	VENEZUELA	INACTIVE	-	58.86	58.86	-	-	-	-	-
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	-
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	-	160	266	(98)	(8)
PROMOU CT 3AG DELTA, S.L. (*****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	10	12	(2)	-
PROMOU CT EIX MACIA, S.L. (*****)	SPAIN	REAL ESTATE	-	100.00	100.00	3	6	2	1	3
PROMOU CT GEBIRA, S.L. (*****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	8	12	(3)	-
PROMOU CT OPENSEGRE, S.L. (**)(*****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	28	46	(16)	(2)
PROMOU CT VALLES, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	2	9	8	2	-

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(\*\*\*) This company has an equity loan from BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

(\*\*\*\*) These companies have equity loans from CATALUNYA CAIXA INMOBILIARIA, S.A.

(\*\*\*\*\*) This company has an equity loan from PROMOTORA DEL VALLES, S.L.

(\*\*\*\*\*) These companies have equity loans from UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS, S.A.

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PROMOU GLOBAL, S.L. (**)(****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	94	124	(45)	15
PRONORTE UNO PROCAM, S.A. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	5	15	(10)	-
PROPEL VENTURE PARTNERS US FUND I, L.P.	UNITED STATES	VENTURE CAPITAL	-	100.00	100.00	21	22	1	23	(2)
PROV-INFI-ARRAHONA, S.L. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	18	22	(6)	2
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	-	-	-	-	-
PROVIURE BARCELONA, S.L. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	2	2	-	-
PROVIURE CIUTAT DE LLEIDA, S.L. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	1	1	-	-
PROVIURE PARC DHABITATGES, S.L. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	2	2	1	-
PROVIURE, S.L. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	4	3	(1)	1
PROVIVIENDA ENTIDAD RECAUDADORA Y ADMIN.DE APORTES, S.A.	BOLIVIA	PENSION FUNDS MANAGEMENT	-	100.00	100.00	2	7	5	2	-
PUERTO CIUDAD LAS PALMAS, S.A.	SPAIN	REAL ESTATE	-	96.64	96.64	-	36	59	(7)	(16)
QIPRO SOLUCIONES S.L.	SPAIN	SERVICES	-	100.00	100.00	5	11	3	6	3
RALFI IFN SA	ROMANIA	FINANCIAL SERVICES	-	100.00	100.00	40	97	83	10	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	-	9	5
RPV COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	1,469	1,469	-	-
RWHC, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	771	771	-	754	16
S.B.D. NORD, S.L. (****)	SPAIN	REAL ESTATE	-	100.00	100.00	-	1	1	-	-
SATICEM GESTIO, S.L. (**)	SPAIN	REAL ESTATE	100.00	-	100.00	-	9	90	(78)	(3)
SATICEM HOLDING, S.L.	SPAIN	REAL ESTATE	100.00	-	100.00	5	6	-	5	1
SATICEM INMOBILIARIA, S.L.	SPAIN	REAL ESTATE	100.00	-	100.00	6	19	-	11	8
SATICEM INMOBILES EN ARRENDAMENT, S.L. (**)	SPAIN	REAL ESTATE	100.00	-	100.00	-	26	85	(57)	(3)
SCALDIS FINANCE, S.A.	BELGIUM	INVESTMENT COMPANY	-	100.00	100.00	4	18	-	18	-
SEGUROS BBVA BANCOMER, S.A. DE C.V., GRUPO FINANCIERO BBVA BANCOMER	MEXICO	INSURANCES SERVICES	-	100.00	100.00	388	3,347	2,959	171	217
SEGUROS PROVINCIAL, C.A.	VENEZUELA	INSURANCES SERVICES	-	100.00	100.00	1	1	-	1	(1)
SERVICIOS CORPORATIVOS BANCOMER, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	4	7	2	4	-
SERVICIOS CORPORATIVOS DE SEGUROS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	2	10	8	2	-
SERVICIOS EXTERNOS DE APOYO EMPRESARIAL, S.A DE C.V.	MEXICO	SERVICES	-	100.00	100.00	7	20	14	5	1
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	53	66	13	146	(92)
SOCIEDAD DE ESTUDIOS Y ANALISIS FINANCIERO, S.A.	SPAIN	SERVICES	100.00	-	100.00	104	108	5	107	(3)
SOCIEDAD GESTORA DEL FONDO PUBLICO DE REGULACION DEL MERCADO HIPOTECARIO, S.A.	SPAIN	INACTIVE	77.20	-	77.20	-	-	-	-	-
SPORT CLUB 18, S.A.	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	14	14	-	15	(1)
STATE NATIONAL CAPITAL TRUST I	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	15	14	-	-
STATE NATIONAL STATUTORY TRUST II	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	10	10	-	-
TEXAS LOAN SERVICES, LP.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1,208	1,208	-	1,199	9
TEXAS REGIONAL STATUTORY TRUST I	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1	49	47	1	-
TEXASBANC CAPITAL TRUST I	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1	25	24	1	-
TEXTIL TEXTURA, S.L.	SPAIN	COMMERCIAL	-	68.67	68.67	2	-	-	-	-

(\*) Information on foreign companies at exchange rate on December 31, 2016

(\*\*) This company has an equity loan from ARRELS CT PROMOU, S.A.

(\*\*\*) These companies have equity loans from BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

(\*\*\*\*) These companies have equity loans from CATALUNYACAIXA INMOBILIARIA, S.A.

(\*\*\*\*\*) These companies have equity loans from UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS, S.A.

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.

Additional Information on Consolidated Subsidiaries composing the BBVA Group (Continued) and consolidated structured entities

Company	Location	Activity	% Legal share of participation			Millions of Euros(*)				
			Direct	Indirect	Total	Affiliate Entity Data				
						Net Carrying Amount	Assets 31.12.16	Liabilities 31.12.16	Equity 31.12.16	Profit (Loss) 31.12.16
TMF HOLDING INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	15	22	7	13	2
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	57	57	-	55	2
TURKIYE GARANTI BANKASI A.S	TURKEY	BANKING	39.90	-	39.90	6,177	76,017	66,433	8,191	1,393
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	-	60	29	28	3
UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS, S.A. (**)	SPAIN	REAL ESTATE	100.00	-	100.00	-	941	1,102	(32)	(129)
URBANIZADORA SANT LLORENC, S.A.	SPAIN	INACTIVE	60.60	-	60.60	-	-	-	-	-
VALANZA CAPITAL S.A. UNIPERSONAL	SPAIN	SERVICES	100.00	-	100.00	1	7	-	7	-
VOLJA LUX, SARL	LUXEMBOURG	INVESTMENT COMPANY	-	71.78	71.78	-	1	1	1	(1)
VOLJA PLUS SL	SPAIN	INVESTMENT COMPANY	75.40	-	75.40	1	2	-	(17)	19
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA S.A.	ARGENTINA	FINANCIAL SERVICES	-	51.00	51.00	16	110	78	32	-

(\*) Information on foreign companies at exchange rate on December 31, 2016

(\*\*) This company has an equity loan from BBVA, S.A.

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.

## APPENDIX II Additional information on investments in subsidiaries, joint ventures and associates in the BBVA Group

Including the most significant entities, jointly representing 99.71% of all investment in this

Company	Location	Activity	% Legal share of participation			Millions of Euro(*)				
			Direct	Indirect	Total	Affiliate Entity Data				
						Net Carrying Amount	Assets 31.12.16	Liabilities 31.12.16	Equity 31.12.16	Profit (Loss) 31.12.16
ADQUIRA ESPAÑA, S.A.	SPAIN	COMMERCIAL	-	40.00	40.00	3	19	11	7	1
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	19	1,738	1,700	30	8
ATOM BANK PLC	UNITED KINGDOM	BANKING	29.46	-	29.46	43	229	137	129	(36)
AUREA, S.A. (CUBA)	CUBA	REAL ESTATE	-	49.00	49.00	5	10	-	9	-
AVANTESPACIA INMOBILIARIA, S.L.(*)	SPAIN	REAL ESTATE	-	30.01	30.01	18	73	12	60	-
BANK OF HANGZHOU CONSUMER FINANCE CO LTD	CHINA	BANKING	30.00	-	30.00	20	71	5	68	(1)
CANCUN SUN & GOLF COUNTRY CLUB, S.A.P.I. DE C.V.	MEXICO	REAL ESTATE	-	33.33	33.33	23	75	35	44	(4)
COMPAÑIA ESPAÑOLA DE FINANCIACION DEL DESARROLLO S.A.	SPAIN	FINANCIAL SERVICES	16.67	-	16.67	19	122	5	109	8
COMPAÑIA MEXICANA DE PROCESAMIENTO, S.A. DE C.V.(*)	MEXICO	SERVICES	-	50.00	50.00	6	12	-	11	1
CORPORACION IBV PARTICIPACIONES EMPRESARIALES, S.A.(*)	SPAIN	INVESTMENT COMPANY	-	50.00	50.00	29	126	25	101	- (2)
DESARROLLOS METROPOLITANOS DEL SUR, S.L.(*)	SPAIN	REAL ESTATE	-	50.00	50.00	11	41	20	23	(1)
FERROMOVIL 3000, S.L.(*)	SPAIN	SERVICES	-	20.00	20.00	4	459	437	25	(4)
FERROMOVIL 9000, S.L.(*)	SPAIN	SERVICES	-	20.00	20.00	3	298	282	19	(3)
FIDEICOMISO 1729 INVEX ENAJENACION DE CARTERA (*)	MEXICO	REAL ESTATE	-	32.25	32.25	57	177	-	177	-
FIDEICOMISO F 403853- 5 BBVA BANCOMER SERVICIOS ZIBATA (*)	MEXICO	REAL ESTATE	-	30.00	30.00	33	184	58	98	27
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	4	14	-	15	(1)
FIDEICOMISO F/402770-2 ALAMAR(*)	MEXICO	REAL ESTATE	-	42.40	42.40	8	19	-	19	-
INVERSIONES PLATCO, C.A.(*)	VENEZUELA	FINANCIAL SERVICES	-	50.00	50.00	4	9	1	13	(5)
METROVACESA PROMOCION Y ARRENDAMIENTO S.A.	SPAIN	REAL ESTATE	15.90	4.62	20.52	67	326	-	326	-
METROVACESA SUELO Y PROMOCION, S.A.	SPAIN	REAL ESTATE	15.90	4.62	20.52	208	1,080	68	1,013	-
PARQUE RIO RESIDENCIAL, S.L.(*)	SPAIN	REAL ESTATE	-	50.00	50.00	10	21	2	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	21	191	148	28	14
RCI COLOMBIA S.A., COMPAÑIA DE FINANCIAMIENTO (*)	COLOMBIA	FINANCIAL SERVICES	-	49.00	49.00	17	139	104	37	(2)
REAL ESTATE DEAL II, S.A.(*)	SPAIN	IN LIQUIDATION	20.06	-	20.06	4	23	5	23	(6)
REDSYS SERVICIOS DE PROCESAMIENTO, S.L.	SPAIN	FINANCIAL SERVICES	20.00	0.00	20.00	8	146	106	32	7
ROMBO COMPAÑIA FINANCIERA, S.A.	ARGENTINA	BANKING	-	40.00	40.00	19	329	284	37	7
SERVICIOS ELECTRONICOS GLOBALES, S.A. DE C.V.	MEXICO	SERVICES	-	46.14	46.14	6	12	-	10	2
SERVIREO SOCIEDAD ESPAÑOLA DE MEDIOS DE PAGO, S.A.	SPAIN	FINANCIAL SERVICES	28.72	0.00	28.72	11	49	12	29	8
SOCIEDAD ADMINISTRADORA DE FONDOS DE CESANTIA DE CHILE II, S.A.	CHILE	PENSION FUNDS MANAGEMENT	-	48.60	48.60	11	28	6	20	2 (2)
TELEFONICA FACTORING ESPAÑA, S.A.	SPAIN	FINANCIAL SERVICES	30.00	-	30.00	4	77	62	7	8 (3)
TESTA RESIDENCIAL SOCIMI SAU	SPAIN	REAL ESTATE	10.46	3.04	13.50	91	831	366	462	3
VITAMEDICA ADMINISTRADORA, S.A. DE C.V. (*)	MEXICO	SERVICES	-	51.00	51.00	2	12	8	3	1

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## APPENDIX III Changes and notification of investments and divestments in the BBVA Group in the year ended December 31, 2016

### Acquisitions or Increases of Interest Ownership in Consolidated Subsidiaries

Company	Type of Transaction	Activity	Millions of Euros		% of Voting Rights		Effective Date for the Transaction (or Notification Date)	Category
			Price Paid in the Transactions + Expenses directly attributable to the Transactions	Fair Value of Equity Instruments issued for the Transactions	% Participation (net) Acquired in the Period	Total Voting Rights Controlled after the Transactions		
PROPEL VENTURE PARTNERS US FUND I, L.P.	FOUNDING	VENTURE CAPITAL	2	-	100.00%	100.00%	14-Jan-16	SUBSIDIARY
BBVA NOMINEES LIMITED	ACQUISITION	SERVICES	-	-	5.00%	100.00%	29-Jan-16	SUBSIDIARY
BBVA COMPASS PAYMENTS, INC	FOUNDING	INVESTMENT COMPANY	43	-	100.00%	100.00%	01-Mar-16	SUBSIDIARY
HOLVI PAYMENT SERVICE OY	ACQUISITION	FINANCIAL SERVICES	9	-	100.00%	100.00%	04-Mar-16	SUBSIDIARY
RENTRUCKS, ALQUILER Y SERVICIOS DE TRANSPORTE, S.A.	ACQUISITION	FINANCIAL SERVICES	-	-	0.68%	100.00%	29-Mar-16	SUBSIDIARY
ESPAIS CERDANYOLA, S.L.	ACQUISITION	REAL ESTATE	14	-	47.51%	97.51%	31-Mar-16	SUBSIDIARY
FIDEICOMISO F/403112-6 DE ADMINISTRACION DOS LAGOS	ACQUISITION	REAL ESTATE	-	-	50.00%	100.00%	31-Mar-16	SUBSIDIARY
FIDEICOMISO SCOTIABANK INVERLAT S A F100322908	ACQUISITION	REAL ESTATE	2	-	50.00%	100.00%	31-Mar-16	SUBSIDIARY
OPERADORA DOS LAGOS S.A. DE C.V.	ACQUISITION	SERVICES	-	-	50.00%	100.00%	31-Mar-16	SUBSIDIARY
BBVA CONSUMER FINANCE ENTIDAD DE DESARROLLO A LA PEQUEÑA Y MICRO EMPRESA, EDPYME, S.A. (BBVA CONSUMER FINANCE - EDPYME)	ACQUISITION	FINANCIAL SERVICES	3	-	15.68%	100.00%	29-Apr-16	SUBSIDIARY
FORUM COMERCIALIZADORA DEL PERU, S.A.	ACQUISITION	SERVICES	1	-	15.68%	100.00%	29-Apr-16	SUBSIDIARY
FORUM DISTRIBUIDORA DEL PERU, S.A.	ACQUISITION	FINANCIAL SERVICES	1	-	15.68%	100.00%	29-Apr-16	SUBSIDIARY
BBVA OP3N S.L.	FOUNDING	SERVICES	-	-	100.00%	100.00%	01-Jul-16	SUBSIDIARY
HABITATGES FINVER, S.L.	ACQUISITION	REAL ESTATE	-	-	50.00%	100.00%	14-Jul-16	SUBSIDIARY
DATA ARCHITECTURE AND TECHNOLOGY S.L	FOUNDING	SERVICES	-	-	51.00%	51.00%	28-Jul-16	SUBSIDIARY
NEW CO PERU SAC	SPLIT	INVESTMENT COMPANY	-	-	100.00%	100.00%	31-Jul-16	SUBSIDIARY
VOLJA PLUS SL	DILUTION EFFECT	INVESTMENT COMPANY	-	-	0.46%	75.40%	31-Jul-16	SUBSIDIARY
DALLAS CREATION CENTER, INC	FOUNDING	SERVICES	2	-	100.00%	100.00%	01-Aug-16	SUBSIDIARY
BBVA OP3N, INC	FOUNDING	SERVICES	-	-	100.00%	100.00%	05-Aug-16	SUBSIDIARY
GRUPO FINANCIERO BBVA BANCOMER, S.A. DE C.V.	ACQUISITION	FINANCIAL SERVICES	1	-	0.01%	99.98%	07-Sep-16	SUBSIDIARY
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA S.A.	ACQUISITION	FINANCIAL SERVICES	17	-	51.00%	51.00%	26-Sep-16	SUBSIDIARY
FIDEICOMISO LOTE 6.1 ZARAGOZA	ACQUISITION	REAL ESTATE	1	-	59.99%	59.99%	27-Oct-16	SUBSIDIARY
BBVA BROKER, S.A.	FOUNDING	INSURANCES SERVICES	-	-	95.00%	95.00%	01-Nov-16	SUBSIDIARY
CX PROPIETAT, FII	ACQUISITION	REAL ESTATE INVESTMENT FUND	-	-	0.19%	67.93%	30-Nov-16	SUBSIDIARY
GARANTI YATIRIM ORTAKLIGI AS	CONTROL RIGHTS	INVESTMENT COMPANY	-	-	3.30%	99.97%	30-Nov-16	SUBSIDIARY
NOET, INC.	FOUNDING	SERVICES	-	-	100.00%	100.00%	01-Dec-16	SUBSIDIARY
CATALONIA GEBIRA, S.L.	ACQUISITION	REAL ESTATE	-	-	18.33%	100.00%	15-Dec-16	SUBSIDIARY
GARRAF MEDITERRANIA, S.A.	ACQUISITION	REAL ESTATE	2	-	9.42%	100.00%	29-Dec-16	SUBSIDIARY

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#### Disposals or Reduction of Interest Ownership in Consolidated Subsidiaries

Company	Type of Transaction	Activity	Millions of Euros		% of Voting Rights		Effective Date for the Transaction (or Notification Date)	Category
			Profit (Loss) in the Transaction (*)	Changes in the Equity due to the transaction	% Participation Sold in the Period	Total Voting Rights Controlled after the Disposal		
ANIDA SERVICIOS INMOBILIARIOS, S.A. DE C.V.	MERGER	SERVICES	-	-	100.00%	-	31-Jan-16	SUBSIDIARY
HIPOTECARIA NACIONAL MEXICANA INCORPORATED	LIQUIDATION	REAL ESTATE	-	-	100.00%	-	31-Jan-16	SUBSIDIARY
ARRAHONA GARRAF, S.L.	LIQUIDATION	REAL ESTATE	(1)	-	100.00%	-	21-Mar-16	SUBSIDIARY
ECOARENYS, S.L.	NON CONTROL	REAL ESTATE	9	-	50.00%	-	31-Mar-16	SUBSIDIARY
IMOBILIARIA DUQUE DE AVILA, S.A.	DISPOSAL	REAL ESTATE	(1)	-	100.00%	-	22-Apr-16	SUBSIDIARY
FIDEICOMISO Nº 781, EN BANCO INVEX, S.A., INSTITUCION DE BANCA MULTIPLE, INVEX GRUPO FINANCIERO, FIDUCIARIO (FIDEIC. INVEX 3ª EMISION)	MERGER	FINANCIAL SERVICES	-	-	100.00%	-	30-May-16	SUBSIDIARY
BBVA GEST, S.G.DE FUNDOS DE INVERTIMIENTO MOBILIARIO, S.A.	LIQUIDATION	SECURITIES DEALER	-	-	100.00%	-	09-Jun-16	SUBSIDIARY
PROXIMA ALFA INVESTMENTS HOLDINGS (USA) INC.	LIQUIDATION	COMPANY	3	-	100.00%	-	30-Jun-16	SUBSIDIARY
PROXIMA ALFA INVESTMENTS HOLDINGS (USA) II INC.	LIQUIDATION	COMPANY	-	-	100.00%	-	30-Jun-16	SUBSIDIARY
PROXIMA ALFA INVESTMENTS (USA) LLC	LIQUIDATION	SERVICES	-	-	100.00%	-	30-Jun-16	SUBSIDIARY
UNIDAD DE AVALUOS MEXICO, S.A. DE CV	DISPOSAL	SERVICES	18	-	100.00%	-	29-Jul-16	SUBSIDIARY
HOLDING CONTINENTAL, S.A.	SPLIT	COMPANY	-	-	50.00%	-	31-Jul-16	SUBSIDIARY
EUROPEA DE TITULIZACION, S.A., S.G.F.T.	DILUTION EFFECT	SERVICES	-	-	1.14%	87.86%	31-Aug-16	SUBSIDIARY
CATALUNYA BANC, S.A.	MERGER	BANKING	-	-	99.10%	-	09-Sep-16	SUBSIDIARY
CATALUNYACAIXA INVERSIO, SGIIC, S.A.	MERGER	INVESTMENT	-	-	100.00%	-	13-Sep-16	SUBSIDIARY
CATALUNYACAIXA MEDIACIO, S.L.	MERGER	SERVICES	-	-	100.00%	-	06-Oct-16	SUBSIDIARY
BBVA ELCANO EMPRESARIAL, S.A. EN LIQUIDACION	LIQUIDATION	IN LIQUIDATION	-	-	45.00%	-	25-Oct-16	SUBSIDIARY
BBVA ELCANO EMPRESARIAL II, S.A. EN LIQUIDACION	LIQUIDATION	IN LIQUIDATION	-	-	45.00%	-	26-Oct-16	SUBSIDIARY
BANCO DEPOSITARIO BBVA, S.A.	MERGER	BANKING	-	-	100.00%	-	11-Nov-16	SUBSIDIARY
GARANTI BANK MOSCOW	DISPOSAL	BANKING	8	-	100.00%	-	05-Dec-16	SUBSIDIARY
UNO-E BANK, S.A.	MERGER	BANKING	-	-	100.00%	-	09-Dec-16	SUBSIDIARY



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**Business Combinations and Other Acquisitions or Increases of Interest Ownership in Associates and Joint-Ventures Accounted for Under the Equity Method**

Company	Type of Transaction	Activity	Millions of Euros		% of Voting Rights		Effective Date for the Transaction (or Notification Date)	Category
			Price Paid in the Transactions + Expenses Directly Attributable to the Transactions	Fair Value of Equity Instruments Issued for the Transactions	% Participation (Net) Acquired in the Period	Total Voting Rights Controlled After the Transactions		
METROVACESA, S.A. (*)	CAPITAL INCREASE (**)	REAL ESTATE	344	-	1.10%	20.52%	17-Feb-16	ASSOCIATED
METROVACESA, S.A. (*)	PARTIAL SPLIT	REAL ESTATE	(208)	-	-	-	01-Mar-16	ASSOCIATED
METROVACESA, S.A. (*)	TOTAL SPLIT	REAL ESTATE	(502)	-	-	-	26-Oct-16	ASSOCIATED
METROVACESA SUELO Y PROMOCION, S.A.	SPLIT	REAL ESTATE	208	-	20.52%	20.52%	01-Mar-16	ASSOCIATED
ATOM BANK PLC	ACQUISITION	BANKING	56	-	29.46%	29.46%	29-Apr-16	ASSOCIATED
RCI COLOMBIA S.A., COMPAÑIA DE FINANCIAMIENTO	FOUNDING	FINANCIAL SERVICES	9	-	49.00%	49.00%	01-Jun-16	JOINT VENTURE
PARQUE RIO RESIDENCIAL, S.L.	FOUNDING	REAL ESTATE	10	-	50.00%	50.00%	14-Jun-16	JOINT VENTURE
CAPIPOTA PRODUCTIONS S.L.	ACQUISITION	COMMERCIAL	-	-	25.00%	25.00%	30-Jun-16	JOINT VENTURE
FIDEICOMISO DE ADMINISTRACION REDETRANS	ACQUISITION	SERVICES	1	-	25.07%	25.07%	30-Jun-16	JOINT VENTURE
IBV SOURCE - PRESTAÇÃO DE SERVIÇOS INFORMATICOS, ACE	FOUNDING	SERVICES	-	-	49.00%	49.00%	31-Jul-16	JOINT VENTURE
LA ESMERALDA DESARROLLOS, S.L.	ACQUISITION	REAL ESTATE	-	-	25.00%	50.00%	21-Sep-16	JOINT VENTURE
AVANTESPACIA INMOBILIARIA, S.L.	FOUNDING	REAL ESTATE	12	-	30.01%	30.01%	20-Oct-16	JOINT VENTURE
METROVACESA PROMOCION Y ARRENDAMIENTO S.A (*)	SPLIT	REAL ESTATE	67	-	20.52%	20.52%	26-Oct-16	ASSOCIATED
TESTA RESIDENCIAL SOCIMI SAU (*)	SPLIT	REAL ESTATE	91	-	13.49%	13.49%	26-Oct-16	ASSOCIATED
FIDEICOMISO F/4041 80-2 BBVA BANCOMER SERVICIOS GOLF ZIBATA	ACQUISITION	REAL ESTATE	-	-	30.00%	30.00%	01-Dec-16	JOINT VENTURE

(\*) First there was partial split of the of soil activity and promotion in favor of the society of new constitution Metrovacesa Suelo y Promoción, S.A. and in October was the total split of the society in favor of Testa Residencial SOCIMI SAU, Merlin Properties, SOCIMI, S.A. and the new constitution company Metrovacesa Promotion and Leasing S.A.

(\*\*) Non-monetary contribution.

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.

**Disposal or Reduction of Interest Ownership in Associates and Joint-Ventures Companies Accounted for Under the Equity Method**

Company	Type of Transaction	Activity	Millions of Euros	% of Voting Rights		Effective Date for the Transaction (or Notification Date)	Category
			Profit (Loss) in the Transaction	% Participation Sold in the Period	Total Voting Rights Controlled after the Disposal		
BALMA HABITAT, S.L.	NON CONTROL	REAL ESTATE	-	50.00%	-	31-Mar-16	JOINT VENTURE
ECUALITY E-COMMERCE QUALITY, S.A.S.P.	NON CONTROL	COMMERCIAL	-	28.00%	-	31-Mar-16	ASSOCIATED
FIDEICOMISO SCOTIABANK INVERLAT SA F100322742	DISPOSAL	REAL ESTATE	5	33.78%	-	31-Mar-16	JOINT VENTURE
I+D MEXICO, S.A. DE C.V.	DISPOSAL	SERVICES	16	50.00%	-	31-Mar-16	JOINT VENTURE
OPERADORA HITO URBANO, S.A.DE C.V	DISPOSAL	SERVICES	-	35.00%	-	31-Mar-16	JOINT VENTURE
OPERADORA MIRASIERRA, S.A. DE C.V.	DISPOSAL	SERVICES	-	35.00%	-	31-Mar-16	JOINT VENTURE
PROBIS AIGUAVIVA, S.L.	NON CONTROL	REAL ESTATE	(1)	50.00%	-	31-Mar-16	JOINT VENTURE
AMBIT DEQUIPAMENTS, S.A.	NON CONTROL	REAL ESTATE	-	35.00%	-	30-Apr-16	ASSOCIATED
CAPASATUS, S.L.	NON CONTROL	REAL ESTATE	-	50.00%	-	30-Apr-16	ASSOCIATED
CRULLA CENTRE, S.L.	NON CONTROL	REAL ESTATE	-	49.04%	-	30-Apr-16	JOINT VENTURE
EUGESA PROCAM, S.L.	NON CONTROL	REAL ESTATE	-	55.00%	-	30-Apr-16	JOINT VENTURE
HARMONIA BADALONA, S.L.	NON CONTROL	REAL ESTATE	-	45.00%	-	30-Apr-16	JOINT VENTURE
HARMONIA PLA DE PONENT, S.L.	NON CONTROL	REAL ESTATE	-	22.33%	-	30-Apr-16	ASSOCIATED
IMMOCENTRE 3000, S.L.	NON CONTROL	REAL ESTATE	-	40.00%	-	30-Apr-16	JOINT VENTURE
LANDOMUS, S.L.	NON CONTROL	REAL ESTATE	-	50.00%	-	30-Apr-16	JOINT VENTURE
LERA DE VIC, S.L.	NON CONTROL	REAL ESTATE	-	40.00%	-	30-Apr-16	JOINT VENTURE
NOU MAPRO, S.A.	NON CONTROL	REAL ESTATE	-	50.00%	-	30-Apr-16	JOINT VENTURE
SARDENYA CENTRE, S.L.	NON CONTROL	REAL ESTATE	-	50.00%	-	30-Apr-16	JOINT VENTURE
TAGE CENTRE PROMOCIONS IMMOBILIARIES, S.L.	NON CONTROL	REAL ESTATE	-	50.00%	-	30-Apr-16	JOINT VENTURE
VERTIX PROCAM PATRIMONIAL, S.L.	NON CONTROL	REAL ESTATE	-	100.00%	-	30-Apr-16	JOINT VENTURE
VISOREN CENTRE, S.L.	NON CONTROL	REAL ESTATE	-	40.00%	-	30-Apr-16	JOINT VENTURE
INMOBILIARIA MONTE BOADILLA, S.L.	NON CONTROL	REAL ESTATE	-	51.00%	-	01-Jul-16	JOINT VENTURE
SANYRES SUR, S.L.	DISPOSAL	SERVICES	-	33.05%	-	01-Jul-16	JOINT VENTURE
UNION SANYRES, S.L.	DISPOSAL	REAL ESTATE	2	33.36%	-	01-Jul-16	JOINT VENTURE
VIC CONVENT, S.L.	DISPOSAL	REAL ESTATE	-	25.00%	-	14-Jul-16	ASSOCIATED
KUARS CENTRE, S.L.	DISPOSAL	REAL ESTATE	9	40.00%	-	08-Sep-16	JOINT VENTURE
P.R.ALBIRSA, S.L.	LIQUIDATION	REAL ESTATE	-	50.00%	-	14-Sep-16	JOINT VENTURE
S.C.I. MAGNAN SAINT PHILIPPE	LIQUIDATION	REAL ESTATE	-	25.00%	-	30-Sep-16	ASSOCIATED
METROVACESA, S.A. (*)	LIQUIDATION	REAL ESTATE	(2)	20.52%	-	26-Oct-16	ASSOCIATED
FIDEICOMISO F 404015-0 BBVA BANCOMER LOMAS III	DISPOSAL	REAL ESTATE	7	25.00%	-	29-Nov-16	ASSOCIATED
FIDEICOMISO F/70191-2 LOMAS DE ANGELOPOLIS II	DISPOSAL	REAL ESTATE	4	25.00%	-	30-Nov-16	JOINT VENTURE
PARQUE REFORMA SANTA FE, S.A. de C.V.	DISPOSAL	REAL ESTATE	2	30.00%	-	20-Dec-16	ASSOCIATED
TENEDORA DE VEHICULOS, S.A.	LIQUIDATION	SERVICES	-	35.00%	-	22-Dec-16	ASSOCIATED
BRUNARA, SICAV, S.A.	DISPOSAL	VARIABLE CAPITAL	-	30.36%	3.71%	31-Dec-16	ASSOCIATED

(\*) First there was partial split of the of soil activity and promotion in favor of the society of new constitution Metrovacesa Suelo y Promoción, S.A. and in October was the total split of the society in favor of Testa Residencial SOCIMI SAU, Merlin Properties, SOCIMI, S.A. and the new constitution company Metrovacesa Promotion and Leasing S.A

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**Changes in other Companies quoted recognize as Available-For-Sale**

Company	Type of Transaction	Activity	% of voting rights		Effective Date for the Transaction (or Notification Date)
			% Participation Acquired (Sold) in the Period	Totally Controlled after Transaction	
MERLIN PROPERTIES SOCIMI, S.A	SPLIT METROVACESA	REAL ESTATE	6.44%	6.44%	02-Nov-16

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## APPENDIX IV Fully consolidated subsidiaries with more than 10% owned by non-Group shareholders as of December 31, 2016

Company	Activity	% of Voting Rights Controlled by the Bank		
		Direct	Indirect	Total
BANCO CONTINENTAL, S.A.	BANKING	-	46	46
BANCO PROVINCIAL S.A. - BANCO UNIVERSAL	BANKING	1	54	55
INVERSIONES BANPRO INTERNATIONAL INC. N.V.	INVESTMENT COMPANY	48	-	48
PRO-SALUD, C.A.	NO ACTIVITY	-	59	59
INVERSIONES P.H.R.4, C.A.	NO ACTIVITY	-	60	60
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.	BANKING	-	68	68
BBVA INMOBILIARIA E INVERSIONES, S.A.	REAL ESTATE	-	68	68
TEXTIL TEXTURA, S.L.	COMMERCIAL	-	69	69
COMERCIALIZADORA CORPORATIVA SAC	FINANCIAL SERVICES	-	50	50
DISTRITO CASTELLANA NORTE, S.A.	REAL ESTATE	-	76	76
GESTION DE PREVISION Y PENSIONES, S.A.	PENSION FUND MANAGEMENT	60	-	60
ESTACION DE AUTOBUSES CHAMARTIN, S.A.	SERVICES	-	51	51
F/403035-9 BBVA HORIZONTES RESIDENCIAL	REAL ESTATE	-	65	65
F/253863 EL DESEO RESIDENCIAL	REAL ESTATE	-	65	65
DATA ARCHITECTURE AND TECHNOLOGY S.L	SERVICES	-	51	51
VOLKSWAGEN FINANCIAL SERVICES COMPANIA FINANCIERA S.A.	FINANCIAL SERVICES	-	51	51
FIDEICOMISO LOTE 6.1 ZARAGOZA	REAL ESTATE	-	60	60
HABITATGES INVERVIC, S.L.	REAL ESTATE	-	35	35
TURKIYE GARANTI BANKASI A.S	BANKING	40	-	40
GARANTI EMEKLILIK VE HAYAT AS	INSURANCES	-	85	85
GARANTI YATIRIM ORTAKLIGI AS	INVESTMENT COMPANY	-	100	100
FODECOR, S.L.	REAL ESTATE	-	60	60
PROCAMVASA, S.A.	REAL ESTATE	-	51	51
JALE PROCAM, S.L.	REAL ESTATE	-	50	50
VOLJA LUX, SARL	INVESTMENT COMPANY	-	72	72
HABITAT ZENTRUM, S.L.	REAL ESTATE	-	50	50
VOLJA PLUS SL	INVESTMENT COMPANY	75	-	75

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## APPENDIX V BBVA Group's structured entities. Securitization funds

Securitization Fund (consolidated)	Company	Origination Date	Millions of Euros	
			Total Securitized Exposures at the Origination Date	Total Securitized Exposures as of December 31, 2016 (*)
2 PS Interamericana	BBVA CHILE S.A.	Oct-04	31	3
AYT CAIXA SABADELL HIPOTECARIO I, FTA	BBVA, S.A.	Jul-08	300	98
AYT HIPOTECARIO MIXTO IV, FTA	BBVA, S.A.	Jun-05	100	24
AYT HIPOTECARIO MIXTO, FTA	BBVA, S.A.	Mar-04	100	17
BACOMCB 07	BBVA BANCOMER, S.A., INSTIT. BANCA	Dec-07	121	-
BACOMCB 08	BBVA BANCOMER, S.A., INSTIT. BANCA	Mar-08	53	-
BACOMCB 08-2	BBVA BANCOMER, S.A., INSTIT. BANCA	Dec-08	267	-
BBVA CONSUMO 6 FTA	BBVA, S.A.	Oct-14	299	181
BBVA CONSUMO 7 FTA	BBVA, S.A.	Jul-15	1,450	1,433
BBVA CONSUMO 8 FT	BBVA, S.A.	Jul-16	700	652
BBVA EMPRESAS 4 FTA	BBVA, S.A.	Jul-10	1,700	133
BBVA LEASING 1 FTA	BBVA, S.A.	Jun-10	2,500	97
BBVA PYME 10 FT	BBVA, S.A.	Dec-15	780	507
BBVA RMBS 1 FTA	BBVA, S.A.	Feb-07	2,500	1,206
BBVA RMBS 10 FTA	BBVA, S.A.	Jun-11	1,600	1,292
BBVA RMBS 11 FTA	BBVA, S.A.	Jun-12	1,400	1,140
BBVA RMBS 12 FTA	BBVA, S.A.	Dec-13	4,350	3,685
BBVA RMBS 13 FTA	BBVA, S.A.	Jul-14	4,100	3,596
BBVA RMBS 14 FTA	BBVA, S.A.	Nov-14	700	569
BBVA RMBS 15 FTA	BBVA, S.A.	May-15	4,000	3,659
BBVA RMBS 16 FT	BBVA, S.A.	May-16	1,600	1,544
BBVA RMBS 17 FT	BBVA, S.A.	Nov-16	1,800	-
BBVA RMBS 2 FTA	BBVA, S.A.	Mar-07	5,000	4,090
BBVA RMBS 3 FTA	BBVA, S.A.	Jul-07	3,000	1,627
BBVA RMBS 5 FTA	BBVA, S.A.	May-08	5,000	2,695
BBVA RMBS 9 FTA	BBVA, S.A.	Apr-10	1,295	950
BBVA UNIVERSALIDAD E10	BBVA COLOMBIA, S.A.	Mar-09	23	-
BBVA UNIVERSALIDAD E11	BBVA COLOMBIA, S.A.	May-09	15	-
BBVA UNIVERSALIDAD E12	BBVA COLOMBIA, S.A.	Aug-09	25	-
BBVA UNIVERSALIDAD E9	BBVA COLOMBIA, S.A.	Dec-08	44	-
BBVA UNIVERSALIDAD N6	BBVA COLOMBIA, S.A.	Aug-12	67	14
BBVA-5 FTPYME FTA	BBVA, S.A.	Nov-06	1,900	30
BBVA-6 FTPYME FTA	BBVA, S.A.	Jun-07	1,500	43
BBVA-FINANZIA AUTOS 1 FTA	BBVA, S.A.	Apr-07	800	3
BMERCB 13	BBVA BANCOMER, S.A., INSTIT. BANCA	Jun-13	497	-
FTA IM TERRASSA MBS-1	BBVA, S.A.	Jul-06	525	53
FTA TDA-22 MIXTO	BBVA, S.A.	Dec-04	112	31
FTA TDA-27	BBVA, S.A.	Dec-06	275	109
FTA TDA-28	BBVA, S.A.	Jul-07	250	128
GAT ICO FTVPO 1, F.T.H	BBVA, S.A.	Mar-04	40	127
GC FTGENCAT TARRAGONA 1 FTA	BBVA, S.A.	Jun-08	283	50
HIPOCAT 10 FTA	BBVA, S.A.	Jul-06	1,500	408
HIPOCAT 11 FTA	BBVA, S.A.	Mar-07	1,600	417
HIPOCAT 6 FTA	BBVA, S.A.	Jul-03	850	143
HIPOCAT 7 FTA	BBVA, S.A.	Jun-04	1,400	296
HIPOCAT 8 FTA	BBVA, S.A.	May-05	1,500	361
HIPOCAT 9 FTA	BBVA, S.A.	Nov-05	1,000	277
Instrumentos de Titulización Hip- Junior	BANCO CONTINENTAL, S.A.	Dec-07	24	2
TDA 19 FTA	BBVA, S.A.	Mar-04	200	36
TDA 20-MIXTO, FTA	BBVA, S.A.	Jun-04	100	20
TDA 23 FTA	BBVA, S.A.	Mar-05	300	76
TDA TARRAGONA 1 FTA	BBVA, S.A.	Dec-07	397	148

Securitization Fund (not consolidated)	Company	Origination Date	Millions of Euros	
			Total Securitized Exposures at the Origination Date	Total Securitized Exposures as of December 31, 2016
FTA TDA13	BBVA, S.A.	Dec-00	84	13
FTA TDA-18 MIXTO	BBVA, S.A.	Nov-13	91	15

(\*) Solvency scope.

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.

## 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, 2016, 2015 and 2014.

Outstanding as of December 31, 2016, 2015 and 2014 of subordinated issues  
Millions of Euros

Issuer Entity and Issued Date	Currency	December 2016	December 2015	December 2014	Prevailing Interest Rate as of December 31, 2016	Maturity Date
<b>Issues in Euros</b>						
<b>BBVA</b>						
February-07	EUR	255	255	253	4.50%	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
February-15	EUR	1,500	1,500	-	6.75%	Perpetual
April-16	EUR	1,000	-	-	8.88%	Perpetual
Various	EUR	277	310	342		
<b>Subtotal</b>	<b>EUR</b>	<b>4,756</b>	<b>3,789</b>	<b>2,320</b>		
<b>BBVA GLOBAL FINANCE, LTD. (*)</b>						
October-01	EUR	-	10	10	6.08%	10-Oct-16
October-01	EUR	-	46	46	0.55%	15-Oct-16
November-01	EUR	-	53	53	0.63%	02-Nov-16
December-01	EUR	-	56	56	0.57%	20-Dec-16
<b>Subtotal</b>	<b>EUR</b>	<b>-</b>	<b>165</b>	<b>223</b>		
<b>BBVA SUBORDINATED CAPITAL, S.A.U. (*)</b>						
October-05	EUR	99	99	96	0.49%	13-Oct-20
April-07	EUR	68	68	66	0.57%	4-Apr-22
May-08	EUR	50	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	1,485	3.50%	11-Apr-24
<b>Subtotal</b>	<b>EUR</b>	<b>1,737</b>	<b>1,737</b>	<b>1,717</b>		
<b>TURKIYE GARANTI BANKASI A.S</b>						
February-09	EUR	-	50	-	3.53%	31-Mar-21
<b>Subtotal</b>	<b>EUR</b>	<b>-</b>	<b>50</b>	<b>-</b>		
<b>Others</b>		<b>-</b>	<b>1</b>	<b>-</b>		
<b>Total issued in Euros</b>		<b>6,493</b>	<b>5,742</b>	<b>4,260</b>		

(\*) The issuances of BBVA Subordinated Capital, S.A.U. and BBVA Global Finance, LTD., are jointly, severally and unconditionally guaranteed by the Bank.

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Outstanding as of December 31, 2016, 2015 and 2014 (Continued)

Millions of Euros

Issuer Entity and Issued Date	Currency	December 2016	December 2015	December 2014	Prevailing Interest Rate as of December 31, 2016	Maturity Date
<b>Issues in foreign currency</b>						
<b>BBVA</b>						
May-13	USD	1,423	1,378	1,235	9.00%	Perpetual
<b>Subtotal</b>	<b>USD</b>	<b>1,423</b>	<b>1,378</b>	<b>1,235</b>		
<b>BBVA GLOBAL FINANCE, LTD. (*)</b>						
December-95	USD	189	183	165	7.00%	01-Dec-25
<b>Subtotal</b>	<b>USD</b>	<b>189</b>	<b>183</b>	<b>165</b>		
<b>BANCO BILBAO VIZCAYA ARGENTARIA, CHILE</b>						
Different issues	CLP	609	558	578		Various
<b>Subtotal</b>	<b>CLP</b>	<b>609</b>	<b>558</b>	<b>578</b>		
<b>BBVA BANCOMER, S.A. de C.V.</b>						
May-07	USD	474	456	413	6.01%	17-May-22
April-10	USD	947	912	825	7.25%	22-Apr-20
March-11	USD	1,184	1,140	1,031	6.50%	10-Mar-21
July-12	USD	947	912	825	6.75%	30-Sep-22
September-12	USD	474	456	413	6.75%	30-Sep-22
November-14	USD	189	182	165	5.35%	12-Nov-29
<b>Subtotal</b>	<b>USD</b>	<b>4,214</b>	<b>4,058</b>	<b>3,672</b>		
December-08	MXN	-	-	160	-	-
<b>Subtotal</b>	<b>MXN</b>	<b>-</b>	<b>-</b>	<b>160</b>		
<b>BBVA URUGUAY</b>						
December-14 (**)	USD	14	14	12	4.60%	16-Dic-24
<b>Subtotal</b>	<b>USD</b>	<b>14</b>	<b>14</b>	<b>12</b>		
<b>BBVA PARAGUAY</b>						
November-14	USD	19	18	16	6.75%	05-Nov-21
November-15	USD	24	23	-	6.70%	22-Nov-22
<b>Subtotal</b>	<b>USD</b>	<b>43</b>	<b>42</b>	<b>16</b>		
<b>TEXAS REGIONAL STATUTORY TRUST I</b>						
February-04	USD	47	46	41	3.13%	17-Mar-34
<b>Subtotal</b>	<b>USD</b>	<b>47</b>	<b>46</b>	<b>41</b>		

(\*) The issuances of BBVA Global Finance, Ltd, are guaranteed (secondary liability) by the Bank

(\*\*) Subordinated customer deposits

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## APPENDIX VI. OUTSTANDING AS OF DECEMBER 31, 2016, 2015 AND 2014 OF SUBORDINATED AND PREFERRED ISSUES

Outstanding as of December 31, 2016, 2015 and 2014 of subordinated issues

Millions of Euros

Issuer Entity and Issued Date	Currency	December 2016	December 2015	December 2014	Prevailing Interest Rate as of December 31, 2016	Maturity Date
<b>STATE NATIONAL CAPITAL TRUST I</b>						
July-03	USD	14	14	12	3.32%	30-Sep-33
<b>Subtotal</b>	<b>USD</b>	<b>14</b>	<b>14</b>	<b>12</b>		
<b>STATE NATIONAL STATUTORY TRUST II</b>						
March-04	USD	9	9	8	3.07%	17-Mar-34
<b>Subtotal</b>	<b>USD</b>	<b>9</b>	<b>9</b>	<b>8</b>		
<b>TEXASBANC CAPITAL TRUST I</b>						
June-04	USD	24	23	21	2.88%	23-Jul-34
<b>Subtotal</b>	<b>USD</b>	<b>24</b>	<b>23</b>	<b>21</b>		
<b>COMPASS BANK</b>						
March-05	USD	212	204	182	5.50%	01-Apr-20
March-06	USD	65	63	56	5.90%	01-Apr-26
September-07	USD	332	321	288	6.40%	01-Oct-17
April-15	USD	655	633	-	3.88%	10-Apr-25
<b>Subtotal</b>		<b>1,264</b>	<b>1,221</b>	<b>526</b>		
<b>BBVA COLOMBIA, S.A.</b>						
September-11	COP	33	58	36	10.27%	19-Sep-21
September-11	COP	49	48	54	10.52%	19-Sep-26
September-11	COP	32	45	35	10.11%	19-Sep-18
February-13	COP	63	30	69	9.44%	19-Feb-23
February-13	COP	52	31	57	9.72%	19-Feb-28
November-14	COP	51	26	55	10.32%	26-Nov-34
November-14	COP	28	47	31	10.20%	26-Nov-29
<b>Subtotal</b>	<b>COP</b>	<b>309</b>	<b>285</b>	<b>337</b>		
April-15	USD	379	366	-	4.88%	21-Apr-25
<b>Subtotal</b>	<b>USD</b>	<b>379</b>	<b>366</b>	<b>337</b>		
<b>BANCO CONTINENTAL, S.A.</b>						
December-06(*)	USD	29	28	25	2.50%	15-Feb-17
May-07	USD	19	18	17	6.00%	14-May-27
September-07	USD	19	18	16	2.16%	24-Sep-17
February-08	USD	19	18	17	6.47%	28-Feb-28
June-08	USD	-	-	25	2.97%	15-Jun-18
November-08	USD	-	-	17	3.83%	15-Feb-19
October-10(*)	USD	190	184	165	7.38%	07-Oct-40
October-13	USD	43	41	37	6.53%	08-Oct-28
September-14	USD	273	274	246	5.25%	22-Sep-29
<b>Subtotal</b>	<b>USD</b>	<b>591</b>	<b>582</b>	<b>565</b>		
May-07	PEN	11	11	11	5.85%	07-May-22
June-07	PEN	21	20	19	3.47%	18-Jun-32
November-07	PEN	19	18	17	3.56%	19-Nov-32
July-08	PEN	17	15	15	3.06%	08-Jul-23
September-08	PEN	18	17	16	3.09%	09-Sep-23
December-08	PEN	11	10	10	4.19%	15-Dec-33
<b>Subtotal</b>	<b>PEN</b>	<b>97</b>	<b>90</b>	<b>88</b>		
<b>Total issues in foreign currencies(Millions of Euros)</b>		<b>9,228</b>	<b>8,868</b>	<b>7,436</b>		

(\*) Subordinated customer deposits



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#### APPENDIX VI. OUTSTANDING AS OF DECEMBER 31, 2016, 2015 AND 2014 OF SUBORDINATED AND PREFERRED ISSUES

Outstanding as of December 31, 2016, 2015 and 2014 of preferred issues

Issuer Entity and Issued Date	December 2016		December 2015		December 2014	
	Currency	Amount Issued (Millions)	Currency	Amount Issued (Millions)	Currency	Amount Issued (Millions)
<b>BBVA</b>						
December 2007	EUR	14	EUR	14	EUR	14
<b>BBVA International, Ltd.</b>						
December 2002	-	-	-	-	EUR	9
<b>BBVA Capital Finance, S.A.U.</b>						
December 2003	-	-	-	-	EUR	350
July 2004	-	-	-	-	EUR	500
December 2004	-	-	-	-	EUR	1,125
December 2008	-	-	-	-	EUR	1,000
<b>BBVA International Preferred, S.A.U.</b>						
September 2005	EUR	86	EUR	86	EUR	85
September 2006	EUR	164	EUR	164	EUR	164
Abril 2007	USD	569	USD	551	USD	600
July 2007	GBP	36	GBP	43	GBP	31
October 2009	-	-	-	-	EUR	645
October 2009	-	-	-	-	GBP	251
<b>Phoenix Loan Holdings Inc.</b>						
November 2000	USD	22	USD	22	USD	21
<b>Caixa Terrasa Societat de Participacion</b>						
August 2005	EUR	51	EUR	75	EUR	75
<b>Caixasabadell Preferents, S.A.</b>						
July 2006	EUR	53	EUR	90	EUR	90
<b>Others</b>	-	1	-	1	-	-

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.

## APPENDIX VII Consolidated balance sheets held in foreign currency as of December 31, 2016, 2015 and 2014.

Millions of Euros					
December 2016	USD	Mexican Pesos	Turkish Lira	Other Foreign Currencies	Total Foreign Currencies
<b>Assets -</b>					
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
<b>Total</b>	<b>153,451</b>	<b>78,839</b>	<b>47,066</b>	<b>64,839</b>	<b>344,194</b>
<b>Liabilities-</b>					
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
<b>Total</b>	<b>155,755</b>	<b>67,916</b>	<b>30,578</b>	<b>57,241</b>	<b>311,490</b>

Millions of Euros					
December 2015	USD	Mexican Pesos	Turkish Lira	Other Foreign Currencies	Total Foreign Currencies
<b>Assets -</b>					
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
<b>Total</b>	<b>156,193</b>	<b>86,690</b>	<b>46,868</b>	<b>62,564</b>	<b>352,315</b>
<b>Liabilities-</b>					
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
<b>Total</b>	<b>159,394</b>	<b>75,141</b>	<b>32,173</b>	<b>54,061</b>	<b>320,769</b>

Millions of Euros				
December 2014	USD	Mexican Pesos	Other Foreign Currencies	Total Foreign Currencies
<b>Assets -</b>				
Cash, cash balances at central banks and other demand deposits	4,905	5,995	8,516	19,416
Financial assets held for trading	5,727	16,745	4,073	26,545
Available-for-sale financial assets	13,590	11,623	9,565	34,779
Loans and receivables	79,935	40,641	50,804	171,380
Investments in entities accounted for using the equity method	5	227	3,700	3,931
Tangible assets	726	1,894	1,076	3,696
Other assets	3,874	3,861	3,934	11,669
<b>Total</b>	<b>108,762</b>	<b>80,985</b>	<b>81,668</b>	<b>271,415</b>
<b>Liabilities-</b>				
Financial liabilities held for trading	3,828	5,776	1,907	11,511
Financial liabilities at amortized cost	106,582	57,856	61,404	225,841
Other liabilities	1,612	8,620	2,657	12,889
<b>Total</b>	<b>112,021</b>	<b>72,252</b>	<b>65,968</b>	<b>250,241</b>

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.

## APPENDIX VIII Consolidated income statements for the first and second half of 2016 and 2015

	Millions of Euros			
	Six months ended June 30, 2016	Six months ended December 31, 2016	Six months ended June 30, 2015	Six months ended December 31, 2015
Interest income	13,702	14,006	10,665	14,118
Interest expenses	(5,338)	(5,310)	(3,570)	(5,191)
<b>NET INTEREST INCOME</b>	<b>8,365</b>	<b>8,694</b>	<b>7,096</b>	<b>8,926</b>
Dividend income	301	166	236	179
Share of profit or loss of entities accounted for using the equity method	1	24	195	(21)
Fee and commission income	3,313	3,491	2,801	3,539
Fee and commission expenses	(963)	(1,123)	(682)	(1,047)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	683	692	649	406
Gains or (-) losses on financial assets and liabilities held for trading, net	106	142	161	(570)
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	24	90	17	109
Gains or (-) losses from hedge accounting, net	(171)	95	-	93
Exchange differences (net)	533	(61)	620	545
Other operating income	715	557	546	769
Other operating expenses	(1,186)	(942)	(911)	(1,374)
Income on insurance and reinsurance contracts	1,958	1,694	1,725	1,953
Expenses on insurance and reinsurance contracts	(1,446)	(1,099)	(1,233)	(1,366)
<b>GROSS INCOME</b>	<b>12,233</b>	<b>12,420</b>	<b>11,219</b>	<b>12,143</b>
Administration costs	(5,644)	(5,722)	(4,927)	(5,909)
Personnel expenses	(3,324)	(3,398)	(2,888)	(3,385)
Other administrative expenses	(2,319)	(2,325)	(2,039)	(2,524)
Depreciation	(689)	(737)	(572)	(700)
Provisions or (-) reversal of provisions	(262)	(924)	(392)	(339)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	(2,110)	(1,691)	(2,137)	(2,135)
<b>NET OPERATING INCOME</b>	<b>3,528</b>	<b>3,346</b>	<b>3,192</b>	<b>3,059</b>
Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates	-	-	-	-
Impairment or (-) reversal of impairment on non-financial assets	(99)	(422)	(128)	(145)
Gains (losses) on derecognized of non financial assets and subsidiaries, net	37	33	23	(2,158)
Negative goodwill recognised in profit or loss	-	-	22	4
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(75)	44	791	(57)
<b>OPERATING PROFIT BEFORE TAX</b>	<b>3,391</b>	<b>3,001</b>	<b>3,899</b>	<b>704</b>
Tax expense or (-) income related to profit or loss from continuing operation	(920)	(779)	(941)	(333)
<b>PROFIT FROM CONTINUING OPERATIONS</b>	<b>2,471</b>	<b>2,222</b>	<b>2,958</b>	<b>370</b>
Profit from discontinued operations (net)	-	-	-	-
<b>PROFIT</b>	<b>2,471</b>	<b>2,222</b>	<b>2,958</b>	<b>370</b>
Attributable to minority interest [non-controlling interests]	639	579	200	486
Attributable to owners of the parent	1,832	1,643	2,759	(117)

	Euros			
	Six months ended June 30, 2016	Six months ended December 31, 2016	Six months ended June 30, 2015	Six months ended December 31, 2015
<b>EARNINGS PER SHARE</b>				
Basic earnings per share from continued operations	0.26	0.23	0.41	(0.03)
Diluted earnings per share from continued operations	0.26	0.23	0.41	(0.03)
Basic earnings per share from discontinued operations	-	-	-	-
Diluted earnings per share from discontinued operations	-	-	-	-

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

## APPENDIX IX Financial Statements of Banco Bilbao Vizcaya Argentaria, S.A.

### Balance sheets as of December 31, 2016 and 2015 of BBVA, S.A.

ASSETS	Millions of Euros	
	December 2016	December 2015
<b>CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS</b>	<b>15,855</b>	<b>11,191</b>
<b>FINANCIAL ASSETS HELD FOR TRADING</b>	<b>57,440</b>	<b>58,606</b>
Derivatives	42,023	40,499
Equity instruments	3,873	3,974
Debt securities	11,544	14,133
Loans and advances to central banks	-	-
Loans and advances to credit institutions	-	-
Loans and advances to customers	-	-
<b>OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>-</b>	<b>-</b>
<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>	<b>29,004</b>	<b>50,601</b>
Equity instruments	3,506	4,018
Debt securities	25,498	46,583
<b>LOANS AND RECEIVABLES</b>	<b>251,487</b>	<b>226,781</b>
Debt securities	11,001	4,213
Loans and advances to central banks	-	-
Loans and advances to credit institutions	26,596	25,146
Loans and advances to customers	213,890	197,422
<b>HELD-TO-MATURITY INVESTMENTS</b>	<b>11,424</b>	<b>-</b>
<b>HEDGING DERIVATIVES</b>	<b>1,586</b>	<b>1,714</b>
<b>FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK</b>	<b>17</b>	<b>54</b>
<b>INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES</b>	<b>30,218</b>	<b>31,599</b>
Group entities	29,823	31,185
Joint ventures	18	18
Associates	377	396
<b>TANGIBLE ASSETS</b>	<b>1,856</b>	<b>1,521</b>
Property, plants and equipment	1,845	1,516
For own use	1,845	1,516
Other assets leased out under an operating lease	-	-
Investment properties	11	5
<b>INTANGIBLE ASSETS</b>	<b>942</b>	<b>853</b>
Goodwill	-	-
Other intangible assets	942	853
<b>TAX ASSETS</b>	<b>12,394</b>	<b>8,194</b>
Current	756	652
Deferred	11,638	7,541
<b>OTHER ASSETS</b>	<b>3,709</b>	<b>3,850</b>
Insurance contracts linked to pensions	2,426	2,151
Inventories	-	-
Rest	1,283	1,699
<b>NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE</b>	<b>2,515</b>	<b>2,340</b>
<b>TOTAL ASSETS</b>	<b>418,447</b>	<b>397,303</b>

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.

**Balance sheets as of December 31, 2016 and 2015 of BBVA, S.A.**

	Millions of Euros	
LIABILITIES AND EQUITY	December 2016	December 2015
<b>FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>48,265</b>	<b>46,973</b>
Trading derivatives	40,951	39,720
Short positions	7,314	7,253
Deposits from central banks	-	-
Deposits from credit institutions	-	-
Customer deposits	-	-
Debt certificates	-	-
Other financial liabilities	-	-
<b>OTHER FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>-</b>	<b>-</b>
<b>FINANCIAL LIABILITIES AT AMORTIZED COST</b>	<b>319,884</b>	<b>303,095</b>
Deposits from central banks	26,629	19,642
Deposits from credit institutions	44,977	55,462
Customer deposits	207,946	190,222
Debt certificates	33,174	30,966
Other financial liabilities	7,158	6,803
Subordinated liabilities	9,209	8,295
<b>HEDGING DERIVATIVES</b>	<b>1,488</b>	<b>1,542</b>
<b>FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK</b>	<b>-</b>	<b>-</b>
<b>PROVISIONS</b>	<b>8,917</b>	<b>6,209</b>
Provisions for pensions and similar obligations	5,271	5,177
Other long term employee benefits	32	-
Provisions for taxes and other legal contingencies	-	-
Provisions for contingent risks and commitments	658	263
Other provisions	2,956	769
<b>TAX LIABILITIES</b>	<b>1,415</b>	<b>1,225</b>
Current	127	24
Deferred	1,288	1,200
<b>OTHER LIABILITIES</b>	<b>2,092</b>	<b>1,439</b>
<b>LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>382,061</b>	<b>360,483</b>

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.

Millions of Euros		
LIABILITIES AND EQUITY (Continued)	December 2016	December 2015
<b>SHAREHOLDERS' FUNDS</b>	<b>36,748</b>	<b>36,438</b>
<b>Capital</b>	<b>3,218</b>	<b>3,120</b>
Paid up capital	3,218	3,120
Unpaid capital which has been called up	-	-
<b>Share premium</b>	<b>23,992</b>	<b>23,992</b>
<b>Equity instruments issued other than capital</b>	<b>46</b>	<b>28</b>
Equity component of compound financial instruments	-	-
Other equity instruments issued	46	28
<b>Other equity</b>	<b>-</b>	<b>-</b>
<b>Retained earnings</b>	<b>-</b>	<b>-</b>
<b>Revaluation reserves</b>	<b>20</b>	<b>22</b>
<b>Other reserves</b>	<b>9,346</b>	<b>7,788</b>
Reserves or accumulated losses of investments in subsidiaries, joint ventures and associates	-	-
Other	9,346	7,788
<b>Less: Treasury shares</b>	<b>(23)</b>	<b>(19)</b>
<b>Profit or loss attributable to owners of the parent</b>	<b>1,662</b>	<b>2,864</b>
<b>Less: Interim dividends</b>	<b>(1,513)</b>	<b>(1,356)</b>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>	<b>(362)</b>	<b>381</b>
<b>Items that will not be reclassified to profit or loss</b>	<b>(43)</b>	<b>(23)</b>
Actuarial gains or (-) losses on defined benefit pension plans	(43)	(23)
Non-current assets and disposal groups classified as held for sale	-	-
Other adjustments	-	-
<b>Items that may be reclassified to profit or loss</b>	<b>(319)</b>	<b>404</b>
Hedge of net investments in foreign operations [effective portion]	-	-
Foreign currency translation	13	21
Hedging derivatives. Cash flow hedges [effective portion]	(127)	(75)
Available-for-sale financial assets	(205)	459
Non-current assets and disposal groups classified as held for sale	-	-
<b>TOTAL EQUITY</b>	<b>36,386</b>	<b>36,820</b>
<b>TOTAL EQUITY AND TOTAL LIABILITIES</b>	<b>418,447</b>	<b>397,303</b>

Millions of Euros		
MEMORANDUM ITEM	December 2016	December 2015
Financial guarantees given	39,704	39,850
Contingent commitments	71,162	58,255

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.

Income Statements for the year ended December 31, 2016 and 2015 of BBVA, S.A	Millions of Euros	
	December 2016	December 2015
INTEREST AND SIMILAR INCOME	6,236	6,506
INTEREST AND SIMILAR EXPENSES	(2,713)	(3,167)
<b>NET INTEREST INCOME</b>	<b>3,523</b>	<b>3,339</b>
DIVIDEND INCOME	2,854	2,117
SHARE OF PROFIT OR LOSS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	-	-
FEE AND COMMISSION INCOME	1,886	1,751
FEE AND COMMISSION EXPENSES	(353)	(289)
NET GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES GAINS OR (-) LOSSES ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	-	-
GAINS OR (-) LOSSES ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING, NET	(70)	151
GAINS OR (-) LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	955	775
GAINS OR (-) LOSSES FROM HEDGE ACCOUNTING, NET	(62)	(16)
EXCHANGE DIFFERENCES (NET)	305	224
OTHER OPERATING INCOME	140	114
OTHER OPERATING EXPENSES	(504)	(465)
<b>GROSS INCOME</b>	<b>8,674</b>	<b>7,701</b>
ADMINISTRATION COSTS	(4,247)	(3,756)
Personnel expenses	(2,502)	(2,198)
General and administrative expenses	(1,745)	(1,558)
DEPRECIATION	(575)	(519)
PROVISIONS OR (-) REVERSAL OF PROVISIONS	(1,187)	(651)
IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT ON FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	(949)	(1,304)
(Financial assets measured at cost)	(12)	(13)
(Available-for-sale financial assets)	(180)	-
(Loans and receivables)	(757)	(1,291)
(Held to maturity investments)	-	-
<b>NET OPERATING INCOME</b>	<b>1,716</b>	<b>1,471</b>
(IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES)	(147)	835
IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT ON NON- FINANCIAL ASSETS	(16)	(22)
Tangible assets	(16)	(22)
Intangible assets	-	-
Other assets	-	-
GAINS (LOSSES) ON DERECOGNIZED ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	12	8
NEGATIVE GOODWILL RECOGNISED IN PROFIT OR LOSS	-	-
PROFIT OR (-) LOSS FROM NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE NOT QUALIFYING AS DISCONTINUED OPERATIONS	(73)	760
<b>OPERATING PROFIT BEFORE TAX</b>	<b>1,492</b>	<b>3,052</b>
TAX EXPENSE OR (-) INCOME RELATED TO PROFIT OR LOSS FROM CONTINUING OPERATION	170	(188)
<b>PROFIT FROM CONTINUING OPERATIONS</b>	<b>1,662</b>	<b>2,864</b>
PROFIT FROM DISCONTINUED OPERATIONS (NET)	-	-
<b>PROFIT</b>	<b>1,662</b>	<b>2,864</b>

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.

Statements of Recognized Income and Expenses for the year ended December 31, 2016 and 2015 of BBVA, S.A	Millions of Euros	
	December 2016	December 2015
<b>PROFIT RECOGNIZED IN INCOME STATEMENT</b>	<b>1,662</b>	<b>2,864</b>
<b>OTHER RECOGNIZED INCOME (EXPENSES)</b>	<b>(744)</b>	<b>(1,309)</b>
<b>ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT</b>	<b>(21)</b>	<b>(2)</b>
<b>ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT</b>	<b>(723)</b>	<b>(1,307)</b>
<b>Hedge of net investments in foreign operations [effective portion]</b>		
<b>Foreign currency translation</b>	<b>(11)</b>	<b>13</b>
Translation gains or (-) losses taken to equity	18	30
Transferred to profit or loss	(29)	(17)
Other reclassifications	-	-
<b>Cash flow hedges [effective portion]</b>	<b>(74)</b>	<b>11</b>
Valuation gains or (-) losses taken to equity	(69)	20
Transferred to profit or loss	(5)	(9)
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
<b>Available-for-sale financial assets</b>	<b>(583)</b>	<b>(1,890)</b>
Valuation gains/(losses)	217	(723)
Amounts reclassified to income statement	(800)	(1,167)
Reclassifications (other)	-	-
<b>Non-current assets held for sale</b>	<b>-</b>	<b>-</b>
Valuation gains/(losses)	-	-
Amounts reclassified to income statement	-	-
Reclassifications (other)	-	-
<b>Income tax</b>	<b>(55)</b>	<b>560</b>
<b>TOTAL RECOGNIZED INCOME/EXPENSES</b>	<b>918</b>	<b>1,555</b>



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, 2016 of BBVA, S.A.

	Millions of Euros											
December 2016	Capital (Note 26)	Share Premium (Note 27)	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 comprehen- sive income	Total
<b>Balances as of January 1, 2016</b>	<b>3,120</b>	<b>23,992</b>	<b>28</b>	-	-	<b>22</b>	<b>7,787</b>	<b>(19)</b>	<b>2,864</b>	<b>(1,356)</b>	<b>382</b>	<b>36,820</b>
<b>Total income/expense recognized</b>	-	-	-	-	-	-	-	-	<b>1,662</b>	-	<b>(744)</b>	<b>918</b>
<b>Other changes in equity</b>	<b>98</b>	-	<b>18</b>	-	-	<b>(2)</b>	<b>1,559</b>	<b>(4)</b>	<b>(2,864)</b>	<b>(157)</b>	-	<b>(1,352)</b>
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)
<b>Balance as of December 31, 2016</b>	<b>3,218</b>	<b>23,992</b>	<b>46</b>	-	-	<b>20</b>	<b>9,346</b>	<b>(23)</b>	<b>1,662</b>	<b>(1,513)</b>	<b>(362)</b>	<b>36,386</b>

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, 2015 of BBVA, S.A.

Millions of Euros												
December 2015	Capital (Note 26)	Share Premium (Note 27)	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
<b>Balances as of January 1, 2015</b>	<b>3,024</b>	<b>23,992</b>	<b>47</b>	-	-	<b>23</b>	<b>7,619</b>	<b>(46)</b>	<b>1,105</b>	<b>(841)</b>	<b>1,691</b>	<b>36,614</b>
<b>Total income/expense recognized</b>	-	-	-	-	-	-	-	-	<b>2,864</b>	-	<b>(1,309)</b>	<b>1,555</b>
<b>Other changes in equity</b>	<b>96</b>	-	<b>(19)</b>	-	-	<b>(1)</b>	<b>168</b>	<b>27</b>	<b>(1,105)</b>	<b>(515)</b>	-	<b>(1,349)</b>
Issuances of common shares	96	-	-	-	-	-	(96)	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	(1,226)	-	(1,226)
Purchase of treasury shares	-	-	-	-	-	-	-	(2,297)	-	-	-	(2,297)
Sale or cancellation of treasury shares	-	-	-	-	-	-	(1)	2,324	-	-	-	2,323
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	(8)	-	-	(1)	272	-	(1,105)	842	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	(11)	-	-	-	(7)	-	-	(131)	-	(149)
<b>Balance as of December 31, 2015</b>	<b>3,120</b>	<b>23,992</b>	<b>28</b>	-	-	<b>22</b>	<b>7,787</b>	<b>(19)</b>	<b>2,864</b>	<b>(1,356)</b>	<b>382</b>	<b>36,820</b>

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.

Cash Flows Statements for the year ended December 31, 2016 and 2015 of BBVA, S.A	Millions of Euros	
	December 2016	December 2015
<b>CASH FLOW FROM OPERATING ACTIVITIES (1)</b>	<b>6,281</b>	<b>4,709</b>
<b>Profit for the year</b>	<b>1,662</b>	<b>2,864</b>
<b>Adjustments to obtain the cash flow from operating activities:</b>	<b>1,811</b>	<b>(1,769)</b>
Depreciation and amortization	574	519
Other adjustments	1,237	(2,288)
<b>Net increase/decrease in operating assets</b>	<b>(16,227)</b>	<b>11,515</b>
Financial assets held for trading	1,166	5,889
Other financial assets designated at fair value through profit or loss	-	-
Available-for-sale financial assets	21,597	1,564
Loans and receivables	(24,706)	3,861
Other operating assets	(14,284)	201
<b>Net increase/decrease in operating liabilities</b>	<b>19,205</b>	<b>(8,090)</b>
Financial liabilities held for trading	1,292	(4,003)
Other financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortized cost	15,847	(2,975)
Other operating liabilities	2,066	(1,112)
<b>Collection/Payments for income tax</b>	<b>(170)</b>	<b>189</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES (2)</b>	<b>(1,048)</b>	<b>(2,259)</b>
<b>Investment</b>	<b>(3,168)</b>	<b>(5,625)</b>
Tangible assets	(170)	(211)
Intangible assets	(320)	(298)
Investments	(246)	(4,114)
Subsidiaries and other business units	-	-
Non-current assets held for sale and associated liabilities	(674)	(1,002)
Held-to-maturity investments	(1,758)	-
Other settlements related to investing activities	-	-
<b>Divestments</b>	<b>2,120</b>	<b>3,366</b>
Tangible assets	20	12
Intangible assets	-	-
Investments	93	62
Subsidiaries and other business units	-	-
Non-current assets held for sale and associated liabilities	511	1,249
Held-to-maturity investments	1,321	-
Other collections related to investing activities	175	2,043

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Millions of Euros		
CASH FLOWS STATEMENTS (Continued)	December 2016	December 2015
<b>CASH FLOWS FROM FINANCING ACTIVITIES (3)</b>	<b>(501)</b>	<b>(302)</b>
<b>Investment</b>	<b>(3,247)</b>	<b>(4,124)</b>
Dividends	(1,497)	(916)
Subordinated liabilities	(180)	(767)
Common stock amortization	-	-
Treasury stock acquisition	(1,570)	(2,297)
Other items relating to financing activities	-	(144)
<b>Divestments</b>	<b>2,746</b>	<b>3,822</b>
Subordinated liabilities	1,000	1,500
Common stock increase	-	-
Treasury stock disposal	1,574	2,322
Other items relating to financing activities	172	-
<b>EFFECT OF EXCHANGE RATE CHANGES (4)</b>	<b>(67)</b>	<b>(302)</b>
<b>NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)</b>	<b>4,665</b>	<b>1,846</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>11,191</b>	<b>9,262</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>15,856</b>	<b>11,108</b>
Millions of Euros		
COMPONENTS OF CASH AND EQUIVALENTS AT END OF THE YEAR	December 2016	December 2015
Cash	879	825
Balance of cash equivalent in central banks	14,913	10,283
Other financial assets	63	-
Less: Bank overdraft refundable on demand	-	-
<b>TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>15,856</b>	<b>11,108</b>

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## APPENDIX X Information on data derived from the special accounting registry

Information required pursuant to Circular 5/2011 of the Bank of Spain is indicated as follows.

### a) Mortgage market policies and procedures

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 by BBVA staff 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 Group's Finance Division annually defines the wholesale finance issue strategy, and more specifically mortgage bond issues, such as mortgage covered bonds or mortgage securitization. The Assets and Liabilities Committee ("ALCO") 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 market conditions.

The Board of the Bank authorizes each of the issues of Mortgage Transfer Certificate and/or Mortgage Participation issued by BBVA to securitize loans and mortgage loans. Likewise, the Board of Directors authorize, under the power delegated by the Annual General Meeting held on March 13, 2015 under item three of the agenda, the establishment of a Base Prospectus for the issue of fixed-income securities through which the mortgage-covered bonds are implemented.

As established in article 24 of Royal Decree 716/2009, 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 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 must, on a general basis: (i) be secured by a first mortgage on the freehold; (ii) the loan's amount may not exceed 80% of the appraisal value for home mortgages, and 60% for other mortgage lending; (iii) be established on assets exclusively and wholly owned by the mortgagor; (iv) 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.

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## 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

		Millions of Euros	
Mortgage loans. Eligibility for the purpose of the mortgage market		2016	2015
Nominal value of outstanding loans and mortgage loans	(A)	113,977	98,555
<i>Minus: Nominal value of all outstanding loans and mortgage loans that form part of the portfolio, but have been mobilized through mortgage bond holdings or mortgage transfer certificates.</i>	(B)	(33,677)	(25,650)
<b>Nominal value of outstanding loans and mortgage loans, excluding securitized loans</b>	<b>(A)-(B)</b>	<b>80,300</b>	<b>72,905</b>
<i>Of which:</i>			-
Loans and mortgage loans which would be eligible if the calculation limits set forth in Article 12 of Spanish Royal Decree 716/2009 were not applied.	(C)	46,987	40,373
<i>Minus: Loans and mortgage loans which would be eligible but, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, cannot be used to collateralize any issuance of mortgage bonds.</i>	(D)	(2,268)	(2,213)
<b>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</b>	<b>(C)-(D)</b>	<b>44,719</b>	<b>38,160</b>
Issuance limit: 80% of eligible loans and mortgage loans that can be used as collateral	(E)	35,775	30,528
<b>Issued Mortgage-covered bonds</b>	<b>(F)</b>	<b>29,085</b>	<b>28,362</b>
<b>Outstanding Mortgage-covered bonds</b>		<b>24,670</b>	<b>25,220</b>
Capacity to issue mortgage-covered bonds	(E)-(F)	6,690	2,166
<i>Memorandum items:</i>			-
Percentage of overcollateralization across the portfolio		276%	257%
Percentage of overcollateralization across the eligible used portfolio		154%	135%
Nominal value of available sums (committed and unused) from all loans and mortgage loans.		2,917	1,999
<i>Of which:</i>			-
<i>Potentially eligible</i>		2,237	1,361
<i>Ineligible</i>		680	638
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.		25,282	25,350
Nominal value of the replacement assets subject to the issue of mortgage-covered bonds.		-	-

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Mortgage loans. Eligibility for the purpose of the mortgage market	Millions of Euros	
	December 2016	December 2015
<b>Total loans</b>	(1) <b>113,977</b>	<b>98,555</b>
<b>Issued mortgage participations</b>	(2) <b>2,865</b>	-
<i>Of which: recognized on the balance sheet</i>	695	-
<b>Issued mortgage transfer certificates</b>	(3) <b>30,812</b>	<b>25,650</b>
<i>Of which: recognized on the balance sheet</i>	28,778	25,612
<b>Mortgage loans as collateral of mortgages bonds</b>	(4)	-
<b>Loans supporting the issuance of mortgage-covered bonds</b>	1-2-3-4 <b>80,300</b>	<b>72,905</b>
Non eligible loans	33,313	32,532
Comply requirements to be eligible except the limit provided for under the article 5.1 of the Spanish Royal Decree 716/2009	25,282	25,350
Rest	8,031	7,182
Elegible loans	46,987	40,373
That can not be used as collateral for issuances	2,268	2,213
That can be used as collateral for issuances	44,719	38,160
Loans used to collateralize mortgage bonds	-	-
Loans used to collateralize mortgage-covered bonds	44,719	38,160

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Mortgage loans. Classification of the nominal values according to different characteristics	Millions of Euros					
	2016			2015		
	Total mortgage loans	Eligible Loans(*)	Elegibles that can be used as collateral for issuances (**)	Total mortgage loans	Eligible Loans(*)	Elegibles that can be used as collateral for issuances (**)
<b>TOTAL</b>	<b>80,300</b>	<b>46,987</b>	<b>44,719</b>	<b>72,905</b>	<b>40,373</b>	<b>38,160</b>
<b>By source of the operations</b>						
Originated by the bank	74,220	42,641	40,451	64,852	34,629	32,477
Subrogated by other institutions	904	685	678	554	459	457
Rest	5,176	3,661	3,590	7,499	5,285	5,226
<b>By Currency</b>						
In euros	79,422	46,594	44,341	72,331	40,013	37,811
In foreign currency	878	393	378	574	360	349
<b>By payment situation</b>						
Normal payment	61,264	40,685	40,389	56,192	34,987	34,330
Other situations	19,036	6,302	4,330	16,713	5,386	3,830
<b>By residual maturity</b>						
Up to 10 years	19,762	12,722	11,765	18,457	11,536	10,402
10 to 20 years	30,912	22,417	21,646	24,926	17,896	17,317
20 to 30 years	19,899	9,375	8,910	18,399	8,379	7,963
Over 30 years	9,727	2,473	2,398	11,123	2,562	2,478
<b>By Interest Rate</b>						
Fixed rate	4,460	1,680	1,559	3,169	944	759
Floating rate	75,840	45,307	43,160	69,736	39,429	37,401
Mixed rate	-	-	-	-	-	-
<b>By Target of Operations</b>						
For business activity	20,913	8,614	6,926	20,741	7,690	5,912
From wich: public housing	6,958	1,894	740	8,623	2,072	768
For households	59,387	38,373	37,793	52,164	32,683	32,248
<b>By type of guarantee</b>						
<b>Secured by completed assets/buildings</b>	<b>75,806</b>	<b>46,240</b>	<b>44,237</b>	<b>66,807</b>	<b>39,203</b>	<b>37,461</b>
Residential use	61,338	39,494	38,139	56,563	34,269	33,066
From wich: public housing	5,607	3,338	3,213	5,607	3,354	3,104
Commercial	5,453	2,563	2,289	9,645	4,574	4,046
Other	9,015	4,183	3,809	599	360	349
<b>Secured by assets/buildings under construction</b>	<b>1,914</b>	<b>413</b>	<b>295</b>	<b>2,125</b>	<b>367</b>	<b>277</b>
Residential use	1,457	290	187	1,642	235	158
From wich: public housing	57	11	10	84	5	4
Commercial	286	61	53	483	132	119
Other	171	62	55	-	-	-
<b>Secured by land</b>	<b>2,580</b>	<b>334</b>	<b>187</b>	<b>3,973</b>	<b>803</b>	<b>422</b>
Urban	-	-	-	1,590	334	105
Non-urban	2,580	334	187	2,383	469	317

(\*) 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 2016	Millions of Euros				
	Loan to Value (Last available appraisal risk)				
Nominal value of the total mortgage 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%	Total
Home mortgages	12,883	15,921	14,047	-	42,851
Other mortgages	2,150	1,986	-	-	4,136
<b>Total</b>	<b>15,033</b>	<b>17,907</b>	<b>14,047</b>	<b>-</b>	<b>46,987</b>



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Millions of Euros					
December 2015 Nominal value of the total mortgage loans	Loan to Value (Last available appraisal risk)				Total
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80%	
Home mortgages	9,364	12,730	12,690	-	34,784
Other mortgages	2,657	2,932			5,589
<b>Total</b>	<b>12,021</b>	<b>15,662</b>	<b>12,690</b>	<b>-</b>	<b>40,373</b>

Elegible and non eligible mortgage loans. Changes of the nominal values in the period	Millions of Euros			
	2016		2015	
	Eligible (*)	Non eligible	Eligible (*)	Non eligible
<b>Balance at the beginning</b>	<b>40,373</b>	<b>32,532</b>	<b>42,920</b>	<b>36,907</b>
<b>Retirements</b>	<b>7,458</b>	<b>11,489</b>	<b>5,772</b>	<b>9,218</b>
Held-to-maturity cancellations	3,552	2,084	4,175	2,487
Anticipated cancellations	1,479	1,971	1,236	2,268
Subrogations to other institutions	37	30	23	20
Rest	2,390	7,404	338	4,443
<b>Additions</b>	<b>14,072</b>	<b>12,270</b>	<b>3,225</b>	<b>4,843</b>
Originated by the bank	10,051	9,523	2,529	3,794
Subrogations to other institutions	283	162	14	12
Rest	3,738	2,585	682	1,037
<b>Balance at the end</b>	<b>46,987</b>	<b>33,313</b>	<b>40,373</b>	<b>32,532</b>

(\*) Not taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009

Millions of Euros		
Mortgage loans supporting the issuance of mortgage-covered bonds Nominal value.	December 2016	December 2015
Potentially eligible	2,237	1,361
Ineligible	680	638
<b>Total</b>	<b>2,917</b>	<b>1,999</b>

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## b.2) Liabilities operations

Issued Mortgage Bonds	Millions of Euros			
	December 2016		December 2015	
	Nominal value	Average residual maturity	Nominal value	Average residual maturity
<b>Mortgage bonds</b>	-		-	
<b>Mortgage-covered bonds (*)</b>	<b>29,085</b>		<b>28,362</b>	
<i>Of which: Non recognized as liabilities on balance</i>	4,414		3,142	
<i>Of Which: outstanding</i>	24,670		25,220	
Debt securities issued through public offer	20,773		21,523	
Residual maturity up to 1 year	8,272		4,500	
Residual maturity over 1 year and less than 2 years	-		6,772	
Residual maturity over 2 years and less than 3 years	-		-	
Residual maturity over 3 years and less than 5 years	4,801		2,051	
Residual maturity over 5 years and less than 10 years	7,500		8,000	
Residual maturity over 10 years	200		200	
Debt securities issued without public offer	4,321		2,765	
Residual maturity up to 1 year	150		-	
Residual maturity over 1 year and less than 2 years	-		150	
Residual maturity over 2 years and less than 3 years	-		-	
Residual maturity over 3 years and less than 5 years	1,550		-	
Residual maturity over 5 years and less than 10 years	2,500		2,500	
Residual maturity over 10 years	121		115	
Deposits	3,991		4,074	
Residual maturity up to 1 year	460		1,064	
Residual maturity over 1 year and less than 2 years	791		460	
Residual maturity over 2 years and less than 3 years	380		639	
Residual maturity over 3 years and less than 5 years	671		422	
Residual maturity over 5 years and less than 10 years	839		849	
Residual maturity over 10 years	850		640	
<b>Mortgage participations</b>	<b>695</b>	196	-	
<b>Mortgage transfer certificates</b>	<b>28,778</b>	<b>286</b>	<b>25,612</b>	<b>293</b>
Issued through public offer	28,778	286	25,612	293
Issued without public offer	-	-	-	-

(\*) Including mortgage-covered bonds hold by the BBVA Group's companies

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.

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.

## 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, 2016 and 2015 is as follows:

DECEMBER 2016							
BALANCE OF FORBEARANCE							
(Millions of Euros)							
TOTAL							
Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	
Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Maximum amount of secured loans that can be considered			
				Real estate mortgage secured	Rest of secured loans		
<b>Credit institutions</b>	-	-	-	-	-	-	-
<b>General Governments</b>	24	8	12	711	98	584	6
<b>Other financial corporations and individual entrepreneurs (financial business)</b>	3,349	59	71	18	5	-	8
<b>Non-financial corporations and individual entrepreneurs (corporate non-financial activities)</b>	125,328	5,057	25,327	9,643	4,844	124	5,310
<i>Of which: financing the construction and property (including land)</i>	1,519	496	5,102	4,395	694	-	2,552
<b>Rest homes (*)</b>	116,961	1,550	103,868	9,243	7,628	18	1,474
<b>Total</b>	<b>245,662</b>	<b>6,674</b>	<b>129,378</b>	<b>19,615</b>	<b>12,576</b>	<b>726</b>	<b>6,798</b>

Of which: IMPAIRED							
Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	
Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Maximum amount of secured loans that can be considered			
				Real estate mortgage secured	Rest of secured loans		
<b>Credit institutions</b>	-	-	-	-	-	-	-
<b>General Governments</b>	12	8	53	33	27	-	4
<b>Other financial corporations and individual entrepreneurs (financial business)</b>	131	8	22	2	0	-	5
<b>Non-financial corporations and individual entrepreneurs (corporate non-financial activities)</b>	103,310	2,857	16,327	6,924	3,002	53	4,986
<i>Of which: financing the construction and property (including land)</i>	1,191	304	4,188	3,848	494	-	2,499
<b>Rest homes (*)</b>	72,189	672	47,767	4,366	3,271	3	1,285
<b>Total</b>	<b>175,652</b>	<b>3,545</b>	<b>64,169</b>	<b>11,325</b>	<b>6,301</b>	<b>57</b>	<b>6,281</b>

(a) 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.

(\*) Number of operations does not include Garanti Bank

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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	
Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Maximum amount of secured loans that can be considered			
				Real estate mortgage secured	Rest of secured loans		
<b>Credit institutions</b>	-	-	-	-	-	-	-
<b>General Governments</b>	71	33	75	794	75	1,397	9
<b>Other financial corporations and individual entrepreneurs (financial business)</b>	261	49	97	14	16	-	174
<b>Non-financial corporations and individual entrepreneurs (corporate non-financial activities)</b>	43,807	7,184	28,897	12,754	4,866	854	6,104
<i>Of which: financing the construction and property (including land)</i>	2,899	1,109	8,042	5,842	2,917	8	3,072
<b>Rest homes (*)</b>	182,924	2,291	124,473	10,882	9,723	22	1,705
<b>Total</b>	<b>227,063</b>	<b>9,557</b>	<b>153,542</b>	<b>24,443</b>	<b>14,681</b>	<b>2,273</b>	<b>7,993</b>

Of which: IMPAIRED							
Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	
Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Maximum amount of secured loans that can be considered			
				Real estate mortgage secured	Rest of secured loans		
<b>Credit institutions</b>	-	-	-	-	-	-	-
<b>General Governments</b>	31	13	7	5	3	-	6
<b>Other financial corporations and individual entrepreneurs (financial business)</b>	113	30	74	8	5	-	139
<b>Non-financial corporations and individual entrepreneurs (corporate non-financial activities)</b>	17,499	2,895	16,565	8,177	1,707	449	5,533
<i>Of which: financing the construction and property (including land)</i>	2,319	834	5,543	4,451	1,836	7	2,910
<b>Rest homes (*)</b>	80,652	772	44,195	4,172	2,897	11	1,454
<b>Total</b>	<b>98,295</b>	<b>3,710</b>	<b>60,841</b>	<b>12,361</b>	<b>4,612</b>	<b>460</b>	<b>7,132</b>

- a) 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.
- (\*) Number of operations does not include Garanti Bank

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 our relationship with the client) rather than for economic or legal reasons relating to the borrower's financial situation.

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.

The table below provides a roll forward of refinanced assets during 2016:

Refinanced assets Roll forward December 2016	Millions of Euros					
	Normal		Impaired		TOTAL	
	Risk	Coverage	Risk	Coverage	Risk	Coverage
<b>Balance at the beginning</b>	<b>17,929</b>	<b>861</b>	<b>16,071</b>	<b>7,132</b>	<b>34,000</b>	<b>7,993</b>
(+) 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)
<b>Ending Balance</b>	<b>11,418</b>	<b>517</b>	<b>14,869</b>	<b>6,281</b>	<b>26,288</b>	<b>6,798</b>

The table below provides a breakdown by segments of the forbearance operations (net of provisions) as of December 2016 and 2015:

Forbearance operations. Breakdown by segments	Millions of Euros	
	December 2016	December 2015
Credit institutions		
Central governments	713	818
Other financial corporations and individual entrepreneurs (financial activity)	69	(112)
Non-financial corporations and individual entrepreneurs (non-financial activity)	9,390	13,833
Of which: Financing the construction and property development (including land)	2,339	3,879
Households	9,319	11,468
<b>Total carrying amount</b>	<b>19,491</b>	<b>26,007</b>
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, 2016, the non performing ratio for each of the portfolios of renegotiated loans is as follows:

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).

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## b) Quantitative information on the concentration of risk by activity and guarantees

### Loans and advances to customers by activity (carrying amount)

December 2016	Millions of Euros							
	TOTAL (*)	Of which: Mortgage loans	Of which: Secured loans	Collateralized Credit Risk. Loan to value				
				Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
1 General governments	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
<b>SUBTOTAL</b>	<b>414,654</b>	<b>182,216</b>	<b>39,789</b>	<b>39,936</b>	<b>39,065</b>	<b>47,687</b>	<b>58,286</b>	<b>37,032</b>
5 Less: Valuation adjustments due to impairment of assets not attributable to specific operations	-	-	-	-	-	-	-	-
<b>6 TOTAL</b>	<b>414,654</b>	<b>182,216</b>	<b>39,789</b>	<b>39,936</b>	<b>39,065</b>	<b>47,687</b>	<b>58,286</b>	<b>37,032</b>
MEMORANDUM:								
Forbearance operations (****)	19,491	8,031	6,504	3,703	1,845	2,316	2,091	4,580

(\*) The amounts included in this table are net of impairment losses.

(\*\*) Small and medium enterprises

(\*\*\*) Nonprofit institutions serving households.

(\*\*\*\*) Net of provisions

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Millions of Euros								
December 2015	TOTAL (*)	Of which: Mortgage loans	Of which: Secured loans	Collateralized Credit Risk. Loan to value				
				Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
1 Government agencies	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
<b>SUBTOTAL</b>	<b>418,462</b>	<b>185,278</b>	<b>39,396</b>	<b>46,490</b>	<b>50,102</b>	<b>59,756</b>	<b>43,498</b>	<b>24,830</b>
5 Less: Valuation adjustments due to impairment of assets not attributable to specific operations	4,233	-	-	-	-	-	-	-
<b>6 TOTAL</b>	<b>414,230</b>	<b>185,278</b>	<b>39,396</b>	<b>46,490</b>	<b>50,102</b>	<b>59,756</b>	<b>43,498</b>	<b>24,830</b>
MEMORANDUM:								
Forbearance operations (****)	26,080	10,931	7,457	2,728	1,797	2,575	4,665	6,623
Valuation adjustments due to impairment of assets not attributable to specific operations	63							

(\*) 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.

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 2014	Millions of Euros								
	TOTAL (*)	Of which: Mortgage loans	Of which: Secured loans	Collateralized Credit Risk. Loan to value					
				Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%	
1 Government agencies	38,765	2,279	4,082	389	348	448	2,005	3,171	
2 Other financial institutions	16,516	649	9,951	623	371	155	8,801	650	
3 Non-financial institutions and individual entrepreneurs	133,577	33,185	16,878	13,780	9,955	11,390	6,826	8,112	
3.1 Construction and property development	11,896	10,697	784	2,143	2,229	2,873	1,959	2,277	
3.2 Construction of civil works	6,252	1,182	609	368	327	416	368	312	
3.3 Other purposes	115,429	21,306	15,485	11,269	7,399	8,101	4,499	5,523	
3.3.1 Large companies	75,808	8,060	11,470	4,874	3,861	5,509	2,899	2,387	
3.3.2 SMEs (**) and individual entrepreneurs	39,621	13,246	4,015	6,395	3,538	2,592	1,600	3,136	
4 Rest of households and NPISHs (***)	152,533	111,298	7,950	22,050	28,301	40,428	16,448	12,021	
4.1 Housing	107,549	105,542	437	18,586	25,956	37,079	14,127	10,231	
4.2 Consumption	28,642	2,707	5,832	2,106	1,517	2,322	1,698	896	
4.3 Other purposes	16,342	3,049	1,681	1,358	828	1,027	623	894	
<b>SUBTOTAL</b>	<b>341,391</b>	<b>147,411</b>	<b>38,861</b>	<b>36,842</b>	<b>38,975</b>	<b>52,421</b>	<b>34,080</b>	<b>23,954</b>	
5 Less: Valuation adjustments due to impairment of assets not attributable to specific operations	2,606								
<b>6 TOTAL</b>	<b>338,785</b>	<b>147,411</b>	<b>38,861</b>	<b>36,842</b>	<b>38,975</b>	<b>52,421</b>	<b>34,080</b>	<b>23,954</b>	
MEMORANDUM:									
Forbearance operations	24,218	17,088	1,444	2,807	2,298	3,102	3,250	7,075	
(*) 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.									



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c) Information on the concentration of risk by activity and geographical areas.

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
<b>SUBTOTAL</b>	694,044	256,813	100,428	238,834	97,968
Less: Valuation adjustments due to impairment of assets not attributable to specific operations	-	-	-	-	-
<b>TOTAL</b>	<b>694,044</b>	<b>256,813</b>	<b>100,428</b>	<b>238,834</b>	<b>97,968</b>

(\*) 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.

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MILLIONS OF EUROS					
December 2015	TOTAL(*)	Spain	European Union Other	America	Other
Credit institutions	81,106	13,014	37,738	20,675	9,679
Government agencies	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
<b>SUBTOTAL</b>	<b>710,311</b>	<b>277,932</b>	<b>96,146</b>	<b>239,956</b>	<b>96,276</b>
Less: Valuation adjustments due to impairment of assets not attributable to specific operations	(4,313)				
<b>TOTAL</b>	<b>705,998</b>				

(\*) 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, Derivatives, Derivatives - Hedge accounting, Investments in subsidiaries, joint ventures and associates and guarantees given. The amounts included in this table are net of impairment losses.

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December 2014	MILLIONS OF EUROS				
	TOTAL(*)	Spain	Rest of European Union	America	Other
Credit institutions	79,081	13,764	41,614	16,454	7,249
Government agencies	139,222	71,274	13,540	53,718	690
Central Administration	94,079	43,114	13,036	37,391	538
Other	45,143	28,160	504	16,327	152
Other financial institutions	41,477	14,639	11,811	14,772	255
Non-financial institutions and individual entrepreneurs	182,632	70,830	23,399	82,737	5,666
Construction and property development	16,468	6,946	69	9,447	6
Construction of civil works	9,436	4,025	1,615	3,723	73
Other purposes	156,728	59,859	21,715	69,567	5,587
Large companies	106,448	41,167	19,189	41,337	4,755
SMEs and individual entrepreneurs	50,280	18,692	2,526	28,230	832
Other households and NPISHs	154,287	83,501	3,438	67,109	239
Housing	109,046	74,799	2,766	31,278	203
Consumer	28,642	5,699	562	22,378	3
Other purposes	16,599	3,003	110	13,453	33
<b>SUBTOTAL</b>	<b>596,699</b>	<b>254,008</b>	<b>93,802</b>	<b>234,790</b>	<b>14,099</b>
Less: Valuation adjustments due to impairment of assets not attributable to specific operations	2,629	-	-	-	-
<b>TOTAL</b>	<b>594,070</b>	<b>254,008</b>	<b>93,802</b>	<b>234,790</b>	<b>14,099</b>

(\*) 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, Derivatives, Derivatives - Hedge accounting, Investments in subsidiaries, joint ventures and associates and guarantees given. The amounts included in this table are net of impairment losses.

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## 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, 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 2016	December 2015
Spain	60,434	74,020
Turkey	10,478	12,037
Italy	12,206	10,694
France	518	1,029
Portugal	586	704
Germany	521	560
United Kingdom	17	4
Ireland	-	1
Greece	-	-
Rest of Europe	940	1,278
<b>Subtotal Europe</b>	<b>85,699</b>	<b>100,327</b>
Mexico	26,942	22,192
The United States	16,039	11,378
Venezuela	179	152
Rest of countries	3,814	3,711
<b>Total Rest of Countries</b>	<b>46,974</b>	<b>37,433</b>
<b>Total Exposure to Financial Instruments</b>	<b>132,674</b>	<b>137,760</b>

(\*) In addition, as of December 31, 2016 and 2015, undrawn lines of credit, granted mainly to the Spanish General Governments and amounted to €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, 2016 and 2015 by type of financial instrument and the country of residence of the counterparty, under EBA (European Banking Authority) requirements:

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.

Millions of Euros

Exposure to Sovereign Risk by European Union Countries December 2016	Debt securities				Loans and receivables	Derivatives						Total	%
	Financial Assets Held-for-Trading	Financial assets designated at fair value through profit or loss	Available-for-Sale Financial Assets	Held-to-maturity investment		Direct exposure			Indirect exposure				
						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	0%
Germany	82	-	-	-	-	-	-	-	(5)	203	(249)	30	0%
Portugal	54	-	1	-	285	1,150	0	(215)	10	1	(6)	1,280	2%
United Kingdom	-	-	-	-	16	-	-	-	(9)	1	(0)	8	0%
Greece	-	-	-	-	-	-	-	-	-	-	-	-	0%
Hungary	-	-	-	-	-	-	-	-	-	-	-	-	0%
Ireland	-	-	-	-	0	-	-	-	-	-	-	0	0%
Rest of European Union	195	-	469	-	36	-	-	-	30	13	(6)	736	1%
<b>Total Exposure to Sovereign Counterparties (European Union)</b>	<b>3,482</b>	<b>-</b>	<b>18,660</b>	<b>10,783</b>	<b>25,259</b>	<b>2,936</b>	<b>88</b>	<b>(242)</b>	<b>(2,053)</b>	<b>2,527</b>	<b>(2,759)</b>	<b>58,680</b>	<b>100%</b>

- (1) 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.
- (2) Includes credit derivatives CDS (Credit Default Swaps) shown at fair value.

Millions of Euros

Exposure to Sovereign Risk by European Union Countries (1) December 2015	Debt securities				Loans and receivables	Derivatives (2)						Total	%
	Financial Assets Held-for-Trading	Financial assets designated at fair value through profit or loss	Available-for-Sale Financial Assets	Held-to-maturity investment		Direct exposure			Indirect exposure				
						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	85.7%
Italy	1,205	-	7,385	-	80	-	-	-	258	12	(26)	8,656	11.8%
France	531	-	10	-	34	-	-	-	141	2	(31)	546	0.7%
Germany	162	-	-	-	-	-	-	-	166	-	(21)	141	0.2%
Portugal	179	-	1	-	428	1,161	2	(225)	90	1	(1)	384	0.5%
United Kingdom	-	-	-	-	-	-	-	-	13	2	(1)	2	0.0%
Greece	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Hungary	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Ireland	1	-	-	-	-	-	-	-	-	-	-	1	0.0%
Rest of European Union	319	-	429	-	38	-	-	-	33	15	(8)	794	1.1%
<b>Total Exposure to Sovereign Counterparties (European Union)</b>	<b>7,689</b>	<b>-</b>	<b>39,446</b>	<b>-</b>	<b>26,691</b>	<b>3,033</b>	<b>127</b>	<b>(263)</b>	<b>(1,084)</b>	<b>115</b>	<b>(172)</b>	<b>73,634</b>	<b>100%</b>

- (1) 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, 2015) is not included.
- (2) Includes credit derivatives CDS (Credit Default Swaps) shown at fair value.

As of December 31, 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:

Millions of Euros

Maturities of Sovereign Risks European Union December 2016	Debt securities				Loans and receivables	Derivatives						Total	%
	Financial Assets Held-for-Trading	Financial assets designated at fair value through profit or loss	Available-for-Sale Financial Assets	Held-to-maturity investment		Direct exposure			Indirect exposure				
						Notional value	Fair value +	Fair value -	Notional value	Fair value +	Fair value -		
<b>Spain</b>	<b>927</b>	<b>-</b>	<b>13,385</b>	<b>8,063</b>	<b>24,835</b>	<b>1,786</b>	<b>88</b>	<b>(27)</b>	<b>(744)</b>	<b>993</b>	<b>(1,569)</b>	<b>47,737</b>	<b>81%</b>
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)	0	(0)	16,004	27%
Over 5 Years	(1,259)	-	9,380	2,755	4,595	577	56	(27)	(6)	-	(4)	16,068	27%
<b>Rest of European Union</b>	<b>2,554</b>	<b>-</b>	<b>5,275</b>	<b>2,719</b>	<b>424</b>	<b>1,150</b>	<b>0</b>	<b>(215)</b>	<b>(1,309)</b>	<b>1,534</b>	<b>(1,191)</b>	<b>10,943</b>	<b>19%</b>
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	0	(12)	194	19	(50)	6,322	11%
Over 5 Years	1,414	-	3,186	761	175	770	-	(203)	218	8	(86)	6,243	11%
<b>Total Exposure to European Union Sovereign Counterparties</b>	<b>3,482</b>	<b>-</b>	<b>18,660</b>	<b>10,783</b>	<b>25,259</b>	<b>2,936</b>	<b>88</b>	<b>(242)</b>	<b>(2,053)</b>	<b>2,527</b>	<b>(2,759)</b>	<b>58,680</b>	<b>100.0%</b>

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Millions of Euros													
Maturities of Sovereign Risks European Union December 2015	Debt securities				Loans and receivables	Derivatives						Total	%
	Financial Assets Held- for-Trading	Financial assets designated at fair value through profit or loss	Available-for- Sale Financial Assets	Held-to- maturity investment		Direct exposure			Indirect exposure				
						Notional value	Fair value +	Fair value -	Notional value	Fair value +	Fair value -		
<b>Spain</b>	<b>5,293</b>	-	<b>31,621</b>	-	<b>26,111</b>	<b>1,871</b>	<b>125</b>	<b>(37)</b>	<b>(1,785)</b>	<b>82</b>	<b>(84)</b>	<b>63,112</b>	<b>86%</b>
Up to 1 Year	4,552	-	5,665	-	10,267	242	2	(19)	(1,721)	79	(77)	20,469	27.8%
1 to 5 Years	662	-	11,890	-	10,693	932	25	(1)	(48)	-	(1)	23,269	31.6%
Over 5 Years	79	-	14,067	-	5,151	698	98	(17)	(17)	3	(7)	19,373	26.3%
<b>Rest of European Union</b>	<b>2,396</b>	-	<b>7,825</b>	-	<b>580</b>	<b>1,161</b>	<b>2</b>	<b>(225)</b>	<b>702</b>	<b>32</b>	<b>(88)</b>	<b>10,522</b>	<b>14.3%</b>
Up to 1 Year	1,943	-	40	-	24	319	2	(4)	292	5	(6)	2,005	2.7%
1 to 5 Years	237	-	4,150	-	245	-	-	-	161	23	(29)	4,626	6.3%
Over 5 Years	216	-	3,635	-	311	842	-	(221)	248	4	(53)	3,891	5.3%
<b>Total Exposure to European Union Sovereign Counterparties</b>	<b>7,689</b>	-	<b>39,446</b>	-	<b>26,691</b>	<b>3,033</b>	<b>127</b>	<b>(263)</b>	<b>(1,084)</b>	<b>115</b>	<b>(172)</b>	<b>73,634</b>	<b>100.0%</b>

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## 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, 2016 and 2015, exposure to the construction sector and real-estate activities in Spain stood at €15,285 and €18,744 million, respectively. Of that amount, risk from loans to construction and real-estate development activities accounted for €7,930 and €9,681 million, respectively, representing 4.5% and 6.0% of loans and advances to customers of the balance of business in Spain (excluding the general governments) and 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, 2016 and 2015 is shown below:

<b>Millions of Euros</b>			
<b>December 2016</b>	<b>Gross Amount</b>	<b>Drawn Over the Guarantee Value</b>	<b>Accumulated impairment</b>
<b>Financing Allocated to Construction and Real Estate Development and its Coverage</b>			
<b>Financing to construction and real estate development (including land) (Business in Spain)</b>	<b>7,930</b>	<b>3,449</b>	<b>(2,944)</b>
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)		

<b>Millions of Euros</b>			
<b>December 2015</b>	<b>Gross Amount</b>	<b>Drawn Over the Guarantee Value</b>	<b>Accumulated impairment</b>
<b>Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase</b>			
<b>Financing to construction and real estate development (including land) (Business in Spain)</b>	<b>9,681</b>	<b>4,132</b>	<b>(3,801)</b>
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)	750,078		
Impairment and provisions for normal exposures	(4,549)		

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The following is a description of the real estate credit risk based on the types of associated guarantees:

Millions of Euros		
Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase	December 2016	December 2015
<b>Without secured loan</b>	<b>801</b>	<b>1,157</b>
<b>With secured loan</b>	<b>7,129</b>	<b>8,524</b>
Terminated buildings	3,875	4,941
Homes	2,954	4,112
Other	921	829
Buildings under construction	760	688
Homes	633	660
Other	127	28
Land	2,494	2,895
Urbanized land	1,196	1,541
Rest of land	1,298	1,354
<b>Total</b>	<b>7,930</b>	<b>9,681</b>

As of December 31, 2016 and 2015, 48.9% and 51.0% of loans to developers were guaranteed with buildings (76.2% and 83.2%, are homes), and only 31.5% and 29.9% by land, of which 48.0% and 53.2% are in urban locations, respectively.

The table below provides the breakdown of the financial guarantees given as of December 31, 2016 and 2015:

Millions of Euros		
Financial guarantees given	2016	2015
Houses purchase loans	62	57
Without mortgage	18	23

The information on the retail mortgage portfolio risk (housing mortgage) as of December 31, 2016 and 2015 is as follows:

Millions of Euros		
Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase December 2016	Gross amount	Of which: impaired loans
Houses purchase loans	87,874	4,938
Without mortgage	1,935	93
With mortgage	85,939	4,845



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Millions of Euros		
Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase December 2015	Gross amount	Of which: impaired loans
Houses purchase loans	91,150	4,869
With mortgage	1,480	24
Without mortgage	89,670	4,845

The loan to value (LTV) ratio of the above portfolio is as follows:

Millions of Euros						
Total risk over the amount of the last valuation available (Loan To Value -LTV)						
December 2016 LTV Breakdown of mortgage to households for the purchase of a home (Business in Spain)	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	13,780	18,223	20,705	15,967	17,264	85,939
<i>of which: Impaired loans</i>	306	447	747	962	2,383	4,845

Millions of Euros						
Total risk over the amount of the last valuation available (Loan To Value -LTV)						
December 2015 LTV Breakdown of mortgage to households for the purchase of a home (Business in Spain)	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	18,294	27,032	30,952	7,489	5,903	89,670
<i>of which: Impaired loans</i>	202	392	771	991	2,489	4,845

Outstanding home mortgage loans as of December 31, 2016 and 2015 had an average LTV of 47% and 46% respectively.

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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 2016			
	Gross Value	Provisions	Of wich: Valuation adjustments on impaired assets, at the time of foreclosure	Carrying Amount
<b>Real estate assets from loans to the construction and real estate development sectors in Spain.</b>	<b>8,017</b>	<b>5,290</b>	<b>2,790</b>	<b>2,727</b>
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
<b>Real estate assets from mortgage financing for households for the purchase of a home</b>	<b>4,332</b>	<b>2,588</b>	<b>1,069</b>	<b>1,744</b>
<b>Rest of foreclosed real estate assets</b>	<b>1,856</b>	<b>1,006</b>	<b>225</b>	<b>850</b>
<b>Equity instruments, investments and financing to non-consolidated companies holding said assets</b>	<b>1,240</b>	<b>549</b>	<b>451</b>	<b>691</b>
<b>Total</b>	<b>15,445</b>	<b>9,433</b>	<b>4,535</b>	<b>6,012</b>

Information about Assets Received in Payment of Debts (Business in Spain)	Millions of Euros			
	December 2015			
	Gross Value	Provisions	Of wich: Valuation adjustments on impaired assets, at the time of foreclosure	Carrying Amount
<b>Real estate assets from loans to the construction and real estate development sectors in Spain.</b>	<b>8,938</b>	<b>5,364</b>	<b>2,838</b>	<b>3,574</b>
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
<b>Real estate assets from mortgage financing for households for the purchase of a home</b>	<b>4,937</b>	<b>2,687</b>	<b>1,143</b>	<b>2,250</b>
<b>Rest of foreclosed real estate assets</b>	<b>1,368</b>	<b>678</b>	<b>148</b>	<b>690</b>
<b>Equity instruments, investments and financing to non-consolidated companies holding said assets</b>	<b>895</b>	<b>532</b>	<b>433</b>	<b>363</b>
<b>Total</b>	<b>16,138</b>	<b>9,261</b>	<b>4,562</b>	<b>6,877</b>

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As of December 31, 2016 and 2015, the gross book value of the Group's real-estate assets from corporate financing of real-estate construction and development was €8,017 and €8,938 million, respectively, with an average coverage ratio of 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, 2016 and 2015, amounted to €4,332 and €4,937 million, respectively, with an average coverage ratio of 59.7% and 54.4%, respectively.

As of December 31, 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 €14,205 and €15,243 million, respectively. The coverage ratio was 62.5% and 57.3%, respectively.

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### c) Concentration of risk by geography

Below is a breakdown of the balances of financial instruments registered in the accompanying consolidated balance sheets by their concentration in geographical areas and according to the residence of the customer or counterparty. It does not take into account impairment losses or loan-loss provisions:

Millions of Euros								
Risks by Geographical Areas December 2016	Spain	Europe, Excluding Spain	Mexico	USA	Turkey	South America	Other	Total
<b>Derivatives</b>	<b>7,143</b>	<b>26,176</b>	<b>2,719</b>	<b>4,045</b>	<b>175</b>	<b>1,359</b>	<b>1,339</b>	<b>42,955</b>
<b>Equity instruments (*)</b>	<b>4,641</b>	<b>2,303</b>	<b>2,383</b>	<b>831</b>	<b>57</b>	<b>316</b>	<b>706</b>	<b>11,236</b>
<b>Debt securities</b>	<b>49,355</b>	<b>20,325</b>	<b>22,380</b>	<b>18,043</b>	<b>11,695</b>	<b>7,262</b>	<b>1,923</b>	<b>130,983</b>
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
<b>Loans and advances</b>	<b>187,717</b>	<b>45,075</b>	<b>52,230</b>	<b>61,739</b>	<b>61,090</b>	<b>58,020</b>	<b>5,067</b>	<b>470,938</b>
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
<b>Total Risk in Financial Assets</b>	<b>248,856</b>	<b>93,880</b>	<b>79,712</b>	<b>84,657</b>	<b>73,016</b>	<b>66,956</b>	<b>9,036</b>	<b>656,112</b>
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
<b>Off-balance sheet exposures</b>	<b>49,940</b>	<b>36,878</b>	<b>14,545</b>	<b>38,179</b>	<b>14,098</b>	<b>11,012</b>	<b>3,461</b>	<b>168,113</b>
<b>Total Risks in Financial Instruments</b>	<b>298,796</b>	<b>130,757</b>	<b>94,257</b>	<b>122,836</b>	<b>87,114</b>	<b>77,968</b>	<b>12,497</b>	<b>824,225</b>

(\*) Equity instruments are shown net of valuation adjustment.

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Millions of Euros								
Risks by Geographical Areas December 2015	Spain	Europe, Excluding Spain	Mexico	USA	Turkey	South America	Other	Total
<b>Derivatives</b>	<b>7,627</b>	<b>25,099</b>	<b>1,707</b>	<b>2,989</b>	<b>139</b>	<b>2,116</b>	<b>1,225</b>	<b>40,902</b>
<b>Equity instruments (*)</b>	<b>5,061</b>	<b>2,103</b>	<b>2,328</b>	<b>1,077</b>	<b>65</b>	<b>317</b>	<b>987</b>	<b>11,937</b>
<b>Debt securities</b>	<b>62,668</b>	<b>21,589</b>	<b>25,464</b>	<b>19,132</b>	<b>13,388</b>	<b>7,317</b>	<b>2,302</b>	<b>151,859</b>
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
<b>Loans and advances</b>	<b>204,089</b>	<b>40,546</b>	<b>61,112</b>	<b>68,235</b>	<b>63,447</b>	<b>59,001</b>	<b>5,842</b>	<b>502,271</b>
Central banks	7,657	1,955	4,013	5,816	7,281	9,463	91	36,275
General governments	23,549	580	8,241	4,443	271	1,318	209	38,611
Credit institutions	4,206	15,265	5,257	3,742	1,914	1,676	1,017	33,076
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
<b>Total Risk in Financial Assets</b>	<b>279,445</b>	<b>89,338</b>	<b>90,611</b>	<b>91,432</b>	<b>77,038</b>	<b>68,751</b>	<b>10,355</b>	<b>706,969</b>
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
<b>Off-balance sheet exposures</b>	<b>48,396</b>	<b>36,260</b>	<b>23,191</b>	<b>37,541</b>	<b>24,762</b>	<b>12,527</b>	<b>2,933</b>	<b>185,609</b>
<b>Total Risks in Financial Instruments</b>	<b>327,841</b>	<b>125,597</b>	<b>113,801</b>	<b>128,973</b>	<b>101,800</b>	<b>81,278</b>	<b>13,288</b>	<b>892,578</b>

(\*) 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.

*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.*

The breakdown of loans and advances in the heading of Loans and receivables, impaired by geographical area as of December 31, 2016 and 2015 is as follows:

Impaired Financial Assets by geographic area	Millions of Euros	
	December 2016	December 2015
Spain	16,812	19,921
Rest of Europe	704	790
Mexico	1,152	1,277
South America	1,589	1,162
The United States	975	579
Turkey	1,693	1,628
Rest of the world	-	-
<b>IMPAIRED RISKS</b>	<b>22,925</b>	<b>25,358</b>

## 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

In accordance with Article 89 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD), and its application to Spanish Law through Law 10/2014 of Structuring, Supervision and Solvency of Financial Institutions of June 26, the information required under article 87.1 of said law for the year ended December 31, 2016 is provided below.

Country	December 31, 2016					Activity	Main Entity
	CIT payments cash basis	CIT expense consol	PBT consol	Turnover	Nº Employees (*)		
Mexico	792	707	2,672	6,682	37,378	Finance, banking and insurance services	BBVA Bancomer SA
Spain	74	(108)	(608)	6,457	31,451	Finance, banking and insurance services and real estate	BBVA SA
Turkey	320	375	1,758	3,919	22,006	Finance, banking and insurance services	Turkiye Garanti Bankasi
United States (**)	170	161	625	2,707	10,544	Finance and banking services	Compass Bank, Inc.
Colombia	131	130	360	874	7,228	Finance, banking and insurance services	BBVA Colombia SA
Argentina	88	134	396	1,086	6,439	Finance, banking and insurance services	BBVA Banco Frances SA
Peru	176	128	485	1,084	6,010	Finance and banking services	BBVA Banco Continental SA
Venezuela	5	38	31	52	4,877	Finance, banking and insurance services	BBVA Banco Provincial SA
Chile	15	38	218	697	4,522	Finance, banking and insurance services	BBVA Chile SA
Romania	-	(1)	9	120	1,290	Finance and banking services	Garanti Bank SA
Uruguay	23	16	31	142	618	Finance and banking services	BBVA Uruguay SA
Portugal	5	21	74	98	490	Financial services	BBVA Portugal SA
Paraguay	1	3	28	81	463	Financial services	BBVA Paraguay SA
Bolivia	2	2	7	25	366	Financial services	BBVA Previsión AFP SA
Netherlands	6	10	38	104	248	Finance and banking services	Garantibank International NV
United Kingdom	-	(16)	20	84	150	Financial services	BBVA - London branch
Switzerland	6	3	11	46	125	Financial services	BBVA - Switzerland SA
Hong Kong	-	-	1	61	89	Financial services	BBVA - Hong-Kong branch
France	14	13	36	65	78	Financial services	BBVA - Paris branch
Italy	37	14	41	57	61	Financial services	BBVA - Rome branch
Germany	22	20	44	55	45	Financial services	BBVA - Frankfurt branch
Belgium	-	-	4	7	32	Financial services	BBVA - Brussels branch
Luxembourg (***)	7	2	5	10	20	Financial services	Garanti - Luxembourg branch
Ireland	2	2	15	11	4	Finance, banking and insurance services	BBVA Ireland PCL
Russia (****)	-	-	2	6	-	Financial services	Moscow branch
China	4	-	(1)	-	23	Financial services	BBVA - Shanghai branch
Brazil	-	1	2	5	8	Financial services	BBVA Brasil Banco de Investimento,
Curaçao	-	-	2	4	11	Financial services	Banco Provincial Overseas NV
Singapore	1	1	4	7	10	Financial services	BBVA - Singapore branch
Japan	-	-	(6)	(3)	10	Financial services	BBVA - Tokio branch
South Korea	-	-	(7)	3	17	Financial services	BBVA - Seoul branch
Taiwan	-	1	5	9	7	Financial services	BBVA - Taipei branch
Finland	-	-	(2)	-	39	Banking services	Holvi Payment Service OY
Cyprus (***)	1	2	9	14	105	Financial services	BBVA - Nicosia branch
Malta (***)	4	2	83	84	12	Financial services	BBVA - Valleta branch
<b>Total</b>	<b>1,906</b>	<b>1,699</b>	<b>6,392</b>	<b>24,653</b>	<b>134,776</b>		

(\*) Number of full-time employees. 16 employees of Representative Office are not included.

(\*\*) Including the figures from the Cayman Islands branch.

(\*\*\*) Figures from these branches are also taxed in Turkey.

(\*\*\*\*) Garanti Bank Moscow was sold on December 2016.

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As of December 31, 2016, the return of the Group's assets calculated by dividing the "Profit" between "Total Assets" is 0.64%.

In 2016 (\*), BBVA group has not received public aid for the financial sector which has the aim of promoting the carrying out of banking activities and which is significant. This statement is made for the purposes of article 89 of Directive 2013/36/UE of the European Parliament and of the Council of June 26 (on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms) and its transposition to Spanish legislation by means of Law 10/2014 on Monitoring, Supervision and Solvency of Credit Institutions of June 26.

(\*) BBVA disclosed by means of public relevant events: (i) on 07/27/2012 the closing of the acquisition of UNNIM Banc, S.A. and (ii) on 04/24/2015 the closing of the acquisition of Catalunya Banc, S.A.



## APPENDIX XIV - Reconciliation of Financial Statements

Current format		Previous format	
ASSETS	Millions of Euros December 2015	ASSETS	Millions of Euros December 2015
<b>CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS (1)</b>	<b>29,282</b>	<b>CASH AND BALANCES WITH CENTRAL BANKS</b>	<b>43,467</b>
<b>FINANCIAL ASSETS HELD FOR TRADING</b>	<b>78,326</b>	<b>FINANCIAL ASSETS HELD FOR TRADING</b>	<b>78,326</b>
Derivatives	40,902	Loans and advances to credit institutions	-
Equity instruments	4,534	Loans and advances to customers	65
Debt securities	32,825	Debt securities	32,825
Loans and advances to central banks	-	Equity instruments	4,534
Loans and advances to credit institutions	-	Trading derivatives	40,902
Loans and advances to customers	65		
<b>OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>2,311</b>	<b>OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>2,311</b>
Equity instruments	2,075	Loans and advances to credit institutions	62
Debt securities	173	Loans and advances to customers	-
Loans and advances to central banks	-	Debt securities	173
Loans and advances to credit institutions	62	Equity instruments	2,075
Loans and advances to customers	-		
<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>	<b>113,426</b>	<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>	<b>113,426</b>
Equity instruments	5,116	Debt securities	108,310
Debt securities	108,310	Equity instruments	5,116
<b>LOANS AND RECEIVABLES (2)</b>	<b>471,828</b>	<b>LOANS AND RECEIVABLES</b>	<b>457,644</b>
Debt securities	10,516	Loans and advances to credit institutions	32,962
Loans and advances to central banks	17,830	Loans and advances to customers	414,165
Loans and advances to credit institutions	29,317	Debt securities	10,516
Loans and advances to customers	414,165		

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.

Current format	
Millions of Euros	
ASSETS (Continued)	December 2015
<b>HELD-TO-MATURITY INVESTMENTS</b>	-
<b>HEDGING DERIVATIVES</b>	3,538
<b>FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK</b>	45
<b>INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES</b>	879
Joint ventures	243
Associates	636
<b>REINSURANCE ASSETS</b>	511
<b>TANGIBLE ASSETS</b>	9,944
Property, plants and equipment	8,477
For own use	8,021
Other assets leased out under an operating lease	456
Investment properties	1,467
<b>INTANGIBLE ASSETS</b>	10,052
Goodwill	6,915
Other intangible assets	3,137
<b>TAX ASSETS</b>	17,779
Current	1,901
Deferred	15,878
<b>OTHER ASSETS</b>	8,566
Insurance contracts linked to pensions	-
Inventories	4,303
Rest	4,263
<b>NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE (3)</b>	3,369
<b>TOTAL ASSETS</b>	749,855

Previous format	
Millions of Euros	
ASSETS (Continued)	December 2015
<b>HELD-TO-MATURITY INVESTMENTS</b>	-
<b>FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK</b>	45
<b>HEDGING DERIVATIVES</b>	3,538
<b>NON-CURRENT ASSETS HELD FOR SALE</b>	3,369
<b>INVESTMENTS IN ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD</b>	879
Associates	636
Joint ventures	243
<b>INSURANCE CONTRACTS LINKED TO PENSIONS</b>	-
<b>REINSURANCE ASSETS</b>	511
<b>TANGIBLE ASSETS</b>	9,944
Property, plants and equipment	8,477
For own use	8,021
Other assets leased out under an operating lease	456
Investment properties	1,467
<b>INTANGIBLE ASSETS</b>	10,052
Goodwill	6,915
Other intangible assets	3,137
<b>TAX ASSETS</b>	17,779
Current	1,901
Deferred	15,878
<b>OTHER ASSETS</b>	8,566
Inventories	4,303
Rest	4,263
<b>TOTAL ASSETS</b>	749,855

(1) The main differences with regard to the heading "Cash and deposits with central banks" are the inclusion of the balances deposited in Credit Institutions and the reclassification of Loans at central banks to the heading Loans and Receivables

(2) The main differences with regard to the heading "Loans and receivables" are the inclusion of loans at central banks and the reclassification of balances deposited in Credit institutions to the heading "Cash, cash balances at central banks and other demand deposits"

(3) Corresponding to the heading "Non-current asset held-for-sale" of the previous format

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.

Current format	
LIABILITIES	Millions of Euros December 2015
<b>FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>55,203</b>
Trading derivatives	42,149
Short positions	13,053
Deposits from central banks	-
Deposits from credit institutions	-
Customer deposits	-
Debt certificates	-
Other financial liabilities	-
<b>OTHER FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>2,649</b>
Deposits from central banks	-
Deposits from credit institutions	-
Customer deposits	-
Debt certificates	-
Other financial liabilities	2,649
Of which: Subordinated liabilities (1)	-
<b>FINANCIAL LIABILITIES AT AMORTIZED COST</b>	<b>606,113</b>
Deposits from central banks	40,087
Deposits from credit institutions	68,543
Customer deposits	403,362
Debt certificates	81,980
Other financial liabilities	12,141
Of which: Subordinated liabilities (1)	16,109
<b>HEDGING DERIVATIVES</b>	<b>2,726</b>
<b>FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK</b>	<b>358</b>
<b>LIABILITIES UNDER INSURANCE CONTRACTS</b>	<b>9,407</b>
<b>PROVISIONS</b>	<b>8,852</b>
Provisions for pensions and similar obligations	6,299
Other long term employee benefits	68
Provisions for taxes and other legal contingencies	616
Provisions for contingent risks and commitments	714
Other provisions	1,155
<b>TAX LIABILITIES</b>	<b>4,656</b>
Current	1,238
Deferred	3,418
<b>OTHER LIABILITIES</b>	<b>4,610</b>
<b>LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>694,573</b>

(1) Subordinated financial liabilities: In the current format they are classified in the subheading Customer deposits and debt certificates

Previous format	
LIABILITIES	Millions of Euros December 2015
<b>FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>55,203</b>
Deposits from central banks	-
Deposits from credit institutions	-
Customer deposits	-
Debt certificates	-
Trading derivatives	42,149
Short positions	13,053
Other financial liabilities	-
<b>OTHER FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>2,649</b>
Deposits from central banks	-
Deposits from credit institutions	-
Customer deposits	-
Debt certificates	-
Subordinated liabilities	-
Other financial liabilities	2,649
<b>FINANCIAL LIABILITIES AT AMORTIZED COST</b>	<b>606,113</b>
Deposits from central banks	40,087
Deposits from credit institutions	68,543
Customer deposits	403,069
Debt certificates	66,165
Subordinated liabilities	16,109
Other financial liabilities	12,141
<b>FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK</b>	<b>358</b>
<b>HEDGING DERIVATIVES</b>	<b>2,726</b>
<b>LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE</b>	<b>-</b>
<b>LIABILITIES UNDER INSURANCE CONTRACTS</b>	<b>9,407</b>
<b>PROVISIONS</b>	<b>8,852</b>
Provisions for pensions and similar obligations (2)	6,299
Provisions for taxes and other legal contingencies	616
Provisions for contingent risks and commitments	714
Other provisions	1,223
<b>TAX LIABILITIES</b>	<b>4,656</b>
Current	1,238
Deferred	3,418
<b>OTHER LIABILITIES</b>	<b>4,610</b>
<b>TOTAL LIABILITIES</b>	<b>694,573</b>

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Current format	
Millions of Euros	
EQUITY	December 2015
<b>SHAREHOLDERS' FUNDS</b>	<b>50,639</b>
<b>Capital</b>	<b>3,120</b>
Paid up capital	3,120
Unpaid capital which has been called up	-
<b>Share premium</b>	<b>23,992</b>
<b>Equity instruments issued other than capital</b>	<b>-</b>
Equity component of compound financial instruments	-
Other equity instruments issued	-
<b>Other equity</b>	<b>35</b>
<b>Retained earnings</b>	<b>22,588</b>
<b>Revaluation reserves</b>	<b>22</b>
<b>Other reserves</b>	<b>(98)</b>
Reserves or accumulated losses of investments in subsidiaries, joint ventures and associates	(98)
Other	-
<b>Less: Treasury shares</b>	<b>(309)</b>
<b>Profit or loss attributable to owners of the parent</b>	<b>2,642</b>
<b>Less: Interim dividends</b>	<b>(1,352)</b>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (2)</b>	<b>(3,349)</b>
<b>Items that will not be reclassified to profit or loss</b>	<b>(859)</b>
Actuarial gains or (-) losses on defined benefit pension plans	(859)
Non-current assets and disposal groups classified as held for sale	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	-
Other adjustments	-
<b>Items that may be reclassified to profit or loss</b>	<b>(2,490)</b>
Hedge of net investments in foreign operations [effective portion]	(274)
Foreign currency translation	(3,905)
Hedging derivatives. Cash flow hedges [effective portion]	(49)
Available-for-sale financial assets	1,674
Non-current assets and disposal groups classified as held for sale	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	64
<b>NON-CONTROLLING INTEREST</b>	<b>7,992</b>
Valuation adjustments	(1,333)
Rest	9,325
<b>TOTAL EQUITY</b>	<b>55,282</b>
<b>TOTAL EQUITY AND TOTAL LIABILITIES</b>	<b>749,855</b>

MEMORANDUM ITEM	December 2015
<b>Financial guarantees given</b>	<b>49,876</b>
<b>Contingent commitments</b>	<b>135,733</b>

(1) The heading of Reserves are disclosed in three headings under the current format: Retained earnings, Revaluation Reserves and Other Reserves  
(2) Accumulated other comprehensive income corresponds to the heading Valuation Adjustment, with a higher breakdown and different order of the subheadings

Previous format	
Millions of Euros	
EQUITY	December 2015
<b>SHAREHOLDERS' FUNDS</b>	<b>50,639</b>
<b>Common Stock</b>	<b>3,120</b>
Issued	3,120
Unpaid and uncalled (-)	-
<b>Share premium</b>	<b>23,992</b>
<b>Reserves (1)</b>	<b>22,512</b>
Accumulated reserves (losses)	22,610
Reserves (losses) of entities accounted for using the equity method	(98)
<b>Other equity instruments</b>	<b>35</b>
Equity component of compound financial instruments	-
Other equity instruments	35
<b>Less: Treasury stock</b>	<b>(309)</b>
<b>Income attributed to the parent company</b>	<b>2,642</b>
<b>Less: Dividends and remuneration</b>	<b>(1,352)</b>
<b>VALUATION ADJUSTMENTS</b>	<b>(3,349)</b>
Available-for-sale financial assets	1,674
Cash flow hedging	(49)
Hedging of net investment in foreign transactions	(274)
Exchange differences	(3,905)
Non-current assets held-for-sale	-
Entities accounted for using the equity method	64
Other valuation adjustments	(859)
<b>NON-CONTROLLING INTEREST</b>	<b>7,992</b>
Valuation adjustments	(1,333)
Rest	9,325
<b>TOTAL EQUITY</b>	<b>55,282</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>749,855</b>

MEMORANDUM ITEM	December 2015
<b>CONTINGENT RISKS</b>	<b>49,876</b>
<b>CONTINGENT COMMITMENTS</b>	<b>135,733</b>

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Current format		Previous format	
		Millions of Euros	Millions of Euros
STATEMENT OF PROFIT OR LOSS	December 2015	STATEMENT OF PROFIT OR LOSS	December 2015
INTEREST AND SIMILAR INCOME	24,783	INTEREST AND SIMILAR INCOME	24,783
INTEREST AND SIMILAR EXPENSES	(8,761)	INTEREST AND SIMILAR EXPENSES	(8,761)
<b>NET INTEREST INCOME</b>	<b>16,022</b>	<b>NET INTEREST INCOME</b>	<b>16,022</b>
DIVIDEND INCOME	415	<b>DIVIDEND INCOME</b>	<b>415</b>
SHARE OF PROFIT OR LOSS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	174	SHARE OF PROFIT OR LOSS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	174
FEE AND COMMISSION INCOME	6,340	FEE AND COMMISSION INCOME	6,340
FEE AND COMMISSION EXPENSES	(1,729)	FEE AND COMMISSION EXPENSES	(1,729)
NET GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES	865	NET GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES (1)	865
GAINS OR (-) LOSSES ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	1,055	Financial instruments held for trading	(409)
GAINS OR (-) LOSSES ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING, NET	(409)	Other financial instruments at fair value through profit or loss	117
GAINS OR (-) LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	126	Other financial instruments not at fair value through profit or loss	1,157
GAINS OR (-) LOSSES FROM HEDGE ACCOUNTING, NET	93	Rest	-
EXCHANGE DIFFERENCES (NET)	1,165	EXCHANGE DIFFERENCES (NET)	1,165
OTHER OPERATING INCOME (2)	1,315	OTHER OPERATING INCOME (2)	4,993
OTHER OPERATING EXPENSES (2)	(2,285)	OTHER OPERATING EXPENSES (2)	(4,883)
INCOME ON INSURANCE AND REINSURANCE CONTRACTS (2)	3,678		
EXPENSES ON INSURANCE AND REINSURANCE CONTRACTS (2)	(2,599)		
<b>GROSS INCOME</b>	<b>23,362</b>	<b>GROSS INCOME</b>	<b>23,362</b>
ADMINISTRATION COSTS	(10,836)	ADMINISTRATION COSTS	(10,836)
Personnel expenses	(6,273)	Personnel expenses	(6,273)
General and administrative expenses	(4,563)	General and administrative expenses	(4,563)
DEPRECIATION	(1,272)	DEPRECIATION AND AMORTIZATION	(1,272)
PROVISIONS OR (-) REVERSAL OF PROVISIONS	(731)	PROVISIONS (NET)	(731)
IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT ON FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	(4,272)	IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)	(4,272)
(Financial assets measured at cost)			
(Available- for-sale financial assets)			
(Loans and receivables)	(4,248)	Loans and receivables	(4,248)
(Held to maturity investments)	(23)	Other financial instruments not at fair value through profit or loss	(23)
<b>NET OPERATING INCOME</b>	<b>6,251</b>	<b>NET OPERATING INCOME</b>	<b>6,251</b>

(1) The heading net gains (losses) on financial assets and liabilities was eliminated but the breakdown is maintained

(2) The headings Other operating income and Other operating expenses of the previous format are broken down in four headings under the new format, separating the income and expenses covered by insurance and reinsurance contracts.

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Current format		Previous format	
(Continued)	December 2015	(Continued)	December 2015
<b>NET OPERATING INCOME</b>	<b>6,251</b>	<b>NET OPERATING INCOME</b>	<b>6,251</b>
IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT ON NON-FINANCIAL ASSETS	(273)	IMPAIRMENT LOSSES ON OTHER ASSETS (NET)	(273)
Tangible assets	(60)		
Intangible assets	(4)	Goodwill and other intangible assets	(4)
Other assets	(209)	Other assets	(269)
GAINS (LOSSES) ON DERECOGNIZED OF NON FINANCIAL ASSETS AND SUBSIDIARIES, NET	(2,135)	GAINS (LOSSES) ON DERECOGNIZED OF NON FINANCIAL ASSETS AND SUBSIDIARIES, NET	(2,135)
NEGATIVE GOODWILL RECOGNISED IN PROFIT OR LOSS	26		26
PROFIT OR (-) LOSS FROM NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE NOT QUALIFYING AS DISCONTINUED OPERATIONS	734	GAINS (LOSSES) IN NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	734
<b>OPERATING PROFIT BEFORE TAX</b>	<b>4,603</b>	<b>OPERATING PROFIT BEFORE TAX</b>	<b>4,603</b>
TAX EXPENSE OR (-) INCOME RELATED TO PROFIT OR LOSS FROM CONTINUING OPERATION	(1,274)	INCOME TAX	(1,274)
<b>PROFIT FROM CONTINUING OPERATIONS</b>	<b>3,328</b>	<b>PROFIT FROM CONTINUING OPERATIONS</b>	<b>3,328</b>
PROFIT FROM DISCONTINUED OPERATIONS (NET)	-	PROFIT FROM DISCONTINUED OPERATIONS (NET)	-
<b>PROFIT</b>	<b>3,328</b>	<b>PROFIT</b>	<b>3,328</b>
Attributable to minority interest [non-controlling interests]	686	Profit attributable to parent company	2,642
Attributable to owners of the parent	2,642	Profit attributable to non-controlling interests	686

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## Glossary

Additional Tier 1 Capital	Includes: Preferred stock and convertible perpetual securities and deductions
Adjusted acquisition cost	The acquisition cost of the securities less accumulated amortizations, plus interest accrued, but not net of any other valuation adjustments.
Amortized cost	The amortized cost of a financial asset is the amount at which it was measured at initial recognition minus principal repayments, plus or minus, as warranted, the cumulative amount taken to profit or loss using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or change in measured value.
Associates	Companies in which the Group has a significant influence, without having control. Significant influence is deemed to exist when the Group owns 20% or more of the voting rights of an investee directly or indirectly.
Available-for-sale financial assets	Available-for-sale (AFS) financial assets are debt securities that are not classified as held-to-maturity investments or as financial assets designated at fair value through profit or loss (FVTPL) and equity instruments that are not subsidiaries, associates or jointly controlled entities and have not been designated as at FVTPL.
Basic earnings per share	Calculated by dividing "Profit attributable to Parent Company" corresponding to ordinary shareholders of the entity by the weighted average number of shares outstanding throughout the year (i.e., excluding the average number of treasury shares held over the year).
Basis risk	Risk arising from hedging exposure to one interest rate with exposure to a rate that reprices under slightly different conditions.
Business combination	A business combination is a transaction, or any other event, through which a single entity obtains the control of one or more businesses.
Cash flow hedges	Those that hedge the exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.
Commissions	Income and expenses relating to commissions and similar fees are recognized in the consolidated income statement using criteria that vary according to their nature. The most significant income and expense items in this connection are: <ul style="list-style-type: none"> <li>· Fees and commissions relating linked to financial assets and liabilities measured at fair value through profit or loss, which are recognized when collected</li> <li>· 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.</li> <li>· Fees and commissions generated by a single act are accrued upon execution of that act.</li> </ul>

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<p>Consolidated statements of cash flows</p>	<p>The indirect method has been used for the preparation of the consolidated statement of cash flows. This method starts from the entity's consolidated profit and adjusts its amount for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with cash flows classified as investment or finance. As well as cash, short-term, highly liquid investments subject to a low risk of changes in value, such as cash and deposits in central banks, are classified as cash and equivalents.</p> <p>When preparing these financial statements the following definitions have been used:</p> <ul style="list-style-type: none"> <li>· Cash flows: Inflows and outflows of cash and equivalents.</li> <li>· Operating activities: The typical activities of credit institutions and other activities that cannot be classified as investment or financing activities.</li> <li>· 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.</li> <li>· 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.</li> </ul>
<p>Consolidated statements of changes in equity</p>	<p>The consolidated statements of changes in equity reflect all the movements generated in each year in each of the headings of the consolidated equity, including those from transactions undertaken with shareholders when they act as such, and those due to changes in accounting criteria or corrections of errors, if any.</p> <p>The applicable regulations establish that certain categories of assets and liabilities are recognized at their fair value with a charge to equity. These charges, known as "Valuation adjustments" (see Note 31), are included in the Group's total consolidated equity net of tax effect, which has been recognized as deferred tax assets or liabilities, as appropriate.</p>
<p>Consolidated statements of recognized income and expenses</p>	<p>The consolidated statements of recognized income and expenses reflect the income and expenses generated each year. Such statement distinguishes between income and expenses recognized in the consolidated income statements and "Other recognized income (expenses)" recognized directly in consolidated equity. "Other recognized income (expenses)" include the changes that have taken place in the year in the "Valuation adjustments" broken down by item.</p> <p>The sum of the changes to the heading "Other comprehensive income" of the consolidated total equity and the consolidated profit for the year comprise the "Total recognized income/expenses of the year".</p>
<p>Contingencies</p>	<p>Current obligations of the entity arising as a result of past events whose existence depends on the occurrence or non-occurrence of one or more future events independent of the will of the entity.</p>
<p>Contingent commitments</p>	<p>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.</p>



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Control	<p>An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An investor controls an investee if and only if the investor has all the following:</p> <p>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.</p> <p>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.</p> <p>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.</p>
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.
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.

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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.

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Exchange/translation differences	Exchange differences (P&L): Includes the earnings obtained in currency trading and the differences arising on translating monetary items denominated in foreign currency to the functional currency. Exchange differences (valuation adjustments): those recorded due to the translation of the financial statements in foreign currency to the functional currency of the Group and others recorded against equity.
Exposure at default	EAD is the amount of risk exposure at the date of default by the counterparty.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Fair value hedges	Derivatives that hedge the exposure to changes in the fair value of assets and liabilities or firm commitments that have not been recognized, or of an identified portion of said assets, liabilities or firm commitments, attributable to a specific risk, provided it could affect the income statement.
Financial guarantees	Contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs when a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument, irrespective of its instrumentation. These guarantees may take the form of deposits, technical or financial guarantees, insurance contracts or credit derivatives.
Financial guarantees given	Transactions through which the entity guarantees commitments assumed by third parties in respect of financial guarantees granted or other types of contracts.
Financial instrument	A financial instrument is any contract that gives rise to a financial asset of one entity and to a financial liability or equity instrument of another entity.
Financial liabilities at amortized cost	Financial liabilities that do not meet the definition of financial liabilities designated at fair value through profit or loss and arise from the financial entities' ordinary activities to capture funds, regardless of their instrumentation or maturity.
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.
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").

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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: <ul style="list-style-type: none"> <li>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).</li> <li>b) A significant or prolonged drop in fair value below cost in the case of equity instruments.</li> </ul>
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: <ul style="list-style-type: none"> <li>a) its assets, including any share of the assets of joint ownership;</li> <li>b) its liabilities, including any share of the liabilities incurred jointly;</li> <li>c) income from the sale of its share of production from the joint venture;</li> <li>d) its share of the proceeds from the sale of production from the joint venturer; and</li> <li>e) its expenses, including any share of the joint expenses.</li> </ul> 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.

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Leases	<p>A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time, a stream of cash flows that is essentially equivalent to the combination of principal and interest payments under a loan agreement.</p> <p>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.</p> <p>b) A lease will be classified as operating lease when it is not a financial lease.</p>
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	<p>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:</p> <p>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.</p> <p>b) the sale is considered highly probable.</p>
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.

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Option risk	Risks arising from options, including embedded options.
Other financial assets/liabilities at fair value through profit or loss	<p>Instruments designated by the entity from the inception at fair value with changes in profit or loss.</p> <p>An entity may only designate a financial instrument at fair value through profit or loss, if doing so more relevant information is obtained, because:</p> <p>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.</p> <p>b) The performance of a group of financial assets or financial liabilities is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.</p> <p>These are financial assets managed jointly with "Liabilities under insurance contracts" measured at fair value, in combination with derivatives written with a view to significantly mitigating exposure to changes in these contracts' fair value, or in combination with financial liabilities and derivatives designed to significantly reduce global exposure to interest rate risk.</p> <p>These headings include customer loans and deposits effected via so-called unit-linked life insurance contracts, in which the policyholder assumes the investment risk.</p>
Other Reserves	<p>This heading is broken down as follows:</p> <p>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.</p> <p>ii) Other: includes reserves different from those separately disclosed in other items and may include legal reserve and statutory reserve.</p>
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.
Potential problem risk	All debt instruments and contingent risks which do not meet the criteria to be classified individually as non-performing or written-off, but show weaknesses that may entail for the entity the need to assume losses greater than the hedges for impairment of risks subject to special monitoring.
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.

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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.

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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	<p>Is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. If an entity holds, directly or indirectly (i.e. through subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the entity holds, directly or indirectly (i.e. through subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.</p> <p>The existence of significant influence by an entity is usually evidenced in one or more of the following ways:</p> <ul style="list-style-type: none"> <li>a) representation on the board of directors or equivalent governing body of the investee;</li> <li>b) participation in policy-making processes, including participation in decisions about dividends or other distributions;</li> <li>c) material transactions between the entity and its investee;</li> <li>d) interchange of managerial personnel; or</li> <li>e) provision of essential technical information.</li> </ul>
Structured credit products	Special financial instrument backed by other instruments building a subordination structure.
Structured Entities	<p>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:</p> <ul style="list-style-type: none"> <li>a) restricted activities.</li> <li>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.</li> <li>c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support.</li> <li>d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).</li> </ul>
Subordinated liabilities	Financing received, regardless of its instrumentation, which ranks after the common creditors in the event of a liquidation.



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.

Subsidiaries	<p>Companies over which the Group exercises control. An entity is presumed to have control over another when it possesses the right to oversee its financial and operational policies, through a legal, statutory or contractual procedure, in order to obtain benefits from its economic activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of an entity's voting power, unless, exceptionally, it can be clearly demonstrated that ownership of more than one half of an entity's voting rights does not constitute control of it. Control also exists when the parent owns half or less of the voting power of an entity when there is:</p> <ul style="list-style-type: none"> <li>a) an agreement that gives the parent the right to control the votes of other shareholders;</li> <li>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;</li> <li>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.</li> </ul>
Tax liabilities	All tax related liabilities except for provisions for taxes.
Territorials bonds	Financial assets or fixed asset security issued with the guarantee of portfolio loans of the public sector of the issuing entity
Tier 1 Capital	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)	<p>Value at Risk (VaR) is the basic variable for measuring and controlling the Group's market risk. This risk metric estimates the maximum loss that may occur in a portfolio's market positions for a particular time horizon and given confidence level</p> <p>VaR figures are estimated following two methodologies:</p> <ul style="list-style-type: none"> <li>· 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.</li> <li>· VaR with smoothing, which weights more recent market information more heavily. This is a metric which supplements the previous one.</li> </ul> <p>VaR with smoothing adapts itself more swiftly to the changes in financial market conditions, whereas VaR without smoothing is, in general, a more stable metric that will tend to exceed VaR with smoothing when the markets show less volatile trends, while it will tend to be lower when they present upturns in uncertainty.</p>
Yield curve risk	Risks arising from changes in the slope and the shape of the yield curve.

# Management Report 2016

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# Introduction

BBVA is a customer-centric global financial services group founded in 1857. It has presence in **35 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 on high-growth markets and it relies on technology as a key sustainable competitive advantage.

BBVA has a **responsible banking** model based on seeking out a return adjusted to principles, legal compliance, best practices and the creation of long-term value for all its stakeholders.

## Strategy

BBVA Group is immersed in a transformation process necessary to adapt to the new environment of the financial industry and preserve its leadership. Success in this new environment requires a more selective approach, involving a redefinition of the value proposition and the adaptation of the universal banking business model.

In this context, the **goal** of BBVA Group's transformation strategy is to strengthen its relationship with its customers. This strategy is structured around a Purpose and six Strategic Priorities, which are the pillars buttressing not only the strategic plans across all the Group's regions and areas but also the culture of the Organization as a whole.

In 2016, BBVA Group made significant progress on its **Transformation Journey**. It has strengthened the Entity's new strategy, with particular focus on digitalization and customer experience, and has simplified the organizational structure.

### Our vision: A new environment for the financial industry

#### a) Digitalization

Digitalization is making an impact on the financial industry, since it can satisfy the new demands of customers in various ways.

Firstly, the entry of **mobile devices** has led to changes in the distribution model. Mobile devices have become the main channel of contact.

Moreover, new **developments in technology** (big data, artificial intelligence, Blockchain, the cloud, data processing, biometry, etc.) represent a major advance in customer experience.

New technologies foster the democratization of financial services: the entire world will be able to gain access to better and more sophisticated services that were up to now only available for high-value segments.

Additionally, **new, specialized players** are entering the financial industry and successfully tackling parts of the value chain (payments, financing, asset management, insurance, etc.). Their disruptive proposals are primarily based on improving customer experience and enhancing specialization in certain products. These players include FinTech companies and large digital corporations (Google, Amazon, etc.), which are now competing with banks in the new environment.

In conclusion, **traditional banking** should respond by becoming more competitive and providing value-added solutions, with greater focus on customer experience and the development of their digital offering.

#### b) Shift in consumer behavior

Customers are asking for a **new type of banking relationship** and have begun demanding new services based on new needs. We are currently in an environment where consumers are permanently connected; they are already accustomed to digital experiences and the use of multiple devices and applications. They are also calling for greater transparency and trust in their banking relationship, in addition to enhanced customization, accessibility and convenience in financial services in order to achieve their own goals in life.

Furthermore, a **socio-demographic shift** is underway that should also be considered. The Millennial Generation has a clearly digital profile and is becoming a new group of consumers requiring services. Digitalization is reaching the adult population, while the middle class in emerging countries is also increasing their digital potential.

### Our aspiration

In this context, the main objective of the BBVA Group's transformation strategy, i.e. our aspiration, is **to strengthen the relationship with our customers**. We want to help our customers take the best decisions (banking and non-banking) through an attractive experience (clear, simple, transparent,

based on fair conditions and concepts of prudence and integrity), and provide them the appropriate assistance and advice in order to cover all their financial needs.

## BBVA Transformation Journey

We have taken great strides in 2016 to fulfill our **Purpose**: "To bring the age of opportunity to everyone". We want to help our customers achieve their goals in life. We want to go beyond being a bank and become a vehicle of opportunities with a positive impact on the lives of people and on the business of companies.

In line with our Purpose, significant steps have also been taken in the development of the Group's six **Strategic Priorities** to make headway in our transformation process.

### Strategic Priorities

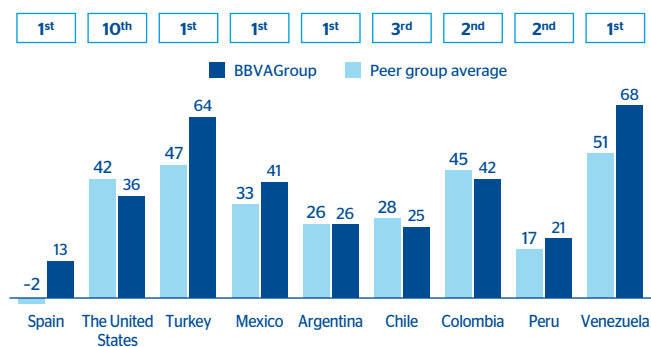


### 1. A new standard in customer experience

BBVA has a customer-oriented business model that offers a differential service with a very ambitious goal: **to be leaders in customer satisfaction across our global footprint.**

### Net Promoter Score by geography

(Percentage)

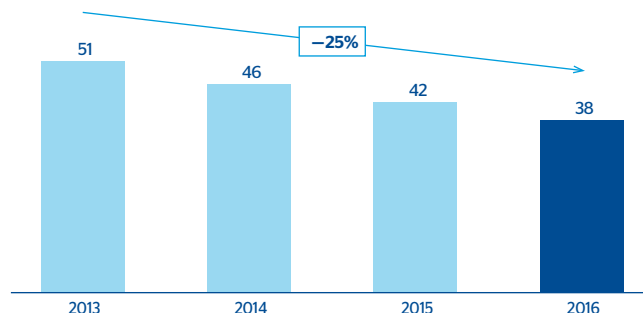


(1) Peer group. Spain: Santander, CaixaBank, Bankia, Sabadell, Popular // The United States: Bank of America, Bank of the West, Comerica, Frost, Chase, Regions, US Bank, Wells Fargo, PNC, BB&T // Turkey: Akbank, Isbank, YKB, Deniz, Finanz // Mexico: Banamex, Santander, Banorte, HSBC. NPS calculated according to the weight of the clients in each region // Argentina: Banco Galicia, HSBC, Santander Rio // Chile: BCI, Banco de Chile, Santander // Colombia: Bancolombia, Davivienda, Banco de Bogot // Peru: BCP, Interbank, Scotiabank // Venezuela: Banesco, Mercantil, Banco de Venezuela.

Our relationship model is evolving to adapt to our customers' multi-channel profile. The number of digital and mobile BBVA Group customers grew considerably in 2016, while branch activity has declined in recent years.

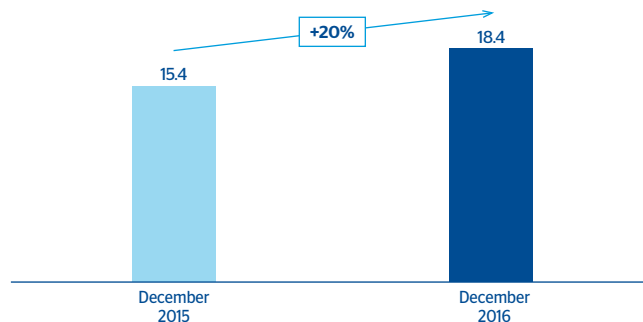
### BBVA Spain. Branch activity

(Millions of transactions)



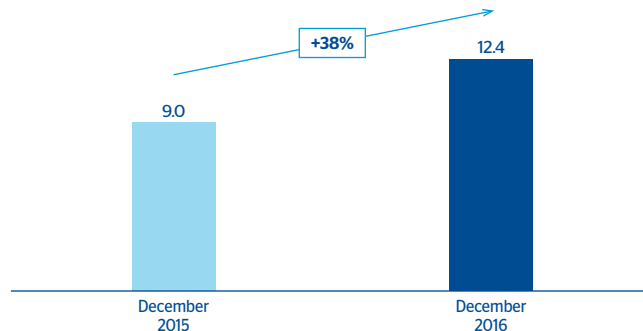
### BBVA Group. Digital customers

(Million)



### BBVA Group. Mobile customers

(Million)

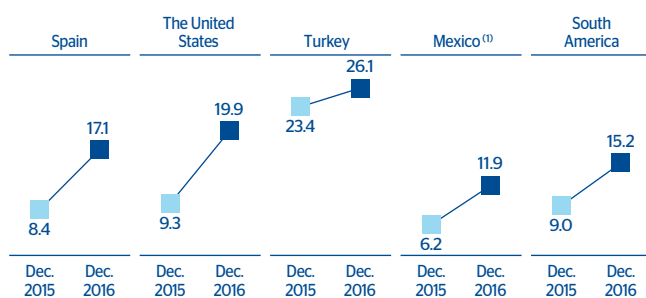


### 2. Driving digital sales

At BBVA, it is essential to drive digitalization for our transformation while boosting business on digital channels. In this regard, we are developing a range of digital products and services that enable customers to use the channel most convenient for them. Moreover, significant work is being carried out on **sales through digital channels**, which have been developing very positively in all countries.

## BBVA Group. Digital sales by geography

(Percentage of total sales YTD, number of transactions)



(1) Figures have been restated due to changes in the inclusion of some products.

### 3. New business models

In 2016 a major effort was also made to develop new business models, taking advantage of the FinTech ecosystem to develop our value proposition, basically leveraged on four drivers:

- Internal incubator; a model that combines internal talent and know-how with the partnership of “resident” entrepreneurs. As a result of this process we already have our first beta version company on the market: BBVA Open Platform. It is a pioneer in opening APIs (application programming interfaces) for third parties, with more than 100 users in the testing environment in Spain and over 300 in the United States.
- Strategic alliances, with four agreements reached during the year (Dwolla, Google, Prosper and R3).
- Merger & Acquisitions, such as Holvi, Atom and the conclusion of a purchase agreement for the Mexican company Openpay.
- Acquisitions by means of venture capital: Propel Venture Partners (Propel) is the new independent venture-capital firm that manages BBVA funds destined for startups that use technology for changing financial services for the benefit of our customers. BBVA has allocated US\$250 million for investment in FinTech companies, and these funds will be managed by the Propel team.

### 4. Optimizing capital allocation

The **objective** of this priority is centered on improving the profitability and sustainability of the business while simplifying and focusing it in on the most relevant activities.

We have been working throughout 2016 to adapt and make our business model more efficient, profitable and dynamic. A number of initiatives (business portfolio optimization, capital tracking committees in all geographic areas, etc.) have been launched that have ensured BBVA Group will achieve solid capital adequacy ratios. In this regard, at the end of 2016, BBVA Group had a fully-loaded CET1 of 10.9%, which represents a rise of 58 basis points on the figure of 10.3% at the close of 2015.

### 5. Unrivaled efficiency

In an environment of lower profit yields for the financial industry, efficiency has become an essential priority in the

BBVA transformation plan. This priority is based on building a new organizational model as agile, simple and automated as possible.

In this regard, in 2016 we identified the key levers and developed the action plans necessary to make this change a reality. We are thus transforming our distribution model, systems architecture, operational model, organizational structures and processes. And we are doing so without losing sight of providing a new standard in customer experience.

### 6. A first class workforce

Our priority at BBVA entails attracting, developing, motivating and retaining a first-class workforce, providing the best employee experience and bringing corporate culture into line with the Group's transformation process and its Purpose.

Achieving our **objectives** involves transforming the Organization by implementing new ways of working (organization based on projects, communities of expertise, agile methodology, collaborative tools, etc.) and boosting a culture of collaboration and entrepreneurship, with flatter structures. We have also launched a new model of variable remuneration, aligned with BBVA's strategic objectives. These initiatives will help ensure that BBVA is the best place to work.

### Bringing the BBVA Purpose to life

A year ago, BBVA's new **Purpose**, to bring the age of opportunity to everyone, was communicated internally to all our employees.

We're starting 2017 by communicating externally our message of bringing the age of opportunity to the communities we serve. We are doing that through the launch of our new corporate tagline: **Creating Opportunities**. This tagline was also the result of a collaborative effort. The final choice was the winner in every consumer survey.

Years ago, **Adelante** was an invitation to move forward. Now, we're inviting people and businesses to explore the opportunities that exist in a world where the access to knowledge through technology is opening all sorts of possibilities. At BBVA, we view ourselves as enablers to help people make better financial decisions, so they can seize opportunities, wherever they may be.

The new tagline comes with a bold new **brand identity** designed to create a stronger emotional connection through our different consumer touch points. Throughout 2017, this new BBVA Brand will be expressed in our online/mobile banking experience, through our advertising, in our social media, through the way the brand looks. We're committed to building an even more powerful BBVA Brand. That means making our Brand more attractive, not only visually, but providing it with more meaning.

## Responsible banking model

At BBVA we have a differential banking model that we refer to as responsible banking.

In 2016 the governance of the responsible banking model has been strengthened. Furthermore, this year a new **Plan 2016-2018** has been approved, with four main initiatives for the coming years:

1. Creation of lasting and more balanced relationships with our customers through transparent, clear and responsible communication and financial literacy in the solutions that we offer.
2. Full integration of how we do business through responsible business policies, a reputational risk model, and a people-centric culture throughout the Organization.
3. Promotion of responsible and sustainable growth through financial inclusion, sustainable finance, support for SMEs and responsible investment.
4. Investment in the community, with priority for financial literacy initiatives for society, entrepreneurship, knowledge

and other social causes that are relevant from a local point of view.

This responsible banking model is supervised by the Board of Directors and coordinated through the Group's Responsible Business unit.

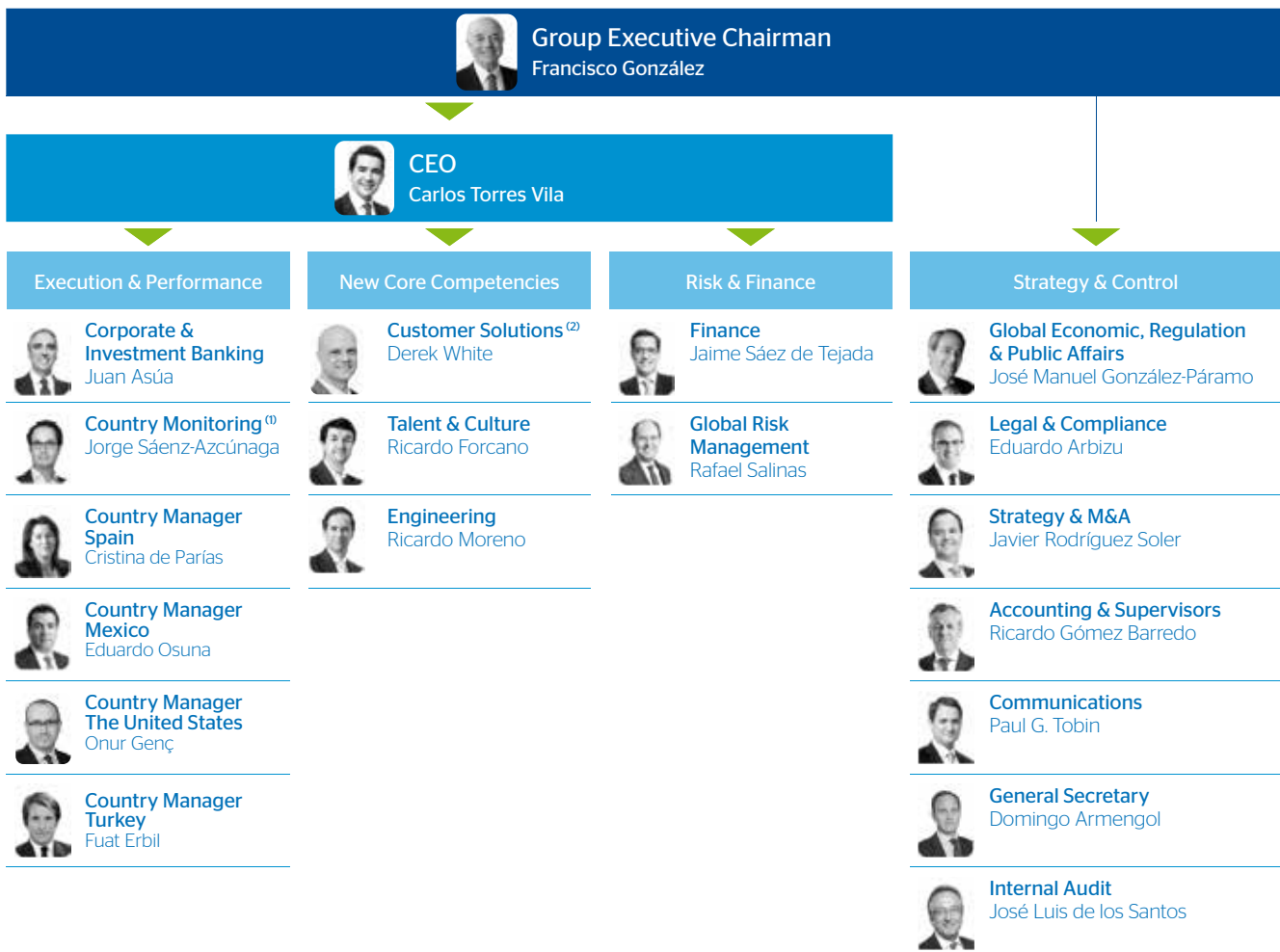
## Business organizational chart and structure

BBVA announced in July 2016 that it would simplify its organizational structure to streamline and accelerate transformation.

The main changes include direct reporting of the main business areas and geographies to the CEO, and the integration of key areas in Customer Solutions to develop our value proposal for customers globally and locally.

The new organizational chart is divided into four areas: Execution & Performance, New Core Competences, Risk & Finance and Strategy & Control. The CEO handles the first three functions while the Group Executive Chairman handles Strategy & Control.

### BBVA Group. Organizational chart



(1) Reporting channel to CEO for Argentina, Chile, Colombia, Peru, Venezuela, Uruguay and Paraguay, as well as monitoring of all countries, including Spain, Mexico, The United States and Turkey.

(2) Integrates Global Marketing & Digital Sales; Business Development in Spain, Mexico, Turkey, The United States and South America; Distribution model; Asset Management & Global Wealth; Insurance & Prevision; Consumer Finance and New Digital Businesses.

# BBVA Group highlights

## BBVA Group highlights

(Consolidated figures)

	31-12-16	Δ%	31-12-15	31-12-14
<b>Balance sheet (million euros)</b>				
Total assets	731,856	(2.4)	749,855	651,511
Loans and advances to customers (gross)	430,474	(0.6)	432,855	366,535
Deposits from customers	401,465	(0.5)	403,362	330,983
Other customer funds	132,092	0.2	131,822	120,631
Total customer funds	533,557	(0.3)	535,184	451,614
Total equity	55,428	0.3	55,282	51,609
<b>Income statement (million euros)</b>				
Net interest income	17,059	3.9	16,426	15,116
Gross income	24,653	4.1	23,680	21,357
Operating income	11,862	4.4	11,363	10,406
Income before tax	6,392	8.7	5,879	4,063
Net attributable profit	3,475	31.5	2,642	2,618
<b>The BBVA share and share performance ratios</b>				
Number of shares (millions)	6,567	3.1	6,367	6,171
Share price (euros)	6.41	(4.8)	6.74	7.85
Earning per share (euros) <sup>(1)</sup>	0.50	33.3	0.37	0.40
Book value per share (euros)	7.22	(3.4)	7.47	8.01
Tangible book value per share (euros)	5.73	(2.7)	5.88	6.57
Market capitalization (million euros)	42,118	(1.8)	42,905	48,470
Yield (dividend/price, %)	5.8		5.5	4.2
<b>Significant ratios (%)</b>				
ROE (net attributable profit/average shareholders' funds) <sup>(2)</sup>	6.7		5.2	5.5
ROTE (net attributable profit/average shareholders' funds excluding intangible assets) <sup>(2)</sup>	8.2		6.4	6.7
ROA (net income/average total assets)	0.64		0.46	0.50
RORWA (net income/average risk-weighted assets)	1.19		0.87	0.91
Efficiency ratio	51.9		52.0	51.3
Cost of risk	0.84		1.06	1.25
NPL ratio	4.9		5.4	5.8
NPL coverage ratio	70		74	64
<b>Capital adequacy ratios (%)<sup>(3)</sup></b>				
CET1	12.2		12.1	11.9
Tier 1	12.9		12.1	11.9
Total capital ratio	15.1		15.0	15.1
<b>Other information</b>				
Number of shareholders	935,284	0.1	934,244	960,397
Number of employees	134,792	(2.3)	137,968	108,770
Number of branches	8,660	(5.3)	9,145	7,371
Number of ATMs	31,120	1.6	30,616	22,414

**General note:** 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%).

(1) Adjusted by additional Tier I instrument remuneration.

(2) The ROE and ROTE ratios include in the denominator the Group's average shareholders' equity, but do not take into account the caption within total equity named "Accumulated other comprehensive income" with an average balance of -€2,248m in 2014, -€1,139m in 2015 and -€4,492m in 2016.

(3) The capital ratios are calculated under CRD IV from Basel III regulation, applying a 60% phase-in for 2016 and a 40% for 2015.



# Group information

## Relevant events

### Results (pages 4-9)

- Year-on-year figures are affected by changes in the Group's scope of consolidation in the second and third quarter of 2015 (**Catalunya Banc** -CX- and **Garanti**, respectively).
- Negative effect of **exchange rates** against the euro (except for the dollar).
- Taking into account the stake in Garanti in comparable terms, i.e. including it as if it had been incorporated by the full integration method since January 1, 2015, if the impact of corporate operations in 2015 is excluded, and if the exchange-rate impact is isolated, the most relevant aspects in terms of 2016 earnings are as follows:
  - The favorable performance of the **most recurring revenues continues**, thanks to growth in activity in emerging economies and maintenance of customer spreads.
  - Positive contribution from **NTI**, due basically to the capital gains registered by the VISA Europe transaction (in the second quarter), the partial sale on the market of shares held by BBVA Group in China Citic Bank (CNCB) and the good performance of the Global Markets unit, particularly towards the latter part of the year.
  - Moderation in **operating expenses** and improvement in the **efficiency** ratio.
  - Impact of €404m after tax of the provision to cover possible future claims by customers as a result of the judgment of the Court of Justice of the European Union (CJEU) on "mortgage floor clauses" in mortgage loans with customers.

### Balance sheet and business activity (pages 10-11)

- Negative effect of **exchange rates**, above all of the Mexican peso and Turkish lira against the euro.
- Strength of the **loan book** in emerging economies (particularly Turkey and Mexico), and fall in Spain (due to the public-sector and mortgage portfolios) and the United States (which continues with its selective growth strategy in more profitable segments).
- Non-performing loans** continue to perform very favorably, thanks to the positive trend in almost all geographical areas, mainly in Spain.
- Customer **deposits** under management have performed well for the more liquid items.
- Off-balance sheet customer funds** improved its performance in the last quarter, and increased at a year-on-year rate of 3.1% at constant exchange rates.

### Solvency (page 12)

- Capital** position above regulatory requirements, despite the negative effect caused by the allocation of a provision related to the so called "mortgage floor clauses". At the close of December 2016, the fully-loaded CET1 ratio stood at 10.9%, thanks to the generation of recurring earnings for the Group in a highly volatile market environment and the control on growth of risk-weighted assets (RWA).
- The fully-loaded **leverage** ratio closed at 6.5%, which compares very favorably with the rest of the peer group.

### Risk management (pages 13-15)

- The improvement in the main **asset quality** indicators continues: As of 31-Dec-2016, the NPL ratio and cumulative cost of risk have declined and the coverage ratio has fallen slightly compared to data at the end of 2015.

### The BBVA share (pages 16-17)

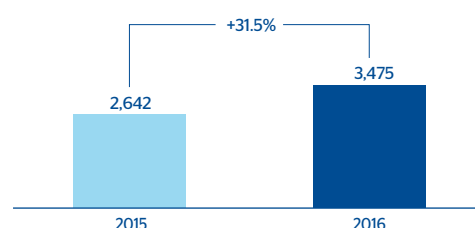
- A **cash dividend** of €0.08 per share was paid in January 2017.

### Other matters of interest

- The Group's **digital and mobile customer base** continues to increase (up 20% and 38% year-on-year, respectively).

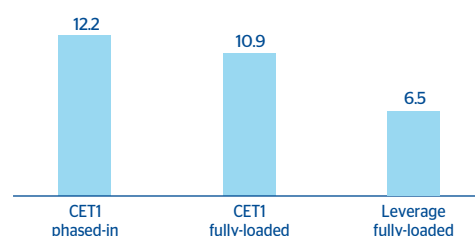
### Net attributable profit

(Million euros)



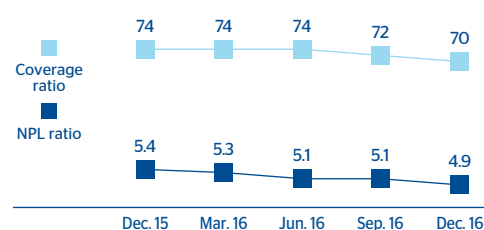
### Capital and leverage ratios

(Percentage as of 31-12-2016)



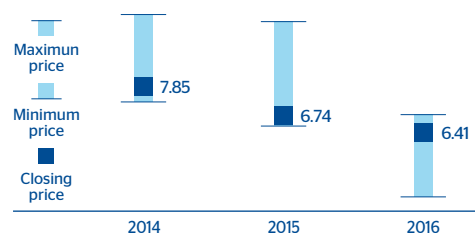
### NPL and coverage ratios

(Percentage)



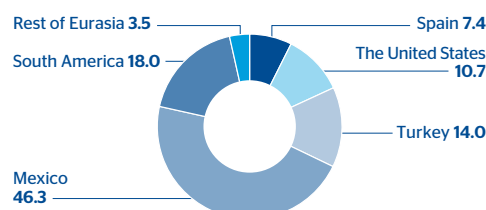
### BBVA share

(Euros)



### Net attributable profit breakdown<sup>(1)</sup>

(Percentage, 2016)



(1) Excludes the Corporate Center.

# Results

BBVA Group's earnings for **2016** are affected by:

- Changes in the scope of consolidation in the second and third quarters of 2015 (CX and Garanti, respectively).
- The negative impact of year-on-year changes in average exchange rates against the euro of the main currencies that have an influence on the Entity's financial statements (except for the U.S. dollar).
- Lack of corporate operations.

In order to make the year-on-year comparison easier, the end of this section includes an income statement with rates of change that take into account **Turkey in comparable**

**terms**; i.e. including BBVA's stake in Garanti as if it had been incorporated by the full integration method since January 1, 2015.

BBVA Group generated a **net attributable profit** of €3,475m in 2016. The most relevant aspects of the year-on-year changes in the income statement are:

- Positive performance of **revenues**.
- Limited growth of operating **expenses**, which have grown below the rate of increase in gross income, thus improving the **efficiency** ratio.
- Reduction in **impairment losses on financial assets**.

## Consolidated income statement: quarterly evolution <sup>(1)</sup>

(Million euros)

	2016				2015			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
<b>Net interest income</b>	<b>4,385</b>	<b>4,310</b>	<b>4,213</b>	<b>4,152</b>	<b>4,415</b>	<b>4,490</b>	<b>3,858</b>	<b>3,663</b>
Net fees and commissions	1,161	1,207	1,189	1,161	1,263	1,225	1,140	1,077
Net trading income	379	577	819	357	451	133	650	775
Dividend income	131	35	257	45	127	52	194	42
Share of profit or loss of entities accounted for using the equity method	7	17	(6)	7	(16)	3	18	3
Other operating income and expenses	159	52	(26)	66	(94)	76	62	73
<b>Gross income</b>	<b>6,222</b>	<b>6,198</b>	<b>6,445</b>	<b>5,788</b>	<b>6,146</b>	<b>5,980</b>	<b>5,922</b>	<b>5,632</b>
Operating expenses	(3,243)	(3,216)	(3,159)	(3,174)	(3,292)	(3,307)	(2,942)	(2,776)
Personnel expenses	(1,698)	(1,700)	(1,655)	(1,669)	(1,685)	(1,695)	(1,538)	(1,460)
Other administrative expenses	(1,180)	(1,144)	(1,158)	(1,161)	(1,268)	(1,252)	(1,106)	(1,024)
Depreciation	(365)	(372)	(345)	(344)	(340)	(360)	(299)	(291)
<b>Operating income</b>	<b>2,980</b>	<b>2,982</b>	<b>3,287</b>	<b>2,614</b>	<b>2,853</b>	<b>2,673</b>	<b>2,980</b>	<b>2,857</b>
Impairment on financial assets (net)	(687)	(1,004)	(1,077)	(1,033)	(1,057)	(1,074)	(1,089)	(1,119)
Provisions (net)	(723)	(201)	(81)	(181)	(157)	(182)	(164)	(230)
Other gains (losses)	(284)	(61)	(75)	(62)	(97)	(127)	(123)	(66)
<b>Income before tax</b>	<b>1,285</b>	<b>1,716</b>	<b>2,053</b>	<b>1,338</b>	<b>1,544</b>	<b>1,289</b>	<b>1,604</b>	<b>1,442</b>
Income tax	(314)	(465)	(557)	(362)	(332)	(294)	(429)	(386)
<b>Net income from ongoing operations</b>	<b>971</b>	<b>1,251</b>	<b>1,496</b>	<b>976</b>	<b>1,212</b>	<b>995</b>	<b>1,175</b>	<b>1,056</b>
Results from corporate operations <sup>(2)</sup>	-	-	-	-	4	(1,840)	144	583
<b>Net income</b>	<b>971</b>	<b>1,251</b>	<b>1,496</b>	<b>976</b>	<b>1,215</b>	<b>(845)</b>	<b>1,319</b>	<b>1,639</b>
Non-controlling interests	(293)	(286)	(373)	(266)	(275)	(212)	(97)	(103)
<b>Net attributable profit</b>	<b>678</b>	<b>965</b>	<b>1,123</b>	<b>709</b>	<b>940</b>	<b>(1,057)</b>	<b>1,223</b>	<b>1,536</b>
<b>Attributable profit without corporate transactions</b>	<b>678</b>	<b>965</b>	<b>1,123</b>	<b>709</b>	<b>936</b>	<b>784</b>	<b>1,078</b>	<b>953</b>
<b>Earning per share (euros) <sup>(3)</sup></b>	<b>0.09</b>	<b>0.14</b>	<b>0.16</b>	<b>0.10</b>	<b>0.13</b>	<b>(0.17)</b>	<b>0.18</b>	<b>0.23</b>
<b>Earning per share (excluding corporate operations; euros) <sup>(3)</sup></b>	<b>0.09</b>	<b>0.14</b>	<b>0.16</b>	<b>0.10</b>	<b>0.13</b>	<b>0.11</b>	<b>0.15</b>	<b>0.14</b>

(1) From the third quarter of 2015, BBVA's total stake in Garanti is consolidated by the full integration method. For previous periods, Garanti's revenues and costs are integrated in the proportion corresponding to the percentage of the Group's stake then (25.01%).

(2) 2015 includes the capital gains from the various sale operations equivalent to 6.34% of BBVA Group's stake in CNCEB, the badwill from the CX operation, the effect of the valuation at fair value of the 25.01% initial stake held by BBVA in Garanti and the impact of the sale of BBVA's 29.68% stake in CIFH.

(3) Adjusted by additional Tier I instrument remuneration.

## Consolidated income statement <sup>(1)</sup>

(Million euros)

	2016	Δ%	Δ% at constant exchange rates	2015
<b>Net interest income</b>	<b>17,059</b>	<b>3.9</b>	<b>14.9</b>	<b>16,426</b>
Net fees and commissions	4,718	0.3	8.5	4,705
Net trading income	2,132	6.1	16.2	2,009
Dividend income	467	12.4	13.5	415
Share of profit or loss of entities accounted for using the equity method	25	n.m.	n.m.	8
Other operating income and expenses	252	114.5	86.5	117
<b>Gross income</b>	<b>24,653</b>	<b>4.1</b>	<b>14.2</b>	<b>23,680</b>
Operating expenses	(12,791)	3.9	11.9	(12,317)
Personnel expenses	(6,722)	5.4	12.6	(6,377)
Other administrative expenses	(4,644)	(0.1)	9.5	(4,650)
Depreciation	(1,426)	10.5	16.6	(1,290)
<b>Operating income</b>	<b>11,862</b>	<b>4.4</b>	<b>16.9</b>	<b>11,363</b>
Impairment on financial assets (net)	(3,801)	(12.4)	(4.6)	(4,339)
Provisions (net)	(1,186)	61.9	73.5	(733)
Other gains (losses)	(482)	17.0	16.6	(412)
<b>Income before tax</b>	<b>6,392</b>	<b>8.7</b>	<b>26.2</b>	<b>5,879</b>
Income tax	(1,699)	17.9	43.1	(1,441)
<b>Net income from ongoing operations</b>	<b>4,693</b>	<b>5.7</b>	<b>21.0</b>	<b>4,438</b>
Results from corporate operations <sup>(2)</sup>	-	-	-	(1,109)
<b>Net income</b>	<b>4,693</b>	<b>41.0</b>	<b>69.5</b>	<b>3,328</b>
Non-controlling interests	(1,218)	77.5	98.4	(686)
<b>Net attributable profit</b>	<b>3,475</b>	<b>31.5</b>	<b>61.2</b>	<b>2,642</b>
<b>Attributable profit without corporate transactions</b>	<b>3,475</b>	<b>(7.4)</b>	<b>6.4</b>	<b>3,752</b>
<b>Earning per share (euros)<sup>(3)</sup></b>	<b>0.50</b>			<b>0.37</b>
<b>Earning per share (excluding corporate operations; euros)<sup>(3)</sup></b>	<b>0.50</b>			<b>0.54</b>

(1) From the third quarter of 2015, BBVA's total stake in Garanti is consolidated by the full integration method. For previous periods, Garanti's revenues and costs are integrated in the proportion corresponding to the percentage of the Group's stake then (25.01%).

(2) 2015 includes the capital gains from the various sale operations equivalent to 6.34% of BBVA Group's stake in CNCB, the badwill from the CX operation, the effect of the valuation at fair value of the 25.01% initial stake held by BBVA in Garanti and the impact of the sale of BBVA's 29.68% stake in CIFH.

(3) Adjusted by additional Tier I instrument remuneration.

- Increase in **allocation to provisions**, strongly affected by the booking of the provisions covering the contingency of possible future claims by customers as a result of the judgment of the CJEU on "mortgage floor clauses" in loans with consumers.
- Reduction in **other gains (losses)**, mainly as a result of increased provisioning requirements for properties.

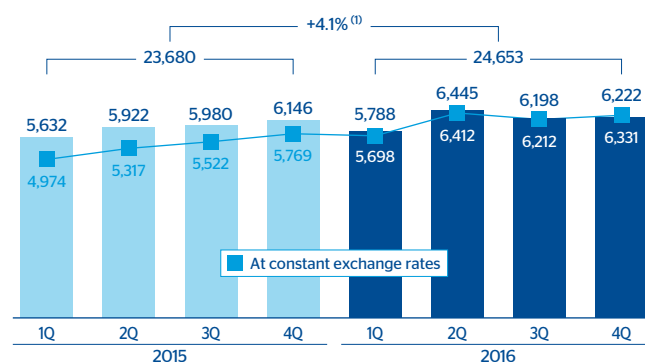
Unless expressly indicated otherwise, to better understand the changes in the main headings of the Group's income statement, the year-on-year percentage changes given below refer to **constant exchange rates**.

## Gross income

The Group's cumulative **gross income** was €24,653m, 14.2% more than in 2015 (up 7.7% with Turkey in comparable terms). More recurring revenues performed outstandingly, in particular net interest income, and earnings from the Group's insurance activity in practically all the geographical areas.

## Gross income

(Million euros)



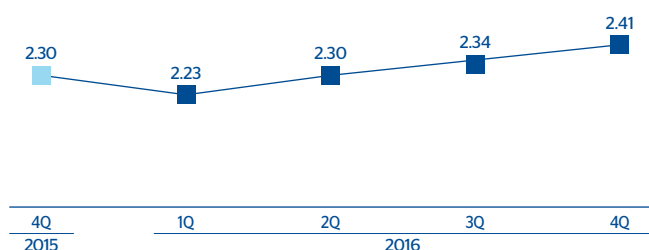
(1) At constant exchange rates: +14.2%.

**Net interest income** continues to grow. It rose by 3.9% in the fourth quarter, giving a cumulative increase of 14.9% from the previous year (up 7.0% with Turkey in comparable terms).

This positive trend is once more explained by growth in activity, mainly in emerging economies, and maintenance of customer spreads. By business areas there has been a positive performance in Mexico (up 11.6%), South America (up 11.4%), Turkey (up 10.6%) and the United States (up 7.6%). In Spain and the rest of Eurasia net interest income declined as a result of the current very low interest-rate environment, which has led to narrowed spreads and lower business volumes (reduction of lending in both geographic areas and of customer deposits under management in Eurasia).

## Net interest income/ATA

(Percentage)

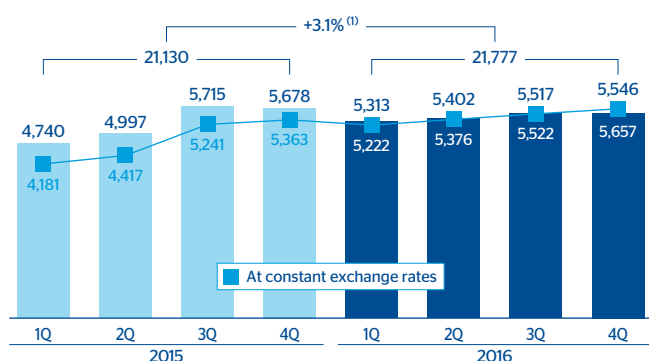


**Income from fees and commissions** declined in the fourth quarter (down 2.6%), linked closely to market trends and reduced activity in securities and investment banking. However, they have grown in the cumulative figure by 8.5% year-on-year (up 2.5% with Turkey in comparable terms), strongly supported by the good performance of the United States, Turkey, Mexico, South America and Eurasia.

As a result, **more recurring revenues** (net interest income plus income from fees and commissions) in 2016 has increased year-on-year by 13.4%, or 6.0% with Turkey in comparable terms.

## Net interest income plus fees and commissions

(Million euros)



(1) At constant exchange rates: +13.4%.

The contribution from **NTI** in the fourth quarter is down on the figure for the third, due mainly to unfavorable exchange rates against the euro and dollar (above all of the Turkish lira and Mexican peso), leading to foreign exchange losses that have not been offset by the rest of the items. In the cumulative figure for 2016 there has been a year-on-year increase of 16.2% (up 19.8% with Turkey in comparable terms), due basically to: the capital gains from the VISA Europe operation in the second quarter (On June 21, 2016, VISA Inc. completed the acquisition process of VISA Europe Ltd. This transaction has meant the recognition of a capital gain before tax and minority interests of €225m.), the partial sale on the market of shares held by BBVA Group in CNCB and the good performance of Global Markets, particularly towards the latter part of the year.

The **dividend income** heading mainly includes dividends from the Group's stakes in Telefónica and CNCB. The 2016 figure is 13.5% higher than in 2015, strongly influenced by the payment in the second quarter of the CNCB dividend (which was not booked in 2015).

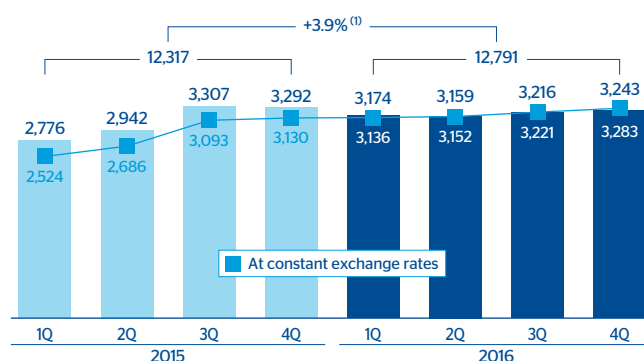
Finally, **other operating income and expenses** have increased by 86.5% (up 63.8% with Turkey in comparable terms), strongly influenced by positive income from insurance activities. In fact, the net contribution of the insurance business has increased by 15.7% year-on-year (up 13.4% with Turkey in comparable terms), due to its good performance in all geographical areas and the positive effect in Mexico of the change in the insurance industry regulations affecting the calculation of the mathematical reserves.

## Operating income

There has been a further slowdown in the year-on-year increase in **operating expenses**, which in the cumulative figure through December 2016 rose by 11.9% (up 6.6% with Turkey in comparable terms), despite the inclusion of expenses associated with the integration of CX for the whole year (in 2015 they were included from April 24), the high level of inflation in some geographical areas where BBVA operates, and the negative effect that currency depreciation has had on cost items denominated in dollars and euros.

## Operating expenses

(Million euros)



(1) At constant exchange rates: +11.9%.

## Breakdown of operating expenses and efficiency calculation

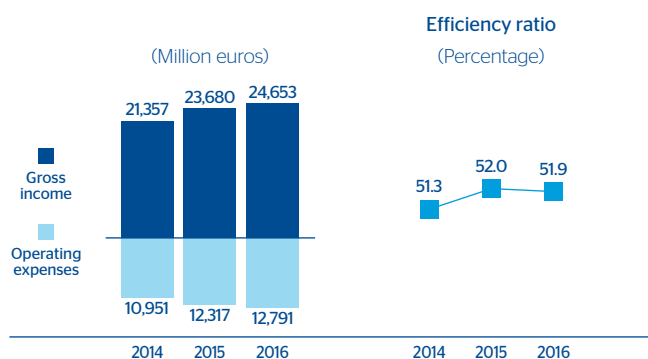
(Million euros)

	2016	Δ%	2015
<b>Personnel expenses</b>	<b>6,722</b>	<b>5.4</b>	<b>6,377</b>
Wages and salaries	5,267	4.4	5,047
Employee welfare expenses	938	13.5	827
Training expenses and other	516	2.4	504
<b>Other administrative expenses</b>	<b>4,644</b>	<b>(0.1)</b>	<b>4,650</b>
Premises	1,080	2.4	1,054
IT	968	9.9	880
Communications	294	1.9	289
Advertising and publicity	398	1.4	393
Corporate expenses	104	(8.4)	114
Other expenses	1,367	(5.3)	1,444
Levies and taxes	433	(9.1)	476
<b>Administration expenses</b>	<b>11,366</b>	<b>3.1</b>	<b>11,027</b>
<b>Depreciation</b>	<b>1,426</b>	<b>10.5</b>	<b>1,290</b>
<b>Operating expenses</b>	<b>12,791</b>	<b>3.9</b>	<b>12,317</b>
<b>Gross income</b>	<b>24,653</b>	<b>4.1</b>	<b>23,680</b>
<b>Efficiency ratio (operating expenses/gross income; %)</b>	<b>51.9</b>		<b>52.0</b>

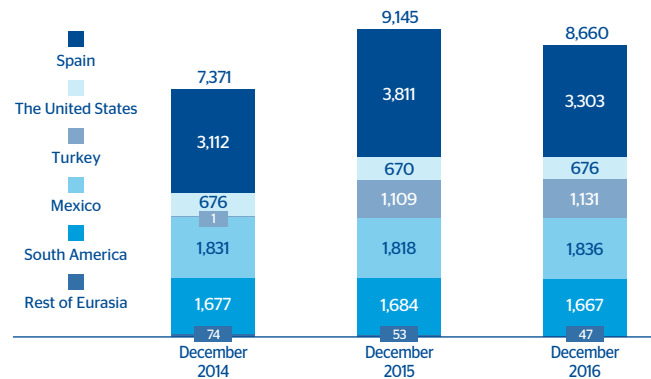
The Group's effort to reduce costs has led to expenses increasing at a lower rate than gross income. Thus there was a slight improvement in the **efficiency** ratio, which closed the

year at 51.9% (52.0% in 2015). **Operating income** increased by 16.9% (up 8.9% with Turkey in comparable terms).

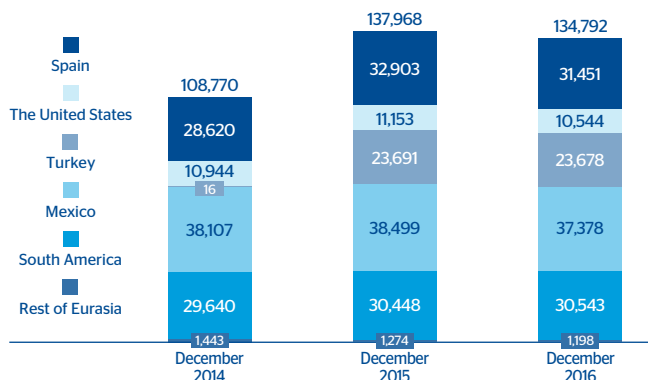
### Efficiency



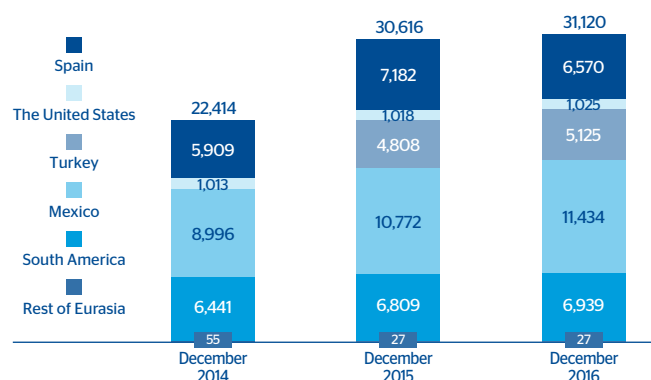
### Number of branches



### Number of employees

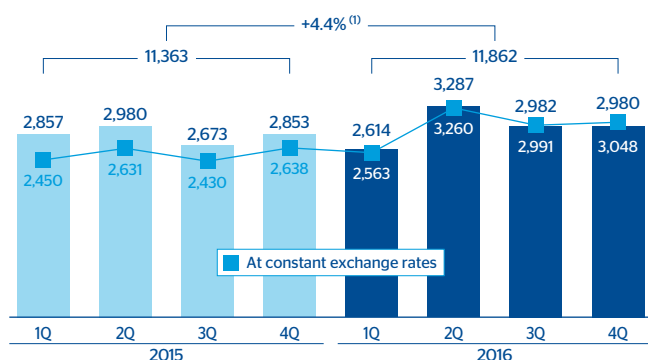


### Number of ATMs



## Operating income

(Million euros)



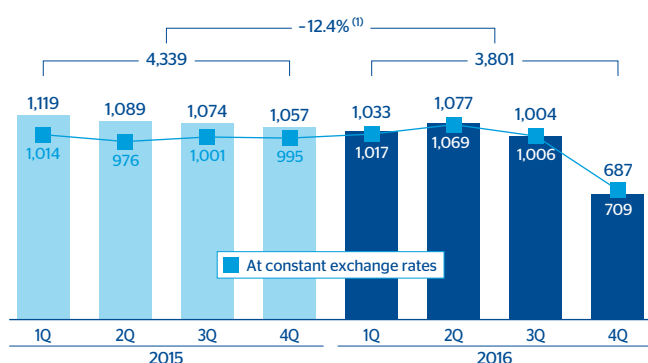
(1) At constant exchange rates: +16.9%.

## Provisions and others

**Impairment losses on financial assets** have continued the positive trend observed along the year. As a result, the cumulative year-on-year amount fell by 4.6% (down 8.8% with Turkey in comparable terms). The above is a result of the improvement in asset quality, particularly in Spain. In the case of Mexico and South America, the evolution along the year has been stable, as was expected. In the United States, the negative performance in the first quarter impacted by the oil & gas portfolio has been gradually corrected as 2016 advanced and closed the fourth quarter with an amount lower than expected. Finally in Turkey, this line includes in the last three months of 2016 the allocation to contingent liabilities; this does not imply a change in trend over the average of previous quarters.

## Impairment losses on financial assets

(Million euros)



(1) At constant exchange rates: -4.6%.

The rise in **provisions** can be explained by the inclusion in the fourth quarter of a charge of €577m (€404m after tax) to cover the contingency linked to the judgment of the CJEU on "mortgage floor clauses", as mentioned above.

Finally, **other gains (losses)**, which in 2016 have risen by 16.6% compared with 2015 (up 18.2% with Turkey in comparable

terms) includes the increased provisioning requirements for properties and foreclosed assets.

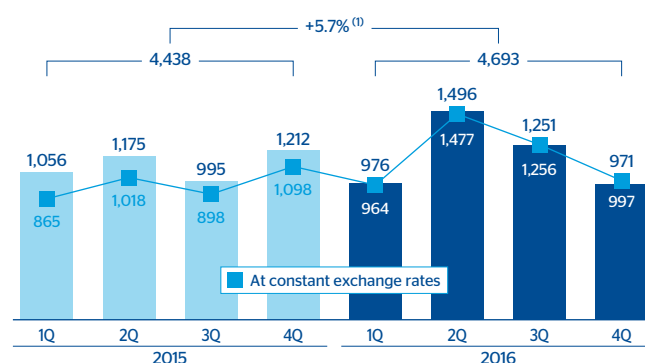
As a result of the above, the Group's cumulative cost of risk in 2016 (0.84%) is below both the cumulative figure through September (0.92%) and for 2015 (1.06%). Overall cost of risk (which includes impairment losses on financial assets plus provisions for real estate and foreclosed assets) was stable (0.92% in 2016) relative to that reported in the first nine month of the year (0.96%).

## Profit

As a result of the above, **net income from ongoing operations** grew by 21.0% in year-on-year terms (up 8.4% with Turkey in comparable terms).

## Net income from ongoing operations

(Million euros)

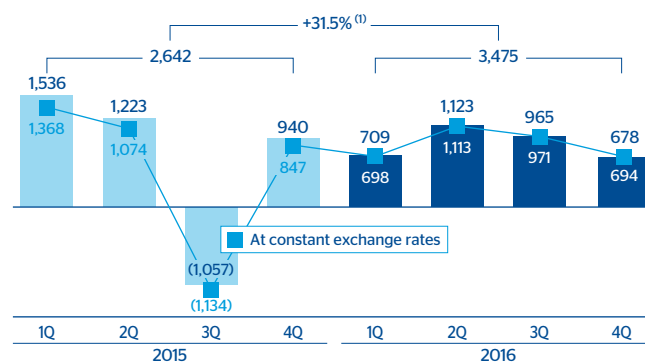


(1) At constant exchange rates: +21.0%.

Without taking into account corporate operations for 2015, the Group's **net attributable profit** posted growth of 6.4% (up 3.6% with Turkey in comparable terms), despite the difficult macroeconomic environment during the year and the need for a provision for "mortgage floor clauses" (as explained above).

## Net attributable profit

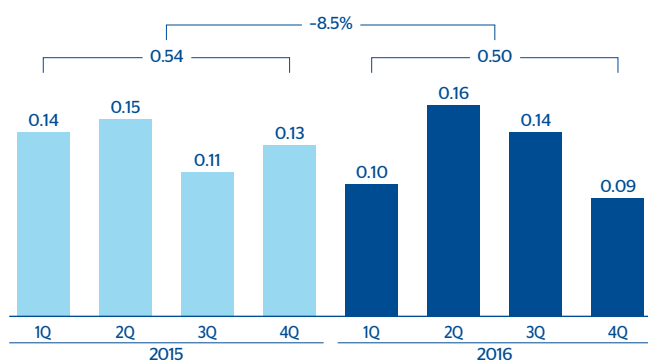
(Million euros)



(1) At constant exchange rates: +61.2%.

## Earnings per share <sup>(1)</sup>

(Excluding corporate operations. Euros)



(1) Adjusted by additional Tier I instrument remuneration.

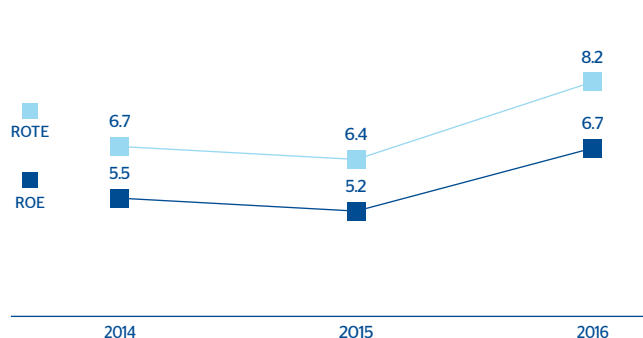
By **business area**, banking activity in Spain has generated €912m, real-estate activity in Spain generated a loss of €595m, the United States contributed €459m, Turkey €599m, Mexico €1,980m, South America €771m, and the Rest of Eurasia €151m.

## The Group's income statement with Turkey in comparable terms

To ensure comparable figures, the Group's income statement with year-on-year rates of change and Turkey in comparable terms is presented below (to isolate the effects of the purchase of an additional 14.89% stake in Garanti).

## ROE and ROTE <sup>(1)</sup>

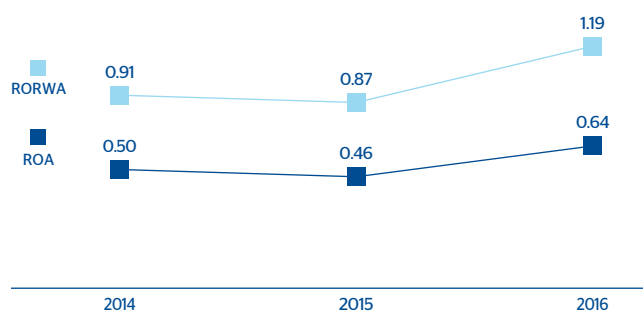
(Percentage)



(1) The ROE and ROTE ratios include in the denominator the Group's average shareholders' equity, but do not take into account the caption within total equity named "Accumulated other comprehensive income" with an average balance of -€2,248m in 2014, -€1,139m in 2015 and -€4,492m in 2016.

## ROA and RORWA

(Percentage)



## Evolution of the consolidated income statement with Turkey in comparable terms <sup>(1)</sup>

(Million euros)

	2016	Δ%	Δ% at constant exchange rates
<b>Net interest income</b>	<b>17,059</b>	<b>(3.6)</b>	<b>7.0</b>
Net fees and commissions	4,718	(5.6)	2.5
Net trading income	2,132	9.7	19.8
Other income/expenses	744	31.1	31.1
<b>Gross income</b>	<b>24,653</b>	<b>(2.2)</b>	<b>7.7</b>
Operating expenses	(12,791)	(1.4)	6.6
<b>Operating income</b>	<b>11,862</b>	<b>(3.1)</b>	<b>8.9</b>
Impairment on financial assets (net)	(3,801)	(16.5)	(8.8)
Provisions (net) and other gains (losses)	(1,669)	46.0	52.3
<b>Income before tax</b>	<b>6,392</b>	<b>(2.3)</b>	<b>13.5</b>
Income tax	(1,699)	7.8	30.5
<b>Net income from ongoing operations</b>	<b>4,693</b>	<b>(5.5)</b>	<b>8.4</b>
Results from corporate operations <sup>(2)</sup>	-	-	-
<b>Net income</b>	<b>4,693</b>	<b>21.7</b>	<b>45.7</b>
Non-controlling interests	(1,218)	9.9	24.9
<b>Net attributable profit</b>	<b>3,475</b>	<b>26.5</b>	<b>54.7</b>
<b>Attributable profit without corporate transactions</b>	<b>3,475</b>	<b>(9.9)</b>	<b>3.6</b>

(1) Variations taking into account the financial statements of Garanti Group calculated by the full integration method since January 1, 2015, without involving a change of the data already published.

(2) 2015 includes the capital gains from the various sale operations equivalent to 6.34% of BBVA Group's stake in CNCB, the badwill from the CX operation, the effect of the valuation at fair value of the 25.01% initial stake held by BBVA in Garanti and the impact of the sale of BBVA's 29.68% stake in CIFH.

# Balance sheet and business activity

The year-on-year rates of change of BBVA Group's balance sheet and business activity balances at 31-Dec-2016 were, again, negatively affected by the depreciation of **exchange rates** against the euro. The most notable factors behind the key balance sheet and activity figures are:

- **Gross lending to customers** has declined slightly by 0.6% year-on-year. Despite the good performance from new production, the domestic sector reports a reduction of 4.3% chiefly due to more sluggish activity with institutions, and because repayments in the mortgage segment continue
- **Non-performing loans** have maintained the declining trend of previous quarters, particularly in the domestic sector (banking and real-estate activity in Spain), Turkey and Mexico. The balance of non-performing loans also declined in the United States over the last quarter.

## Consolidated balance sheet

(Million euros)

	31-12-16	Δ%	31-12-15	30-09-16
Cash, cash balances at central banks and other demand deposits	40,039	36.7	29,282	28,958
Financial assets held for trading	74,950	(4.3)	78,326	75,569
Other financial assets designated at fair value through profit or loss	2,062	(10.8)	2,311	2,104
Available-for-sale financial assets	79,221	(30.2)	113,426	86,673
Loans and receivables	465,977	(1.2)	471,828	459,554
Loans and advances to central banks and credit institutions	40,268	(14.6)	47,147	42,487
Loans and advances to customers	414,500	0.1	414,165	406,124
Debt securities	11,209	6.6	10,516	10,943
Held-to-maturity investments	17,696	n.m.	-	19,094
Investments in subsidiaries, joint ventures and associates	765	(13.0)	879	751
Tangible assets	8,941	(10.1)	9,944	9,470
Intangible assets	9,786	(2.7)	10,052	9,503
Other assets	32,418	(4.1)	33,807	32,951
<b>Total assets</b>	<b>731,856</b>	<b>(2.4)</b>	<b>749,855</b>	<b>724,627</b>
Financial liabilities held for trading	54,675	(1.0)	55,202	55,226
Other financial liabilities designated at fair value through profit or loss	2,338	(11.7)	2,649	2,436
Financial liabilities at amortized cost	589,210	(2.8)	606,113	581,593
Deposits from central banks and credit institutions	98,241	(9.6)	108,630	106,557
Deposits from customers	401,465	(0.5)	403,362	385,348
Debt certificates	76,375	(6.8)	81,980	76,363
Other financial liabilities	13,129	8.1	12,141	13,325
Memorandum item: subordinated liabilities	17,230	7.0	16,109	17,156
Liabilities under insurance contracts	9,139	(2.8)	9,407	9,274
Other liabilities	21,066	(0.6)	21,202	20,207
<b>Total liabilities</b>	<b>676,428</b>	<b>(2.6)</b>	<b>694,573</b>	<b>668,736</b>
Non-controlling interests	8,064	0.9	7,992	8,324
Accumulated other comprehensive income	(5,458)	63.0	(3,349)	(4,681)
Shareholders' funds	52,821	4.3	50,639	52,248
<b>Total equity</b>	<b>55,428</b>	<b>0.3</b>	<b>55,282</b>	<b>55,891</b>
<b>Total equity and liabilities</b>	<b>731,856</b>	<b>(2.4)</b>	<b>749,855</b>	<b>724,627</b>
<b>Memorandum item:</b>				
Collateral given	50,540	1.3	49,876	49,969



## Loans and advances to customers

(Million euros)

	31-12-16	Δ%	31-12-15	30-09-16
<b>Domestic sector</b>	<b>168,527</b>	<b>(4.3)</b>	<b>176,090</b>	<b>171,775</b>
Public sector	18,326	(14.6)	21,471	20,621
Other domestic sectors	150,201	(2.9)	154,620	151,153
Secured loans	93,339	(4.6)	97,852	94,210
Other loans	56,862	0.2	56,768	56,944
<b>Non-domestic sector</b>	<b>239,032</b>	<b>3.3</b>	<b>231,432</b>	<b>227,481</b>
Secured loans	108,432	5.3	103,007	105,822
Other loans	130,600	1.7	128,425	121,659
<b>Non-performing loans</b>	<b>22,915</b>	<b>(9.5)</b>	<b>25,333</b>	<b>23,589</b>
Domestic sector	16,388	(16.0)	19,499	16,874
Non-domestic sector	6,527	11.9	5,834	6,715
<b>Loans and advances to customers (gross)</b>	<b>430,474</b>	<b>(0.6)</b>	<b>432,855</b>	<b>422,844</b>
Loan-loss provisions	(15,974)	(14.5)	(18,691)	(16,720)
<b>Loans and advances to customers</b>	<b>414,500</b>	<b>0.1</b>	<b>414,165</b>	<b>406,124</b>

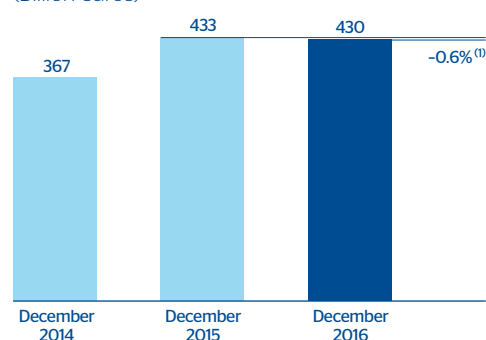
## Customer funds

(Million euros)

	31-12-16	Δ%	31-12-15	30-09-16
<b>Deposits from customers</b>	<b>401,465</b>	<b>(0.5)</b>	<b>403,362</b>	<b>385,348</b>
<b>Domestic sector</b>	<b>164,075</b>	<b>(6.3)</b>	<b>175,142</b>	<b>159,580</b>
Public sector	6,914	(55.0)	15,368	6,152
Other domestic sectors	157,161	(1.6)	159,774	153,429
Current and savings accounts	95,568	21.7	78,502	88,126
Time deposits	56,120	(19.0)	69,326	60,474
Assets sold under repurchase agreement and other	5,473	(54.2)	11,947	4,828
<b>Non-domestic sector</b>	<b>237,147</b>	<b>4.0</b>	<b>227,927</b>	<b>225,522</b>
Current and savings accounts	128,692	3.9	123,854	119,119
Time deposits	99,409	0.8	98,596	99,611
Assets sold under repurchase agreement and other	9,046	65.2	5,477	6,791
<b>Subordinated liabilities</b>	<b>243</b>	<b>(17.2)</b>	<b>293</b>	<b>246</b>
<b>Other customer funds</b>	<b>132,092</b>	<b>0.2</b>	<b>131,822</b>	<b>130,833</b>
<b>Spain</b>	<b>80,565</b>	<b>1.7</b>	<b>79,181</b>	<b>78,159</b>
Mutual funds	32,655	3.7	31,490	31,566
Pension funds	23,448	2.4	22,897	23,103
Other off-balance sheet funds	51	(58.3)	123	50
Customer portfolios	24,410	(1.1)	24,671	23,440
<b>Rest of the world</b>	<b>51,527</b>	<b>(2.1)</b>	<b>52,641</b>	<b>52,674</b>
Mutual funds and investment companies	22,382	(2.4)	22,930	22,989
Pension funds	9,970	15.3	8,645	9,525
Other off-balance sheet funds	2,780	(24.1)	3,663	3,106
Customer portfolios	16,395	(5.8)	17,404	17,054
<b>Total customer funds</b>	<b>533,557</b>	<b>(0.3)</b>	<b>535,184</b>	<b>516,181</b>

## Loans and advances to customers (gross)

(Billion euros)

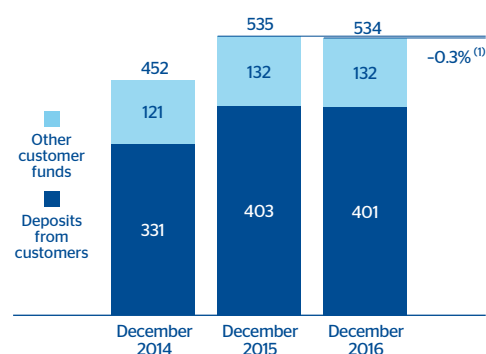


(1) At constant exchange rates: +21%.

- The Group's **deposits from customers** ended the year at very similar levels to 31-Dec-2015 (down 0.5%). In the domestic sector the performance was shaped by a significant fall in balances from the public sector (down 55.0%) and a decline in time deposits (down 19.0%) as a result of the drop in remuneration on these deposits in a context of very low interest rates. In contrast, current and savings accounts performed positively (up 21.7%). In the non-domestic sector there was an increase in all deposit lines, particularly the most liquid and lower-cost ones.
- Off-balance sheet funds** ended the year with balances practically matching those at year-end 2015 (up 0.2%). There was a positive performance in Spain, while in the rest of the world the main impact was the adverse exchange-rate effect mentioned above.

## Customer funds

(Billion euros)



(1) At constant exchange rates: +1.5%.

## Capital base

BBVA Group closed 2016 with a **fully-loaded CET1** ratio of 10.9%. This represents a rise of 58 basis points on the figure of 10.3% at the close of 2015, thanks once more to the Group's generation of recurring earnings and the reduction in RWA. In the fourth quarter, the fully-loaded CET1 ratio fell by 10 basis points as a result of the impact of the evolution of the markets. In addition, there were two additional impacts in the last quarter of 2016: first, the so called "mortgage floor clauses" has had a negative effect of 16 basis points; and second, the European Commission's decision to include Turkey on its list of countries that comply with the supervisory and regulatory requirements equivalent to European standards allowed the Group to improve its capital adequacy ratios by 15 basis points.

Another relevant aspect linked to the changes in the capital base is the implementation of a new "**dividend-option**" program in October. Owners of 87.85% of the free allocation rights opted to receive bonus BBVA shares. A total of 86.3 million ordinary shares were issued.

In **phased-in** terms, the **CET1** ratio was 12.2% as of 31-Dec-2016, the **Tier 1** ratio was 12.9% and the **total capital ratio** was 15.1%. 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 2016 (9.75%). Starting on January 1, 2017, this requirement has been established for the phased-in CET1 ratio (7.625%) and the total capital ratio (11.125%). Thus the current ratios are also above the ECB regulatory requirements applicable to 2017.

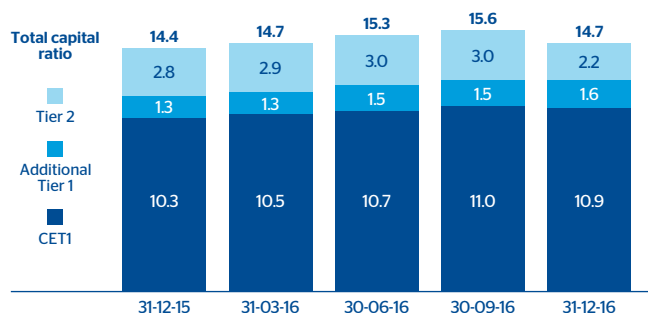
The Group maintains a high **leverage ratio**: 6.5% under fully-loaded criteria (6.7% phased-in), which continues to compare very favorably with the rest of its peer group.

## Ratings

In 2016, BBVA's ratings have not changed; they remain at the same levels as at the close of 2015. The last update was on April 13, when DBRS modified BBVA's outlook from positive to stable, as a result of a similar change in Spain's sovereign rating outlook.

### Evolution of fully-loaded capital ratios

(Percentage)



### Ratings

Rating agency	Long term	Short term	Outlook
DBRS	A	R-1 (low)	Stable
Fitch	A-	F-2	Stable
Moody's <sup>(1)</sup>	Baa1	P-2	Stable
Scope Ratings	A	S-1	Stable
Standard & Poor's	BBB+	A-2	Stable

(1) Additionally, Moody's assigns an A3 rating to BBVA's long term deposits.

### Capital base<sup>(1)</sup>

(Million euros)

	CRD IV phased-in				
	31-12-16 <sup>(2)</sup>	30-09-16	30-06-16	31-03-16	31-12-15
Common Equity Tier 1 (CET1)	47,343	47,801	47,559	46,471	48,554
Tier 1	50,057	50,545	50,364	48,272	48,554
Tier 2	8,810	11,635	11,742	11,566	11,646
<b>Total Capital (Tier 1+Tier 2)</b>	<b>58,867</b>	<b>62,180</b>	<b>62,106</b>	<b>59,838</b>	<b>60,200</b>
<b>Risk-weighted assets</b>	<b>388,760</b>	<b>389,814</b>	<b>395,085</b>	<b>399,270</b>	<b>401,277</b>
CET1 (%)	12.2	12.3	12.0	11.6	12.1
Tier 1 (%)	12.9	13.0	12.7	12.1	12.1
Tier 2 (%)	2.3	3.0	3.0	2.9	2.9
<b>Total capital ratio (%)</b>	<b>15.1</b>	<b>15.9</b>	<b>15.7</b>	<b>15.0</b>	<b>15.0</b>

(1) The capital ratios are calculated under CRD IV from Basel III regulation, applying a 60% phase-in for 2016 and a 40% for 2015.

(2) Temporary data.

# Risk management

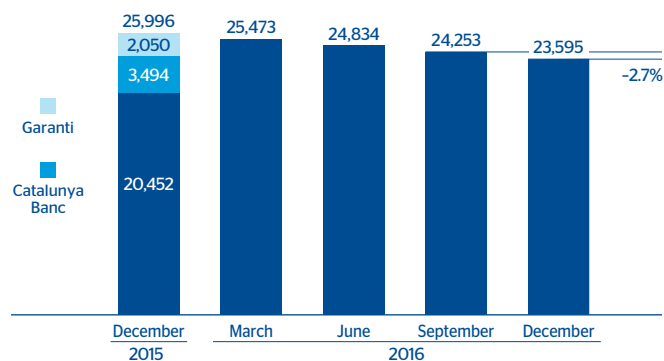
## Credit risk

BBVA Group has closed **2016** with a very positive trend in the main asset quality indicators.

- **Credit risk** increased by 1.7% over the quarter, and was down 0.4% since the close of December 2015 (up 2.0% and 2.4% respectively, at constant exchange rates). Credit activity has continued to be strong in Mexico, South America and Turkey. In contrast, credit risk is still declining in Spain and in the United States it shows a slight reduction, as this area is focused on selective and profitable growth.
- **Non-performing loans** have once more performed very well. Over the last three months of the year the balance fell again by 2.7% (down 9.2% year-on-year), thanks to the improvement in practically all the geographical areas, above all Banking Activity in Spain (down 1.6% over the quarter and 14.7% over the year), Real-Estate Activity in Spain (down 6.0% and 17.3% respectively), Turkey (down 8.4% and 3.3%, respectively), Mexico (down 2.9% and 10.2% respectively) and the United States (down 9.0%, although over the last twelve months they have risen by 67.0% as a result of the downgrade in ratings, basically in the first quarter, of some companies operating in the oil & gas sector). In South

## Non-performing loans

(Million euros)



America, there was an increase of 12.8% over the quarter and 39.4% over the last twelve months.

- The Group's **NPL ratio** has improved again (down 22 basis points over the last three months and down 48 basis points since the start of the year) to 4.9% at the close of the year.

## Credit risks <sup>(1)</sup>

(Million euros)

	31-12-16	30-09-16	30-06-16	30-03-16	31-12-15
Non-performing loans and contingent liabilities	23,595	24,253	24,834	25,473	25,996
Credit risks	480,720	472,521	483,169	478,429	482,518
Provisions	16,573	17,397	18,264	18,740	19,405
NPL ratio (%)	4.9	5.1	5.1	5.3	5.4
NPL coverage ratio (%)	70	72	74	74	74

(1) Include gross customer lending plus contingent exposures.

## Non-performing loans evolution

(Million euros)

	4Q16 <sup>(1)</sup>	3Q16	2Q16	1Q16	4Q15
<b>Beginning balance</b>	<b>24,253</b>	<b>24,834</b>	<b>25,473</b>	<b>25,996</b>	<b>26,395</b>
Entries	3,000	2,588	2,947	2,421	2,944
Recoveries	(2,141)	(1,784)	(2,189)	(1,519)	(2,016)
<b>Net variation</b>	<b>859</b>	<b>804</b>	<b>758</b>	<b>902</b>	<b>928</b>
Write-offs	(1,403)	(1,220)	(1,537)	(1,432)	(1,263)
Exchange rate differences and other	(115)	(165)	140	6	(63)
<b>Period-end balance</b>	<b>23,595</b>	<b>24,253</b>	<b>24,834</b>	<b>25,473</b>	<b>25,996</b>
<b>Memorandum item:</b>					
Non-performing loans	22,915	23,589	24,212	24,826	25,333
Non-performing contingent liabilities	680	665	622	647	664

(1) Temporary data.

- **Loan-loss provisions** have fallen by 4.7% on the figure for the close of September (down 14.6% year-on-year), due mainly to declines in Turkey (exchange-rate effect) and Spain.
- As a result, the Group's **coverage ratio** stands at 70%.
- Lastly, the cumulative **cost of risk** through December has fallen once more to 0.84% (0.92% cumulative as of the third quarter of 2016 and 1.06% in 2015).
- In Turkey, despite the geopolitical tension and Moody's downgrade of its credit rating, the domestic environment has remained stable, without pressure on the sources of funding, supported by the measures adopted by the Central Bank of Turkey (CBRT).
- In the rest of the franchises, the liquidity and funding situation in both local currency and dollars has also remained stable.

## Structural risks

### Liquidity and funding

Management of **liquidity and funding** 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 **2016** liquidity and funding conditions remained comfortable across BBVA Group's global footprint.

- The financial soundness of the Group's banks is based on the funding of lending activity, fundamentally through the use of customer funds.
- In Spain and the United States, total deposits have shown a positive trend, despite the current interest-rate environment over the year as a whole and in the last quarter. The trend has also been positive in Mexico, South America and Turkey.
- The European Central Bank (ECB) has adopted a number of measures over the year, most notably the following: the interest-rate cut in March, the extension of the asset purchase program announced in December, and the new round of liquidity injection through the targeted longer-term refinancing operations (TLTROs) with a maturity of four years. BBVA participated in the program's June auction, increasing its net take-up by €10 billion.
- In Mexico, the liquidity position continues to be sound, despite the market volatility following the U.S. elections. There is relatively little dependence on wholesale funding, which is basically linked to securities portfolios. The positive performance of customer funds has meant that wholesale markets could be used less, and this use was limited to the local market.
- In the United States, the narrowing credit gap over the year has allowed the cancellation of one issue and a reduction in wholesale funding, with the liquidity position in 2016 remaining comfortable.

- Over the year BBVA S.A. has accessed the wholesale markets for a total of €6,350m, using a diversified range of debt instruments, including senior debt, mortgage-covered bonds, Additional Tier 1 (AT1) and securitization. In particular, over the last quarter of the year a successful issue of mortgage-covered bonds for €1 billion captured the attention of major investors.
- The long-term wholesale funding markets have remained stable in the other geographical areas where the Group operates. There have been no international securities issues. Access to stable finance in Turkey is evident from the increase in long-term wholesale funding (up €400m), the renewal of the total volume of syndicated loans (€2,400m), and foreign-currency issues (€610m) which matured in 2016.
- Short-term funding has also continued to perform positively, in a context marked by a high level of liquidity.
- With respect to the LCR liquidity ratio, BBVA Group keeps levels over 100%, clearly higher than demanded by regulations (over 70% in 2016), both at Group level and in all its banking subsidiaries.

### 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 **2016** was marked mainly by the electoral process in the U.S. and its impact on the dollar and Mexican peso, the ECB's quantitative easing (QE) measures, the delay in interest hikes by the Federal Reserve (FED) until December, the result of the Brexit referendum and uncertainty in Turkey.

Against this background, BBVA has maintained a policy of actively hedging its main investments in emerging economies: the hedge on average covers between 30% and 50% of the earnings expected for the following year and around 70% of the excess of the CET1 ratio (what is not naturally covered by the ratio itself). In accordance with this policy, at the close of December 2016 the sensitivity of the CET1 ratio to a depreciation of 10% of the main emerging currencies (Mexican peso or Turkish lira) against the euro would be limited to less than 2 basis points, and the coverage level of the expected earnings for the next year in these two countries would be 50% in Mexico and 70% 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.

In **2016**, the results of this management have been satisfactory, with limited risk strategies in all the Group's banks aimed at improving profitability. The amount of NTI generated in Europe and the United States is the result of prudent portfolio management strategies, particularly of sovereign debt, in a context marked by low interest rates. Portfolios are also held in Mexico, Turkey and South America, mainly of sovereign debt, to manage the balance-sheet structure.

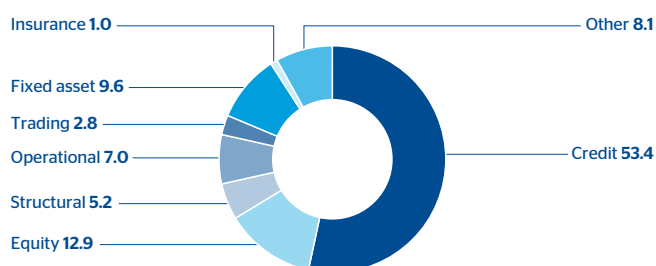
Finally, the political uncertainties generated by Brexit and the U.S. elections have had a limited impact on the debt markets. No major increases have been observed in either the sovereign debt spreads or those of BBVA, so their effect on NTI and the valuation of the ALCO portfolios has been limited. In Mexico, the Central Bank (Banxico) has tried to contain inflation and protect the peso by five interest-rate hikes totaling 250 basis points over 2016, leaving the monetary policy rate at 5.75%, the highest since 2009. In Turkey, the markets have shown resilience despite the volatility, mainly due to geopolitical factors. As a result, the year has closed with a risk premium in line with the close of 2015. The CBRT, which had been lowering rates for the first three quarters of 2016, raised them in November, in response to the slight slowdown in growth and the weakness of the Turkish lira.

## Economic capital

Attributable **economic risk capital (ERC)** consumption at the close of December stood at €37,665m in consolidated terms, a year-on-year decline of 6.9%<sup>(1)</sup>. This performance is mainly the result of the depreciation against the euro of some local currencies (mainly the Turkish Lira, Mexican and Argentine pesos and Venezuelan bolivar). In constant terms, the year-on-year decline is 3.4%. The decline is mainly focused on fixed-income (spread) and equity ERC, due to the reduction in the "available-for-sale" portfolio, as well as market risk. In contrast, there were increases over the year in ERC in structural exchange-rate risk and operational risk.

### Attributable economic risk capital breakdown

(Percentage as of December 2016)



<sup>(1)</sup> The rate of change is calculated against the consolidated data of the close of December 2015 in comparable terms (€40,461m). This includes the annual effect of updating the methodology and asset risk parameters at the close of the year (Mexico, South America, the United States, Garanti and CX), the revision of the models for other risks and the start of imputing new types of risks (fixed-income spread and other risks), in accordance with the classification required for 2016, as compared with the official consolidated data for the close of 2015 (€34,998m).

# The BBVA share

**Global growth** improved in the second half of 2016 (estimated at 0.8% for the third quarter and 0.9% for the fourth). Developed countries are speeding up their growth thanks to improved confidence and a stronger industrial sector, which is also having an effect on the Chinese economy. The performance of the rest of the emerging economies is uneven, but in general the trend is for recovery. The improvement in global trade also appears to be confirmed, after a weak first half of the year.

Against this backdrop, the performance of the main **stock-market indices** has varied greatly over the last twelve months. The Stoxx 50 lost 2.9%, while in the Eurozone the Euro Stoxx 50 gained 0.7% and in Spain, the Ibex 35 fell by 2.0%. The S&P 500, which tracks the share prices of U.S. companies, closed the year up 9.5%, most of the gain being in the second half of the year.

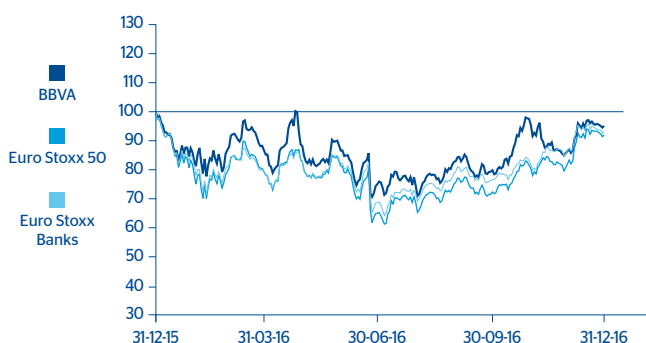
In the **banking sector**, the Stoxx Banks index of European banks, including those in the United Kingdom, slowed its decline of the first half of the year, and closed 2016 with a decline of 6.8%. The same trend is reflected in the Eurozone bank index, the Euro Stoxx Banks, which lost 8.0%. In the United States, the S&P Regional Banks sector index gained 32.4% in 2016, with the growth focused at the end the year following the results of the U.S. elections.

The **BBVA share** performed relatively better in 2016 than the European banking system as a whole. As of December 31, 2016, the BBVA share price was €6.41, a rise over the quarter of 19.2% and a year-on-year decline of 4.8%.

As regards **shareholder remuneration**, two cash dividends have been paid for a gross €0.08 per share each. These

## BBVA share evolution compared with European indices

(Base indice 100=31-12-2015)



## The BBVA share and share performance ratios

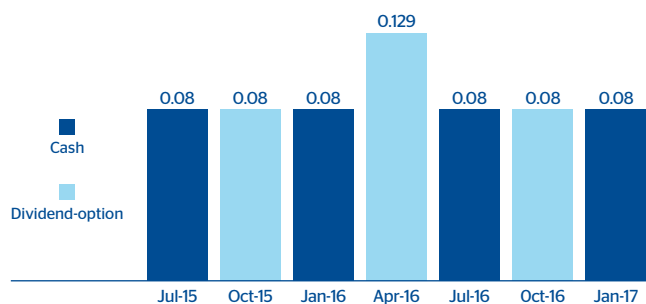
	31-12-16	31-12-15
Number of shareholders	935,284	934,244
Number of shares issued	6,566,615,242	6,366,680,118
Daily average number of shares traded	47,180,855	46,641,017
Daily average trading (million euros)	272	393
Maximum price (euros)	6.88	9.77
Minimum price (euros)	4.50	6.70
Closing price (euros)	6.41	6.74
Book value per share (euros)	7.22	7.47
Tangible book value per share (euros)	5.73	5.88
Market capitalization (million euros)	42,118	42,905
Yield (dividend/price; %) <sup>(1)</sup>	5.8	5.5

(1) Calculated by dividing shareholder remuneration over the last twelve months over the closing price at the end of the period.

payments were made on July 11, 2016 and January 12, 2017. The Board of Directors of BBVA also decided at its meetings on March 31 and September 28, 2016, to carry out two capital increases against voluntary reserves to implement the "dividend-option" system, in accordance with the terms agreed at the Annual General Meeting of March 11, 2016. In the first increase, the holders of 82.13% of the rights opted to receive new shares, while in the second, the figure was 87.85%. These percentages once more confirm the popularity of this remuneration system among BBVA shareholders.

## Shareholder remuneration

(Euros -gross-/share)



The number of BBVA shares as of 31-Dec-2016 is 6,566,615,242. The **number of shareholders** is 935,284. Residents in Spain hold 45.4% of the share capital, while the percentage owned by non-resident shareholders stands at 54.6%.

## Shareholder structure

(31-12-2016)

Number of shares	Shareholders		Shares	
	Number	%	Number	%
Up to 150	195,708	20.9	13,968,109	0.2
151 to 450	193,919	20.7	52,751,281	0.8
451 to 1,800	293,155	31.3	283,143,322	4.3
1,801 to 4,500	132,489	14.2	377,585,913	5.8
4,501 to 9,000	61,532	6.6	387,861,188	5.9
9,001 to 45,000	51,748	5.5	902,063,600	13.7
More than 45,001	6,733	0.7	4,549,241,829	69.3
<b>Total</b>	<b>935,284</b>	<b>100.0</b>	<b>6,566,615,242</b>	<b>100.0</b>

BBVA **shares** are traded on the Continuous Market of the Spanish Stock Exchanges and also on the stock exchanges in London and Mexico. BBVA American Depositary Shares (ADS) are traded on the New York Stock Exchange and also on the Lima Stock Exchange (Peru) under an exchange agreement between these two markets. Among the main stock-market indices, BBVA shares are included on the Ixex 35, Euro Stoxx 50 and Stoxx 50, with a weighting of 8.70%, 1.90% and 1.21% respectively. They are also listed on several sector indices, such as the Stoxx Banks, with a weighting of 4.39%, and the Euro Stoxx Banks, with a weighting of 9.29%.

Lastly, BBVA maintains a significant presence on a number of **international sustainability indices** or ESG (environmental, social and governance), which evaluate the performance of companies in this area, as summarized in the table below.

## Sustainability indices on which BBVA is listed as of 31-12-2016

 2016 Constituent MSCI Global Sustainability Indexes	Listed on the MSCI Global Sustainability indices
(1)	AAA rating
 FTSE4Good	Listed on the FTSE4Good Global, FTSE4Good Europe and FTSE4Good IBEX indices
 SUSTAINALYTICS	Industry leader according to the latest ESG 2015 rating
	Listed on the Euronext Vigeo Eurozone 120 indices
 Member 2015/2016 STOXX ESG LEADERS INDICES	Included on the Ethibel Excellence Investment Register
 CDP DRIVING SUSTAINABLE ECONOMIES	In 2016, BBVA obtained a "B" rating

(1) The inclusion of BBVA in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of BBVA by MSCI or any of its affiliates. The MSCI indices are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

# Responsible banking

BBVA's **responsible banking model** seeks to boost financial inclusion and literacy and support scientific research and culture. The Group operates with the highest level of integrity, a long-term focus, and a balanced relationship with customers, contributing to the development of the communities in which it is present. All this is in line with the Bank's Purpose: "to bring the age of opportunity to everyone".

The highlights in **2016** in responsible banking are summarized below.

## TCR Communication

BBVA puts customers at the core of its business. The "**TCR Communication**" project helps customers make informed decisions, ensuring that BBVA's relationship with them is transparent, clear and responsible in each interaction. In this way we strengthen the relationship of trust and we gain their loyalty, so they recommend us to other potential customers.

In 2016 we have worked in three **areas**. We have continued to expand the number of products and services that have TCR leaflets, we have worked on making contracts TCR and we have made sure that the language used in online banking conversations and in the replies to their complaints is in line with these principles. We have also continued to work on digital projects hand in hand with the development and usability teams.

Clarity and transparency are not only achieved through the "TCR Communication" project. The [Commitment and Transparency Foundation](#) (Fundación Compromiso y Transparencia) has also ranked BBVA second on the list of companies that best inform of their fiscal responsibility in the Ibex 35 index.

## Society

### Products with a high social impact

BBVA and the [European Investment Bank](#) (EIB) have joined forces for the third time to boost funding for small and medium-sized enterprises, provide liquidity and help them with their investments.

Moreover, BBVA is committed to sustainable funding strategies and is incorporating environmental and social criteria into its products to generate a positive impact. This commitment is reflected in the **Bloomberg** ranking, where BBVA is the first Spanish financial institution as issuer of green bonds.

### Social programs

In Spain, the fifth edition of the [Territorios Solidarios](#) project has taken place. This initiative offers the Bank's employees the chance to put forward non-profit organizations which are then

voted by the rest of staff and can win up to 10,000 euros to fund a project within their area of activity. This year, 1,650,000 euros have been distributed.

The 8th **Integra** Awards have also been held to recognize the innovative initiatives that generate quality employment for people with disabilities in Spain. A total of €3m have been granted in the seven years of the awards so far, 700 jobs have been created for people with disabilities and a further 4,000 jobs have been maintained.

Meanwhile, BBVA Bancomer and Seguros Bancomer have received from the Mexican Center for Philanthropy (Cemefi) the "**Socially Responsible Company**" recognition, which is awarded to all leading companies in the field of social responsibility that have certifiable standards in community involvement and support for the populations over which they have an influence. This recognition was awarded for the first time in 2000. BBVA Bancomer has been the only bank to receive this recognition for more than fifteen years.

Lastly, as regards **housing**, an agreement was signed in July between BBVA Group and the Regional Government of Catalonia for the implementation of a social housing project. BBVA will transfer 1,800 homes to the Regional Government for families in a situation of social vulnerability. The Regional Government will implement a social insertion plan as part of this agreement.

## Financial literacy

The Institute for Financial Literacy, a non-governmental organization based in the United States, has awarded the recognition **Excellence in Financial Literacy Education** to BBVA Bancomer for the approach and the results of its financial literacy program "Adelante con tu futuro" (Forward with your future), in the "Organization of the Year" category.

With the aim of raising awareness of the importance of financial literacy in the lives of people, and helping to train consumers to be more aware and better informed about banking products, **BBVA Chile** has just implemented its new web site, [educacionfinancierabbva.cl](#). Over 10,300 young people in Chile, of whom 60% live in remote regions far from the capital, have taken part this year in Liga de Educación Financiera BBVA (BBVA Financial Literacy League), a program designed to teach good financial habits to students aged 14 to 17.

For the second year in a row, the **BBVA Provincial Foundation** has held the ceremony for the presentation of its "Adelante con la educación" (Forward with education) awards. Their aim is to recognize students and teachers who participate in its educational programs.

## Knowledge, science and culture

The "**Acción Magistral 2016**" (Teacher Action) Awards, organized by the FAD, the Spanish Commission for Cooperation



with UNESCO and BBVA, have once more recognized the best teaching projects that provide education in values. The registration period has been opened for these awards, which offer an incentive to teachers who want to go beyond their daily obligations and make an effort to instill in their classrooms values such as solidarity and respect for others.

The **BBVA Foundation Frontiers of Knowledge Awards** have recognized, once more, the most prominent researchers in their respective fields, some of them focused on social and environmental issues.

The **BBVA Foundation** has launched a call for new aid for “Scientific Research Teams and Cultural Researchers and Creators”. The aim is to support the development of projects that are characterized by an innovative spirit in areas such as ecology and big data.

**Fundéu BBVA** continues to be a benchmark in the world of letters. In 2016, in partnership with [Molino de Ideas](#), it studied the development of printed press in Spain from 1914 to 2014 as part of the Aracne project. Its work will boost the use of Spanish and offer a complete picture of how society changes through language.

## Entrepreneurship

### Innovation

**BBVA Bancomer** has opened the first [Innovation Center](#) in the banking sector in Mexico as a meeting point for the country's

innovation ecosystem (entrepreneurs, developers and startups). The BBVA Innovation Centers were launched four years ago in Madrid, Colombia and the United States. Their success is reflected in three main figures: over 20,000 visits received, 200 events in BBVA CIB, Madrid, a website with more than a million visits and 100,000 followers on Facebook.

### Microfinance Foundation

The Microfinance Foundation has continued to give access to financial products for the most disadvantaged groups, with special emphasis on women as generators of wealth in Latin American countries. 61% of the entrepreneurs it supports with loans and advice are women. In 2016, the Foundation's commitment to the **Sustainable Development Goals Fund (SDG-F)** was renewed until 2019. It has also participated in the **United Nations** high-level panel on women's economic empowerment in Latin America. The event revolved around the economic gap between men and women in Latin America and the Caribbean.

To show all the efforts made, the BBVA Microfinance Foundation has presented its 2015 Social Performance Report **“Measuring What Really Matters”** at the [Institute of International Finance](#) in Washington.

Over the year, the Foundation has received many recognitions for its work. Worth mentioning are the [ECOFIN Awards](#) as the best “International Brand-Image of Spain” in 2016.

# 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 2016 the **reporting structure** of BBVA Group's business areas remains basically the same as in 2015:

- **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.
- **Real-estate activity in Spain** covers specialist management of real-estate assets in the country (excluding buildings for own use), including: foreclosed real-estate assets from residential mortgages and developers; as well as lending to developers.
- **The United States** includes the Group's business activity in the country through the BBVA Compass group and the BBVA New York branch.
- **Turkey** includes the activity of the Garanti Group. BBVA's stake in Garanti (39.9% since the third quarter of 2015) has been incorporated into the Group's financial statements since then by the full integration method. The above has had an impact on the year-on-year rates of change in the earnings of this area due to the change in the scope of consolidation. In order to make the comparison against 2015 easier, rates of change are shown by taking into account the stake in Garanti on an equivalent basis, i.e. including the stake in Garanti as if it had been incorporated by the full integration method since January 1, 2015 (Turkey in comparable terms).
- **Mexico** includes all the banking, real-estate and insurance businesses carried out by the Group in the country.

- **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 basically 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. It also comprises the result from certain corporate operations carried out by the Group in 2015.

In addition to this geographical breakdown, **supplementary information** is provided for all the wholesale businesses carried out by BBVA, i.e. Corporate & Investment Banking (CIB), in all the geographical areas where it operates. This aggregate business is considered relevant to better understand the Group because of the characteristics of the customers served, the type of products offered and the risks assumed.

Lastly, as usual, in the case of the Americas, Turkey and CIB 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 geographical area in which they carry out their activity.

## Major income statement items by business area

(Million euros)

	BBVA Group <sup>(1)</sup>	Business areas							∑ Business areas	Corporate Center
		Banking activity in Spain	Real-estate activity in Spain	The United States	Turkey <sup>(1)</sup>	Mexico	South America	Rest of Eurasia		
<b>2016</b>										
Net interest income	17,059	3,883	60	1,953	3,404	5,126	2,930	166	17,521	(461)
Gross income	24,653	6,445	(6)	2,706	4,257	6,766	4,054	491	24,713	(60)
Operating income	11,862	2,846	(130)	863	2,519	4,371	2,160	149	12,778	(916)
Income before tax	6,392	1,278	(743)	612	1,906	2,678	1,552	203	7,486	(1,094)
<b>Net attributable profit</b>	<b>3,475</b>	<b>912</b>	<b>(595)</b>	<b>459</b>	<b>599</b>	<b>1,980</b>	<b>771</b>	<b>151</b>	<b>4,276</b>	<b>(801)</b>
<b>2015</b>										
Net interest income	16,426	4,001	71	1,811	2,194	5,387	3,202	183	16,850	(424)
Gross income	23,680	6,804	(28)	2,631	2,434	7,081	4,477	473	23,872	(192)
Operating income	11,363	3,358	(154)	825	1,273	4,459	2,498	121	12,380	(1,017)
Income before tax	5,879	1,548	(716)	685	853	2,772	1,814	111	7,066	(1,187)
<b>Net attributable profit</b>	<b>2,642</b>	<b>1,085</b>	<b>(496)</b>	<b>517</b>	<b>371</b>	<b>2,094</b>	<b>905</b>	<b>75</b>	<b>4,552</b>	<b>(1,910)</b>

(1) From the third quarter of 2015, BBVA's total stake in Garanti is consolidated by the full integration method. For previous periods, Garanti's revenues and costs are integrated in the proportion corresponding to the percentage of the Group's stake then (25.01%).

## Breakdown of gross income, operating income and net attributable profit by geography <sup>(1)</sup>

(2016, Percentage)

	Banking activity in Spain	Spain <sup>(2)</sup>	The United States	Turkey	Mexico	South America	Rest of Eurasia
Gross income	26.1	26.1	10.9	17.2	27.4	16.4	2.0
Operating income	22.3	21.3	6.8	19.7	34.2	16.9	1.2
<b>Net attributable profit</b>	<b>21.3</b>	<b>7.4</b>	<b>10.7</b>	<b>14.0</b>	<b>46.3</b>	<b>18.0</b>	<b>3.5</b>

(1) Excludes the Corporate Center.

(2) Including real-estate activity in Spain.

## Major balance sheet items and risk-weighted assets by business area

(Million euros)

	BBVA Group	Business areas							∑ Business areas	Corporate Center
		Banking activity in Spain	Real-estate activity in Spain	The United States	Turkey	Mexico	South America	Rest of Eurasia		
<b>31-12-16</b>										
Loans and advances to customers	414,500	181,243	5,946	61,159	55,612	46,474	48,718	15,199	414,350	150
Deposits from customers	401,465	177,149	24	65,760	47,244	50,571	47,921	12,796	401,465	-
Off-balance sheet funds	91,287	56,147	8	-	3,753	19,111	11,902	366	91,287	-
<b>Risk-weighted assets</b>	<b>388,760</b>	<b>113,048</b>	<b>10,988</b>	<b>65,445</b>	<b>70,337</b>	<b>47,881</b>	<b>57,394</b>	<b>15,196</b>	<b>380,289</b>	<b>8,471</b>
<b>31-12-15</b>										
Loans and advances to customers	414,165	184,115	8,228	59,796	55,182	47,534	43,596	15,579	414,029	136
Deposits from customers	403,362	185,484	131	63,715	47,199	49,553	42,227	15,053	403,362	-
Off-balance sheet funds	89,748	54,504	6	-	3,620	21,557	9,729	331	89,748	-
<b>Risk-weighted assets</b>	<b>401,277</b>	<b>121,889</b>	<b>14,606</b>	<b>60,092</b>	<b>73,207</b>	<b>50,330</b>	<b>56,563</b>	<b>15,356</b>	<b>392,044</b>	<b>9,234</b>

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. Within each geographical area, internal transfer rates are established to calculate the net interest income of its businesses, under both the asset and liability headings. These rates consist of a reference rate (an index whose use is generally accepted on the market) that is applied based on the transaction's revision period or maturity, and a liquidity premium, i.e. a spread that is established based on the conditions and outlook of the financial markets. Additionally, there are agreements for the allocation of earnings between the product-generating units and the distribution 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)

	2016				2015			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Official ECB rate	0.00	0.00	0.00	0.04	0.05	0.05	0.05	0.05
Euribor 3 months	(0.31)	(0.30)	(0.26)	(0.19)	(0.09)	(0.03)	(0.01)	0.05
Euribor 1 year	(0.07)	(0.05)	(0.02)	0.01	0.09	0.16	0.17	0.25
USA Federal rates	0.55	0.50	0.50	0.50	0.33	0.25	0.25	0.25
TIIIE (Mexico)	5.45	4.60	4.08	3.80	3.35	3.32	3.30	3.30
CBRT (Turkey)	7.98	7.99	8.50	8.98	8.78	8.66	8.26	7.99

## Exchange rates

(Expressed in currency/euro)

	Year-end exchange rates			Average exchange rates	
	31-12-16	Δ% on 31-12-15	Δ% on 30-09-16	2016	Δ% on 2015
Mexican peso	217718	(13.1)	(12.8)	206637	(14.8)
U.S. dollar	1.0541	3.3	6.3	1.1069	0.2
Argentine peso	165846	(14.8)	(36.4)	163348	(37.2)
Chilean peso	703.23	9.5	12.2	748.50	(3.0)
Colombian peso	3,164.56	8.2	10.5	3,378.38	(9.8)
Peruvian sol	3,531.0	5.0	2.1	3,733.3	(5.4)
Venezuelan bolivar	1,893.94	(75.2)	(88.2)	1,893.94	(75.2)
Turkish lira	3,707.2	(14.3)	(8.5)	3,342.7	(9.5)

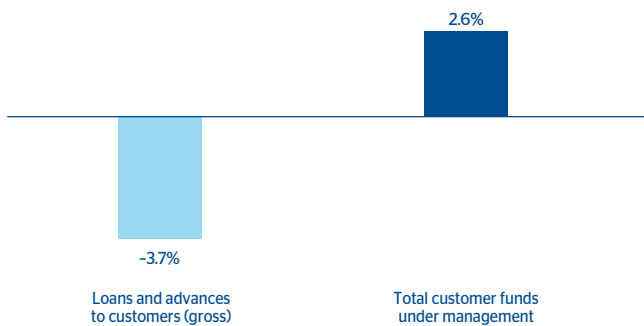
# Banking activity in Spain

## Highlights

- Decline in lending, but good performance of the more liquid deposits and off-balance sheet funds.
- Earnings affected by the allocation of a provision related to the so called "mortgage floor clauses".
- Revenues impacted by the current interest-rate environment and lower activity in the markets.
- Positive figures for operating expenses and impairment losses on financial assets.
- Risk indicators continue to improve.

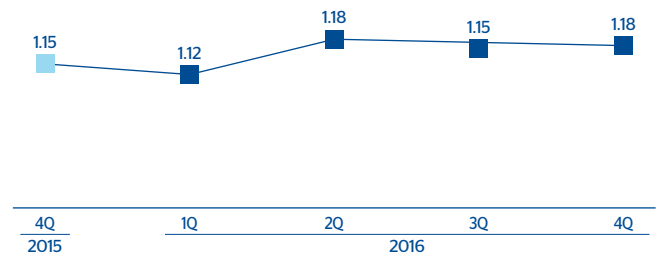
## Business activity

(Year-on-year change. Data as of 31-12-2016)



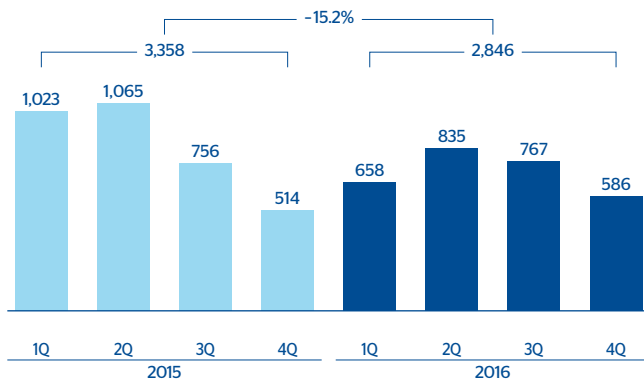
## Net interest income/ATA

(Percentage)



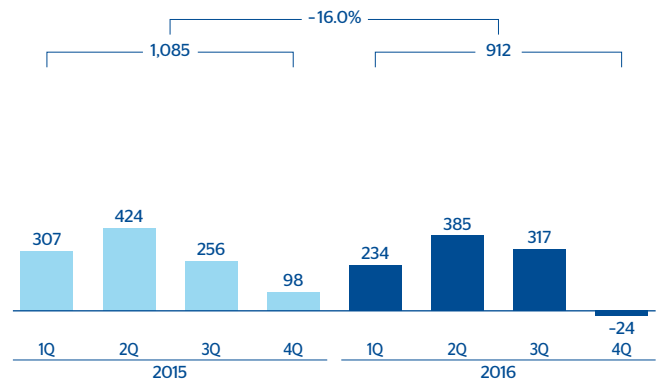
## Operating income

(Million euros)



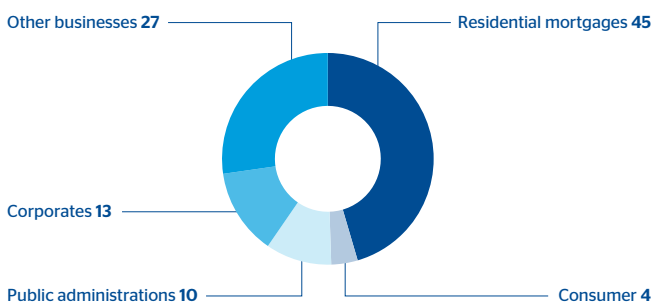
## Net attributable profit

(Million euros)



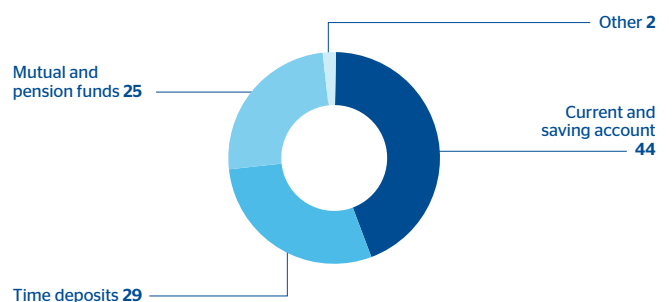
## Breakdown of loans and advances to customers (gross)

(Percentage as of 31-12-2016)



## Breakdown of customer funds under management

(Percentage as of 31-12-2016)



## Macro and industry trends

The Spanish **economy** grew by 0.7% in the third quarter of 2016, maintaining the stabilization in growth at a year-on-year rate of 3.2%. Domestic demand continues to be solid.

The family and corporate deleveraging process continues in the **financial system**, although at a slower pace than in previous years. According to data as of October 2016, total domestic private-sector loans fell by 4.8% in year-on-year terms. Nevertheless, the trend for growth in new loan operations to families and SMEs starting in January 2014 continues, and the amount increased by 5.2% on November 2015. However, the total amount of new operations fell by 13.3% between January and November 2016, due to the fall in new loans to large companies. The asset quality indicators in the system continue to improve. The NPL ratio in the sector stood at 9.3% in October, 0.85 percentage points below the figure at the close of 2015, due to the significant reduction in non-performing loans (down 16.3% year-on-year and 40% since the high in December 2013). The environment of all-time low interest rates continues to put pressure on profitability in the system, with a ROE of 4.8% as of September 2016. Finally, use of Eurosystem liquidity by Spanish entities is relatively stable: €135,987m as of November 2016, practically the same figure as one year earlier.

## Activity

Gross customer **lending** has declined, in year-on-year terms, by 3.7%, closely linked to the reduction in the mortgage and public-sector portfolios and the balance of non-performing loans. However, it should be noted that new loan production has been positive over the year, showing year-on-year growth of 5.5% in mortgages (a rise not sufficient to increase stock, which is still declining at rates similar to previous quarters, down 4.0% year-on-year) and 36.2% in consumer finance (a portfolio whose final volume has grown by 18.0% as of 31-Dec-2016).

As regards **asset quality**, the reduction in the NPL ratio continues: down 12 basis points over the last quarter and 86 basis points in the last twelve months. The coverage ratio closed the year above 53%.

Customer **deposits** under management have grown by 2.5% in year-on-year terms in 2016, largely due to the good performance of

## Financial statements and relevant business indicators

(Million euros and percentage)

Income statement	2016	Δ%	2015
<b>Net interest income</b>	<b>3,883</b>	<b>(2.9)</b>	<b>4,001</b>
Net fees and commissions	1,500	(6.5)	1,605
Net trading income	787	(22.3)	1,013
Other income/expenses	275	48.6	185
<b>Gross income</b>	<b>6,445</b>	<b>(5.3)</b>	<b>6,804</b>
Operating expenses	(3,599)	4.4	(3,446)
Personnel expenses	(2,011)	5.5	(1,907)
Other administrative expenses	(1,268)	8.4	(1,170)
Depreciation	(319)	(13.3)	(368)
<b>Operating income</b>	<b>2,846</b>	<b>(15.2)</b>	<b>3,358</b>
Impairment on financial assets (net)	(763)	(42.7)	(1,332)
Provisions (net) and other gains (losses)	(805)	68.6	(478)
<b>Income before tax</b>	<b>1,278</b>	<b>(17.5)</b>	<b>1,548</b>
Income tax	(363)	(20.4)	(456)
<b>Net income</b>	<b>915</b>	<b>(16.2)</b>	<b>1,092</b>
Non-controlling interests	(3)	(52.9)	(6)
<b>Net attributable profit</b>	<b>912</b>	<b>(16.0)</b>	<b>1,085</b>

Major balance sheet items	31-12-16	Δ%	31-12-15
Cash and balances with central banks, credit institutions and others	45,590	32.9	34,298
Financial assets	100,394	(14.7)	117,631
Loans and advances to customers	181,243	(1.6)	184,115
Inter-area positions	1,996	188.3	692
Tangible assets	788	12.2	702
Other assets	2,632	12.6	2,338
<b>Total assets/liabilities and equity</b>	<b>332,642</b>	<b>(2.1)</b>	<b>339,775</b>
Deposits from central banks and credit institutions	66,029	11.1	59,456
Deposits from customers	177,149	(4.5)	185,484
Debt certificates	35,980	(13.1)	41,422
Subordinated liabilities	2,365	0.8	2,347
Inter-area positions	-	-	-
Financial liabilities held for trading	39,829	(0.3)	39,955
Other liabilities	1,881	1.4	1,854
Economic capital allocated	9,409	1.6	9,259

Relevant business indicators	31-12-16	Δ%	31-12-15
Loans and advances to customers (gross) <sup>(1)</sup>	180,707	(3.7)	187,719
Customer deposits under management <sup>(1)</sup>	171,210	2.5	167,026
Off-balance sheet funds <sup>(2)</sup>	56,147	3.0	54,504
Risk-weighted assets	113,048	(7.3)	121,889
Efficiency ratio (%)	55.8		50.6
NPL ratio (%)	5.8		6.6
NPL coverage ratio (%)	53		59
Cost of risk (%)	0.32		0.71

(1) Excluding repos.

(2) Includes mutual funds, pension funds and other off-balance sheet funds.

current and savings accounts (up 21.8%). Time deposit balances have declined by 14.4% as a result of the reduced remuneration in this kind of deposits.

Finally, **off-balance sheet funds** have grown by 3.0% year-on-year, most notably in the fourth quarter (up 2.6% on the previous quarter). Mutual funds grew by 3.7% and pensions funds by 2.4%.

## Earnings

Earnings in the area are affected by the recognition of the provision to cover the possible future claims that customers could file related to the judgment by the CJEU on "mortgage floor clauses" in loans with consumers. Apart from this, the most relevant aspects of the account in 2016 are:

- The decline in yield on loans is still not offset by cheaper funding, whether retail (reduced cost of deposits) or wholesale. The above, combined with lower volume of loans, explains the year-on-year decrease of 2.9% in cumulative **net interest income** for 2016, despite the fact that it grew slightly in the last quarter (up 0.3%).
- In a complex environment such as that of 2016, **income from fees and commissions** declined by 6.5%. This fall is closely linked to market movements and reduced activity in securities and investment banking.
- The contribution of **NTI** is lower than in 2015, due mainly to lower sales of ALCO portfolios. The Global Markets unit has performed particularly well, above all in the last quarter of the year. As a result, the year-on-year decline in this heading is below that in the cumulative figure through the third quarter of 2016.

- **Other income/expenses** have grown by 48.6% year-on-year, partly due to the positive performance of income from insurance activities in the last twelve months and a reduced annual contribution to the Single Resolution Fund (–€117m before tax) booked in the second quarter of the year compared with the 2015 figure (in 2015 it was booked in the fourth quarter). The contribution to the Deposit Guarantee Fund in the fourth quarter is in line with that made in the same period last year.

- **Operating expenses** have fallen in the fourth quarter by 2.4% as a result of the synergies generated by the operational integration of CX. These synergies will be consolidated and become more visible over 2017. The behavior of this line in the cumulative figure for 2016 shows a year-on-year increase of 4.4%, very closely linked to the inclusion of CX in April 2015, and related integration costs.

- The continued improvement in asset quality has resulted in more limited **impairment losses on financial assets** (down 42.7% year-on-year). As a result, the cumulative cost of risk through December stands at 0.32%, a fall of 39 basis points on the previous year.

- **Provisions (net) and other gains (losses)** increased in 2016 year-on-year by 68.6%, due basically to the provision of €577m before tax to cover the contingency related to the aforementioned "mortgage floor clauses" (€404m after tax). This item also includes the costs resulting from the transformation process.

As a result, the net attributable **profit** generated by banking activity in Spain in 2016 stands at €912m, a year-on-year reduction of 16.0%. Not including the provision for "mortgage floor clauses" mentioned above, there would have been an increase of 21.2% to €1,316m.

# Real-estate activity in Spain

## Highlights

- The growing trend in demand, prices and activity in the mortgage market continues.
- Further reduction in net exposure and NPLs in the area.
- Increased coverage for real-estate assets.

## Industry trends

According to the latest available information as of November 2016 from the General Council of Spanish Notaries, a total of 408,973 **homes** were sold in the first eleven months of the year, a year-on-year rise of 12.9%. This performance is slightly above the BBVA Research forecast, which initially estimated a year-on-year growth in sales in 2016 of around 10%.

With respect to the latest data published by the National Institute for Statistics (INE) in the third quarter of 2016, the **price** of homes has grown 4.0% year-on-year. This is a similar rate to that of the previous quarter (up 3.9%), changing the moderation that began in the second quarter of 2016. Once more, the year-on-year rise in the price of new construction (up 7.3%) is far greater than that of existing homes (up 3.5%).

The **mortgage market** is still strong, thanks to increased sales in a context of low cost of finance, as interest rates remain at record low levels. The volume of new residential mortgage loans granted to families picked up to a year-on-year growth of 6.7% in November. Not including transactions whose conditions were renegotiated, new loans for homes in November posted a year-on-year rise of 19.3%. In the first eleven months of 2016 they grew by 21.5% on the figure for the same period in 2015.

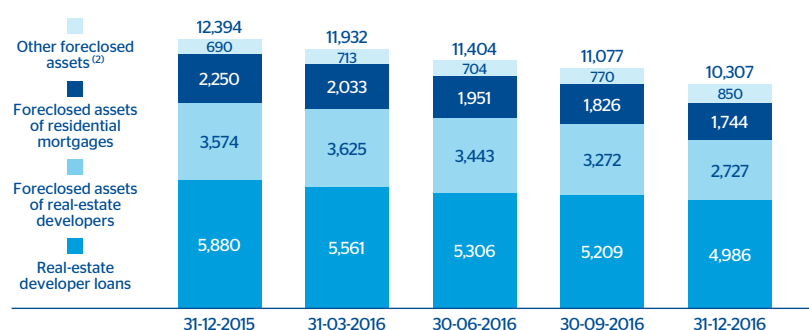
The figures related to **construction activity** show the number of construction permits approved in the first ten months of the year is 33.2% up on the same period in 2015.

## Activity

BBVA continues with its strategy of reducing its **net exposure** to the real-estate sector in

## Net exposure to real estate <sup>(1)</sup>

(Million euros)



(1) Transparency scope according to Bank of Spain Circular 5/2011 dated November 30.

(2) Other foreclosed assets include foreclosed assets that do not stem from financing family home buying.

## Coverage of real-estate exposure in Spain <sup>(1)</sup>

(Million of euros as of 31-12-16)

	Risk amount	Provision	% Coverage over risk
NPL	5,095	2,888	57
Foreclosed real-estate and other assets	14,205	8,884	63
From real-estate developers	8,017	5,290	66
From dwellings	4,332	2,588	60
Other	1,856	1,006	54
<b>Subtotal</b>	<b>19,300</b>	<b>11,772</b>	<b>61</b>
Performing	2,835	56	2
With collateral	2,469	48	2
Finished properties	1,800	33	2
Construction in progress	427	6	1
Land	242	9	4
Without collateral and other	366	8	2
<b>Real-estate exposure</b>	<b>22,135</b>	<b>11,828</b>	<b>53</b>

(1) Transparency scope according to Bank of Spain Circular 5/2011 dated November 30.



## Financial statements

(Million euros)

Income statement	2016	Δ%	2015
<b>Net interest income</b>	<b>60</b>	<b>(16.2)</b>	<b>71</b>
Net fees and commissions	6	138.9	2
Net trading income	(3)	n.m.	4
Other income/expenses	(68)	(35.0)	(105)
<b>Gross income</b>	<b>(6)</b>	<b>(76.5)</b>	<b>(28)</b>
Operating expenses	(124)	(1.8)	(126)
Personnel expenses	(66)	1.7	(64)
Other administrative expenses	(31)	(16.5)	(37)
Depreciation	(27)	11.2	(25)
<b>Operating income</b>	<b>(130)</b>	<b>(15.2)</b>	<b>(154)</b>
Impairment on financial assets (net)	(138)	(23.1)	(179)
Provisions (net) and other gains (losses)	(475)	23.9	(383)
<b>Income before tax</b>	<b>(743)</b>	<b>3.8</b>	<b>(716)</b>
Income tax	148	(33.2)	221
<b>Net income</b>	<b>(595)</b>	<b>20.3</b>	<b>(495)</b>
Non-controlling interests	(0)	(84.9)	(1)
<b>Net attributable profit</b>	<b>(595)</b>	<b>20.1</b>	<b>(496)</b>

Major balance sheet items	31-12-16	Δ%	31-12-15
Cash and balances with central banks, credit institutions and others	9	77.7	5
Financial assets	575	35.1	425
Loans and advances to customers	5,946	(27.7)	8,228
Inter-area positions	-	-	-
Tangible assets	464	(64.3)	1,302
Other assets	6,719	(6.2)	7,162
<b>Total assets/liabilities and equity</b>	<b>13,713</b>	<b>(19.9)</b>	<b>17,122</b>
Deposits from central banks and credit institutions	-	-	-
Deposits from customers	24	(81.5)	131
Debt certificates	-	-	-
Subordinated liabilities	834	(2.7)	857
Inter-area positions	9,520	(25.1)	12,708
Financial liabilities held for trading	0	n.m.	-
Other liabilities	(0)	n.m.	-
Economic capital allocated	3,335	(2.7)	3,427
<b>Memorandum item:</b>			
Risk-weighted assets	10,988	(24.8)	14,606

Spain, both in the developer segment (lending to real-estate developers plus foreclosed assets derived from those loans) and in foreclosed real-estate assets from retail mortgage loans. As of 31-Dec-2016, the amount stood at €10,307m (in accordance with the scope of transparency stipulated by Bank of Spain Circular 5/2011 dated November 30), a fall of 16.8% since December 2015. It has declined by 7.0% with respect to the figure for September 2016.

Total real-estate exposure, including outstanding loans to developers, foreclosures and other assets, reflects a **coverage** ratio of 53% at the close of the fourth quarter of 2016, which represents an improvement of 3.2 percentage points with respect to the figure for 31-Dec-2015, and 2.1 percentage points against the ratio for 30-Sep-2016.

**Non-performing loans** have fallen again in the fourth quarter and in the last twelve months, with new additions to NPL declining over the period and a coverage ratio of 57%.

**Sales** of real-estate assets in the fourth quarter amounted to 3,340 units, and a total sales price of €340m. In the cumulative total for the year, the real-estate units sold increased by 37% with respect to 2015. The main levers in 2016 have been the implementation of commercial plans and actions designed to speed up sales and reduce the stock of product that has been on the Entity's balance sheet for the longest time.

## Earnings

This business area posted a cumulative **loss** in 2016 of €595m, compared with a loss of €496m in 2015. In the fourth quarter of 2016, there was an increased allocation to provisions (net) and other gains (losses), due to a greater need for real-estate provisions, which has been partially offset by a lower figure for impairment losses on financial assets. Not including this effect, earnings in the area have improved due to the more favorable cost of funding in the asset portfolios and lower financed volumes as a result of reduced exposure.

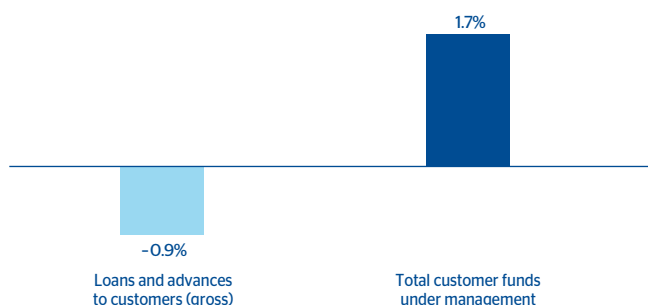
# The United States

## Highlights

- Focus on selective and profitable growth continues.
- Good performance of deposits, especially in the fourth quarter.
- Improvement of risk indicators along the year.

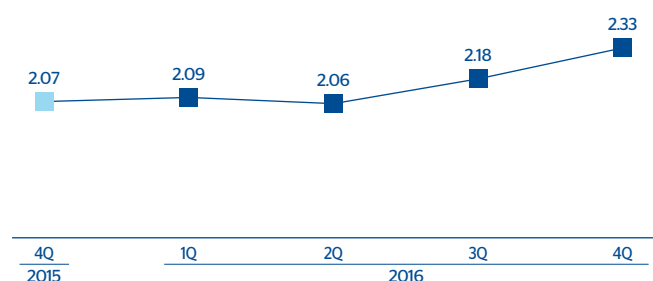
## Business activity

(Year-on-year change at constant exchange rate. Data as of 31-12-2016)



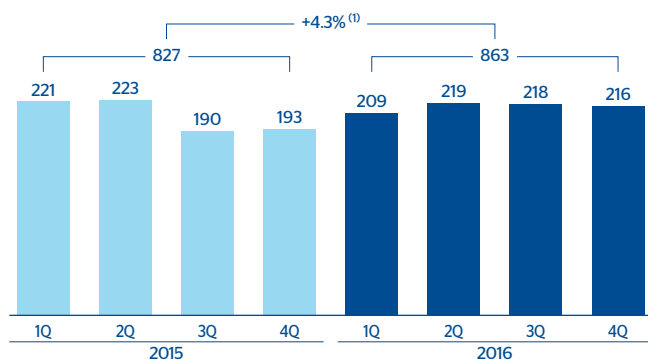
## Net interest income/ATA

(Percentage. Constant exchange rate)



## Operating income

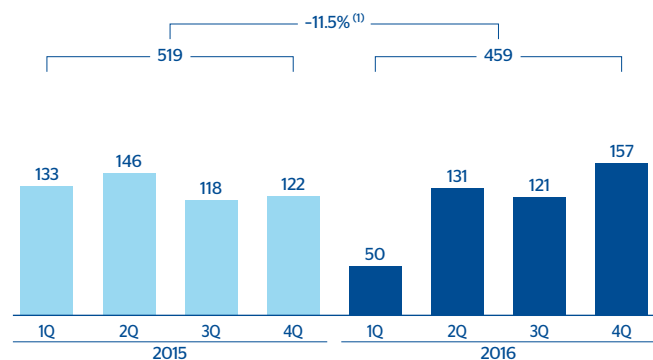
(Million euros at constant exchange rate)



(1) At current exchange rate: +4.6%.

## Net attributable profit

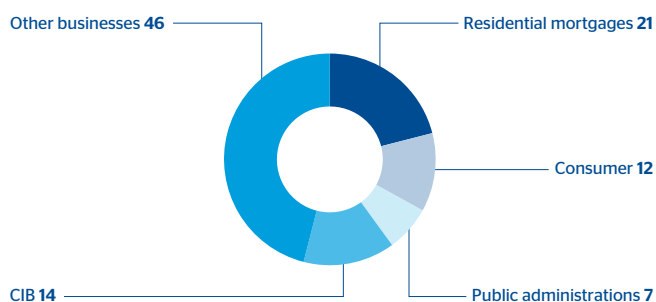
(Million euros at constant exchange rate)



(1) At current exchange rate: -11.2%.

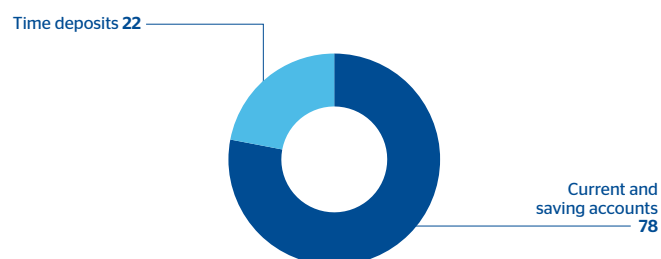
## Breakdown of loans and advances to customers (gross)

(Percentage as of 31-12-2016)



## Breakdown of customer funds under management

(Percentage as of 31-12-2016)



## Financial statements and relevant business indicators

(Million euros and percentage)

Income statement	2016	Δ%	Δ% <sup>(1)</sup>	2015
<b>Net interest income</b>	<b>1,953</b>	<b>7.9</b>	<b>7.6</b>	<b>1,811</b>
Net fees and commissions	638	3.5	3.2	616
Net trading income	142	(23.6)	(23.9)	186
Other income/expenses	(27)	n.m.	n.m.	18
<b>Gross income</b>	<b>2,706</b>	<b>2.8</b>	<b>2.5</b>	<b>2,631</b>
Operating expenses	(1,843)	2.0	1.7	(1,806)
Personnel expenses	(1,073)	3.9	3.6	(1,032)
Other administrative expenses	(580)	1.8	1.4	(570)
Depreciation	(190)	(6.7)	(6.9)	(204)
<b>Operating income</b>	<b>863</b>	<b>4.6</b>	<b>4.3</b>	<b>825</b>
Impairment on financial assets (net)	(221)	56.0	55.8	(142)
Provisions (net) and other gains (losses)	(30)	n.m.	n.m.	1
<b>Income before tax</b>	<b>612</b>	<b>(10.6)</b>	<b>(10.9)</b>	<b>685</b>
Income tax	(153)	(8.8)	(8.9)	(168)
<b>Net income</b>	<b>459</b>	<b>(11.2)</b>	<b>(11.5)</b>	<b>517</b>
Non-controlling interests	(0)	(60.0)	(60.1)	0
<b>Net attributable profit</b>	<b>459</b>	<b>(11.2)</b>	<b>(11.5)</b>	<b>517</b>

Major balance sheet items	31-12-16	Δ%	Δ% <sup>(1)</sup>	31-12-15
Cash and balances with central banks, credit institutions and others	9,766	91	5.6	8,953
Financial assets	14,581	0.8	(2.4)	14,468
Loans and advances to customers	61,159	2.3	(1.0)	59,796
Inter-area positions	-	-	-	-
Tangible assets	787	0.9	(2.3)	780
Other assets	2,609	6.2	2.8	2,457
<b>Total assets/liabilities and equity</b>	<b>88,902</b>	<b>2.8</b>	<b>(0.4)</b>	<b>86,454</b>
Deposits from central banks and credit institutions	3,473	(431)	(44.9)	6,100
Deposits from customers	65,760	3.2	(0.1)	63,715
Debt certificates	952	3.4	0.1	921
Subordinated liabilities	1,494	2.4	(0.9)	1,459
Inter-area positions	4,875	218.8	208.7	1,529
Financial liabilities held for trading	2,901	(24.5)	(26.9)	3,844
Other liabilities	6,068	6.1	2.7	5,718
Economic capital allocated	3,379	6.7	3.3	3,167

Relevant business indicators	31-12-16	Δ%	Δ% <sup>(1)</sup>	31-12-15
Loans and advances to customers (gross) <sup>(2)</sup>	62,000	2.3	(0.9)	60,599
Customer deposits under management <sup>(2)</sup>	63,195	5.0	1.7	60,173
Off-balance sheet funds <sup>(3)</sup>	-	-	-	-
Risk-weighted assets	65,445	8.9	5.4	60,092
Efficiency ratio (%)	681			686
NPL ratio (%)	15			0.9
NPL coverage ratio (%)	94			151
Cost of risk (%)	0.37			0.25

(1) Figures at constant exchange rate.

(2) Excluding repos.

(3) Includes mutual funds, pension funds and other off-balance sheet funds.

## Macro and industry trends

U.S. **GDP** grew slightly above 3% in annualized terms in the third quarter of 2016, after a relatively weak first half of the year (at around an annualized average of 1%), but progress has continued at dual speed, with strong consumption but moderate investment. Private consumption is expected to continue to increase at a similar pace, supported by employment growth, easy credit, more limited inflationary pressures, and despite the important role that deleveraging will play. With respect to investment, lower earnings from companies and the adjustment in the energy and mining sector will continue to weigh on corporate decisions.

In the **currencies** market, the uncertainty in the wake of the U.S. presidential elections and the FED's normalization process led to a reversal of the depreciation of the dollar that had begun in the first quarter of the year. The dollar gained 3.3% against the euro over the last twelve months, in accordance with the year-end exchange rate as of 31-Dec-2016. It still has some room to continue to appreciate, given the FED's steady normalization and the maintenance of an accommodative monetary policy in the Eurozone.

Overall, the **financial system** continues to be in good shape, despite the environment of low interest rates. The NPL ratio in the sector is continuing its downward trend begun in 2010. Based on data at the end of the third quarter of 2016 it stands at 2.05%. According to the latest available information for November 2016, lending is growing at a year-on-year rate of 3.2%, with household and commercial loans growing at a similar rate. The behavior of deposits in the system has been more volatile. As of November they increased at 4.9% in year-on-year terms.

## 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.

Gross **lending** to customers in the United States in 2016 continues the moderation which began in the second half of 2015, for two complementary reasons; first, the strategy in the area focused on selective growth in

the most profitable portfolios and segments and thus represent a more efficient capital consumption; and second, portfolio sales in the residential mortgage segment, made basically in the second half of 2016. As a result, this heading has fallen by 0.9% over the year. By portfolios, the growth is focused on secured loans and credit cards for the large corporates and the commercial segment.

With regard to the **asset quality** of the portfolio, the NPL ratio at the end of 2016 is 1.5%, an improvement on that reported at 30-Sep-2016 (1.7%). The coverage ratio closed 2016 at 94% (compared with 87% at the close of September). BBVA in the United States maintains a conservative and prudent policy of extending credit and collateral requirements to companies in the energy sector. The exploration & production portfolio accounts for 2.9% of the total BBVA Compass portfolio.

Customer **deposits** under management performed better in the final part of the year (up 1.8% in the fourth quarter), leading to a year-on-year growth of 1.7%. This growth is strongly influenced by the increase in both current and savings accounts (up 1.8% quarterly) and time deposits (up 1.6% in the last three months). In year-on-year terms, current and savings accounts have risen by 4.7%, while time deposits have declined by 7.8%.

## Earnings

The United States generated a net attributable **profit** for 2016 of €459m. There

was outstanding performance in this area, particularly in the last quarter, when growth was 29.7% compared to the third quarter. As a result the cumulative year-on-year decline slowed to 11.5%. In addition, the most relevant aspects are:

- The good performance of **net interest income** has improved further, increasing as a cumulative total by 7.6% year-on-year, due mainly to the rise in interest rates and good management of customer spreads.
- **Income from fees and commissions** increased by 3.2% over the year, basically due to the improvement in asset management fees, card and merchant processing fees and money transfers.
- **NTI** fell by 23.9% on the previous year as a result of the difficult market situation and lower sales of ALCO portfolios compared with 2015.
- The rate of increase in **operating expenses** has moderated to a 1.7% year-on-year.
- Lastly, **impairment losses on financial assets** have grown by 55.8%, basically due to an increase in provisions following the impact of the deterioration of the energy sector in the first quarter the year. The amount has steadily declined in the following quarters. The cumulative cost of risk in the area in 2016 is 0.37%, a clear improvement with respect to the peak in the first quarter (0.63%) and compared with the figure for the first nine months of 2016 (0.44%).

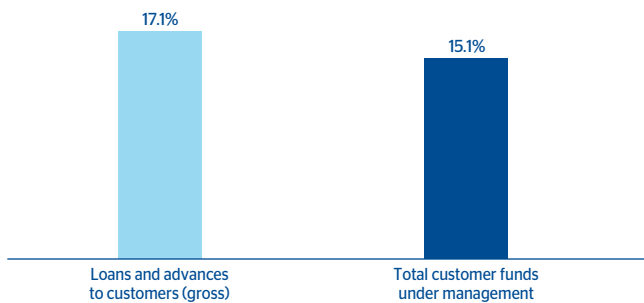
# Turkey

## Highlights

- Strong lending activity, heavily concentrated on loans in Turkish lira, and growth in deposits.
- Positive trend in net interest income.
- Growth in expenses in line with inflation.
- Risk metrics reflects good management in a complex environment.

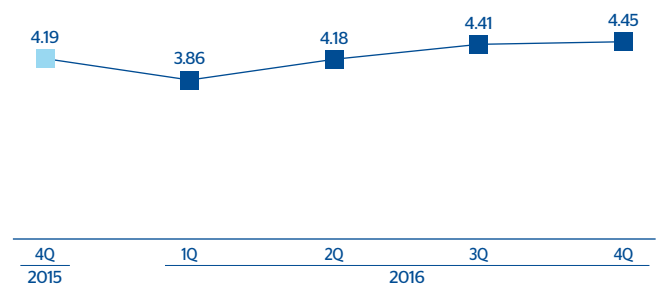
## Business activity

(Year-on-year change at constant exchange rate with Turkey in comparable terms. Data as of 31-12-2016)



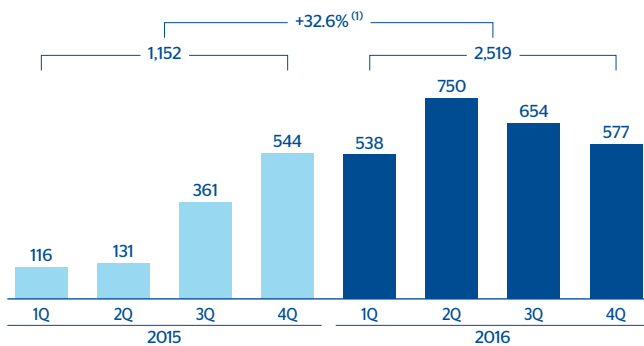
## Net interest income/ATA

(Percentage. Constant exchange rate)



## Operating income

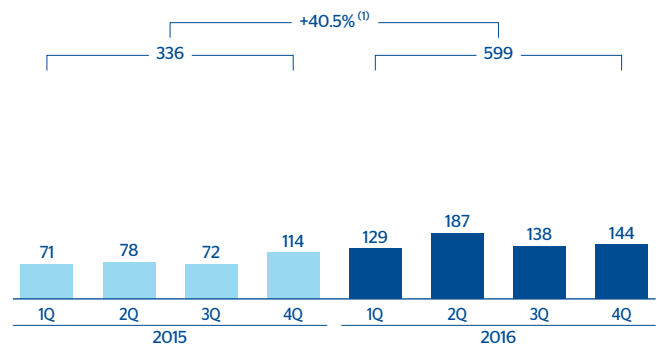
(Million euros at constant exchange rate and year-on-year change with Turkey in comparable terms)



(1) At current exchange rate: +17.3%.

## Net attributable profit

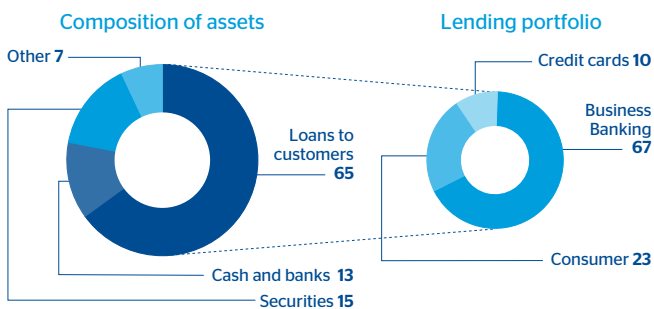
(Million euros at constant exchange rate and year-on-year change with Turkey in comparable terms)



(1) At current exchange rate: +25.6%.

## Garanti. Composition of assets and lending portfolio<sup>(1)</sup>

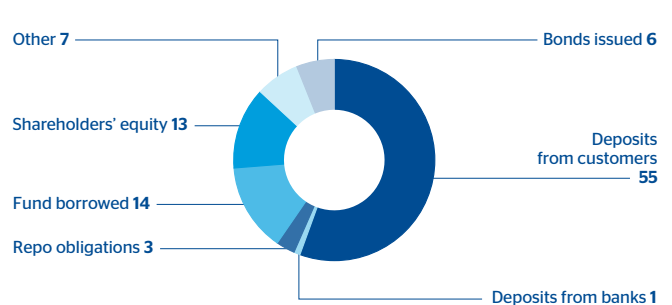
(Percentage as of 31-12-2016)



(1) Garanti Bank only.

## Garanti. Composition of liabilities<sup>(1)</sup>

(Percentage as of 31-12-2016)



(1) Garanti Bank only.

## Macro and industry trends

Following the significant slowdown in Turkey's **economic growth** in the first half of 2016, GDP contracted in the third quarter by 1.8% in annualized terms. Inflation rose again in the final part of 2016, reversing the moderate figures posted since half-way through the year, as a result of weak domestic demand. This upward trend will probably continue, boosted by the depreciation of the Turkish lira and higher energy prices.

The Central Bank of Turkey (CBRT) increased **interest rates** slightly in November 2016 and January 2017, interrupting the series of cuts since March 2016 in the upper end of the interest-rate corridor.

The Turkish **financial sector** is maintaining the trend shown in recent quarters. The year-on-year rise in lending, adjusted for the effect of the depreciation of the Turkish lira, was 10.4% according to the latest data at the close of 2016, supported by 11% growth in consumer finance. Deposit gathering has maintained its strength along the year, with growth of 12% year-on-year, according to end-of-year data adjusted for the exchange-rate impact. Of particular note is the growth in Turkish lira deposits (up 18% year-on-year), which contrasts with the fall of 4% in foreign-currency deposits. The NPL ratio in the system stands at 3.2%, according to the latest available information at the end of 2016. As regards solvency, the sector continues to enjoy high capitalization ratios, with a capital adequacy ratio (CAR) of 15.3% as of November.

## Activity

BBVA's stake in Garanti Bank has been 39.9% since the third quarter of 2015, when Garanti was incorporated into the Group's financial statements by the full integration method. Due to this, the year-on-year rates of change in the earnings of this area have been affected by the change in the scope of consolidation. Therefore, to make comparison against 2015 easier, rates of change are shown taking into account the stake in Garanti on an equivalent basis, i.e. including it as if it were incorporated by the full integration method since January 1, 2015 (hereinafter, "Turkey in comparable terms").

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

## Financial statements and relevant business indicators

(Million euros and percentage)

Income statement	2016	Δ% <sup>(1)</sup>	Δ% <sup>(1,2)</sup>	2015
<b>Net interest income</b>	<b>3,404</b>	<b>(1.9)</b>	<b>10.6</b>	<b>2,194</b>
Net fees and commissions	731	(4.5)	7.8	471
Net trading income	77	n.m.	n.m.	(273)
Other income/expenses	46	(33.2)	(24.6)	42
<b>Gross income</b>	<b>4,257</b>	<b>7.4</b>	<b>21.2</b>	<b>2,434</b>
Operating expenses	(1,738)	(4.4)	7.8	(1,160)
Personnel expenses	(889)	(0.5)	12.1	(565)
Other administrative expenses	(635)	(15.4)	(4.6)	(478)
Depreciation	(214)	23.3	38.7	(118)
<b>Operating income</b>	<b>2,519</b>	<b>17.3</b>	<b>32.6</b>	<b>1,273</b>
Impairment on financial assets (net)	(520)	(18.1)	(7.8)	(422)
Provisions (net) and other gains (losses)	(93)	n.m.	n.m.	2
<b>Income before tax</b>	<b>1,906</b>	<b>25.8</b>	<b>42.4</b>	<b>853</b>
Income tax	(390)	30.0	47.3	(166)
<b>Net income</b>	<b>1,515</b>	<b>24.8</b>	<b>41.2</b>	<b>687</b>
Non-controlling interests	(917)	24.2	41.6	(316)
<b>Net attributable profit</b>	<b>599</b>	<b>25.6</b>	<b>40.5</b>	<b>371</b>

Major balance sheet items	31-12-16	Δ%	Δ% <sup>(2)</sup>	31-12-15
Cash and balances with central banks, credit institutions and others	11,927	(18.4)	(4.7)	14,608
Financial assets	13,670	(8.9)	6.3	15,006
Loans and advances to customers	55,612	0.8	17.6	55,182
Tangible assets	1,430	1.7	18.7	1,406
Other assets	2,229	(20.4)	(7.1)	2,801
<b>Total assets/liabilities and equity</b>	<b>84,866</b>	<b>(4.6)</b>	<b>11.3</b>	<b>89,003</b>
Deposits from central banks and credit institutions	13,490	(19.8)	(6.4)	16,823
Deposits from customers	47,244	0.1	16.8	47,199
Debt certificates	7,907	(0.6)	16.0	7,954
Subordinated liabilities	-	(99.8)	(99.8)	-
Financial liabilities held for trading	1,009	19.7	39.7	843
Other liabilities	12,887	(11.3)	3.6	14,521
Economic capital allocated	2,330	40.1	63.5	1,663

Relevant business indicators	31-12-16	Δ%	Δ% <sup>(2)</sup>	31-12-15
Loans and advances to customers (gross) <sup>(3)</sup>	57,941	0.3	17.1	57,768
Customer deposits under management <sup>(3)</sup>	42,612	(1.8)	14.6	43,393
Off-balance sheet funds <sup>(4)</sup>	3,753	3.7	21.0	3,620
Risk-weighted assets	70,337	(3.9)	12.1	73,207
Efficiency ratio (%)	40.8			47.7
NPL ratio (%)	2.7			2.8
NPL coverage ratio (%)	124			129
Cost of risk (%)	0.87			1.11

(1) Variations taking into account the financial statements of Garanti Group calculated by the full integration method since January 1, 2015, without involving a change of the data already published.

(2) Figures at constant exchange rate.

(3) Excluding repos.

(4) Includes mutual funds, pension funds and other off-balance sheet funds.

the changes at the current exchange rate, can be seen in the attached tables of financial statements and relevant business indicators.

The year-on-year growth of gross **lending** to customers in the area accelerated in the last quarter of the year. As of 31-Dec-2016, it grew 171% over the balance at 31-Dec-2015. This boost comes from loans in Turkish lira, which are more profitable and on which the bank has focused. In Garanti Bank they have grown at rates above those in the sector (up 18.3% year-on-year compared with growth of 12.0% in the sector). By segment, all loans have made a positive contribution, particularly business banking loans (which is also performing better than the sector average) and loans to private individuals. Of particular note in the latter type of loans in the area is the better performance in the last quarter of the year of general-purpose loans, basically consumer loans (up 5.2%), which have grown above the rate of mortgage loans (up 3.4%) and closed 2016 with a year-on-year increase of 15.6% compared with 15.2% in mortgage loans. Loans in foreign currency continue their quarterly decline. Garanti Bank closed the year with a year-on-year change of -5.2%. It should be noted that this contraction has been partially offset by the increase already mentioned in business banking loans in Turkish lira.

With regard to **asset quality** in the area, the main risk indicators have improved on the previous quarters, also with a better performance than the average in the sector. The NPL ratio has fallen to 2.7% from 2.9% as of 30-Sep-2016 (2.8% at the close of 2015), thanks to the reduction in NPL balances derived from portfolio sales. The coverage ratio stands at 124% (compared with the figure of 125% at the close of September 2016, and 129% as of 31-Dec-2015).

Growth in customer **deposits** under management has also accelerated in the area in the last quarter of the year to 4.6% above the balance as of 30-Sep-2016 (up 14.6% in year-on-year terms), with low-cost transactional items growing above time deposits (up 7.4% versus 3.8% respectively). Over 2016 as a whole, the growth of demand deposits (up 14.5% year-on-year) has been similar to that of time deposits (up 14.6%).

## Earnings

Turkey generated a net attributable **profit** of €599m in 2016, up 40.5% on 2015. The figure for the fourth quarter is 4.2% up on the previous quarter. The following are the key facts that explain the account:

- Positive trend in **net interest income**, which in 2016 grew 10.6% year-on-year, due to the positive effects derived from cheaper sources of finance (due to the CBRT monetary

policy and lower cost of swaps), and maintenance of customer spreads (via the management of deposit costs), together with a greater volume of activity (mainly from loans denominated in Turkish lira and the increase in the proportion of lower-cost deposits as a proportion of total customer deposits under management).

- Favorable figures from **income from fees and commissions**, which increased 7.8% year-on-year. It is worth noting the positive impact of the reduction in the recognized provision for the miles paid to Turkish Airlines, given the lower oil price and the good performance of credit card fees. The above, together with the adequate diversification of these revenues, has offset the negative impacts of the depreciation of the Turkish lira (which has made the fees paid in U.S. dollars more expensive), and the suspension of the collection of account maintenance and administration fees imposed by the Turkish Council of State in January 2016.
- The last quarter of the year was negative in terms of **NTI**. This can be mainly explained by the changes in the price of the Turkish lira, leading to losses due to exchange-rate differences, which have not been offset by the rest of the items. Even so, the results for this item amounted to €77m in 2016, which compares very favorably to the negative €303m in 2015. This has been possible thanks to the positive performance of the Global Markets unit, the capital gains from the divestment of ALCO portfolios and the booking in the second quarter of the VISA operation. In addition, it should be noted that in 2015, NTI was affected negatively by the volatility of the wholesale markets.
- **Operating expenses** grew 7.8% year-on-year, in line with inflation. Disciplined cost control has partially offset the negative impacts of the depreciation in the Turkish lira on the cost headings denominated in foreign currency, higher costs derived from investments made in the upgrading, modernization and digitalization of traditional channels, as well as the 30% increase in the minimum wage since January 2016. As a result, the area has improved its **efficiency** ratio to 40.8%, from 47.7% in 2015.
- **Impairment losses on financial assets** in 2016 stood at €520m, 7.8% below the figure for 2015. In the fourth quarter, there was a reduction of 62.4%. As a result of the above, the cost of risk in the area has fallen to 0.87% from 1.05% as of 30-Sep-2016 (1.11% in 2015).
- Finally, **provisions (net) and other gains/losses** basically include a higher amount due to contingent exposures and commitments, and a capital gain of €8m for the sale of the Moscow subsidiary.

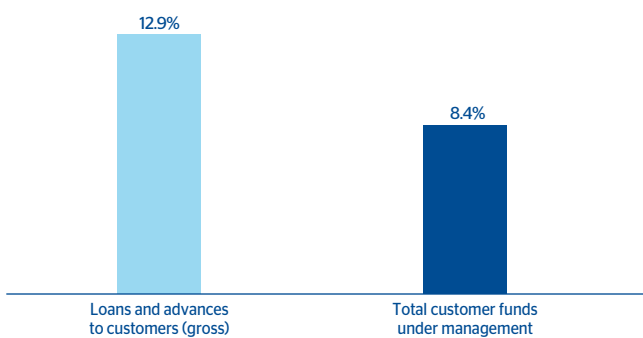
# Mexico

## Highlights

- Activity continues strong.
- Operating expenses still growing below gross income.
- Double-digit year-on-year growth in net attributable profit.
- Stability in risk indicators, as expected.

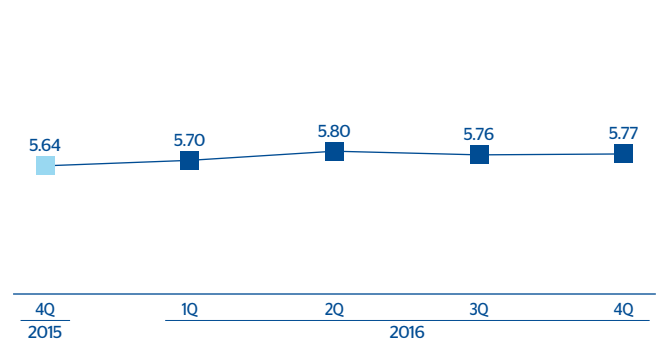
## Business activity

(Year-on-year change at constant exchange rate. Data as of 31-12-2016)



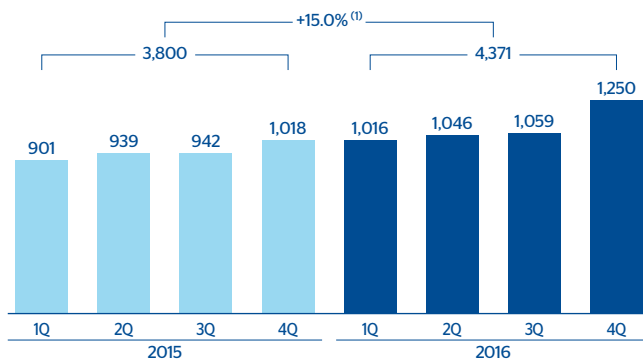
## Net interest income/ATA

(Percentage. Constant exchange rate)



## Operating income

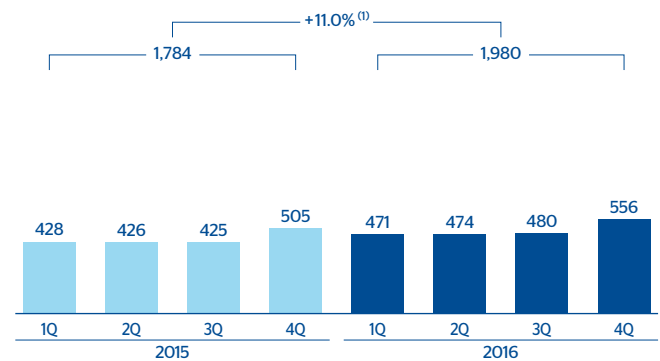
(Million euros at constant exchange rate)



(1) At current exchange rate: -2.0%.

## Net attributable profit

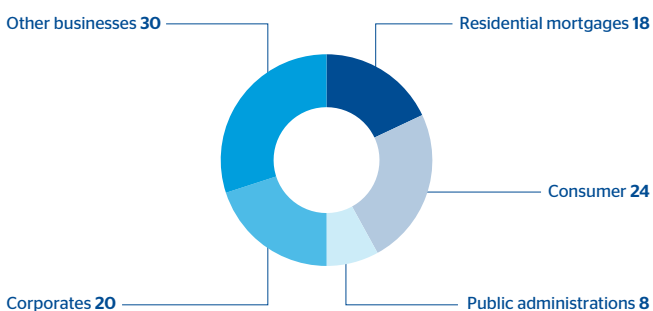
(Million euros at constant exchange rate)



(1) At current exchange rate: -5.4%.

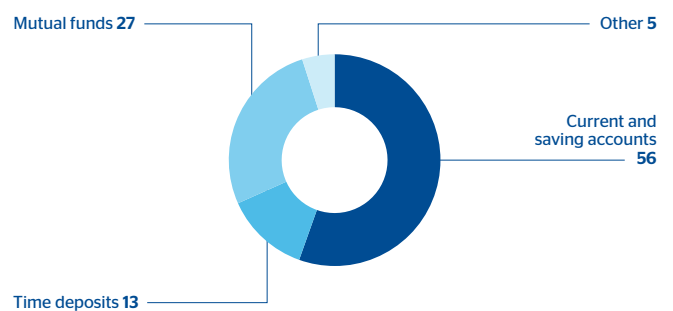
## Breakdown of loans and advances to customers (gross)

(Percentage as of 31-12-2016)



## Breakdown of customer funds under management

(Percentage as of 31-12-2016)





## Financial statements and relevant business indicators

(Million euros and percentage)

Income statement	2016	Δ%	Δ% <sup>(1)</sup>	2015
<b>Net interest income</b>	<b>5,126</b>	<b>(4.9)</b>	<b>11.6</b>	<b>5,387</b>
Net fees and commissions	1,149	(6.1)	10.2	1,223
Net trading income	222	12.3	31.8	198
Other income/expenses	270	(1.1)	16.0	273
<b>Gross income</b>	<b>6,766</b>	<b>(4.4)</b>	<b>12.1</b>	<b>7,081</b>
Operating expenses	(2,396)	(8.6)	7.2	(2,622)
Personnel expenses	(1,048)	(6.6)	9.6	(1,122)
General and administrative expenses	(1,101)	(14.0)	0.9	(1,281)
Depreciation	(247)	12.6	32.1	(219)
<b>Operating income</b>	<b>4,371</b>	<b>(2.0)</b>	<b>15.0</b>	<b>4,459</b>
Impairment on financial assets (net)	(1,626)	(0.5)	16.8	(1,633)
Provisions (net) and other gains (losses)	(67)	25.6	47.4	(53)
<b>Income before tax</b>	<b>2,678</b>	<b>(3.4)</b>	<b>13.3</b>	<b>2,772</b>
Income tax	(697)	2.7	20.5	(678)
<b>Net income</b>	<b>1,981</b>	<b>(5.4)</b>	<b>11.0</b>	<b>2,094</b>
Non-controlling interests	(1)	4.7	22.9	(1)
<b>Net attributable profit</b>	<b>1,980</b>	<b>(5.4)</b>	<b>11.0</b>	<b>2,094</b>

Major balance sheet items	31-12-16	Δ%	Δ% <sup>(1)</sup>	31-12-15
Cash and balances with central banks, credit institutions and others	6,714	(44.6)	(36.2)	12,115
Financial assets	31,279	(5.5)	8.8	33,097
Loans and advances to customers	46,474	(2.2)	12.5	47,534
Tangible assets	1,957	(8.1)	5.8	2,130
Other assets	6,900	46.2	68.3	4,719
<b>Total assets/liabilities and equity</b>	<b>93,318</b>	<b>(6.3)</b>	<b>7.9</b>	<b>99,594</b>
Deposits from central banks and credit institutions	5,923	(53.8)	(46.8)	12,817
Deposits from customers	50,571	2.1	17.5	49,553
Debt certificates	4,050	(22.2)	(10.4)	5,204
Subordinated liabilities	4,561	2.8	18.3	4,436
Financial liabilities held for trading	8,283	16.1	33.6	7,134
Other liabilities	15,619	3.8	19.5	15,045
Economic capital allocated	4,311	(20.2)	(8.2)	5,404

Relevant business indicators	31-12-16	Δ%	Δ% <sup>(1)</sup>	31-12-15
Loans and advances to customers (gross) <sup>(2)</sup>	47,865	(1.9)	12.9	48,784
Customer deposits under management <sup>(2)</sup>	41,989	(3.1)	11.5	43,332
Off-balance sheet funds <sup>(3)</sup>	19,111	(11.3)	2.0	21,557
Risk-weighted assets	47,881	(4.9)	9.5	50,330
Efficiency ratio (%)	35.4			37.0
NPL ratio (%)	2.3			2.6
NPL coverage ratio (%)	127			120
Cost of risk (%)	3.40			3.28

(1) Figures at constant exchange rate.

(2) Excluding repos.

(3) Includes mutual funds, pension funds and other off-balance sheet funds.

## Macro and industry trends

Mexico's **GDP** growth slowed in the first three quarters of 2016, primarily due to a decline in investment starting in the second quarter. It also reflects deteriorating exports since the end of 2015, linked to the economic slowdown in the United States. This trend looks set to continue, with exports still showing no clear signs of recovery, despite the support provided by a depreciating peso. Private consumption may be curbed further, with confidence faltering as a result of slower job growth and real wages being kept in check.

The Mexican Central Bank (Banxico) has been raising **interest rates** since the end of 2015 (around 50 basis points in each of the first three quarters and 100 basis points in the final quarter) to 5.75% in December. Banxico's forthcoming decisions are likely to remain in line with this trend, to counteract upward inflationary pressure and anchor expectations given the depreciation of the Mexican peso against the dollar (down 13.1% year-on-year against the euro in 2016).

The Mexican **financial system** maintains comfortable capital adequacy and asset quality indicators. The capital adequacy ratio has risen slightly to 15.2%, while the NPL ratio is down to 2.3%, according to November figures released by the National Securities Banking Commission (CNBV). Also in November, lending to the private sector grew at a nominal pace of 14.6% year-on-year, similar to that in the rest of the year. All loan portfolios contributed to this good performance. Traditional deposit gathering (demand and time deposits) was up 14.7% year-on-year in nominal terms (November 2016 figures), with similar performance for both components.

## Activity

All rates of change given below, for both activity and earnings, will be 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.

According to data at the close of 2016, BBVA in Mexico continues to perform well in **lending**, which has increased by 12.9% in year-on-year terms. As a result, BBVA Bancomer has retained its leading position, with a market share for its current portfolio of 23.5%

(according to local information from the CNBV for the close of November 2016).

Year-end figures indicate that the wholesale and retail portfolios are of equal weight, each representing approximately 50% of the total. The **wholesale portfolio** has increased 16.1% year-on-year. There was a good performance in business loans, including loans to corporate clients and mid-sized companies, which increased by 18.4% over the year and 6.2% in the fourth quarter. Within the loan book, lending to housing developers has been positive for the sixth quarter in a row, with a year-on-year increase of 34.2% (up 11.6% in the fourth quarter).

The **retail portfolio** has grown by 10.8% since the close of 2015, and 1.9% in the last three months. It is still buoyed by loans to SMEs and consumer finance, which were up 18.7% and 16.5% respectively. Credit cards continued their positive trend of previous quarters. As of 31-Dec-2016, year-on-year growth stood at 6.4%, boosted by new production (up 14.5% year-on-year according to accumulated figures at the close of 2016). Finally, residential mortgage new production also performed well, with a year-on-year increase of 12.8% in the cumulative figure for 2016. The maturity of this portfolio continues to determine growth in its balance, which is less dynamic than for other retail segments (up 6.4% in the last twelve months).

With regard to **asset quality** the main risk indicators are following a pattern of stability, in accordance with expectations. Thus, the NPL and coverage ratios closed the month of December at 2.3% and 127% respectively.

Total customer **funds** (customer deposits under management, mutual funds, pension funds and other off-balance sheet funds) posted year-on-year growth of 8.4% (up 0.4% in the last quarter). All products performed positively: current and savings accounts were up 10.8% in the year, and time deposits grew by 15.2%. Thanks to this trend, BBVA in Mexico can maintain a profitable funding mix in which lower-cost items account for around 80% of total customer deposits under management. Off-balance sheet customer funds saw year-on-year growth ease to 2.0%.

## Earnings

BBVA in Mexico posted a cumulative **net attributable profit** through December 2016 of €1,980m, with a year-on-year rate of growth of 11.0%, underpinned by:

- An increase of 11.6% in **net interest income**, boosted mainly by higher volumes of activity.
- Good performance of **income from fees and commissions**, with year-on-year growth of 10.2%, supported by a greater volume of transactions with credit card customers and fees from online banking.
- Growth in **NTI** (up 31.8%) thanks to a good performance from the Global Markets unit, above all toward the end of the year.
- A positive performance in the **other income/expenses** heading (up 16.0%), primarily thanks good revenue from insurance activities, and supported by the booking of the reserves released by changes in estimates affecting the system of calculation.
- Increase in **operating expenses** (up 7.2%) below the growth of gross income in the area (up 12.1%) and also below the cumulative figure through the third quarter of 2016 (up 7.9%). This helped to improve the **efficiency** ratio, which in 2016 stood at 35.4% (compared with 37.0% in 2015). The indicator is well below the sector average not including BBVA Bancomer (56.4% according to local information from the CNBV for the close of November 2016).
- **Impairment losses on financial assets** up year-on-year by 16.8%. As a result, the cumulative cost of risk for the area stands at 3.40%, below the year-end forecast of 3.50%.
- Lastly, **provisions (net) and other gains (losses)** includes restructuring costs associated to the Group's transformation process, which aims to forge a simpler, closer and more efficient organization. As a result, this heading grew a cumulative 47.4% year-on-year.

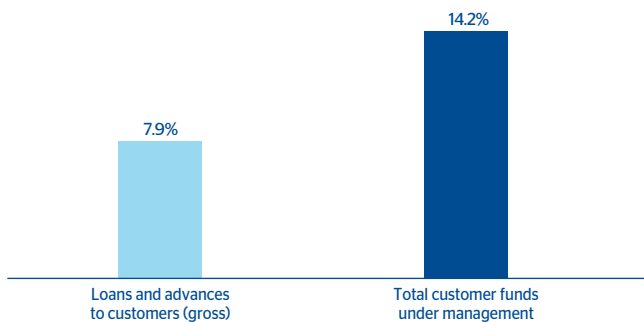
# South America

## Highlights

- Growth in lending activity in the region slows, in line with moderation in the macroeconomic environment.
- Good performance of customer deposits.
- Positive trend in revenues.
- Costs influenced by high inflation in some countries and the adverse effect of exchange rates.
- Credit risk metrics behavior as expected: slight deterioration due to macro environment.

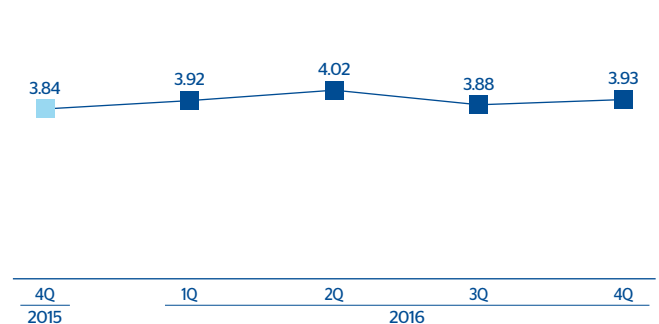
## Business activity

(Year-on-year change at constant exchange rates. Data as of 31-12-2016)



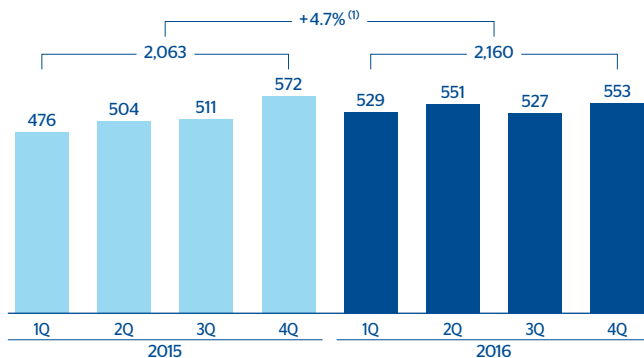
## Net interest income/ATA

(Percentage. Constant exchange rates)



## Operating income

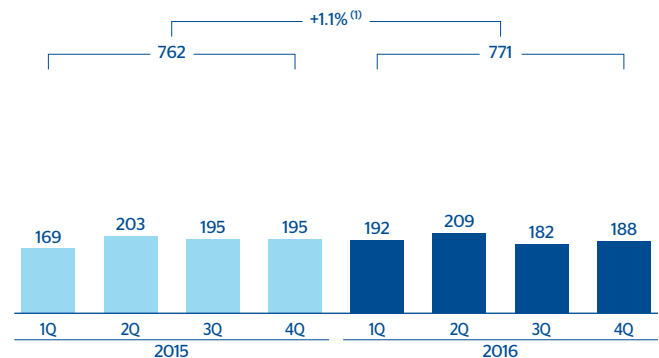
(Million euros at constant exchange rates)



(1) At current exchange rates: -13.5%.

## Net attributable profit

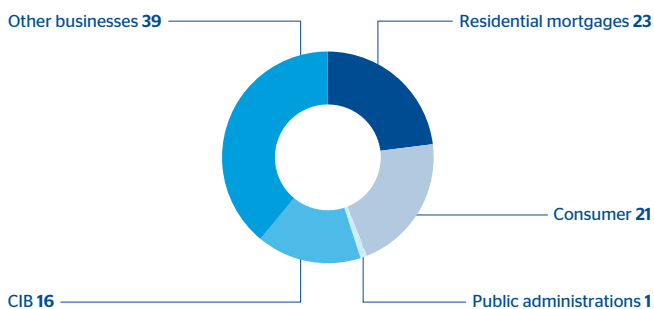
(Million euros at constant exchange rates)



(1) At current exchange rates: -14.9%.

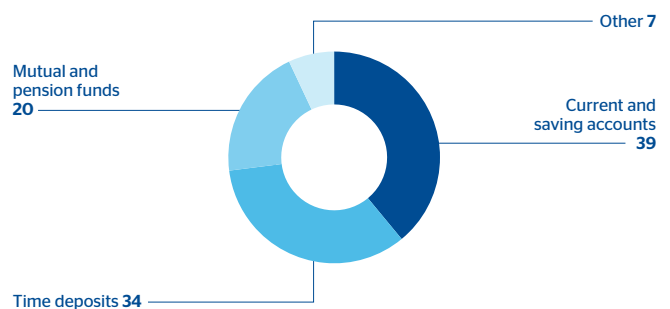
## Breakdown of loans and advances to customers (gross)

(Percentage as of 31-12-2016)



## Breakdown of customer funds under management

(Percentage as of 31-12-2016)



## Macro and industry trends

The weak **economic cycle** and political factors in several countries have undermined economic confidence in the region, in turn negatively affecting consumption and investment, albeit to significantly varying degrees in each country. However, expectations are now more upbeat, boosted by recovering oil and commodity prices. This is reflected in sustained capital inflows, fueled by investors seeking profitability and low levels of volatility.

Given the weak activity and moderate inflation, most central banks (with the exception of Colombia) are adopting more accommodative **monetary policies**. While **exchange rates** for the Argentine peso and the Venezuelan bolivar depreciated against the euro in 2016, the Chilean and Colombian pesos and the Peruvian sol have all gained. The FED's monetary normalization may lead to future depreciation, but it is likely to be far more moderate than in 2015.

As regards the **financial systems** within BBVA's regional footprint, key profitability and capital adequacy indicators are high, while NPL ratios remain in check in aggregate terms (with some differences between the countries). In addition, there has been sustained growth in lending and deposits.

## Activity

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and earnings, are expressed at constant exchange rates. These rates, together with changes at current exchange rates, can be seen in the attached tables of financial statements and relevant business indicators.

Gross **lending** to customers closed 2016 with quarter-on-quarter growth of 3.6% and year-on-year growth of 7.9%. All countries reported growth, spearheaded by Argentina (up 33.5%), Colombia (up 8.3%) and Chile (up 5.1%). By products, there was a standout performance from the retail portfolios, particularly credit cards (up 17.9%), consumer finance (up 10.8%) and residential mortgages (up 8.3%).

As regards **asset quality**, the macroeconomic situation continues to influence the NPL and coverage ratios, which closed the year at 2.9% and 103% respectively.

Customer **funds** closed the year at a year-on-year growth of 14.2%, with a positive

## Financial statements and relevant business indicators

(Million euros and percentage)

Income statement	2016	Δ%	Δ% <sup>(1)</sup>	2015
<b>Net interest income</b>	<b>2,930</b>	<b>(8.5)</b>	<b>11.4</b>	<b>3,202</b>
Net fees and commissions	634	(11.6)	8.2	718
Net trading income	464	(22.0)	9.7	595
Other income/expenses	25	n.m.	(30.7)	(38)
<b>Gross income</b>	<b>4,054</b>	<b>(9.5)</b>	<b>10.3</b>	<b>4,477</b>
Operating expenses	(1,894)	(4.3)	17.5	(1,979)
Personnel expenses	(982)	(3.8)	17.7	(1,022)
Other administrative expenses	(811)	(5.0)	17.0	(853)
Depreciation	(100)	(3.3)	19.0	(104)
<b>Operating income</b>	<b>2,160</b>	<b>(13.5)</b>	<b>4.7</b>	<b>2,498</b>
Impairment on financial assets (net)	(526)	(14.2)	(2.9)	(614)
Provisions (net) and other gains (losses)	(82)	15.2	163.9	(71)
<b>Income before tax</b>	<b>1,552</b>	<b>(14.4)</b>	<b>4.1</b>	<b>1,814</b>
Income tax	(487)	(13.8)	13.8	(565)
<b>Net income</b>	<b>1,065</b>	<b>(14.7)</b>	<b>0.2</b>	<b>1,248</b>
Non-controlling interests	(294)	(14.2)	(21)	(343)
<b>Net attributable profit</b>	<b>771</b>	<b>(14.9)</b>	<b>1.1</b>	<b>905</b>

Major balance sheet items	31-12-16	Δ%	Δ% <sup>(1)</sup>	31-12-15
Cash and balances with central banks, credit institutions and others	15,925	5.2	6.1	15,135
Financial assets	10,739	12.3	9.1	9,561
Loans and advances to customers	48,718	11.7	7.7	43,596
Tangible assets	807	12.4	18.5	718
Other assets	1,729	4.7	3.6	1,652
<b>Total assets/liabilities and equity</b>	<b>77,918</b>	<b>10.3</b>	<b>7.6</b>	<b>70,661</b>
Deposits from central banks and credit institutions	6,656	(17.5)	(22.4)	8,070
Deposits from customers	47,921	13.5	11.9	42,227
Debt certificates	5,643	17.4	9.6	4,806
Subordinated liabilities	1,850	4.8	(2.6)	1,765
Financial liabilities held for trading	2,585	(22.6)	(28.5)	3,342
Other liabilities	10,561	35.0	36.2	7,825
Economic capital allocated	2,703	2.9	4.5	2,626

Relevant business indicators	31-12-16	Δ%	Δ% <sup>(1)</sup>	31-12-15
Loans and advances to customers (gross) <sup>(2)</sup>	50,316	11.9	7.9	44,970
Customer deposits under management <sup>(3)</sup>	48,334	15.0	13.3	42,032
Off-balance sheet funds <sup>(4)</sup>	11,902	22.3	18.2	9,729
Risk-weighted assets	57,394	1.5	0.5	56,563
Efficiency ratio (%)	46.7			44.2
NPL ratio (%)	2.9			2.3
NPL coverage ratio (%)	103			123
Cost of risk (%)	1.15			1.26

(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.

contribution from all products and geographic areas. By product, the best performance was in off-balance sheet funds (up 18.2%) and term deposits (up 16.3%), while by country there was significant growth in Argentina (up 57.0%) and Colombia (up 14.1%).

## Earnings

South America ended 2016 with a net attributable **profit** of €771m, a year-on-year increase of 11%. The most relevant aspects of the income statement over the last twelve months in the area are as follows:

- **Gross income** grew by 10.3%, thanks to the high capacity to generate revenues in the area, boosted chiefly by increased activity. Net interest income is up 11.4% and fees and commissions have grown by 8.2%. NTI also performed very well (up 9.7%), influenced by the lifting of the "exchange clamp" in Argentina and the sale of holdings in Colombia. Finally, in the other income/expenses heading, insurance activities performed well, with net earnings in the region rising by 17.6%. The increase was driven by good figures from both net claims and premiums, mainly in the non-life segment.

- The increase in **operating expenses** slowed compared with previous quarters, to a year-on-year growth of 17.5%. High inflation in some of the countries in the region and changes in the exchange rate against the dollar have had a negative impact on items denominated in the U.S. currency, and were largely responsible for the year-on-year increase of this heading.
- **Impairment losses on financial assets** fell by 2.9%, putting the cumulative cost of risk in 2016 at 1.15% (1.13% in September 2016 and 1.26% in 2015).
- Finally, the **provisions (net) and other gains (losses)** heading chiefly includes restructuring costs associated to the Group's transformation process.

By country, **Argentina** has performed well in all its margins thanks to strong activity, thus offsetting expenses linked to inflation. Earnings in **Chile** have been affected by higher loan-loss provisions than in the 2015. In **Colombia** the positive performance of gross income has been boosted by good income from fees and commissions and NTI, and good figures from impairment losses on financial assets. In **Peru**, net interest income and income from fees and commissions grew at a higher rate than activity, which was affected by slower growth in NTI and higher loan-loss provisions.

## South America. Relevant business indicators per country

(Million euros)

	Argentina		Chile		Colombia		Peru		Venezuela	
	31-12-16	31-12-15	31-12-16	31-12-15	31-12-16	31-12-15	31-12-16	31-12-15	31-12-16	31-12-15
Loans and advances to customers (gross) <sup>(1,2)</sup>	4,619	3,460	14,721	14,011	12,731	11,750	14,561	14,005	533	206
Customer deposits under management <sup>(1,3)</sup>	6,872	4,547	10,094	9,626	12,710	11,218	13,394	12,762	1,136	345
Off-balance sheet funds <sup>(1,4)</sup>	1,097	529	1,499	1,455	742	575	1,522	1,377	0	0
Risk-weighted assets	8,712	9,115	14,288	13,915	12,152	11,019	17,400	17,484	1,360	1,788
Efficiency ratio (%)	53.8	51.3	49.1	47.0	38.9	38.9	35.8	34.9	103.2	33.3
NPL ratio (%)	0.8	0.6	2.6	2.3	3.5	2.3	3.4	2.8	0.5	0.6
NPL coverage ratio (%)	391	517	66	72	105	137	106	124	515	457
Cost of risk (%)	1.48	1.52	0.74	1.05	1.34	1.55	1.31	1.40	1.97	0.43

(1) Figures at constant exchange rates.

(2) Excluding repos.

(3) Excluding repos and including specific marketable debt securities.

(4) Includes mutual funds, pension funds and other off-balance sheet funds.

## South America. Data per country

(Million euros)

Country	Operating income				Net attributable profit			
	2016	Δ%	Δ% at constant exchange rates	2015	2016	Δ%	Δ% at constant exchange rates	2015
Argentina	504	(19.1)	29.0	623	211	(20.4)	26.7	265
Chile	352	(6.0)	(3.0)	374	145	(3.9)	(0.9)	151
Colombia	534	(3.7)	6.7	554	222	(15.6)	(6.5)	263
Peru	698	(4.9)	0.5	734	167	(9.1)	(3.9)	184
Venezuela	(2)	n.m.	n.m.	119	(3)	n.m.	n.m.	1
Other countries <sup>(1)</sup>	74	(21.5)	(14.0)	94	29	(30.8)	(24.1)	42
<b>Total</b>	<b>2,160</b>	<b>(13.5)</b>	<b>4.7</b>	<b>2,498</b>	<b>771</b>	<b>(14.9)</b>	<b>1.1</b>	<b>905</b>

(1) Paraguay, Uruguay and Bolivia. Additionally, it includes eliminations and other charges.

# Rest of Eurasia

## Highlights

- The loan book recovered its upward path in the fourth quarter of the year.
- Reduction in the balance of deposits, strongly impacted by the branches in Europe.
- Significant progress in earnings, supported by good revenues and reduction in costs.

## Macro and industry trends

The **Eurozone** has grown at a moderate and relatively stable pace over the last six months (a quarterly 0.3% in the second and third quarter) and has resisted the uncertainty prevailing since the middle of the year relatively well. However, some events at the end of the year (the constitutional referendum in Italy) and the beginning of 2017 (start of the Brexit negotiations) make it difficult to think that growth will pick up over the coming quarters. The domestic support for growth is still in place and economic policies continue to foster recovery. Fiscal policy in 2017 will be somewhat less expansive in the area as a whole than in 2016, while the European Central Bank (ECB) continues with its commitment to maintain a very expansive monetary policy until there are clear indications that the movement of inflation toward its target is clearly sustainable.

In **China** growth stabilized at a year-on-year 6.7% in the third quarter of the year, supported by solid consumption and increased credit, thanks to monetary expansion and, above all, fiscal measures. These measures have led to a slight increase in total investment, although private investment continues to slow, suggesting the deleveraging process in the private sector is still underway. This outlook and the recent increase in housing prices will lead the Central Bank to delay interest-rate cuts until 2017, at least until it can see how effective the macroprudential measures implemented are. Thus doubts about a significant slowdown in the economy have been eased.

## Activity and earnings

The area's **loan book** recovered its upward path in the fourth quarter of the year. It has grown by 5.7% in the last three months of

## Financial statements and relevant business indicators

(Million euros and percentage)

Income statement	2016	Δ%	2015
<b>Net interest income</b>	<b>166</b>	<b>(9.7)</b>	<b>183</b>
Net fees and commissions	194	13.8	170
Net trading income	87	(30.3)	125
Other income/expenses	45	n.m.	(6)
<b>Gross income</b>	<b>491</b>	<b>4.0</b>	<b>473</b>
Operating expenses	(355)	(2.7)	(352)
Personnel expenses	(181)	(6.9)	(194)
Other administrative expenses	(149)	4.6	(143)
Depreciation	(12)	(18.7)	(15)
<b>Operating income</b>	<b>149</b>	<b>23.6</b>	<b>121</b>
Impairment on financial assets (net)	30	n.m.	(4)
Provisions (net) and other gains (losses)	23	n.m.	(6)
<b>Income before tax</b>	<b>203</b>	<b>83.2</b>	<b>111</b>
Income tax	(52)	47.0	(35)
<b>Net income</b>	<b>151</b>	<b>100.1</b>	<b>75</b>
Non-controlling interests	-	-	-
<b>Net attributable profit</b>	<b>151</b>	<b>100.1</b>	<b>75</b>

Major balance sheet items	31-12-16	Δ%	31-12-15
Cash and balances with central banks, credit institutions and others	1,587	(13.3)	1,829
Financial assets	1,787	(4.4)	1,868
Loans and advances to customers	15,199	(2.4)	15,579
Inter-area positions	-	(100.0)	3,790
Tangible assets	38	(9.2)	42
Other assets	369	2.5	360
<b>Total assets/liabilities and equity</b>	<b>18,980</b>	<b>(19.1)</b>	<b>23,469</b>
Deposits from central banks and credit institutions	2,670	(50.2)	5,364
Deposits from customers	12,796	(15.0)	15,053
Debt certificates	0	(100.0)	0
Subordinated liabilities	315	(0.7)	317
Inter-area positions	1,296	n.m.	-
Financial liabilities held for trading	67	(21.0)	85
Other liabilities	577	(58.3)	1,381
Economic capital allocated	1,259	(0.7)	1,269

## Financial statements and relevant business indicators

(Million euros and percentage)

Relevant business indicators	31-12-16	Δ%	31-12-15
Loans and advances to customers (gross) <sup>(1)</sup>	15,709	(2.7)	16,143
Customer deposits under management <sup>(1)</sup>	12,723	(14.9)	14,959
Off-balance sheet funds <sup>(2)</sup>	366	10.5	331
Risk-weighted assets	15,196	(1.0)	15,356
Efficiency ratio (%)	69.6		74.4
NPL ratio (%)	2.7		2.5
NPL coverage ratio (%)	84		96
Cost of risk (%)	(0.22)		0.02

(1) Excluding repos.

(2) Includes mutual funds, pension funds and other off-balance sheet funds.

the year, strongly supported by the positive trend recorded in Asia (up 20.3%) and to a lesser extent in the rest of Europe (up 2.5%). However, the figure for the last twelve months declined by 2.7%, due to the bad performance in Asia in the first three quarters of 2016.

With regard to the main **credit risk indicators**, and despite a slight deterioration against the close of 2015, they are maintained at very limited levels (NPL ratio at 2.7% and coverage at 84%).

Total customer **funds** (customer deposits under management and pension funds) closed 2016 at 14.4% below the figure at the end of 2015. In this case, the fall can be explained by a decline in the branches in Europe (down 24.6%).

With respect to earnings, **gross income** increased significantly in the fourth quarter of the year (up 39.2%), thanks to increased earnings in all the CIB business lines. This has

offset the decline of the cumulative figure in the area, with the result that this heading increased in 2016 by 4.0% compared with the figure for 2015. The year has been positive in terms of the performance of the earnings distribution procedure, income from fees and commissions, and the payment of the CNCB dividend (which was not received in the second quarter of 2015). The above has been offset by lower net interest income, impacted by macroeconomic reality in the Eurozone, with negative interest rates that have led to fewer transactions, and a negative performance of NTI (although they posted a significant advance of 82.0% in the fourth quarter). **Operating expenses** continue to slow, with a year-on-year decline of 2.7%. Of note has been a significant improvement in personnel expenses (down 6.9%), impairment losses on financial assets, and provisions (net) and other gains (losses). Overall, Eurasia has contributed a **net attributable profit** of €151m in 2016, double the 2015 figure with a year-on-year increase of 100.1%.

# Corporate Center

The most significant aspects of the Corporate Center's income statement for 2016 are as follows:

- Greater contribution from **NTI** compared with 2015, mainly as a result of the capital gains registered from the partial sales on the market of BBVA Group's stake in CNCB.
- The **other income/expenses** heading basically includes the dividends from Telefónica (paid in the second and fourth quarters).
- Year-on-year increase of 3.7%, in **operating expenses**, due to higher depreciation charges. Personnel costs have only increased by 0.3%.
- Lack of **corporate operations**. The results from corporate operations in 2015, a loss of €1,109m, included: €705m in capital gains after tax from the various sale operations equivalent to 6.34% of BBVA Group's stake in CNCB (€583m in the first quarter from the sale of 5.6% and €122m in the second quarter from the sale of 0.8%); €26m (also after tax) from the badwill generated by the CX deal; a negative €1,840m from the valuation at fair value of the initial 25.01% stake held by BBVA in Garanti (third quarter), following the acquisition of an additional 14.89% stake in the Turkish entity; and the practically neutral impact of the sale of the 29.68% stake in CIFH (third quarter).

Overall, the Corporate Center posted a negative cumulative **result** of €801m, which compares with a loss of €1,910m in 2015 (–€800m excluding corporate operations).

## Financial statements

(Million euros)

Income statement	2016	Δ%	2015
<b>Net interest income</b>	<b>(461)</b>	<b>8.7</b>	<b>(424)</b>
Net fees and commissions	(133)	32.3	(100)
Net trading income	356	120.6	161
Other income/expenses	178	3.7	172
<b>Gross income</b>	<b>(60)</b>	<b>(68.7)</b>	<b>(192)</b>
Operating expenses	(856)	3.7	(826)
Personnel expenses	(472)	0.3	(471)
General and administrative expenses	(69)	(41.8)	(118)
Depreciation	(315)	33.1	(237)
<b>Operating income</b>	<b>(916)</b>	<b>(10.0)</b>	<b>(1,017)</b>
Impairment on financial assets (net)	(37)	178.8	(13)
Provisions (net) and other gains (losses)	(140)	(10.4)	(157)
<b>Income before tax</b>	<b>(1,094)</b>	<b>(7.9)</b>	<b>(1,187)</b>
Income tax	296	(27.2)	407
<b>Net income from ongoing operations</b>	<b>(798)</b>	<b>2.2</b>	<b>(781)</b>
Results from corporate operations <sup>(1)</sup>	-	-	(1,109)
<b>Net income</b>	<b>(798)</b>	<b>(57.8)</b>	<b>(1,890)</b>
Non-controlling interests	(3)	(83.9)	(19)
<b>Net attributable profit</b>	<b>(801)</b>	<b>(58.1)</b>	<b>(1,910)</b>
<b>Net attributable profit excluding corporate operations</b>	<b>(801)</b>	<b>0.1</b>	<b>(800)</b>

(1) 2015 includes the capital gains from the various sale operations equivalent to 6.34% of BBVA Group's stake in CNCB, the badwill from the CX operation, the effect of the valuation at fair value of the 25.01% initial stake held by BBVA in Garanti and the impact of the sale of BBVA's 29.68% stake in CIFH.

Major balance sheet items	31-12-16	Δ%	31-12-15
Cash and balances with central banks, credit institutions and others	(2)	n.m.	2
Financial assets	1,675	(41.9)	2,886
Loans and advances to customers	150	9.9	137
Inter-area positions	-	-	-
Tangible assets	2,671	(6.7)	2,864
Other assets	19,017	(15.0)	22,370
<b>Total assets/liabilities and equity</b>	<b>23,512</b>	<b>(16.8)</b>	<b>28,258</b>
Deposits from central banks and credit institutions	-	-	-
Deposits from customers	-	-	-
Debt certificates	4,855	(17.1)	5,857
Subordinated liabilities	5,570	20.1	4,636
Inter-area positions	(13,696)	40.4	(9,755)
Financial liabilities held for trading	-	-	-
Other liabilities	2,705	(46.1)	5,021
Shareholder's funds	50,803	3.0	49,315
Economic capital allocated	(26,726)	(0.3)	(26,814)



# Annex

## Other information: Corporate & Investment Banking

### Highlights

- The environment of pressure on margins and excess liquidity remains unchanged.
- Slight slowdown in lending, but a slowdown in the rate of decline in customer deposits.
- Further improvement of results in the fourth-quarter, thanks to good management of market volatility.

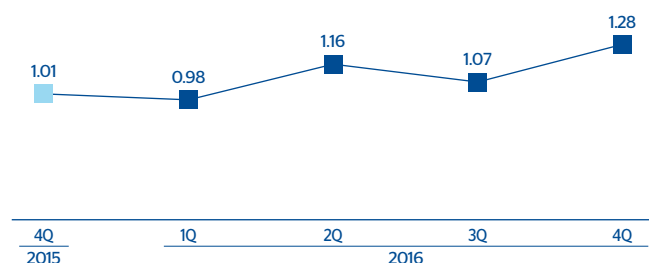
### Business activity

(Year-on-year change at constant exchange rates. Data as of 31-12-2016)



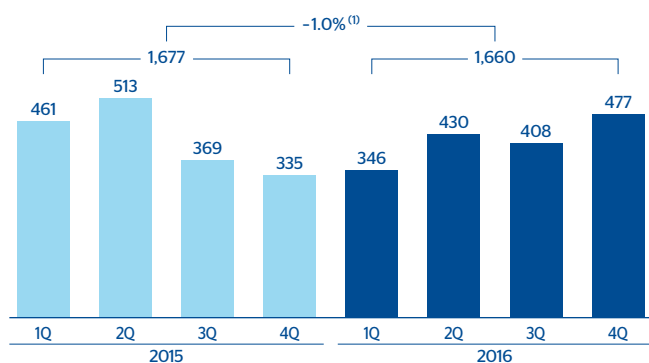
### Gross income/ATA

(Percentage. Constant exchange rates)



### Operating income

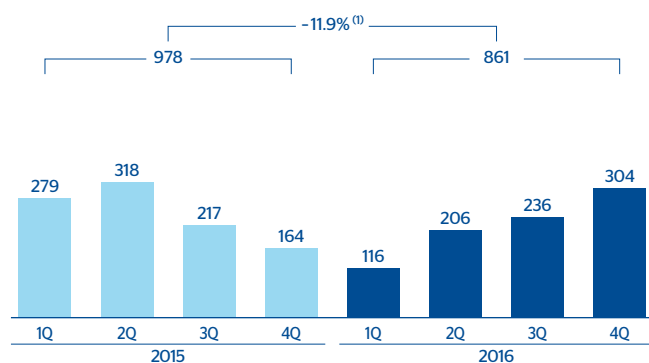
(Million euros at constant exchange rates)



(1) At current exchange rates: -10.1%.

### Net attributable profit

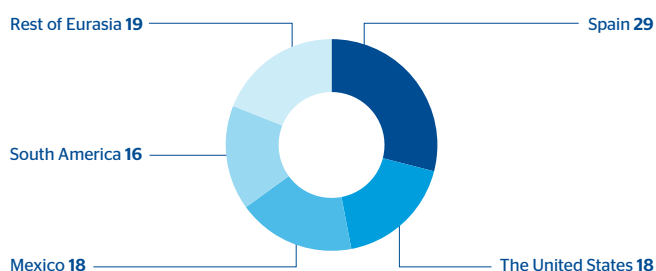
(Million euros at constant exchange rates)



(1) At current exchange rates: -19.2%.

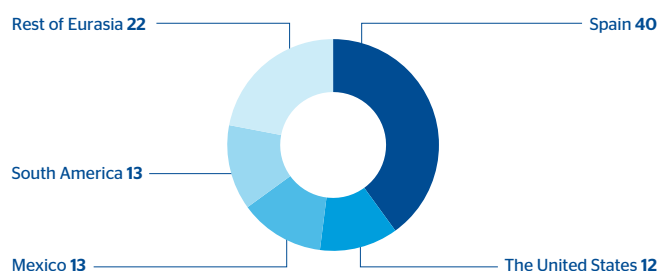
### Breakdown of loans and advances to customers (gross)

(Percentage as of 31-12-2016)



### Breakdown of customer deposits under management

(Percentage as of 31-12-2016)



## Macro and industry trends

Risk aversion has declined on the financial **markets** following the elections in the United States, setting aside the ongoing political uncertainties still in place in Europe. Stock markets in the United States again posted record highs while the dollar gained value, which helped the bullish trend on European markets to gain traction. This behavior seems to be pricing in the potential positive economic effects of ramped up fiscal stimuli in the United States, together with stabilizing oil prices. Sovereign bond yields remain on the rise in nearly all countries, led by the United States, where they have been supported by rising inflation expectations and faster growth, together with prospects of a tighter monetary policy. In fact, the market has already priced in four 25-basis point interest-rate hikes in the United States over 2017 and 2018. Furthermore, the ECB also announced plans to scale back the pace of sovereign bond purchases.

## 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.

The market context remains unchanged, with margins being squeezed (negative interest rates in Europe) and excess liquidity. In this situation, gross **lending** to customers ended the year slightly below last year's level (down 1.2%). There was significant double-digit growth in Mexico, contrasting with declines in Europe and Asia.

The **NPL ratio** improved in the last quarter of the year. As of 31-Dec-2016 it stood at 1.0%, while the coverage ratio closed the year at 79% (1.4% and 83% respectively on 31-Sep-2016, and 1.4% and 86% on 31-Dec-2015).

There was a slowdown in the fall in customer **deposits** under management, which had been declining over the first nine months of 2016. At year-end these stood 5.3% lower than at the close of 2015, shaped by the performance in the United States (down 22.7%), Eurasia (down 16.3%) and Mexico (down 8.1%). This contrasts with significant growth in Spain (up 9.4%).

## Financial statements and relevant business indicators

(Million euros and percentage)

Income statement	2016	Δ%	Δ% <sup>(1)</sup>	2015
<b>Net interest income</b>	<b>1,283</b>	<b>(12.2)</b>	<b>(5.7)</b>	<b>1,463</b>
Net fees and commissions	620	(7.5)	(1.6)	670
Net trading income	660	7.3	20.9	615
Other income/expenses	117	21.5	14.9	96
<b>Gross income</b>	<b>2,680</b>	<b>(5.7)</b>	<b>1.6</b>	<b>2,844</b>
Operating expenses	(1,020)	2.4	6.1	(996)
Personnel expenses	(529)	3.4	6.5	(512)
General and administrative expenses	(391)	(2.6)	1.8	(402)
Depreciation	(100)	20.0	23.1	(83)
<b>Operating income</b>	<b>1,660</b>	<b>(10.1)</b>	<b>(1.0)</b>	<b>1,847</b>
Impairment on financial assets (net)	(231)	85.5	90.0	(125)
Provisions (net) and other gains (losses)	(65)	n.m.	n.m.	(9)
<b>Income before tax</b>	<b>1,364</b>	<b>(20.4)</b>	<b>(11.8)</b>	<b>1,713</b>
Income tax	(391)	(22.1)	(12.8)	(502)
<b>Net income</b>	<b>973</b>	<b>(19.7)</b>	<b>(11.4)</b>	<b>1,211</b>
Non-controlling interests	(112)	(23.0)	(6.6)	(145)
<b>Net attributable profit</b>	<b>861</b>	<b>(19.2)</b>	<b>(11.9)</b>	<b>1,066</b>

Major balance sheet items	31-12-16	Δ%	Δ% <sup>(1)</sup>	31-12-15
Cash and balances with central banks, credit institutions and others	30,302	(1.2)	0.6	30,664
Financial assets	82,666	(8.5)	(7.1)	90,367
Loans and advances to customers	58,386	0.8	1.7	57,944
Inter-area positions	-	-	-	-
Tangible assets	35	(22.0)	(16.0)	45
Other assets	2,492	(35.0)	(36.1)	3,837
<b>Off-balance sheet funds</b>	<b>173,882</b>	<b>(4.9)</b>	<b>(3.6)</b>	<b>182,856</b>
Deposits from central banks and credit institutions	43,705	(19.6)	(17.1)	54,362
Deposits from customers	47,765	(9.6)	(8.3)	52,851
Debt certificates	(26)	(28.9)	(36.0)	(36)
Subordinated liabilities	2,264	9.1	19.7	2,075
Inter-area positions	17,504	83.0	78.0	9,568
Financial liabilities held for trading	54,782	(0.9)	(1.1)	55,274
Other liabilities	3,813	(9.4)	(7.2)	4,207
Economic capital allocated	4,074	(10.6)	(8.3)	4,557

Relevant business indicators	31-12-16	Δ%	Δ% <sup>(1)</sup>	31-12-15
Loans and advances to customers (gross) <sup>(2)</sup>	53,118	(2.1)	(1.2)	54,281
Customer deposits under management <sup>(2)</sup>	40,545	(6.7)	(5.3)	43,478
Off-balance sheet funds <sup>(3)</sup>	1,157	6.7	8.9	1,084
Efficiency ratio (%)	38.1			35.0
NPL ratio (%)	1.0			1.4
NPL coverage ratio (%)	79			86
Cost of risk (%)	0.12			0.21

(1) Figures at constant exchange rates.

(2) Excluding repos.

(3) Includes mutual funds, pension funds and other off-balance sheet funds.

## Earnings

CIB posted a cumulative net attributable **profit** at the close of 2016 of €861m, of which €116m were in the first quarter, €206m in the second, €236m in the third and €304m in the fourth, making the latter the best quarter of the year under this heading. The most significant aspects of the CIB income statement are as follows:

- **Gross income** in the fourth quarter was higher than the previous quarter (up 14.0%), due to good management of market volatility by the Global Markets teams. In year-on-year terms, the cumulative amount in 2016 is 1.6% higher than in the previous year, despite low market activity, with little new production in the purely banking business and a lack of one-off transactions, particularly in Europe.

One of the actions taken by the CIB to address this market reality was the **Deep Blue** plan, which has had very positive results since its launch. This cross-cutting initiative is designed to involve several CIB teams in visits to clients (more than 60 visits in Europe, the United States and Latin America) to offer them the solutions that best fit their needs. Underwriting instructions worth €40,000m have been submitted as a result of this plan, which are being monitored on a recurrent basis.

The **Global Markets** unit posted an outstanding performance, particularly in the fourth quarter of 2016, generating gross income that was 35.8% higher than in the third quarter, thanks to good management

of market volatility, particularly in the United States and Mexico following the United States elections and interest rate hikes in both geographic areas. In cumulative terms, gross income from the unit has risen by 4.0% in the last twelve months.

As regards **Corporate Finance**, the final part of the year has been marked by low levels of activity in the Spanish primary market and political uncertainty in Mexico. During the fourth quarter the unit continued its busy marketing efforts, which have seen it win two mandates to manage IPOs for corporate clients in Spain (planned for the first quarter 2017). As for mergers & acquisitions (M&A) activity, during the fourth quarter the pipeline of operations continued to grow, largely driven by interest in countries such as Spain and Mexico. BBVA was one of the busiest M&A consultants in Spain in 2016, according to the rankings prepared by Thomson Reuters, Mergermarket, Dealogic and Bloomberg.

- Cumulative **operating expenses** were up 6.1% against 2015, chiefly due to technology costs associated with investment plans.
- Lastly, significant provisions were made during the year for **impairment losses on financial assets**, mainly because of the rating downgrades (particularly in the first quarter of 2016) affecting some companies in the United States operating in the energy (exploration & production) and metals & mining (basic materials) sectors. This is the main reason for the increase in this heading over the last twelve months.

# Conciliation of the BBVA Group's financial statements

Presented below is the reconciliation between the consolidated income statement and the management income statement, which is shown throughout this management report for the year 2015. The main difference between both is the method used for integrating Garanti's earnings. In the management income statement, the Group's earnings were presented by consolidating Garanti in the proportion corresponding to the percentage held by BBVA Group in the Turkish bank until the first half of 2015 (25.01%), versus the integration using the equity method in the consolidated

income statement. The "results from corporate operations" heading in the management income statement for the year 2015 includes the capital gains from the various sale operations equivalent to 6.34% of BBVA Group's stake in CNCB, the badwill from the CX operation, the effect of the valuation at fair value of the 25.01% initial stake held by BBVA in Garanti and the impact of the sale of BBVA's 29.68% stake in CIFH. In the consolidated income statement, these earnings are included under profit from continuing operations.

## Conciliation of the BBVA Group's income statements. 2015

(Million euros)

Consolidated income statements	Adjustments			Management income statements	
	Garanti integrated proportionally	Garanti by the equity method	Corporate operations <sup>(1)</sup>		
Interest and similar income	24,783	1,062		25,845	Financial income
Interest and similar expenses	(8,761)	(658)		(9,419)	Financial expenses
<b>Net interest income</b>	<b>16,022</b>	<b>404</b>		<b>16,426</b>	<b>Net interest income</b>
Dividend income	415			415	Dividend income
Share of profit or loss of entities accounted for using the equity method	174	1	(167)	8	Share of profit or loss of entities accounted for using the equity method
Fee and commission income	6,340				
Fee and commission expenses	(1,729)				
	4,611	94		4,705	Net fees and commissions
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	(409)				
Gains or (-) losses on financial assets and liabilities held for trading, net	126				
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	1,055				
Gains or losses from hedge accounting, net	93				
Exchange differences (net)	1,165				
	2,030	(21)		2,009	Net trading income
Other operating income and expenses	(970)				
Income on insurance and reinsurance contracts	1,079				
	109	8		117	Other operating income and expenses
<b>Gross income</b>	<b>23,362</b>	<b>485</b>	<b>(167)</b>	<b>23,680</b>	<b>Gross income</b>
Administration expenses	(10,836)			(12,317)	Operating expenses
Personnel expenses	(6,273)	(104)		(6,377)	Personnel expenses
Other general and administrative expenses	(4,563)	(87)		(4,650)	General and administrative expenses
Depreciation	(1,272)	(18)		(1,290)	Depreciation
	11,254	276	(167)	11,363	Operating income
Provisions or reversal of provisions	(731)	(2)		(733)	Provisions (net)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(4,272)	(67)		(4,339)	Impairment on financial assets (net)
<b>Net operating income</b>	<b>6,251</b>	<b>40</b>		<b>6,291</b>	
Impairment or reversal of impairment on non-financial assets	(273)				
Gains (losses) on derecognized assets not classified as non-current assets held for sale	(2,135)				
Negative goodwill recognised in profit or loss	26				
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	734				
	(1,648)	2	1,234	(412)	Other gains (losses)
<b>Profit from continuing operations</b>	<b>4,603</b>			<b>5,879</b>	<b>Income before tax</b>
Tax expense or income related to profit or loss from continuing operation	(1,274)	(43)	(124)	(1,441)	Income tax
<b>Profit from continuing operations</b>	<b>3,328</b>		<b>1,109</b>	<b>4,438</b>	<b>Net income from ongoing operations</b>
Profit from discontinued operations (net)	-			-	Net income from discontinued operations
				(1,109)	Results from corporate operations <sup>(1)</sup>
<b>Profit</b>	<b>3,328</b>			<b>3,328</b>	<b>Net income</b>
Attributable to minority interest [non-controlling interests]	(686)			(686)	Non-controlling interests
<b>Attributable to owners of the parent</b>	<b>2,642</b>			<b>2,642</b>	<b>Net attributable profit</b>

(1) 2015 includes the capital gains from the various sale operations equivalent to 6.34% of BBVA Group's stake in CNCB, the badwill from the CX operation, the effect of the valuation at fair value of the 25.01% initial stake held by BBVA in Garanti and the impact of the sale of BBVA's 29.68% stake in CIFH.

# Other legal disclosure requirements

## Alternative Performance Measures (APMs)

BBVA presents its results in accordance with the International Financial Reporting Standards (EU-IFRS). However, it also considers that some alternative performance measures (APMs) provide useful additional financial information that should be taken into account when evaluating performance. These APMs are also used when making financial, operational and planning decisions within the Entity. The Group firmly believes that they give a true and fair view of its financial information. These APMs are generally used in the financial sector as indicators for monitoring the assets, liabilities and economic and financial situation of entities.

BBVA Group's APMs are given below. They are presented in accordance with the European Securities and Markets Authority (ESMA) guidelines, published on October 5, 2015 (ESMA/2015/1415en). These guidelines are aimed at promoting the usefulness and transparency of APMs included in prospectuses or regulated information 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.

$$\frac{\text{Shareholders' funds} + \text{Accumulated other comprehensive income}}{\text{Number of shares outstanding} - \text{Treasury shares}}$$

**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-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. It is a generally used ratio, not only in the banking sector but also in others.

## Book value per share

		31-12-2015	31-03-2016	30-06-2016	30-09-2016	31-12-2016
Numerator (million euros)	+ Shareholders' funds	50,639	50,555	51,761	52,248	52,821
	+ Dividend-option adjustment	-	675	-	455	-
	+ Accumulated other comprehensive income	(3,349)	(4,171)	(4,327)	(4,681)	(5,458)
Denominator (million euros)	+ Number of shares outstanding	6,367	6,367	6,480	6,480	6,567
	+ Dividend-option	-	114	-	86	-
	- Treasury shares	39	26	28	11	7
=	<b>Book value per share (euros/share)</b>	<b>7.47</b>	<b>7.29</b>	<b>7.35</b>	<b>7.33</b>	<b>7.22</b>

## 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.

$$\frac{\text{Shareholders' funds} + \text{Accumulated other comprehensive income} - \text{Intangible assets}}{\text{Number of shares outstanding} - \text{Treasury shares}}$$

**Explanation of the formula:** The figures for shareholders' funds, accumulated other comprehensive income and intangible assets are all taken from the balance sheet. Shareholders' funds

are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend 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

		31-12-2015	31-03-2016	30-06-2016	30-09-2016	31-12-2016
Numerator (million euros)	+ Shareholders' funds	50,639	50,555	51,761	52,248	52,821
	+ Dividend-option adjustment	-	675	-	455	-
	+ Accumulated other comprehensive income	(3,349)	(4,171)	(4,327)	(4,681)	(5,458)
	- Intangible assets	10,052	9,858	9,936	9,503	9,786
Denominator (shares)	+ Number of shares outstanding	6,367	6,367	6,480	6,480	6,567
	+ Dividend-option	-	114	-	86	-
	- Treasury shares	39	26	28	11	7
=	<b>Tangible book value per share (euros/share)</b>	<b>5.88</b>	<b>5.76</b>	<b>5.81</b>	<b>5.88</b>	<b>5.73</b>

## Dividend yield

This is the remuneration given to the shareholders in the last twelve calendar months divided into the closing price for the period.

$$\frac{\Sigma \text{Dividend per share over the last twelve months}}{\text{Closing price}}$$

**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

		31-12-2015	31-03-2016	30-06-2016	30-09-2016	31-12-2016
Numerator (euros)	Σ Dividends	0.37	0.37	0.37	0.37	0.37
Denominator (euros)	Closing price	6.74	5.84	5.06	5.38	6.41
=	<b>Dividend yield</b>	<b>5.5%</b>	<b>6.3%</b>	<b>7.3%</b>	<b>6.9%</b>	<b>5.8%</b>

## 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 18 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

		31-12-2015	31-03-2016	30-06-2016	30-09-2016	31-12-2016
Numerator (million euros)	NPLs	25,996	25,473	24,834	24,253	23,595
Denominator (million euros)	Credit Risk	482,518	478,429	483,169	472,521	480,720
=	<b>Non-Performing Loans (NPLs) ratio</b>	<b>5.4%</b>	<b>5.3%</b>	<b>5.1%</b>	<b>5.1%</b>	<b>4.9%</b>

## 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.

$$\frac{\text{Impairment on financial assets (net)}}{\text{NPL}}$$

**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 18 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

		31-12-2015	31-03-2016	30-06-2016	30-09-2016	31-12-2016
Numerator (million euros)	Provisions	19,405	18,740	18,264	17,397	16,573
Denominator (million euros)	NPLs	25,996	25,473	24,834	24,253	23,595
=	<b>NPL coverage ratio</b>	<b>74%</b>	<b>74%</b>	<b>74%</b>	<b>72%</b>	<b>70%</b>

## 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

		2015	2016			
			Jan.-Mar.	Jan.-Jun.	Jan.-Sep.	Jan.-Dec.
Numerator (million euros)	Operating expenses	12,317	3,174	6,332	9,549	12,791
Denominator (million euros)	Gross income	23,680	5,788	12,233	18,431	24,653
=	<b>Efficiency ratio</b>	<b>52.0%</b>	<b>54.8%</b>	<b>51.8%</b>	<b>51.8%</b>	<b>51.9%</b>

## 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

		2016				
		2015	Jan.-Mar.	Jan.-Jun.	Jan.-Sep.	Jan.-Dec.
Numerator (million euros)	Annualized net attributable profit	2,642	2,853	3,684	3,736	3,475
Denominator (million euros)	Average shareholders' funds	50,767	50,923	51,253	51,590	51,947
=	<b>ROE</b>	<b>5.2%</b>	<b>5.6%</b>	<b>7.2%</b>	<b>7.2%</b>	<b>6.7%</b>

## ROTE

The ROTE ratio (return on tangible equity) measures the return on an entity's shareholders' funds, excluding intangible assets.

$$\frac{\text{Annualized net attributable profit}}{\text{Average shareholders' funds} - \text{Average intangible assets}}$$

### 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

		2016				
		2015	Jan.-Mar.	Jan.-Jun.	Jan.-Sep.	Jan.-Dec.
Numerator (million euros)	Annualized net attributable profit	2,642	2,853	3,684	3,736	3,475
Denominator (million euros)	+ Average shareholders' funds	50,767	50,923	51,253	51,590	51,947
	- Average intangible assets	9,634	10,054	9,961	9,875	9,819
=	<b>ROTE</b>	<b>6.4%</b>	<b>7.0%</b>	<b>8.9%</b>	<b>9.0%</b>	<b>8.2%</b>



## ROA

The ROA ratio (return on assets) measures the return obtained on an entity's assets.

$$\frac{\text{Annualized net income}}{\text{Average total assets}}$$

### Explanation of the formula:

Annualized net income: 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

		2016				
		2015	Jan.-Mar.	Jan.-Jun.	Jan.-Sep.	Jan.-Dec.
Numerator (million euros)	Annualized net income	3,328	3,924	4,970	4,972	4,693
Denominator (million euros)	Average total assets	716,379	749,242	742,470	739,330	735,636
=	<b>ROA</b>	<b>0.46%</b>	<b>0.52%</b>	<b>0.67%</b>	<b>0.67%</b>	<b>0.64%</b>

## RORWA

The RORWA ratio (return on risk-weighted assets) measures the accounting return obtained on average risk-weighted assets.

$$\frac{\text{Annualized net income}}{\text{Average risk-weighted assets}}$$

### Explanation of the formula:

Annualized net income: 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

		2016				
		2015	Jan.-Mar.	Jan.-Jun.	Jan.-Sep.	Jan.-Dec.
Numerator (million euros)	Annualized net income	3,328	3,924	4,970	4,972	4,693
Denominator (million euros)	Average RWA	380,844	399,448	397,873	395,447	394,356
=	<b>RORWA</b>	<b>0.87%</b>	<b>0.98%</b>	<b>1.25%</b>	<b>1.26%</b>	<b>1.19%</b>

## 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 16 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.

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### Other customer funds

(Million euros)

	31-12-15	31-03-16	30-06-16	30-09-16	31-12-16
+ Mutual funds	54,419	53,147	53,487	54,555	55,037
+ Pension Funds	31,542	31,410	32,061	32,628	33,418
+ Other off-balance sheet funds	3,786	3,611	3,370	3,156	2,831
+ Customer portfolios	42,074	42,907	41,198	40,494	40,805
= <b>Other customer funds</b>	<b>131,822</b>	<b>131,076</b>	<b>130,116</b>	<b>130,833</b>	<b>132,092</b>

# 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.

## Economic outlook

**Global growth** is expected to be slightly higher than 3% in 2017 and 2018, sustained by support from central banks, relative calm on the financial markets and the recovery of emerging economies. The key in this scenario of weak economic growth within a context of reduced global trade and a greater aversion to the spread of globalization lies in addressing the economic consequences of some of the risks linked to economic policies. First, there is the uncertainty in connection with the economic policy of the new administration in the United States, particularly regarding protectionism and its potential global effects. Second, while the impact of Brexit (the referendum at the end of June resulting in a victory for those wanting the United Kingdom to leave the European Union) has not had a systemic impact, there is nevertheless lingering uncertainty regarding the negotiations related to it, which could weigh heavily on economic confidence in 2017. An additional factor is concern with respect to the results of a very busy electoral calendar throughout Europe.

The 2017 outlook for **Spain** is one of moderate growth of up to 2.7%, in light of the weakening of some support factors such as fiscal policy and an increase in oil prices.

The recovery in the **rest of Europe** faces the risk of a slowdown associated with political uncertainty or the reversal of the reforms implemented in some countries. In this context, we expect a GDP growth of 1.7% in 2016 and 1.6% in 2017.

In the **United States**, there are still major doubts regarding economic policy, particularly with respect to trade agreements, as well as the rate of interest rate hikes by the FED and their resulting impact on emerging economies. In light of the foregoing, the average growth in 2016 will slow to 1.6% and

then increase slightly above 2% in 2017. In this scenario, the FED is expected to conduct a gradual normalization process in a context characterized by the uncertainty of the external environment together with the FED's own concerns regarding the trending growth in productivity and the economy's potential GDP growth.

The key for **emerging economies** is management of their vulnerability to sudden movements of capital. There has been increased inflationary pressure in Turkey, which could lead to a tougher monetary policy in an environment of growth of approximately 2.5% in 2016 and 2017. The pace of economic growth in Mexico could have tapered off slightly to below 2% in 2016 and this slowdown may become more pronounced, down to 1% in 2017, given the uncertainty associated with the trade measures adopted by the United States. The GDP of South America as a whole could contract by over 2% in 2016, though it should recover and post growth of slightly over 1% in 2017 thanks to the increased contribution from the foreign sector, the end of the downturn in Brazil, private investment in Argentina and the plans for public-sector investment in countries such as Peru and Colombia.

However, in the more medium and longer term, the greatest risk for the global economy remains linked to the imbalances in **China's economy**. In this regard, concerns regarding a substantial slowdown in 2016 were allayed after reports of 6.6% growth (6.9% in 2015). However, the outlook continues to be for a gradual slowdown to around 6% in 2017. In the long term, doubts regarding the prospects of growth remain, given the slow progress of structural reforms in some key areas, particularly in state-owned companies.

# Staff information

One of BBVA's six Strategic Priorities to make progress in its digital transformation is "a first class workforce". This entails attracting, developing, motivating and retaining a first class workforce, and providing the best employee experience. To do so, the Organization is being transformed, fostering a new culture, with new ways of working (an organization based on projects, communities of expertise, agile methodology, collaborative tools, etc.) and flatter structures. A new variable remuneration model was also implemented in line with the strategic objectives.

## BBVA Group. Basic employee data

(Number)

	2016	2015
Number of employees	134,792	137,968
Average length of service (years)	10.1	10.1
Average age (years)	37.2	37.0
Diversity (% women)	54.1	53.9
Turnover (%)	8.3	8.5

As part of the reorganization carried out on the structure of the Group in **2016**, Talent & Culture defined its role as an area that must support the Bank to achieve its strategic objectives and create a competitive advantage through a first class workforce, inspired by our Purpose and working together as a single team.

Talent & Culture bases its activity on two fundamental pillars: **transparency and consistency**. Three basic principles have also been defined to guide this activity:

- Proximity to the business: acting as business partners for the other areas.
- Focus on execution: delivering new data-based solutions with committed deadlines, and making things simple.
- One team: working as a single team across all regions, with no functional silos.

Talent & Culture has conducted a strategic prioritization process for selecting the global programs in which to make progress. Thus, among the new projects launched were those related to professional careers, internal mobility, values, performance and the leadership model.

## Professional development

A relevant aspect for professional development at BBVA is the **biennial process** for determining each professional's strengths and areas for improvement. The last process was carried

out in 2015, when each professional received feedback from his/her manager and training and development plans were established and subsequently executed in 2016. In addition to the performance indicators, the results of the process proved to be key in identifying critical talent in the Group and supporting promotion decisions.

BBVA Group makes a variety of **resources** available to employees so they can grow professionally and improve their skills:

- Recruitment processes are based on equal opportunity, evaluation based on the requirements of the job position and objectivity of the criteria used. The ultimate goal is to attract and incorporate the best talent in each field. In 2016, BBVA Group received 352,477 resumes worldwide with a ratio of men to women of 57%-43%, 75.42% of them under the age of 30; and it hired 15,243 people, 62% of them under the age of 30.
- Apúntate+: a global internal job posting application that fosters career development and transparency in promotion criteria by posting available job vacancies.
- Training actions increased in 2016 to an average of 39 hours of training per employee, with 66% of the training done through the online channel. The Group's investment in training amounted to €45.5m.
- With regard to the legal requirements established by the MiFID II Directive, on the knowledge that employees must have when distributing information or providing advice on financial products/services within Europe, there are 7,610 professionals with official EFPA certifications (DAF/EIP, EFA and EFP) in Spain. In all, there are over 10,500 current employee certifications in BBVA, including CFA, FRM and CIA.
- Diversity: women make up 54% of the Group's staff and their numbers in the management team has continued to increase since 2011 to 20.8% in 2016.
- Different capabilities: BBVA continues demonstrating its pledge to integrate people with different capabilities into the workforce through the Plan Integra, which was conceived with the belief that employment is an essential pillar in achieving equal opportunity for everyone.

## Workplace

BBVA conducts a general satisfaction and commitment survey involving all employees every two years. The purpose of this survey is to ascertain the views of our employees, their concerns and the areas for improvement on which they

consider we should work in the future. The 2016 **survey** was answered by over 70% of BBVA employees worldwide, with 83% of them being satisfied or very satisfied.

Within the scope of **responsible investment**, BBVA assumed its Socially Responsible Investment (SRI) commitment in 2008 when it joined the United Nations Principles for Responsible Investment through the Employee Pension Plan.

With respect to **occupational health and safety**, BBVA honors its commitment to guarantee healthy working environments and improve the quality of life of people through health promotion and prevention campaigns and training, information and awareness-raising activities. The occupational health and safety plan in Spain is part of the preventive planning that sets yearly targets based on the occupational risk prevention activities scheduled for the period. It includes risk assessments and monitoring of corrective measures, evacuation drills and emergency plans, training for workers, coordination of business activity, healthcare monitoring through medical checkups, health promotion campaigns, protection for vulnerable workers, adapting workstations with specific ergonomic material to prevent related pathologies (back pain, carpal tunnel syndrome, etc.).

## Occupational health in Spain

(Number)

	2016	2015	2014
Number of technical preventive actions	2,424	3,033	2,157
Number of preventive actions to improve working conditions	2,981	3,761	2,869
Appointments for health checks	15,100	17,659	16,145
Employees represented in health and safety committees (%)	100	100	100
Absenteeism rate (%) <sup>(1)</sup>	2.4	2.5	2.2

(1) Catalunya Banc is excluded from the calculation in 2015.

The **rights and working conditions** of Group employees are included in the rules, conventions and agreements concluded in each entity with the corresponding workers' representatives in accordance with local legislation. 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 in the countries where BBVA operates.

The Thirteenth Collective Labor Agreement for the Spanish banking sector, covering our entire workforce, was signed in April 2016 and will remain in force until December 31, 2018. Additional business agreements supplement and develop the provisions of the Labor Agreement, such as the agreement to adapt the provisions of the Collective Labor Agreement with respect to remuneration.

Labor union representatives sitting on company committees are elected every four years by personal, free, direct and secret vote. The labor representatives are kept apprised of any changes

in relevant organization that could occur in the Company, as provided for by the pertinent legislation currently in force.

BBVA Spain has also concluded a Merger Labor Agreement to integrate the employees of Catalunya Banc (CX) into BBVA. This was done in July, harmonizing the employment conditions of all CX employees to those current in BBVA.

## Remuneration

BBVA has an advanced **remuneration system** based on the reciprocal long-term generation of value for professionals in line with shareholder interests and dependent on prudent management. This system is adapted to legal specifications in force at any time and also incorporates the standards and principles of the best generally accepted national and international practices.

Remuneration is made up of two clearly differentiated **parts**:

- A fixed remuneration, which is established by considering the employee's level of responsibility and professional career path in the Group and setting a salary benchmark for each function.
- Variable remuneration, with a new model that is linked to the Group's strategic objectives through indicators formed by both financial and non-financial indicators. In this new model, each employee's variable remuneration is directly linked to the results at Group, area and sub-area/individual level.

## Volunteer work

The BBVA **Corporate Volunteering Policy** covers all countries. It manifests BBVA's pledge to volunteer work of this type and provides employees with the conditions in which they can engage in corporate volunteer work that generates a positive social impact. Most volunteering activities seek to reinforce initiatives in connection with education, primarily to boost financial literacy, and thus support the strategic lines set out in the responsible business model. Some of the Group's educational volunteer projects include:

- In Spain: the JAES Foundation programs, such as *Ventajas de permanecer en el colegio* (Advantages of staying in school), *Habilidades para el éxito* (Skills for success) and *Socios por un Día* (Partners for a day).
- In the United States of America: the Summer/Fall Day of Service initiatives and the NBA Cares community engagement program.
- In Mexico: the *Valores de Futuro* (Future Values) financial literacy program and the Momentum Project entrepreneurship support program.
- In South America: financial literacy workshops in Argentina, the *Adelante con tu Futuro* (Forward with your Future) financial literacy program in Venezuela, the *Leer es Estar Adelante* (Reading is getting ahead) program in Peru, and the *Becas de Integración Jóvenes con Futuro Adelante* (Integration Grants for Young People with a Future) and a financial literacy program in Uruguay.

# Environmental information

## Environmental commitment

**Sustainable development** is a priority for BBVA Group, given that as a financial institution it has a considerable impact on the environment, whether through the consumption of natural resources, management of its buildings, use of paper, travel, etc. (direct impact), or through the environmental consequences of BBVA Group products and services, particularly those related to financing, asset management and supply chain activities (indirect impact).

This commitment is set out in the Group's **Environmental Policy**, whose scope is global and affects all the activities carried out by the Group, i.e. banks and activities of subsidiaries in which BBVA has effective control.

## Objectives of the environmental policy

The objectives of BBVA Group's environmental policy are:

- Comply with the environmental legislation in force where BBVA Group operates.
- Continuously improve the identification and management of environmental risks in BBVA Group's financial and investment transactions.
- Integrate the environmental variables into the development of financial products and services.
- Aim for eco-efficiency in the use of natural resources, establish and fulfill improvement objectives in the Global Eco-efficiency Plan.
- Manage direct impact through the environmental management system based on ISO 14001 and other recognized environmental certifications.
- Positively influence the environmental conduct of stakeholders through communication and raising awareness of and sensitivity to the importance of the environment as an additional variable of business and personnel management.
- Inform, raise awareness, sensitize and train employees concerning the environment.
- Support sponsorship, volunteer work and environmental research.
- Launch of the third Global Eco-efficiency Plan 2016-2020, which establishes objectives in terms of environmental management and sustainable construction, energy and climate change, water, paper and waste. The previous Global Eco-efficiency Plan successfully concluded in 2015, far exceeding the targets set: reduce electricity consumption by 14%, water consumption by 23%, paper consumption by 43% and CO<sub>2</sub> emissions by 16%; and increase the number of employees working in buildings that have been awarded environmental certification by 33% (compared with 2012 data).
- Improvement of the environmental risk management systems not only in project finance, through the Equator Principles, but also in determining borrowers' credit profiles through the Ecorating tool.
- Leadership in financing renewable energy project at international level.
- Active participation in the green bond market.
- Training in social and environmental risks for Group risk analysts.
- Activity with multilateral institutions that contribute to regional development through project co-financing and intermediation operations, primarily in agricultural and energy efficiency sectors.
- Support for the main international initiatives to fight against climate change, such as the CDP, Green Bond Principles, Spanish Green Growth Group, Global Investor Statement on Climate Change, statement of the European Financial Services Round Table in support of a strong, ambitious response to climate change, Statement by Financial Institutions on Energy Efficiency Finance promoted by UNEP FI, and the Energy Efficient Mortgage initiative of the European Mortgage Federation.
- Development of ambitious programs for environmental patronage, particularly through BBVA Foundation. The *Premios Fundación BBVA Fronteras del Conocimiento* (BBVA Foundation Frontiers of Knowledge Awards) in the categories of Conservation Ecology and Biology and Climate Change, each one endowed with a prize of €400,000, and the *Premios Fundación BBVA a la Conservación de la Biodiversidad* (BBVA Foundation Biodiversity Conservation Awards), endowed with a prize of €580,000.
- Environmental awareness-raising activities with Group's employees.

## Main environmental actions in 2016

The main environmental actions that BBVA Group carried out during 2016 are described below:

As of December 31, 2016, the accompanying Consolidated Financial Statements of BBVA Group have no material item that would warrant inclusion in the environmental information document under the Ministry of the Economy Order dated October 8, 2001.

# Innovation and technology

As commented in the Strategy section, 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 Bank for them. The **Engineering** division's mission is therefore 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 develop, digital, flexible, and leveraged on data. This must be done while continuing to provide support to the Bank's core business: a) 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. Likewise, another Engineering objective is to provide the Group with all the tools it needs to drive profitability, new productivity paradigms and new business processes.

Customers are at the heart of digital transformation. To deliver on their requirements it is necessary to offer real-time operation, making all the necessary information and procedures available anywhere, anytime, and any channel. The area's responsibilities therefore need to be revised, particularly regarding rapid product development, the open ecosystem concept and the critical role that data are going to play. Therefore, the main **lines of work** focus on the following:

- A new technology stack to offer customers services that are more suited to their needs, in terms of timing 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 has developed its **IT model** into a more uniform and scalable system, boosting cloud technology.

In **2016** Engineering has worked on constructing the fundamental building blocks of the technology stack that includes the entire BBVA Group and shares the cloud attributes such as flexibility and stability that are demanded by the digital world, while strictly complying with regulatory requirements. This new stack will enable real-time access, a new approach to data management and the optimization of processing costs, meaning customers benefit from a service that caters directly to their needs.

## Strategic alliances

Engineering has driven creation of a network of strategic alliances, giving traction to BBVA's digital transformation and complementing its technology stack. Establishing an ecosystem of strategic alliances with some of the leading businesses in the market ensures the adoption of innovative technologies, business digitalization and promptness, deployment and global operational 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, such as Salesforce, Red Hat, Amazon Web Services or Cisco.

## Productivity and reliability

**Productivity** is one of the key aspects of the BBVA transformation process. Greater productivity is critical to providing our customers with the best service while being profitable. Engineering is therefore working on the following:

- Technology transformation at two levels:
  - Hardware: creating the components of the new infrastructure, redirecting demand to new models based on the cloud paradigm and progressive migration of traditional transactions.
  - Software: reusing functionalities and automating as many processes as possible.
- Transformation of operations with a multi-local focus, representing a new organizational approach to production and functions that optimizes processes.

It is critical to obtain the best possible performance from infrastructures, architectures, operations and internal processes, and to do so in a way that is fully reliable. **Reliability** is another key factor for the Engineering function and digital transformation. Reliability must be at the heart of businesses, guaranteeing utmost quality standards; both internally, when providing service to other BBVA units, and from an external point of view, when providing a service to customers.

## Operational and technological risk management

### Main security and customer protection initiatives

One standout initiative for the future in terms of the **security and protection** of technology channels is the complete account opening process via mobile devices, meaning customers do not have to go into a branch to open an account. This service has been designed pursuant to the directives of SEPBLAC (the

Spanish's Financial Unit and AML/CFT Supervisory Authority that reports to the Commission for the Prevention of Money Laundering and Monetary Infractions), and incorporates modern facial recognition technology, with capabilities to identify forged national identity cards. These technologies will be gradually incorporated into the most critical processes of our relationship with our customers via technological channels.

Work has been carried out in the field of **business continuity**, meaning contingency plans for low-probability but extremely high-impact events. Business impact analysis has been updated and implemented, reviewing technology dependency on critical processes to improve service recovery in the event of IT system malfunction. Business continuity plans have also been activated in several incidents that have affected BBVA Group, such as the flooding of the Mapocho River affecting the Bank's headquarters in Chile, social disturbances that affected the headquarters in Mexico and Venezuela, and the impact of Hurricane Mathew in the south of the United States.

At the same time, digital transformation has established itself as a strategic priority for the financial sector in general and for BBVA in particular. In this context, it is vital that we ensure effective protection for BBVA's **brand and assets**, as well as our customers' data, from the threats present in the virtual environment. To achieve this, BBVA has created a reliable and efficient center for cyber-attack prevention, alerts and response. This ensures that the Group develops at the same pace as organized technological crime.

BBVA has also consolidated deployment of the cybersecurity standard designed by NIST (National Institute for Standards and Technologies) as a benchmark framework for management and control.

Finally, it is important to note that BBVA is utterly committed to protecting its customers. It therefore works closely with regulators and the rest of the industry across its global footprint.



# Customer Care Service and Customer Ombudsman

The law governing the **activities** of the Customer Care Service and Customer Ombudsman in 2016 is determined under Article 17 of Ministerial Order ECO/734/2004 of March 11, issued by the Spanish Ministry of the Economy, governing customer care departments and services and the customer ombudsman in financial institutions. They are also subject to BBVA Group's Customer Protection Charter in Spain, approved by the BBVA Board of Directors in 2015, which regulates the activities and powers of the Customer Care Service and Customer Ombudsman.

Thus, BBVA's Customer Care Service processes **claims and complaints** addressed to the Customer Ombudsman and, initially, to the Customer Care Service, except for matters falling within the powers of the Customer Ombudsman as established in the aforementioned Charter.

## Report on the activity of the Customer Care Service in Spain

In **2016**, the Customer Care Service consolidated the initial guidelines issued in 2015 and, in keeping with the European guidelines on complaints established by the pertinent authorities (the European Securities and Markets Authority (ESMA) and the European Banking Authority (EBA)) worked on detecting recurring, system-related or potential problems at the Entity. Two key functions of the BBVA quality strategy are anticipation and root cause analysis. The Customer Care Service is one of the fundamental elements for identifying and proposing action plans to improve customer experience and comply with regulatory requirements.

Customer **claims and complaints** received by the BBVA Customer Care Service in Spain amounted to 25,562 cases in 2016, of which 2,502 were not admitted for processing as they did not comply with the requirements stipulated in Ministerial Order ECO/734; 20,279 were resolved by the Customer Care

Service itself and concluded in the same year (88% of the total). A further 2,781 cases were pending analysis. In 2015, the complaints received numbered 17,647 and the cases resolved and concluded 14,315 (92% of the total).

## Complaints handled by Customer Care Service according to resolution

(Number)

	2016	2015
In favor of the person submitting the complaint	7,071	4,750
Partially in favor of the person submitting the complaint	2,830	1,738
In favor of the BBVA Group	10,378	7,827
<b>Total</b>	<b>20,279</b>	<b>14,315</b>

**Quality governance** has become one of the essential factors driving the corporate strategy and objectives defined for service quality. The various **committees** working on quality governance help improvement measures to be adopted in the areas in which errors or bad practices have been detected by creating work groups that operate with the support of the Bank's senior management. In 2016, this Service proposed 73 improvement plans, of which 58 have already been implemented.

The Customer Care Service continues to work through periodic committee meetings to unify criteria. The result of this work is an **internal tool** that groups together procedures, management criteria, standards, regulations and response models applicable to each type of case.

Additionally, to comply with the recommendations from the regulators, an ambitious **training plan** has been created for all the members who are part of the Service's team. The plan aims to broaden the legal understanding of managers while dealing in depth with the practical aspects of banking management: operational procedures, marketing and protocols for action in the retail network.

In line with the demands of society, the Service is particularly sensitive to **protection for mortgage debtors**. It proposes solutions to enable debtors to pay their obligations to the Entity, working closely with the Social Housing Policy Department, where it is an active member of the Central Mortgage Debtor Protection Committee.

The outsourcing last year of non-complex tasks of complaints admission and management was consolidated this year, resulting in more agile and justified responses, guaranteeing compliance with the guidelines.

The complaints management **tool** implemented at the start of 2015 is now fully operational. It has become an essential

## Complaints handled by Customer Care Service by complaint type

(Percentage)

	2016	2015
Resources	24	26
Assets products/ loans	27	20
Insurances	7	8
Collection and payment services	8	17
Financial counselling and quality service	7	9
Credit cards	10	9
Securities and equity portfolios	5	4
Other	12	7
<b>Total</b>	<b>100</b>	<b>100</b>

element not only for the management of claims and complaints but also for root cause analysis.

Moreover, the Network Quality and Internal Quality units were incorporated into Quality and Customer Care in 2016. The aim has been to generate a single quality model that would enable us to satisfy our strategic priority of providing a new standard in customer experience, incorporating a single vision that prevents inefficiency and dispersion.

## Activity report on the BBVA Group Customer Ombudsman in Spain

The number of customer **complaints** presented to the Customer Ombudsman for resolution in 2016 was 1,501. Of these, 100 were finally not processed as they did not meet the requirements set out in Ministerial Order ECO/734/2004; 91.7% of the complaints (1,377) were resolved and concluded within the year, with 24 cases pending further analysis.

### Complaints handled by the Customer Ombudsman by complaint type

(Number)

	2016	2015
Insurance and welfare products	590	459
Assets operations	305	161
Investment services	141	59
Liabilities operations	175	101
Other banking products (credit card, ATM, etc.)	100	48
Collection and payment services	63	37
Other	127	100
<b>Total</b>	<b>1,501</b>	<b>965</b>

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.

### Complaints handled by Customer Ombudsman according to resolution

(Number)

	2016	2015
In favor of the person submitting the complaint	-	2
Partially in favor of the person submitting the complaint	861	544
In favor of the BBVA Group	516	324
<b>Total</b>	<b>1,377</b>	<b>870</b>

58.3% of the customers who submitted a complaint to the Ombudsman in 2016 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.

The **Customer Ombudsman** issues its decisions on the basis of legislation currently in force, the contractual relationships between the parties, current standards on transparency and customer protection, best banking practices and, in particular, the principle of fairness.

The **independent** nature of the role of the Customer Ombudsman is essential. The decisions of the Ombudsman in favor of the customer are binding on Group entities.

Among the actions taken by BBVA Group in **2016** in response to suggestions made by the Customer Ombudsman are the following:

- Adaptation of the product profile to the customer profile, particularly emphasizing the need to provide abundant correct information on the products offered to customers. To do so, the Group is employing the Transparent, Clear and Responsible (TCR) communication initiative for responsible banking, making as much data and documentation available as necessary.
- Progress in promoting compliance with transparency and customer protection legislation has been set as an essential objective to provide criteria and possible ways of improvement. Particular emphasis has been placed on its work of mediating between customers and compliant entities to reach amicable agreements within the established regulatory limits.
- Monthly Quality Committee meetings in collaboration with Quality, Legal Services and the Customer Care Service, and with the participation of the Group's units and areas in Spain. The meetings debate and exchange problems, ideas and suggestions regarding complaints and claims submitted by customers for the purpose of improving the Group's complaint system and contribute to better and more satisfactory customer care.
- Common objective of unifying criteria and enhancing the defense and security of customers. Regular meetings and contacts were held for this purpose with the Complaints Department of the Bank of Spain, the Spanish Securities and Investment Board (CNMV), and the Directorate General of Insurance and Pension Funds.

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 Customer Ombudsman always informs customers of this right.

The number of complaints examined and/or resolved by the Customer Ombudsman that were then submitted to the supervisory bodies at the instigation of the customers in 2016 was 108.

# 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 which the Group is present.

As of December 31, 2016, 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 International, Ltd., BBVA Global Finance, Ltd., Continental DPR Finance Company, Garanti Diversified Payment Rights Finance Company and RPV Company.

## Branches of the BBVA Group's banks in the Cayman Islands

As of December 31, 2016, the BBVA Group had two banking **branches** registered in the Cayman Islands engaging in Corporate Banking activities. As of the date these Annual Consolidated Financial Statements were drawn up, BBVA Compass has carried out all the procedures required for the closure of the branch it had until December 31, 2016 on Grand Cayman. The branch was not active and had no outstanding balances. It was awaiting authorization from the corresponding authority (Cayman Islands Monetary Authority) for its effective closure. The activities and business of these branches (which do not include the provision of private banking services) are pursued under the strictest compliance with applicable law, both in the jurisdictions in which they are domiciled and in those where their operations are effectively managed, in this case the United States of America.

The **main figures** of the balance sheets of these branches as of December 31, 2016 and 2015 are as follows:

### BBVA Group Branches at off-shore entities (Grand Cayman)

(Million euros)

Main figures of the balance sheets	31-12-16	31-12-15
<b>BBVA S.A. branch</b>		
Loans and advances to customers	805	807
Deposits from customers	430	432
<b>BBVA Compass branch</b>		
Loans and advances to customers	-	-
Deposits from customers	-	100

## Issuers of securities

As of December 31, 2016, only two **issuers** registered in Grand Cayman remain, and the processes for the repurchase and/or redemption of the securities issued will depend on the time of their liquidation, to which are added two other issuers from the Garanti Group.

The accompanying table presents a comparative list of the issues outstanding as of December 31, 2016 and 2015:

### Issues outstanding at off-shore entities (Grand Cayman)

(Million euros)

Issuing entity	31-12-16	31-12-15
<b>Subordinated debts<sup>(1)</sup></b>		
BBVA Global Finance LTD	188	347
<b>Other debt securities</b>		
Continental DPR Finance Company <sup>(2)</sup>	102	152
Garanti Diversified Payment Rights Finance Company	1,760	1,617
RPV Company	1,457	1,496
<b>TOTAL</b>	<b>3,508</b>	<b>3,612</b>

(1) Securities issued before the enactment of Act 19/2003 dated 4 July 2003.

(2) Securitization bond issues on flows generated from export bills.

## Supervision and control of the permanent establishments of the BBVA Group in offshore financial centers

The BBVA Group applies **risk management criteria and policies** to all its permanent establishments in offshore financial centers that are identical to those for the rest of the companies making up the Group.

During the reviews carried out annually on each and every one of the BBVA Group's permanent establishments in offshore financial centers, BBVA's Internal Audit Department checks the following: that their activities match the definition of their social object, that they comply with corporate policies and procedures in matters relating to knowledge of the customers and prevention of money laundering, that the information submitted to the parent company is true, 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.

Furthermore, in 2016 BBVA's Legal & Compliance and Internal Audit Departments have supervised the action plans deriving from the audit reports on each one of the establishments.

As far as external audits are concerned, one of the functions of the Audit Committee is to select an external auditor for the

Consolidated Group and for all the companies in it. For 2016, all of the BBVA Group's permanent establishments registered in offshore financial centers have the same external auditor (Deloitte), except Continental DPR Finance Company.

## Contractual obligations and off-balance sheet

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.

## Capital and treasury stock

Information on common stock and transactions with treasury stock can be found in Notes 26 and 29 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

The interim dividend approved on December 21, 2016 was paid out on January 12, 2017, as detailed in Note 4 of the accompanying Consolidated Financial Statements.

On February 1, 2017, BBVA's shareholder remuneration policy for 2017 was announced, as described in Note 4 of the accompanying Consolidated Financial Statements.

From January 1, 2017 to the date of preparation of these Consolidated Financial Statements, no other subsequent events not mentioned above in these Consolidated Financial Statements have taken place that significantly affect the Group's earnings or its equity position.

## 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 2016 (which is an integral part of the Management Report for that year) following the content guidelines set down in Order ECC/461/2013, dated March 20, and in CNMV Circular 5/2013, dated June 12 in the

wording provided by CNMV Circular 7/2015, dated December 22, including a section detailing the degree to which the Bank is compliant with existing corporate governance recommendations in Spain. In addition, all the information required by Article 539 of the Spanish Corporate Act can be accessed on BBVA's website [www.bbva.com](http://www.bbva.com).

**ANNUAL CORPORATE GOVERNANCE REPORT ON THE PUBLICLY TRADED COMPANIES**

**ISSUER IDENTIFICATION**

FINANCIAL YEAR-END

31/12/2016

TAX ID No.: A-  
48265169

Registered name: BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Registered Address: Plaza de San Nicolás 4, 48005 Bilbao (Vizcaya)

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**ANNUAL CORPORATE GOVERNANCE REPORT  
ON THE PUBLICLY TRADED COMPANIES**

**A. OWNERSHIP STRUCTURE**

A.1 Fill in the following table on the company's share capital:

Date of last modification	Share capital (EUR)	Number of shares	Number of voting rights
20/10/2016	3,217,641,468.58	6,566,615,242	6,566,615,242

Indicate if there are different classes of shares with different rights associated with them.

NO

Class	Number of shares	Nominal amount	Number of voting rights	Different rights

A.2 Detail the direct and indirect owners of significant holdings in your company at year-end, excluding directors:

Name of shareholder (person or company)	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Direct owner of stake	Number of voting rights	

Indicate the most significant movements in the shareholder structure during the year.

Name of shareholder (person or company)	Date of the transaction	Description of the transaction

A.3 Fill in the following tables with the members of the company's Board of Directors with voting rights on company shares:

Name of director	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Direct owner of stake	Number of voting rights	
FRANCISCO GONZÁLEZ RODRÍGUEZ	2,255,715		1,716,059	0.06%
CARLOS TORRES VILA	173,974			0.00%
TOMÁS ALFARO DRAKE	17,425			0.00%
JOSÉ MIGUEL ANDRÉS TORRECILLAS	10,632			0.00%

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JOSÉ ANTONIO FERNÁNDEZ RIVERO	74,467			0.00%
BELÉN GARIJO LÓPEZ	0		0	0.00%
JOSÉ MANUEL GONZÁLEZ-PÁRAMO MARTÍNEZ-MURILLO	51,983			0.00%
SUNIR KUMAR KAPOOR	0		0	0.00%
CARLOS LORING MARTÍNEZ DE IRUJO	58,311			0.00%
LOURDES MÁIZ CARRO	0		0	0.00%
JOSÉ MALDONADO RAMOS	38,761			0.00%
JOSÉ LUIS PALAO GARCÍA-SUELTO	10,928			0.00%
JUAN PI LLORENS	0		0	0.00%
SUSANA RODRÍGUEZ VIDARTE	26,390		1,008	0.00%
JAMES ANDREW STOTT	103		10,000	0.00%

<b>% total voting rights held by the Board of Directors</b>	<b>0.06%</b>
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Fill in the following tables with the members of the company's Board of Directors with share options:

Name of director (person or company)	Number of direct share options	Indirect share options		Number of equivalent shares	% of total voting rights
		Direct owner	Number of voting rights		
FRANCISCO GONZÁLEZ RODRÍGUEZ	239,636	0	0	0	0.00%
CARLOS TORRES VILA	111,425	0	0	0	0.00%
JOSÉ MANUEL GONZÁLEZ-PÁRAMO MARTÍNEZ-MURILLO	23,942	0	0	0	0.00%

A.4 Where applicable, indicate any family, commercial, contractual or corporate relationships between holders of significant shareholdings, insofar as the company is aware of them, unless they are of little relevance or due to ordinary trading or exchange activities:

Related name (person or company)	Type of relationship	Brief description

A.5 Where applicable, indicate any commercial, contractual or corporate relationships between holders of significant shareholdings, and the company and/or its group, unless they are of little relevance or due to ordinary trading or exchange activities:

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Related name (person or company)	Type of relationship	Brief description

A.6 Indicate whether the company has been informed of any shareholder agreements that may affect it as set out under articles 530 and 531 of the Corporate Enterprises Act. Where applicable, briefly describe them and list the shareholders bound by such agreement:

NO

Participants in shareholders agreements	% of share capital affected	Brief description of agreement

Indicate whether the company is aware of the existence of concerted actions amongst its shareholders. If so, describe them briefly.

NO

Participants in concerted action	% of share capital affected	Brief description of concerted action

If there has been any amendment or breaking-off of said pacts or agreements or concerted actions, indicate this expressly:

A.7 Indicate whether any person or organization exercises or may exercise control over the company pursuant to article 5 of the Securities Exchange Act. If so, identify names:

NO

Name (person or company)

Comments

A.8 Fill in the following tables regarding the company's treasury stock:

At year end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
2,789,894	4,440,893	0.11%

(\*) Through:

Name of direct owner of shareholding (person or company)	Number of direct shares
CORPORACIÓN GENERAL FINANCIERA, S.A.	4,440,893
<b>Total:</b>	<b>4,440,893</b>

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Give details of any significant changes during the year, pursuant to Royal Decree 1362/2007.

**Explain the significant changes**

Seven treasury stock communications were made in 2016, of which two correspond to a change in the number of voting rights in the "Dividend Option", which let shareholders decide whether to receive shares or cash for their dividend payment and the rest correspond to acquisitions passed the 1% threshold. These communications are detailed below:

- Communication date: 12 January 2016 with a total of 1,114,168 direct shares and 38,177,251 indirect shares acquired for 0.617% of the total share capital. This communication was made after acquisitions passed the 1% threshold.
- Communication date: 03 March 2016 with a total of 4,065,465 direct shares and 34,238,771 indirect shares acquired for 0.602% of the total share capital. This communication was made after acquisitions passed the 1% threshold.
- Communication date: 28 April 2016 with a total of 802,445 direct shares and 21,959,011 indirect shares acquired for 0.351% on the total share capital. This communication was made on execution of the "Dividend Option" program.
- Communication date: 24 June 2016 with a total of 1,491,209 direct shares and 23,702,450 indirect shares acquired for 0.389% of the total share capital. This communication was made after acquisitions passed the 1% threshold.
- Communication date: 29 September 2016 with a total of 1,513,946 direct shares and 7,696,489 indirect shares acquired for 0.142% on the total share capital. This communication was made after acquisitions passed the 1% threshold.
- Communication date: 25 October 2016 with a total of 7,932,973 direct shares and 10,159,764 indirect shares acquired for 0.276% of the total share capital in the "Dividend Option" program.
- Communication date: 13 December 2016 with a total of 896,297 direct shares and 7,267,288 indirect shares acquired for 0.124% of the total share capital. This communication was made after acquisitions passed the 1% threshold.

A.9 Describe the conditions and term of the prevailing mandate from the general meeting to the Board of Directors to issue, buy back and transfer treasury stock.

- The Annual General Meeting of Shareholders of BBVA held on 16 March 2012, under item three of the agenda, passed a resolution to delegate to the Board of Directors the power to increase the Bank's share capital, within a maximum term of 5 years following the date of the resolution, up to a maximum amount corresponding to 50% of BBVA's share capital on the date of such authorization, on one or several occasions, by issuing new ordinary or privileged shares with or without voting rights, including redeemable shares or shares of any other kind, with or without an issue premium, the countervalue of said shares comprising cash considerations. The authorization includes the setting out of the terms and conditions of the common stock increase, the determination of the nominal value of the shares to be issued, their characteristics and any privileges they may confer, the attribution of the right of redemption and the conditions of redemption, and the exercise of that right by BBVA; and grants the Board of Directors with the capacity to exclude the preemptive subscription right regarding shares issued by virtue of said resolution, though this capacity is limited to 20% of the share capital of BBVA on the date of said authorization.

In the meeting held on 19 November 2014, the BBVA Board of Directors, by virtue of the aforementioned delegation, agreed to a common stock increase with exclusion to the preemptive subscription right through an Accelerated Bookbuilding Offering (ABO). On 20 November 2014, the common stock increase was executed for a nominal amount of €118,787,879.56 by issuing 242,424,244 ordinary shares of BBVA, each one at a nominal value of €0.49, in the same class and series as the shares currently in circulation.

- The fifth item on the agenda at BBVA's Annual General Meeting of Shareholders held on 16 March 2012 agreed to power to the Board of Directors to issue securities convertible and/or exchangeable for BBVA shares on one or multiple occasions within a maximum period of 5 years from the date of the adoption the agreement to do so, for a maximum amount of €12,000,000,000 or its equivalent in any other currency, extending the delegation's aspects and capacities to: establish the different aspects and conditions of each issue; increase the share capital by the amount needed to address the requests for conversion or subscription; exclude the preemptive subscription right to shareholders whenever necessary or required in the interest of the company; and determine the rate of conversion and/or exchange and the date of conversion and/or exchange.

In exercising this delegation in 2016, 2015, 2014 and 2013, BBVA executed four issues of convertible perpetual securities into new issues of ordinary BBVA shares (level 1 additional capital instruments) with exclusion of the

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preemptive subscription right, amounting to €1 billion in 2016, €1.5 billion in 2015 and 2014 respectively and USD \$1.5 billion in 2013.

- The Annual General Meeting of Shareholders of BBVA held on 14 March 2014, under agenda item three, agreed to authorized BBVA, directly or via any of its subsidiaries, for a maximum term of five years from the date of said resolution, for the derivative acquisition of BBVA shares at any time and on as many occasions as it deems appropriate, by any means permitted by law, including charging the acquisition to the year's profits and/or unrestricted reserves, and to subsequently dispose of the shares acquired, indicating that derivative acquisition of shares will at all times be carried out in compliance with the conditions established under applicable legislation and, in particular, the following conditions: (i) at no time will the nominal value of the treasury stock acquired, directly or indirectly, under this authorization, added to the shares already owned by the Company and its subsidiaries, exceed 10% of the subscribed share capital of BBVA or, as appropriate, the maximum amount permitted by applicable legislation; (ii) the acquisition shall not result in the equity being less than the share capital plus the legal reserves or the reserves that are restricted by the Company bylaws; (iii) a restricted reserve, equivalent to the sum of treasury stock of the company recorded to assets, may be established against the net equity; (iv) shares acquired must be fully paid up, unless the acquisition is without consideration, and must not entail any obligation to provide ancillary benefits; and (v) the acquisition price per share will not be below the nominal value of the share or more than 20% above the listed price or any other price associated with the shares on the acquisition date. Moreover, said General Meeting expressly authorized that the shares acquired by BBVA or its subsidiaries by exercising the aforementioned authorization may be wholly or partially earmarked for delivery to workers or directors of BBVA or its subsidiaries.
- The General Meeting of Shareholders of BBVA held on 11 March 2016 resolved, under item three, sections 3.3 and 3.4 of the agenda, to perform two common stock increases to be charged to voluntary reserves through the issue of new ordinary shares each with a nominal value of €0.49, without issue premium, which as of 31 December 2016 had not been executed. The maximum term for the execution of said increases is one year from the date of the adoption of said resolutions.

A.9 bis Estimated floating capital:

	%
Estimated floating capital	100

A.10 Indicate whether there is any restriction on the transferability of securities and/or any restriction on voting rights. In particular, report the existence of any restrictions that might hinder the take-over of control of the company by purchasing its shares on the market.

NO

A.11 Indicate whether the General Meeting has agreed to adopt measures to neutralize a public takeover bid, pursuant to Act 6/2007.

NO

If so, explain the measures approved and the terms and conditions under which the restrictions would become inefficient:

A.12 Indicate whether the company has issued securities that are not traded on a regulated market in the EU.

YES

Where applicable, indicate the different classes of shares, and what rights and obligations each share class confers.

All the shares in BBVA's capital have the same class and series, and confer the same voting and economic rights. There are no different voting rights for any shareholder. There are no shares that do not represent capital.

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The Bank's shares are admitted for trading on the Securities Exchanges in Madrid, Barcelona, Bilbao and Valencia, through the Spanish electronic trading platform (Continuous Market), and the stock markets in London and Mexico. BBVA American Depositary Shares (ADS) are traded on the New York Stock Exchange and also on the Lima Exchange (Peru) under an exchange agreement between both markets.

Additionally, as of 31 December 2016, shares of BBVA Banco Continental, S.A.; Banco Provincial S.A.; BBVA Colombia, S.A.; BBVA Chile, S.A. and BBVA Banco Francés, S.A., were traded on their respective local securities markets and, for the latter entity, on the New York Stock Exchange and in the Latin American securities exchange (LATIBEX) on the Stock Market of Madrid.

## B GENERAL MEETING

B.1 Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Corporate Enterprises Act (CEA) with respect to the quorum and constitution of the General Meeting.

YES

	% quorum different from quorum set out in art. 193 of CEA for general circumstances	% quorum different from quorum set out in art. 194 of CEA for special circumstances in art.194 of CEA
<b>Quorum required on first summons</b>	0.00%	66.66%
<b>Quorum required on second summons</b>	0.00%	60.00%

<b>Description of differences</b>
<p>Article 194 of the Corporate Enterprises Act establishes that, in public limited companies, in order for a General Meeting (whether annual or extraordinary) to validly resolve to increase or reduce capital or make any other amendment to the Company Bylaws, bond issuance, the cancellation or restriction of first refusal subscription rights over new shares, or the conversion, merger or spin-off of the company or global assignment of assets and liabilities or the transfer the registered office abroad, the shareholders present and represented on first summons must own at least fifty percent of the subscribed capital with voting rights.</p> <p>On second summons, twenty-five percent of said capital will be sufficient.</p> <p>The above notwithstanding, article 25 of the BBVA Company Bylaws establishes that a reinforced quorum of two-thirds of subscribed capital with voting rights must attend the General Meeting at first summons or 60% of that capital at second summons, in order to adopt resolutions on replacing the corporate purpose, the transformation, total spin off, winding-up of the Company and amending that article of Bylaws establishing this reinforced quorum.</p>

B.2 Indicate, and where applicable give details, whether there are any differences from the minimum standards established under the Corporate Enterprises Act (CEA) for the adoption of corporate resolutions:

NO

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Describe any differences from the minimum standards established under the CEA.

B.3 Indicate the rules applicable to amendments to the company bylaws. In particular, report the majorities established to amend the bylaws, and the rules, if any, to safeguard shareholders' rights when amending the bylaws.

Article 30 of the BBVA Company Bylaws establishes that the General Meeting is empowered to amend the Company Bylaws and to confirm and/or rectify Board of Directors' interpretation of them.

To such end, the rules established under articles 285 et seq. of the Corporate Enterprises Act shall apply.

The above paragraph notwithstanding, article 25 of the BBVA Company Bylaws establishes that in order to adopt resolutions regarding any change to the corporate purpose, transformation, total spin-off or winding up the Company and amendment of the second paragraph of said article 25, two-thirds of the subscribed voting capital must attend the General Meeting on first summons or 60% of that capital on second summons.

As regards the procedure for amending the Company Bylaws, article 4.2 c) of Act 10/2014 dated 26th June, on the regulation, supervision and solvency of credit institutions, establishes that the Bank of Spain shall be responsible for authorizing amendments to the bylaws of credit institutions.

Moreover, article 10 of Royal Decree 84/2015 dated 13rd February, implementing Act 10/2014, stipulates that the Bank of Spain shall have two months to decide following receipt of the request for the Company's Bylaws amendment, which must be accompanied by a certification of minutes recording the agreement, a report substantiating the proposal drawn up by the board of directors and a project of new bylaws, identifying the cited amendments.

Notwithstanding the foregoing, article 10 of Royal Decree 84/2015 also establishes that no previous authorization from the Bank of Spain is required, though the latter must be notified, so that it may be entered into the Credit Entity Register, of amendments with the following purposes:

- Change of the registered office within the national territory.
- Stock capital increase.
- Incorporating verbatim into the bylaws legal or regulatory precepts of a mandatory or prohibitive nature, or for the purpose of complying with legal or administrative decisions.
- Those amendments for which the Bank of Spain, in response to a prior enquiry made by the affected bank, deems that authorization is not required due to their little relevance.

This communication must be made within fifteen working days following the adoption of the Bylaws amendment resolution.

Finally, to indicate that as a significant entity, BBVA is under the direct supervision of the European Central Bank (ECB) in cooperation with the Bank of Spain under the Single Supervision Mechanism, so the authorization of the Bank of Spain above mentioned shall be submitted to the ECB, prior to its resolution by the Bank of Spain.

B.4 Indicate the data on attendance at general meetings held during the year to which this report refers and the previous year:

General Meeting date	Attendance figures				Total
	% shareholders present	% attending by proxy	% voting remotely		
			Electronic vote	Other	
13/03/2015	2.69%	39.68%	0.04%	19.64%	62.05%
11/03/2016	1.83%	38.34%	0.26%	22.08%	62.51%

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B.5 Indicate the number of shares, if any, that are required to be able to attend the General Meeting and whether there are any restrictions on such attendance in the bylaws:

YES

<b>Number of shares required to attend the General Meetings</b>	500
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B.6 Section repealed.

B.7 Indicate the address and means of access through the company website to the information on corporate governance and other information on the general meetings that must be made available to shareholders on the company's website.

The content on corporate governance and other information on the latest general meetings are directly accessible through the Banco Bilbao Vizcaya Argentaria, S.A. corporate website, [www.bbva.com](http://www.bbva.com), in the Shareholders and Investors, Corporate Governance and Remunerations Policy section.

## C CORPORATE GOVERNANCE STRUCTURE

### C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the bylaws:

<b>Maximum number of Directors</b>	15
<b>Minimum number of Directors</b>	5

C.1.2 Fill in the following table on the Board members:

<b>Name of director (person or company)</b>	<b>Representative</b>	<b>Type of directorship</b>	<b>Position on the Board</b>	<b>Date first appointed</b>	<b>Date last appointed</b>	<b>Election procedure</b>
FRANCISCO GONZÁLEZ RODRÍGUEZ	-	EXECUTIVE	CHAIRMAN	28/01/2000	11/03/2016	GENERAL MEETING RESOLUTION
CARLOS TORRES VILA	-	EXECUTIVE	CHIEF EXECUTIVE OFFICER	04/05/2015	11/03/2016	GENERAL MEETING RESOLUTION
TOMÁS ALFARO DRAKE	-	INDEPENDENT	DIRECTOR	18/03/2006	14/03/2014	GENERAL MEETING RESOLUTION
JOSÉ MIGUEL ANDRÉS TORRECILLAS	-	INDEPENDENT	LEAD DIRECTOR	13/03/2015	13/03/2015	GENERAL MEETING RESOLUTION
JOSÉ ANTONIO FERNÁNDEZ	-	OTHER EXTERNAL	DIRECTOR	28/02/2004	13/03/2015	GENERAL MEETING

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RIVERO						RESOLUTION
BELÉN GARIJO LÓPEZ	-	INDEPENDENT	DIRECTOR	16/03/2012	13/03/2015	GENERAL MEETING RESOLUTION
JOSÉ MANUEL GONZÁLEZ-PÁRAMO MARTÍNEZ-MURILLO	-	EXECUTIVE	DIRECTOR	03/06/2013	14/03/2014	GENERAL MEETING RESOLUTION
SUNIR KUMAR KAPOOR	-	INDEPENDENT	DIRECTOR	11/03/2016	11/03/2016	GENERAL MEETING RESOLUTION
CARLOS LORING MARTÍNEZ DE IRUJO	-	OTHER EXTERNAL	DIRECTOR	28/02/2004	14/03/2014	GENERAL MEETING RESOLUTION
LOURDES MÁIZ CARRO	-	INDEPENDENT	DIRECTOR	14/03/2014	14/03/2014	GENERAL MEETING RESOLUTION
JOSÉ MALDONADO RAMOS	-	OTHER EXTERNAL	DIRECTOR	28/01/2000	13/03/2015	GENERAL MEETING RESOLUTION
JOSÉ LUIS PALAO GARCÍA-SUELTO	-	INDEPENDENT	DIRECTOR	01/02/2011	14/03/2014	GENERAL MEETING RESOLUTION
JUAN PI LLORENS	-	INDEPENDENT	DIRECTOR	27/07/2011	13/03/2015	GENERAL MEETING RESOLUTION
SUSANA RODRÍGUEZ VIDARTE	-	OTHER EXTERNAL	DIRECTOR	28/05/2002	14/03/2014	GENERAL MEETING RESOLUTION
JAMES ANDREW STOTT	-	INDEPENDENT	DIRECTOR	11/03/2016	11/03/2016	GENERAL MEETING RESOLUTION

<b>Total number of Directors</b>	15
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Indicate the severances that have occurred on the Board of Directors during the reporting period:

Name of director (person or company)	Status of the Director at the time	Date of leaving
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RAMÓN BUSTAMENTE Y DE LA MORA	OTHER EXTERNAL	11/03/2016
IGNACIO FERRERO JORDI	OTHER EXTERNAL	11/03/2016

C.1.3 Fill in the following tables on the Board members and their different kinds of directorship:

#### EXECUTIVE DIRECTORS

Name of director (person or company)	Position within company organization
FRANCISCO GONZÁLEZ RODRÍGUEZ	GROUP EXECUTIVE CHAIRMAN
CARLOS TORRES VILA	CHIEF EXECUTIVE OFFICER
JOSÉ MANUEL GONZÁLEZ-PÁRAMO MARTÍNEZ-MURILLO	DIRECTOR OF GLOBAL ECONOMICS, REGULATION & PUBLIC AFFAIRS

Total number of executive Directors	3
% of total directors	20%

#### EXTERNAL PROPRIETARY DIRECTORS

#### EXTERNAL INDEPENDENT DIRECTORS

Name of director (person or company)	PROFILE
BELÉN GARIJO LÓPEZ	MEMBER OF THE EXECUTIVE BOARD OF MERCK GROUP AND CEO OF MERCK HEALTH CARE., DIRECTOR OF L'OREAL AND CHAIR OF THE PHARMA INTERNATIONAL EXECUTIVE COMMITTEE, ISEC (PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA). OTHER RELEVANT POSITIONS: WAS PRESIDENT OF COMMERCIAL OPERATIONS IN EUROPE AND CANADA AT SANOFI AVENTIS. GRADUATED IN MEDICINE FROM UNIVERSIDAD DE ALCALÁ DE HENARES, MADRID. SPECIALIST IN CLINICAL PHARMACOLOGY AT HOSPITAL DE LA PAZ - UNIVERSIDAD AUTÓNOMA DE MADRID.
JOSÉ LUIS PALAO GARCÍA-SUELTO	HAS BEEN SENIOR PARTNER OF THE FINANCIAL DIVISION AT ARTHUR ANDERSEN SPAIN. OTHER RELEVANT POSITIONS: WAS HEAD OF THE AUDIT AND INSPECTION SERVICES AT THE INSTITUTO DE CRÉDITO OFICIAL (OFFICIAL CREDIT INSTITUTE) AND HAS ALSO BEEN A FREELANCE CONSULTANT. GRADUATED IN AGRICULTURAL ENGINEERING FROM THE MADRID SCHOOL OF AGRICULTURAL ENGINEERS AND BUSINESS AND MANAGEMENT STUDIES FROM UNIVERSIDAD COMPLUTENSE DE MADRID.
JUAN PI LLORENS	CHAIR OF THE BOARD'S REMUNERATION COMMITTEE. HAD A PROFESSIONAL CAREER AT IBM HOLDING VARIOUS SENIOR POSITIONS AT A NATIONAL AND INTERNATIONAL LEVEL INCLUDING VICE PRESIDENT FOR SALES AT IBM EUROPE, VICE PRESIDENT OF TECHNOLOGY & SYSTEMS AT IBM EUROPE AND VICE PRESIDENT OF FINANCIAL SERVICES SECTOR, GMU (GROWTH MARKETS UNITS) IN CHINA. HE WAS EXECUTIVE CHAIRMAN OF IBM SPAIN. GRADUATED IN INDUSTRIAL ENGINEERING FROM UNIVERSIDAD POLITÉCNICA DE BARCELONA AND TOOK A GENERAL MANAGEMENT

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	PROGRAM AT IESE.
LOURDES MÁIZ CARRO	<p>WAS SECRETARY OF THE BOARD OF DIRECTORS AND DIRECTOR OF THE LEGAL DEPARTMENT OF IBERIA, LÍNEAS AÉREAS DE ESPAÑA UNTIL APRIL 2016.</p> <p>PHD IN PHILOSOPHY, WORKED IN RESEARCH AND GAVE CLASSES IN METAPHYSICS AT THE COMPLUTENSE UNIVERSITY DURING FIVE YEARS. GRADUATED IN LAW, JOINED THE STATE COUNSEL CORPS AND HELD VARIOUS POSTS OF RESPONSIBILITY IN THE PUBLIC ADMINISTRATIONS SUCH AS GENERAL ORGANIZATIONAL DIRECTOR, WORK AND COMPUTING POSITIONS AT THE MINISTRY OF PUBLIC ADMINISTRATIONS, GENERAL DIRECTOR OF THE SOCIEDAD ESTATAL DE PARTICIPACIONES PATRIMONIALES (SEPPA) IN THE MINISTRY OF ECONOMY AND FINANCES AND GENERAL TECHNICAL SECRETARY AT THE MINISTRY OF AGRICULTURE. SHE HAS BEEN A DIRECTOR IN NUMEROUS COMPANIES, INCLUDING RENFE, GIF (NOW, ADIF), ICO (INSTITUTO DE CRÉDITO OFICIAL), ALDEASA AND BANCO HIPOTECARIO.</p>
TOMÁS ALFARO DRAKE	<p>CHAIR OF THE BOARD'S APPOINTMENTS COMMITTEE. DIRECTOR OF INTERNAL DEVELOPMENT AND TEACHER IN THE FINANCE AREA AT UNIVERSIDAD FRANCISCO DE VITORIA.</p> <p>OTHER RELEVANT POSITIONS: WAS DIRECTOR OF THE FOLLOWING BACHELOR'S DEGREES AT UNIVERSIDAD FRANCISCO DE VITORIA: BUSINESS ADMINISTRATION AND MANAGEMENT; BUSINESS STUDIES; MARKETING; BUSINESS ADMINISTRATION. GRADUATED IN ENGINEERING AT ICAI AND BECAME MASTER IN ECONOMICS AND BUSINESS ADMINISTRATION (MBA) AT IESE.</p>
JOSÉ MIGUEL ANDRÉS TORRECILLAS	<p>CHAIR OF THE BOARD'S AUDIT AND COMPLIANCE COMMITTEE AND LEAD DIRECTOR.</p> <p>HIS PROFESSIONAL CAREER BEGAN WITH ERNST &amp; YOUNG AS GENERAL MANAGING PARTNER FOR AUDIT AND ADVISORY SERVICES AND CHAIRMAN OF ERNST &amp; YOUNG SPAIN UNTIL 2014.</p> <p>MEMBER OF SEVERAL ENTITIES SUCH AS THE OFFICIAL REGISTRY OF ACCOUNT AUDITORS (ROAC), REGISTRY OF ECONOMIST AUDITORS (REA), SPANISH INSTITUTE OF CHARTERED ACCOUNTANTS AND THE ADVISORY BOARD OF THE INSTITUTE OF INTERNAL AUDITORS. GRADUATED IN BUSINESS SCIENCES AND ECONOMICS FROM THE COMPLUTENSE UNIVERSITY IN MADRID.</p>
SUNIR KUMAR KAPOOR	<p>INDEPENDENT CONSULTANT IN SEVERAL TECHNOLOGICAL COMPANIES SUCH AS ATLANTIC BRIDGE VENTURES, PANDA SECURITY, AVNI NETWORKS, GLOBALLOGIC AND AGNITY GLOBAL.</p> <p>OTHER RELEVANT POSITIONS: RESPONSIBLE FOR EMEA IN MICROSOFT EUROPE AND WORLDWIDE DIRECTOR OF BUSINESS STRATEGY IN MICROSOFT CORPORATION. FORMERLY EXECUTIVE VICE PRESIDENT AND MARKETING DIRECTOR OF CASSATT CORPORATION AND PRESIDENT AND CEO OF UBMATRIX INCORPORATED. GRADUATED IN PHYSICS STUDIES FROM BIRMINGHAM UNIVERSITY AND MASTER IN COMPUTER SYSTEMS AT CRANFIELD INSTITUTE OF TECHNOLOGY.</p>
JAMES ANDREW STOTT	<p>CHAIR OF THE BOARD'S RISK COMMITTEE.</p> <p>OTHER RELEVANT POSITIONS: RESPONSIBLE FOR CORPORATE DEVELOPMENT OF THE ASIA-PACIFIC REGION AND FOR FINANCIAL SERVICES IN WESTERN EUROPE AND MEMBER OF THE OLIVER WYMAN FINANCIAL SERVICES GLOBAL LEADERSHIP COMMITTEE. FORMERLY INDEPENDENT DIRECTOR AND CHAIRMAN OF THE RISKS AND AUDIT COMMITTEE OF BARCLAYS BANK SPAIN AND INDEPENDENT DIRECTOR AND MEMBER OF THE AUDIT COMMITTEE OF CATENON, S.A. GRADUATED IN ECONOMICS FROM CAMBRIDGE UNIVERSITY.</p>

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<b>Total number of independent Directors</b>	<b>8</b>
<b>% of total directors</b>	<b>53.33%</b>

Indicate whether any director considered an independent director is receiving from the company or from its group any amount or benefit under any item that is not the remuneration for his/her directorship, or maintains or has maintained over the last year a business relationship with the company or any company in its group, whether in his/her own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

Where applicable, include a reasoned statement from the Board with the reasons why it deems that this director can perform his/her duties as an independent director.

<b>Name of director (person or company)</b>	<b>Description of the relationship</b>	<b>Reasoned statement</b>

#### OTHER EXTERNAL DIRECTORS

Identify all other external Directors and explain why these cannot be considered proprietary or independent Directors and detail their relationships with the company, its executives or shareholders.

<b>Name of director (person or company)</b>	<b>Reasons</b>	<b>Company, executive or shareholder to which related</b>
JOSÉ MALDONADO RAMOS	José Maldonado Ramos has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.
JOSÉ ANTONIO FERNÁNDEZ RIVERO	José Antonio Fernández Rivero has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.
CARLOS LORING MARTÍNEZ DE IRUJO	Carlos Loring Martínez de Irujo has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.
SUSANA RODRÍGUEZ VIDARTE	Susana Rodríguez Vidarte has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.

<b>Total number of other external Directors</b>	<b>4</b>
<b>% of total directors</b>	<b>26.67%</b>

Indicate any changes that may have occurred during the period in the type of directorship of each director:

<b>Name of director (person or company)</b>	<b>Date of change</b>	<b>Previous category</b>	<b>Current category</b>
JOSÉ ANTONIO FERNÁNDEZ RIVERO	01/03/2016	INDEPENDENT	OTHER EXTERNAL
CARLOS LORING MARTÍNEZ DE IRUJO	01/03/2016	INDEPENDENT	OTHER EXTERNAL

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C.1.4 Fill in the following table with information regarding the number of female directors over the last 4 years, and the category of their directorships:

	Number of female directors				% of total Directors of each category			
	Year 2016	Year 2015	Year 2014	Year 2013	Year 2016	Year 2015	Year 2014	Year 2013
<b>Executive</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Proprietary</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Independent</b>	2	2	2	2	25%	25%	28.57%	20%
<b>Other external</b>	1	1	1	0	25%	25%	25%	0.00%
<b>Total:</b>	3	3	3	2	20%	20 %	21.43%	14.29%

C.1.5 Explain the measures, if any, that have been adopted to try to include a number of female directors on the Board that would mean a balanced presence of men and women.

Explanation of measures
<p>Article 3 of the Board of Directors Regulations establishes that the proposals submitted to the General Meeting by the Board for appointment or reelection of directors and the appointments the Board makes directly to cover vacancies, exercising its powers of co-option will be approved at the proposal of the Appointments Committee in the case of independent directors, and following a report from said Committee in the case of all other directors. In any case, the proposal must be accompanied by a report of the Board of Directors explaining the grounds on which the Board of Directors has assessed the competence, experience and merits of the candidate proposed, which will be attached to the minutes of the Annual General Meeting or of the Board of Directors. Also, in accordance with article 529 decies of the Corporate Enterprises Act, the proposal for the appointment or reelection of non-independent directors must be accompanied by a report from the Appointments Committee. When there is a proposal to re-elect directors, the Board of Directors' resolutions and deliberations will take place in the absence of the directors whose re-election is proposed, who if present, must leave the meeting.</p> <p>The Appointments Committee's mission is to assist the Board of Directors in matters concerning the selection and appointment of directors and, in particular, to submit to the Board of Directors the proposals for the appointment, re-election or removal of independent directors and to report on the proposals for the appointment, re-election or removal of all other directors.</p> <p>To such end, article 33 of the Board of Directors Regulations establishes that the Appointments Committee will assess the balance of skills, knowledge and expertise that the Board of Directors requires, as well as the conditions that candidates should display to fill the vacancies arising, assessing the dedication necessary to be able to suitably perform their duties in view of the needs that the Company's governing bodies may have at any time. The Committee will ensure that, in line with the principles set out in the BBVA Board of Directors Regulations, when filling new vacancies, the selection procedures are not marred by implicit biases that may entail any discrimination and, in particular, discrimination that may hinder the selection of female directors, trying to ensure that women who display the professional profile being sought are included as potential candidates.</p> <p>Moreover, BBVA has established a director selection policy stating that the selection procedures cannot involve discrimination in selecting female directors and that in 2020 the number of female board members will represent at least 30% of the total number of members of the Board of Directors.</p> <p>In the latest selection processes, the Appointments Committee has ensured that there are no implicit biases that may hinder the access of women to the vacancies. It evaluated the skills, knowledge and expertise of all the candidates according to the needs of the governing bodies at any given time, assessing the dedication necessary</p>

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to be able to suitably perform their duties in the light of the principles contained in the BBVA Board of Directors Regulations. For these selection processes, the Committee counts on the support of prestigious consultants at international level in the selection of directors, who carry out an independent search for potential candidates that meet the profile defined in each case by the Appointments Committee.

During these processes, the external expert was expressly requested to include women with the suitable profile among the candidates to be presented and the Committee analyzed the personal and professional profiles of all the candidates presented on the basis of the information provided by the consultancy firm, according to the needs of the Bank's governing bodies at any given time. The skills, knowledge and expertise necessary to be a Bank's director were assessed and the rules on incompatibilities and conflicts of interest as well as the dedication deemed necessary to be able to comply with the duties were taken into account.

BBVA currently has three female directors on its governing body, i.e. 20% of its members, one of whom is a member of the Group's Executive Committee.

C.1.6 Explain the measures, if any, agreed by the Appointments Committee to ensure that selection procedures do not suffer from implicit biases that may hinder the selection of female directors, and that the company deliberately seeks and includes potential female candidates that meet the professional profile sought:

<b>Explanation of measures</b>
See above section.
The Appointments Committee, in compliance with the principles established in the Board of Directors' Regulations and Selection, Appointment, Renewal and Diversity Policy of the Board of Directors, in the selection processes of the directors, ensures that among the potential candidates are women who meet the professional profile sought, and also takes care that in the selection procedures there are no implicit biases that might hinder the selection of female directors.

When, despite any measures that might have been adopted, the number of female directors is low or zero, explain the reasons:

<b>Explanation of reasons</b>

C.1.6.bis Explain the conclusions of the Appointments Committee regarding verification of compliance with the board member selection policy. And, in particular, explain how this policy is fostering the goal for 2020 to have the number of female board members represent at least 30% of the total number of members of the board of directors.

The Board of Directors has established a director selection policy stating that the individuals proposed for appointment as members of the Board of Directors must meet the requirements set out in current legislation, in the specific regulations applicable to credit institutions, Company Bylaws and Board Regulations. In particular, the directors must meet the suitability requirements needed to hold the position and display recognized commercial and professional repute, possess adequate knowledge and experience to hold the position, and be committed to good governance of the Company.

The selection policy states that the member selection, appointment and rotation procedures for the Board of Directors shall be aimed at attaining a composition of the company's governing bodies that enable the adequate exercise of the duties established by Law, Company Bylaws and its own Regulations in the company's best interest.

To this effect, the Board of Directors shall ensure that the appointment, selection and rotation procedures enable the most suitable candidates to be identified at all times, based on the requirements of the corporate bodies and that they

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favor diversity of experience, knowledge, skills and gender and, in general, do not suffer from implicit biases that may involve any kind of discrimination.

In particular, the director selection policy establishes that the selection procedures cannot entail any discrimination for the selection of female directors and that in 2020 the number of female board members will represent at least 30% of the total number of members of the Board of Directors. In this regard, the number of women on the Board of Directors has increased in recent years and women meeting the required professional profile have been expressly requested to be nominated for director selection processes.

Additionally, it sets out that the composition of the Board of Directors shall attempt to have an appropriate balance between the different types of board members and that non-executive members represent an ample majority over executive directors, taking steps so that the number of independent directors accounts for at least 50% of the total seats.

Thus, following the appointments proposals that were submitted to the Board of Directors by the Appointments Committee and subsequently approved by the Annual General Meeting held on 11 March 2016, the Board of Directors has deepened the diversity of knowledge and experience and has increased the international profile of the members of the Board, by including people with ample experience in the financial and risk sector and extensive knowledge and experience in the area of information technology, digital business and cyber-security; having incorporated people with professional experience developed in positions of maximum responsibility in top level multinational companies.

Consequently, the Board of Directors currently comprises fifteen members, namely three executive directors, four in the "other external" category and eight are considered independent directors. BBVA's corporate bodies therefore have a structure, size and composition according to their needs and, as in recent years, with a structure in which at least half of its directors are independent directors, thus complying with that established in the Regulations of the Board of Directors and in the Selection, Appointment, Renewal and Diversity Policy of the Board of Directors.

Lastly, the Appointments Committee has followed the Selection, Appointment, Renewal and Diversity Policy of the Board of Directors when submitting candidates for re-election to the Board of Directors to be studied at the General Shareholders Meeting in 2017. On approval of said proposal by the BBVA General Shareholders Meeting, the Board composition shall continue to comprise 50% independent directors and a percentage of female directors on the Board representing 27% of non-executive directors.

C.1.7 Explain the form of representation on the Board of shareholders with significant holdings.

C.1.8 Explain, where applicable, the reasons why proprietary directors have been appointed at the behest of a shareholder whose holding is less than 3% of the capital:

Indicate whether formal petitions have been ignored for presence on the Board from shareholders whose holding is equal to or higher than that of others at whose behest proprietary directors were appointed. Where applicable, explain why these petitions have been ignored.

NO

C.1.9 Indicate whether any director has stood down before the end of his/her term of office, if the director has explained his/her reasons to the Board and through which channels, and if reasons were given in writing to the entire Board, explain below, at least the reasons that were given:

Name of director	Reason for leaving

C.1.10 Indicate any powers delegated to the managing directors(s):

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<b>Name of director (person or company)</b>	<b>Brief description</b>
FRANCISCO GONZÁLEZ RODRÍGUEZ	Holds broad-ranging powers of representation and administration in line with his duties as Group Executive Chairman.
CARLOS TORRES VILA	Holds broad-ranging powers of representation and administration in line with his duties as Chief Executive Officer.
JOSÉ MANUEL GONZÁLEZ-PÁRAMO MARTÍNEZ-MURILLO	Holds powers of representation and administration in line with his duties as Head of Global Economics, Regulation & Public Affairs.

C.1.11 Identify any members of the Board holding positions as directors or managers in other companies belonging to the listed company's group:

<b>Name of director (person or company)</b>	<b>Name of the Group Company</b>	<b>Position</b>	<b>Does the director hold executive functions?</b>
FRANCISCO GONZÁLEZ RODRÍGUEZ	BBVA BANCOMER, S.A. INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO BBVA BANCOMER	DIRECTOR	NO
FRANCISCO GONZÁLEZ RODRÍGUEZ	GRUPO FINANCIERO BBVA BANCOMER, S.A. DE C.V.	DIRECTOR	NO
CARLOS TORRES VILA	BBVA BANCOMER, S.A. INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO BBVA BANCOMER	DIRECTOR	NO
CARLOS TORRES VILA	GRUPO FINANCIERO BBVA BANCOMER, S.A. DE C.V.	DIRECTOR	NO

C.1.12 Detail, where applicable, any company directors that sit on Boards of other companies publicly traded on regulated securities markets outside the company's own group, of which the company has been informed:

<b>Name of director (person or company)</b>	<b>Corporate name of the listed company</b>	<b>Position</b>
BELÉN GARIJO LÓPEZ	L'ORÉAL SOCIÉTÉ ANONYME	DIRECTOR
JUAN PI LLORENS	ECOLUMBER, S.A.	CHAIRMAN
JOSÉ MIGUEL ANDRÉS TORRECILLAS	ZARDOYA OTIS, S.A.	DIRECTOR

C.1.13 Indicate and, where applicable, if board regulations have established rules on the maximum number of company boards on which its directors may sit:

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YES

<b>Explanation of rules</b>
<p>Article 11 of the Board of Directors Regulations establishes that in the performance of their duties, directors will be subject to the rules on limitations and incompatibilities established under applicable regulations at any time and in particular to the provisions of Spanish Act 10/2014 on the regulation, supervision and solvency of credit institutions.</p> <p>Article 26 of Act 10/2014 establishes that the directors of credit institutions may not hold at the same time more positions than those set out in one of the following combinations: (i) an executive position together with two non-executive positions; or (ii) four non-executive positions. Executive positions are defined as those performing management duties irrespective of the legal bond attributed by those duties. The following will count as a single position: 1) executive or non-executive positions held within the same group; 2) executive or non-executive positions held within: (i) entities belonging to the same institutional protection scheme; or (ii) companies in which the entity holds a significant stake. The positions held in non-profit organizations or entities pursuing non-commercial purposes shall not count when determining the maximum number of positions. Nonetheless, the Bank of Spain may authorize members of the Board of Directors to hold an additional non-executive post if it deems that such a post would not interfere with the correct performance of the activities thereof in the credit institution.</p> <p>The Committee's duties are also detailed in article 11 of the Board of Directors Regulations, BBVA directors may not:</p> <ul style="list-style-type: none"><li>• Provide professional services to companies competing with the Bank or with any of its Group companies, or be an employee, manager or director of such companies unless they have received express prior authorization from the Board of Directors or from the Annual General Meeting, as appropriate, unless these activities had been provided or performed before they became a Bank director, do not involve no effective competition and had been reported to the Bank at that time.</li><li>• Take a direct or indirect stake in businesses or enterprises in which the Bank or its Group companies hold an interest, unless such stake was held prior to joining the Board of Directors or to the time when the Group took out its holding in such businesses or enterprise, or unless such companies are listed on domestic or international securities exchanges, or unless authorized to do so by the Board of Directors.</li><li>• Be a director in companies in which the Group or any of the Group companies hold a stake. As an exception and when proposed by the Bank, executive directors are able to hold directorships in companies directly or indirectly controlled by the Bank with the approval of the Executive Committee, and in other associate companies with the approval of the Board of Directors. A person ceasing to be an executive director is obliged to resign from any office in a subsidiary or associate company that is held by virtue of such directorship.</li></ul> <p>Non-executive directors may hold a directorship in the Bank's associate companies or in any other Group company provided the directorship is not related to the Group's holding in such companies. They must have prior approval from the Bank's Board of Directors. For these purposes, holdings of the Bank or its Group in companies resulting from its ordinary business activities, asset management, treasury trading, derivative hedging and/or other transactions will not be taken into account.</p> <ul style="list-style-type: none"><li>• Hold political office or engage in other activities that might have a public significance or affect the image of the Company in any manner, unless there is prior authorization from the Bank's Board of Directors.</li></ul>

C.1.14 Section repealed.

C.1.15 Indicate the overall remuneration for the Board of Directors:

<b>Remuneration of the Board of Directors (thousands of euros)</b>	15,718
<b>Cumulative amount of rights of current Directors in pension scheme (thousands of euros)</b>	16,660

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<b>Cumulative amount of rights of former Directors in pension scheme (thousands of euros)</b>	89,059
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C.1.16 Identify members of senior management that are not in turn executive directors, and indicate the total remuneration accruing to them during the year:

<b>Name (person or company)</b>	<b>Position(s)</b>
JUAN ASÚA MADARIAGA	CORPORATE & INVESTMENT BANKING (CIB)
JORGE SÁENZ-AZCÚNAGA CARRRANZA	COUNTRY MONITORING
CRISTINA DE PARIAS HALCÓN	COUNTRY MANAGER SPAIN
EDUARDO OSUNA OSUNA	COUNTRY MANAGER MEXICO
DON DEREK JENSEN WHITE	CUSTOMER SOLUTIONS
RICARDO FORCANO GARCÍA	TALENT & CULTURE
RICARDO ENRIQUE MORENO GARCÍA	ENGINEERING
JAIME SÁENZ DE TEJADA PULIDO	FINANCE
RAFAEL SALINAS MARTÍNEZ DE LECEA	GLOBAL RISK MANAGEMENT
EDUARDO ARBIZU LOSTAO	LEGAL & COMPLIANCE
FRANCISCO JAVIER RODRÍGUEZ SOLER	STRATEGY & M&A
RICARDO GÓMEZ BARREDO	ACCOUNTING & SUPERVISORS
DOMINGO ARMENGOL CALVO	GENERAL SECRETARY
JOSÉ LUIS DE LOS SANTOS TEJERO	INTERNAL AUDIT

<b>Total senior management remuneration (thousands of euros)</b>	18,442
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C.1.17 Indicate the identity of the Board members, if any, who are in turn members of the Board of Directors in companies of significant shareholders and/or in entities of their group:

Detail the relevant affiliations, other than those considered in the above paragraph, that link Board members to significant shareholders and/or companies in their group:

C.1.18 Indicate whether there has been any change in the Board regulations during the year:

NO

<b>Description of changes</b>

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C.1.19. Indicate procedures for selection, appointment, re-election, assessment and removal of directors. List the competent bodies, the procedures to be followed and the criteria to be employed in each procedure.

Selection and appointment procedure:

BBVA has established a policy setting out the main general principles applicable in the selection and appointment of directors. Additionally, articles 2 and 3 of the Board of Directors Regulations stipulate that the General Meeting is responsible for the appointment of members of the Board. However, if a seat falls vacant, the Board has the authority to co-opt members. In any event, persons proposed for appointment as directors must meet the requirements of prevailing legislation, the specific regulations applicable to credit institutions and the provisions of the Company Bylaws. In particular, directors should meet the necessary suitability requirements to exercise their directorship. Thus, they must be considered to be of commercial and professional good repute, with adequate knowledge and expertise to perform their duties and in situation in which they can exercise good governance of the entity.

The Board will ensure that the selection procedures for directors favour diversity in experience, knowledge, skills and gender and, in general, do not suffer from implicit biases that may imply any discrimination. The Board will submit its proposals to the General Meeting in such a way that there is an ample majority of non-executive directors over the number of executive directors on the Board. The proposals submitted to the General Meeting for appointment or re-election of directors and the appointments the Board makes directly to cover vacancies, exercising its powers of co-optation, will be approved at proposal of the Appointments Committee in the case of independent directors, and following a report from said Committee for all other directors. In any case, the proposal must be accompanied by a report of the Board explaining the grounds on which the Board of Directors has assessed the competence, experience and merits of the proposed candidate, which will be attached to the minutes of the General Meeting or of the Board of Directors. The Board's resolutions and deliberations on these matters will take place in the absence of the director whose re-election is proposed who, if present, must leave the meeting.

To such end, the Board of Directors Regulations establish that the Appointments Committee will evaluate the balance of skills, knowledge and expertise on the Board of Directors, as well as the conditions that candidates should display to fill the vacancies arising, assessing the dedication necessary to be able to suitably perform their duties in view of the needs that the Company's governing bodies may have at any time. The Committee will ensure that when filling new vacancies, the selection procedures are not marred by implicit biases that may involve any discrimination and, in particular, those that hinder the selection of female directors, trying to ensure that women who display the professional profile being sought are included as potential candidates.

Directors will stay in office for the term established by the Company Bylaws or, if they have been co-opted, until the first General Meeting is held.

Re-election: Please refer to the section above.

Assessment:

As indicated in article 17 w) of the Board's Regulations, the Board of Directors is responsible for assessing the quality and efficiency of its operation and assessment of the performance of the duties of the Chairman of the Board. Such assessment will always begin with the report submitted by the Appointments Committee. Likewise, evaluation of the operation of its Committees, on the basis of the report that these submit to it. Moreover, article 5 of the Board's Regulations establishes that the Chairman, who is responsible for efficiently running of the Board, will organize and coordinate the regular assessment of the Board with the Chairs of the relevant Committees. Moreover, article 5 ter of the Board's Regulations establishes that the Lead Director is especially empowered to conduct the regular assessment of the Chairman of the Board.

Pursuant to the provisions of the Board Regulations, as in previous years, in 2016 the Board of Directors assessed the quality and efficiency of its own running and that of its Committees, as well as the performance of the duties of the Chairman, both as Chairman of the Board and as the first executive of the Bank, based on the report of the Appointments Committee.

Severance:

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Directors will stand down from office when the term for which they were appointed has expired, unless they are re-elected.

Directors must apprise the Board of any circumstances affecting them that might harm the Company's reputation and credit and circumstances that may impact their suitability for the position. Directors must place their directorship at the disposal of the Board and accept its decision regarding their continuity or non-continuity in office, under the circumstances listed in section C.1.21 below. If its decision is negative, they are obliged to tender their resignation. In any event, directors will resign their positions on reaching 75 years of age. They must present their resignation at the first meeting of the Bank's Board of Directors after the General Meeting of Shareholders that approves the accounts for the year in which they reach this age.

C.1.20 Explain to what degree the self- assessment has led to significant changes in its internal organization and the procedures applicable to its activities:

<b>Description of changes</b>
<p>Article 17 of the Board of Directors Regulations establishes that the Board will assess the quality and efficiency of the Board's operation, based on the report submitted by the Appointments Committee, which it has done in 2016, likewise producing certain changes (indicated below), similar to previous years, to continue the ongoing adaptation process of corporate governance to the regulatory requirements and best practices.</p> <p>Thus, the entity has been analyzing in 2016 its needs for improvement by introducing various measures to adapt its Corporate Governance system and practices to the new environment in which the entity carries out its activity, including, among other measures, the following: (i) the process of progressive renewal of the Board of Directors has been continued, as established in the Board of Directors' selection, appointment, renewal and diversity policy, proposing to the Annual General Shareholders' Meeting held on 11 March 2016 the appointment of two new directors, on an independent basis, which has increased the international profile and the diversity of experience and knowledge on the Board; (ii) in order to assist the Board of Directors in the better performance of its functions related to technology strategy and the risks associated with technology and cyber-security, it was agreed the creation of the Technology and Cyber-security Committee and it was developed its duties; (iii) the distribution of functions between the Board and its Committees has been strengthened in order to improve the formalization of the decision-making process by the corporate bodies, which strengthens its intervention in the Board Committees, reinforcing the analysis and review of the relevant issues that are the subject of consideration by the corporate bodies and critical review by the directors; (iv) the informational model has been strengthened, consisting in making available to the directors in sufficient time the information related to the matters included in the agenda, which allows the decisions of the corporate bodies to be adopted on the basis of more complete, consistent, homogeneous and quality information for decision-making, as well as the better development by the directors of their management and supervisory and control functions; (v) in order to strengthen the decision-making process of the corporate bodies at BBVA and the improvement of the supervisory and control functions of the Board, the content and frequency of meetings of certain corporate bodies have been adapted, as well as the reports to the Board of Directors, especially those made by the Chairmen of the Committees and other Group officers, to enable them to perform their duties better; and (vi) to facilitate the knowledge of those issues relevant to the proper performance of their functions, the specific program of continuous training for non-executive directors continued to be promoted, highlighting the improvements introduced especially in the areas of technology, cyber-security and digital business, in line with the Group's digital transformation process and its environment.</p>

C.1.20.bis Describe the assessment process and the assessed areas conducted by the board of directors assisted, as the case may be, by an external consultant, regarding the diversity in its composition and capacities, duties and composition of its committees, the performance of the chair of the board of directors and the chief executive officer of the company, and the performance and contribution of each board member.

According to article 17 of the Board of Directors Regulations, the Board shall evaluate the quality and efficiency of its running and the performance of the functions of the Chairman of the Board, based in each case on the report submitted by the Appointments Committee. Likewise, the Board of Directors shall assess of the running of its Committees, based on the report they submit. Also, in compliance with the Recommendation of the Code of Good Governance, the Board of Directors has had an external consultant of recognized prestige at international level to

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carry out the evaluation of the quality and efficiency of the functioning of the Board of Directors and the performance of the functions of the Chairman for the year 2015.

In the most recent assessment process carried out for 2016, the Board of Directors has assessed: (i) the quality and efficiency of the Board of Directors' operation, (ii) the performance of the Chairman of the Board of Directors; and (iii) the running of the Committees of the Board of Directors. The procedure to conduct these assessments was:

- Throughout the year, the Appointments Committee has been analyzing the structure, size and composition of the Board of Directors during the selection processes of incorporating new members of the Board of Directors and re-electing directors, as well as while conducting the yearly assessment on the running of the Board of Directors. Thus the quality and efficiency of the running of the Board of Directors was examined based on the prior report submitted by the Appointments Committee and raised to the Board of Directors where the following matters were reviewed in detail: structure, size and composition of the Board of Directors; organization, preparation and development of the meetings of the Board of Directors; ethics and principles; training of members of the Board of Directors and activity of the Board of Directors. The Appointments Committee, with a view to drawing up this report, mined detailed reports on the composition and operations thereof, and on the main activities implemented by these bodies in the performance of the duties attributed thereto by the Company Bylaws and the Board of Directors Regulations.
- The performance of the duties of the Chairman of the Board of Directors, as Chairman and as first executive, was carried out by the Board of Directors on the basis of a report on its activities during the year and taking into account the previous report of the Appointments Committee, the Lead Director having conducted the evaluation process in accordance with the provisions of Article 5 ter of the Board Regulations. The Appointments Committee drew up its report with detailed information on the performance of the duties by the Chairman.
- The Board of Directors conducted the quality and efficiency assessment on the operations of the Audit and Compliance, Risk, Appointment and Remuneration Committees based on the reports submitted by their respective Chairs. Thus, the activity carried out by the Audit and Compliance Committee was the subject of a corresponding presentation to the Board at its meeting held on 26 October 2016 by the Chairman of the Committee, which explained the process of selecting the new external auditor of the Bank and its Group, the supervision and control of the Group's financial and accounting information, as well as the main communications and inspections carried out by supervisors, among other matters. Moreover, during its meeting on 30 November 2016, the Board of Directors received the report of the Chairman of the Risk Committee regarding the activities undertaken by the Committee during 2016, apprising of the tasks executed by the Committee in the analysis and preparation of the proposals for resolution that, within the scope of risks, were conveyed to the Executive Committee and the Board for consideration; and insofar as risk tracking and control. The Board also received, at its meeting held on January 31, 2017, the report of the Chairman of the Remuneration Committee on the activity carried out by the latter during 2016, which treated, among other things, the work carried out in relation to the preparation and development of the proposals for resolutions submitted to the Board on remuneration matters, in particular those relating to remuneration issues of the executive directors and the Senior Management, as well as of the non-executive directors and on the other work that had been carried out regarding to the review of the Remuneration Policy applicable in view of the new regulation recently approved. Likewise, in its session on 31 January 2017, the Board received the report of the Chairman of the Appointments Committee regarding the activities undertaken by the Committee during 2016 within the different scopes of duties. The operations of the Committees were also analyzed in the Board's general assessment process described above.

C.1.20.ter Break down, where pertinent, the business relationship that the consultant or any company of its group maintains with the company or any company of its group.

C.1.21 Indicate the circumstances under which directors are obliged to resign.

In addition to the circumstances set out in applicable legislation, as established in article 12 of the BBVA Board of Directors Regulations, the directors shall resign from their office when the term for which they were appointed has expired, unless they are re-elected. Directors must apprise the Board of Directors of any circumstances affecting

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them that might harm the Company's reputation and credit circumstances that may impact their suitability for the position.

As set out in article 12 of the BBVA Board of Directors Regulations, directors must place their office at the disposal of the Board of Directors and accept the Board's decision regarding their continuity or non-continuity in office. Should the Board resolve they not continue, they will be obliged to tender their resignation, in the following circumstances:

- When they are affected by circumstances of incompatibility or prohibition as defined under prevailing legislation, in the Company Bylaws or in the Board of Directors Regulation;
- When significant changes occur in their personal or professional situation that may affect the condition by virtue of which they were appointed to the Board;
- When they are in serious dereliction of their duties as directors;
- When for reasons attributable to the director in his or her condition as such, serious damage has been done to the Company's net worth, credit or reputation; or
- When they lose their suitability to hold the position of director of the Bank.

C.1.22 Section repealed.

C.1.23 Are reinforced qualified majorities required, other than the legal majorities, for some type of resolution?

NO

If applicable, describe the differences.

C.1.24 Explain whether there are specific requirements, other than those regarding directors, to be appointed Chairman of the Board of Directors.

NO

C.1.25 Indicate whether the Chairman has a casting vote:

NO

C.1.26 Indicate whether the bylaws or the Board Regulations establish an age limit for directors:

YES

Age limit for Chairman	Age limit for Chief Executive Officer	Age limit for directors
0	0	75

C.1.27 Indicate whether the bylaws or the Board Regulations establish a limited term of office for independent directors, other than that established by law:

NO

C.1.28 Indicate whether the bylaws or the Board Regulations establish specific rules for proxy voting in the Board of Directors, the way this is done and, in particular, the maximum number of proxies a director may have, and whether it has established any limit regarding the categories that may be delegated beyond the limits stipulated by legislation. If so, briefly give details on such rules.

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The BBVA Board of Directors Regulations establishes that directors are required to attend the meetings of corporate bodies and the meetings of the Board Committees on which they sit, except for a justifiable reason. Directors shall participate in the deliberations, discussions and debates on matters submitted for their consideration.

However, article 21 of the Board of Directors Regulations establishes that should it not be possible for directors to attend any of the Board of Directors' meetings, they may grant proxy to another director to represent and vote for them. This may be done by a letter or e-mail sent to the Company with the information required for the proxy director to be able to follow the absent director's instructions, in observance of the applicable legislation, though non-executive directors may only grant their proxy to another director that is also non-executive.

C.1.29 Indicate the number of meetings the Board of Directors has held during the year. Where applicable, indicate how many times the Board has met without the Chairman in attendance. In calculating this number, proxies given with specific instructions will be counted as attendances.

<b>Number of Board meetings</b>	<b>12</b>
<b>Number of Board meetings held without the Chairman's attendance</b>	<b>0</b>

If the Chairman is an executive Director, indicate the number of meetings held without an executive director present or represented and chaired by the Lead Director

<b>Number of meetings</b>	<b>0</b>
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Indicate the number of meetings of the Board's different committees held during the year.

<b>Number of Executive Committee meetings</b>	<b>17</b>
<b>Number of Audit and Compliance Committee meetings</b>	<b>12</b>
<b>Number of Appointments Committee meetings</b>	<b>8</b>
<b>Number of Remuneration Committee meetings</b>	<b>6</b>
<b>Number of Risk Committee meetings</b>	<b>38</b>
<b>Number of Technology and Cyber-security Committee meetings</b>	<b>3</b>

C.1.30 Indicate the number of meetings held by the Board of Directors during the year attended by all its members. In calculating this number, proxies given with specific instructions will be counted as attendances.

<b>Number of meetings attended by all directors</b>	<b>12</b>
<b>% of attendances to total votes during the year</b>	<b>100%</b>

C.1.31 Indicate whether the individual and consolidated financial statements presented for Board approval are certified beforehand:

NO

Where applicable, identify the person(s) who has(have) certified the Company's individual and consolidated financial statements to be filed by the Board:

C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements that it files from being presented to the General Meeting with a qualified auditors report.

Article 29 of BBVA's Board of Directors Regulations establishes that the Audit and Compliance Committee will be formed exclusively by independent directors and its main task is to assist the Board of Directors in supervising the financial information and exercising oversight for the Group. In this regard, its functions are as follows: oversee the

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efficacy of the Company's internal control, the internal audit and the risk management systems in the process of drawing up and reporting the financial information, including tax-related risks, as well as to discuss with the external auditor any significant weaknesses in the internal control system detected when the audit is conducted, without undermining its independence and oversee the process of drawing up and reporting the financial information. For such purposes, the Audit and Compliance Committee may submit recommendations or proposals to the Board of Directors.

Moreover, article 3 of the Audit and Compliance Committee Regulations establishes that the Committee shall verify that the external audit schedule is conducted under the agreed conditions at appropriate intervals, and that it meets the requirements of the competent authorities and the Bank's governing bodies. The Committee will also periodically – at least once a year – request from the auditor its evaluation of the quality of the group's internal control procedures regarding the drafting and presentation the financial information of the Group.

The Committee shall also be apprised of any infringements, situations requiring adjustments, or anomalies that may be detected during the course of the external audit and are of a material nature; materiality in this context signifies those issues that, in isolation or as a whole, may give rise to a significant and substantive impact or harm to assets, earnings or the reputation of the Group; discernment of such matters shall be at the discretion of the auditor who, if in doubt, must opt to report on them.

In exercising these duties, the Audit and Compliance Committee holds monthly meetings with the external auditor's representatives without the presence of executives, to monitor their work on an ongoing basis, in order to guarantee that the activity is carried out under the best conditions and with no interference in management.

C.1.33 Is the company Secretary a director?

NO

Complete if the Secretary is not also a Director:

Name or corporate name of Secretary	Representative
DOMINGO ARMENGOL CALVO	-

C.1.34 Section repealed.

C.1.35 Indicate the specific mechanisms the company has established, if any, to preserve the independence of the external auditors, the financial analysts, the investment banks and the rating agencies.

The BBVA Audit and Compliance Committee Regulations establish that this Committee's duties, described in section C.2.1, include ensuring the independence of the external audit in two ways:

- Avoiding any possibility of the warnings, opinions or recommendations of the external auditor being adversely influenced. To this end, the Committee must ensure that compensation for the auditor's work does not compromise either its quality or independence, in compliance with current legislation on auditing at all times.
- Stipulating as incompatible the provision of audit and consulting services unless they are work required by supervisors or whose provision by the external auditor is allowed by applicable legislation, and there are not available in the market alternatives as regards content, quality or efficiency of equal value to those which the auditor could provide; in this case approval by the Committee will be required, but this decision may be delegated in advance to its Chair. The external auditor shall be prohibited from providing prohibited services outside the audit, in compliance with what is set out at all times by audit legislation.

This matter is the subject of special attention by the Audit and Compliance Committee, which holds monthly meetings with the representatives of the external auditor, without the presence of Bank executives, to know the details of the progress and quality of their work, as well as to confirm their independence of the performance of their work. It also monitors the engagement of additional services to ensure compliance with the Committee's Regulations and applicable legislation in order to safeguard the independence of the external auditor.

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Moreover, in accordance with the provisions of point f), section 4 of article 529 quaterdecies of the Corporate Enterprises Act and article 30 of the BBVA Board of Directors Regulations, the Audit and Compliance Committee each year before the external financial auditor issues their report on the financial statements, has to issue a report expressing its opinion regarding the independence of the auditor.

This report must in any event contain the reasoned assessment of the provision of additional services of any kind by the auditors to the Group's entities, considered individually and as a whole, other than the legal audit and in relation to the regime of independence or the rules regulating the account audit activity. The external auditor must issue, also on an annual basis, a report confirming its independence via-à-vis BBVA or entities linked to BBVA, either directly or indirectly, with information on the additional services of any kind provided to these entities by the external auditor, or by the individuals or entities linked to them, as set out in the redrafted text of the Audit Act.

In keeping with the legislation in force, the relevant reports confirming the auditor's independence were issued in 2016.

In addition, as BBVA's shares are listed on the New York Stock Exchange, it is subject to compliance with the Sarbanes Oxley Act and its implementing regulations.

C.1.36 Indicate whether the company has changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

NO

If there were disagreements with the outgoing auditor, explain their grounds.

Explanation of disagreements

C.1.37 Indicate whether the audit firm does other work for the company and/or its group other than the audit. If so, declare the amount of fees received for such work and the percentage of such fees on the total fees charged to the company and/or its group:

YES

	Company	Group	Total
<b>Amount of non-audit work (thousands euros)</b>	657	437	1.094
<b>Amount of non-audit work/total amount billed by the audit firm (%)</b>	4.88%	2.46%	3.50%

C.1.38 Indicate whether the audit report on the annual financial statements for the previous year contained reservations or qualifications. If so, indicate the reasons given by the chair of the audit committee to explain the content and scope of such reservations or qualifications.

NO

C.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements for the company and/or its group. Likewise, indicate the percentage of the number of years audited by the current audit firm to the total number of years in which the annual financial statements have been audited:

	Company	Group
<b>Number of consecutive years</b>	14	14

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<b>Number of years audited by current audit firm / number of years the company has been audited (%)</b>	87.50%	87.50%
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C.1.40 Indicate and, where applicable, give details on the existence of a procedure for directors to engage external advisory services:

YES

<b>Details of the procedure</b>
<p>Article 6 of the BBVA Board of Directors Regulations expressly recognizes that directors may request any additional information or advice they require to comply with their duties, and may request the Board of Directors for assistance from external experts on matters subject to their consideration whose special complexity or importance so requires.</p> <p>The Audit and Compliance Committee, pursuant to article 31 of the Board of Directors Regulations, may engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialization or independence.</p> <p>Under articles 34, 37 and 40 of the Board of Directors Regulations and in accordance with the specific regulations of the Technology and Cyber-security Committee, the rest of the Committees may obtain such advice as may be necessary to establish an informed opinion on matters related to its business. This will be done through the Secretariat of the Board.</p>

C.1.41 Indicate and, where applicable, give details on the existence of a procedure for directors to obtain the information they need to prepare the meetings of the governing bodies with sufficient time:

YES

<b>Details of the procedure</b>
<p>Article 6 of the Board of Directors Regulations establishes that before meetings the directors will be apprised of the necessary information to be able to form their own opinions regarding questions corresponding to the Bank's corporate bodies. They may request any additional information and advice they require to comply with their duties.</p> <p>Exercise of these rights will be channeled through the Chairman and/or Secretary of the Board of Directors, who will attend to requests by providing the information directly or by establishing suitable arrangements within the organization for this purpose, unless a specific procedure has been established in the regulations governing the Board of Directors Committees.</p> <p>Thus, the Bank's corporate bodies have a procedure for verifying the information that is submitted for consideration to them, coordinated by the Board Secretariat with the areas responsible for information, through the Information of Governing Bodies' Department, in order to provide in due time sufficient, adequate and complete information for the meetings of the Bank's various corporate bodies and to enable directors to best perform their duties.</p>

C.1.42 Indicate and, where applicable give details, whether the company has established rules requiring directors to inform and, where applicable, resign under circumstances that may undermine the company's standing and reputation:

YES

<b>Explanation of rules</b>

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In accordance with article 12 of the Board of Directors Regulations, directors must apprise the Board of Directors of any circumstances affecting them that might harm the Company's reputation and credit and circumstances that may impact their suitability for the position.

Directors must place their office at the disposal of the Board of Directors and accept its decision regarding their continuity or non-continuity in office. Should the Board resolve they not continue, they will be obliged to tender their resignation when for reasons attributable to the director in his or her condition as such, serious damage has been done to the Company's net worth, credit and/or reputation or when they lose their suitability to hold the position of director of the Bank.

C.1.43 Indicate whether any member of the Board of Directors has informed the company of any legal suit or court proceedings against him or her for any of the offences listed in article 213 of the Corporate Enterprises Act:

NO

Indicate whether the Board of Directors has analyzed the case. If so, explain the grounds for the decision taken as to whether or not the director should retain his/her directorship or, where applicable, describe the actions taken or planned to be taken by the Board of Directors on the date of this report.

Decision adopted/action taken	Reasoned explanation

C.1.44 Detail significant agreements reached by the Company that come into force, are amended or concluded in the event of a change in the control of the company stemming from a public takeover bid, and its effects.

C.1.45 Identify in aggregate terms and indicate in detail any agreements between the company and its directors, managers or employees that have guarantee or ring-fencing severance clauses for when such persons resign or are wrongfully dismissed or if the contractual relationship comes to an end due to a public takeover bid or other kinds of transactions.

Number of beneficiaries	62
<p><b>Type of beneficiary</b></p> <p>1 executive director 14 members of Senior Management (excluding executive directors) 47 technical &amp; specialist professionals</p>	<p><b>Description of the agreement</b></p> <p>The Bank as of 31 December 2016, is committed to pay severance indemnity to the director José Manuel González-Páramo Martínez-Murillo, whose contract recognizes his right to receive an indemnity in the event of severance on grounds not due to his own will, death, retirement, invalidity or dereliction of duties, equivalent to twice his fixed remuneration.</p> <p>In addition, as of 31 December 2016, 14 members of Senior Management are entitled to receive compensation payment in the event of severance on grounds other than their own will, retirement, disability or dereliction of duties. Its amount will be calculated by factoring in the fixed elements of the Bank employee's remuneration and length of office and which under no circumstances are paid in the event of lawful dismissal for misconduct by decision of the employer on grounds of the worker's dereliction of duties.</p> <p>The Bank has also agreed compensation clauses with some employees (47 technical and specialist professionals) in the event of unfair dismissal. The amount of this compensation is calculated as a function of the wage and professional conditions of each employee.</p>

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Indicate whether these contracts must be disclosed to and/or approved by the Company governance bodies:

	Board of Directors	General Meeting
Body authorizing the clauses	YES	NO

	YES	NO
Is the General Meeting informed of the clauses?	x	

## C.2 Board of Directors Committees

C.2.1 Detail all the Board Committees, their members and the proportion of executive, proprietary, independent and other external directors sitting thereon:

### EXECUTIVE OR DELEGATE COMMITTEE

Name	Position	Category
FRANCISCO GONZÁLEZ RODRÍGUEZ	CHAIRMAN	EXECUTIVE
CARLOS TORRES VILA	MEMBER	EXECUTIVE
SUSANA RODRÍGUEZ VIDARTE	MEMBER	OTHER EXTERNAL
JOSÉ ANTONIO FERNÁNDEZ RIVERO	MEMBER	OTHER EXTERNAL
JOSÉ MALDONADO RAMOS	MEMBER	OTHER EXTERNAL
CARLOS LORING MARTÍNEZ DE IRUJO	MEMBER	OTHER EXTERNAL

% of executive Directors	33.33%
% of proprietary Directors	0%
% of independent Directors	0%
% of other external Directors	66.66%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

In accordance with article 27 of BBVA's Board of Directors Regulations, the Executive Committee shall be apprised of matters delegated by the Board of Directors, in accordance with the pertinent legislation currently in force, the Company Bylaws or the Board Regulations. Among the functions of the Executive Committee is that of assisting the Board of Directors in its general supervision role, and in particular in the supervision of the progress of business and the monitoring of the risks to which the Bank is or may be exposed and in decision-making on matters that fall within the scope of the powers of the Board of Directors, provided that they do not constitute non-delegable powers under the Law, the Company Bylaws or the Board of Directors Regulations.

As regards its organizational and operating rules of this Committee, article 28 of the Board Regulations establishes that the Executive Committee shall meet on the dates set out in the annual calendar of meetings and at the request of the Chair or the Chair's delegate. All other aspects of its organization and operation will be subject to

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the provisions established for the Board of Directors by the Board Regulations. Once the minutes of the meeting of the Executive Committee are approved, they shall be signed by the meeting's Secretary and countersigned by whoever has chaired the meeting.

Directors will be given access to the approved minutes of the Executive Committee at the beginning of Board meetings, so that they can be apprised of the content of its meetings and the resolutions it has adopted.

With regard to its most important actions in 2016, the Executive Committee has analyzed the Bank's quarterly and annual results and the monthly performance of the Group's activity and results throughout 2016. It has also studied the Strategic Plan and the budget established for the exercise of the main resolutions of the Bank's Assets and Liabilities Committee; has developed intense management, control and supervision of risks in the BBVA Group throughout 2016; has analyzed the most relevant aspects related to the economic and market situation and the evolution of the BBVA share price; has been informed of the most outstanding aspects of regulatory developments affecting financial institutions; has analyzed and, if appropriate, approved different operations and projects arising from the Group's activity and has been informed of the changes that have been made in the internal regulations of the Bank, among other issues.

Indicate whether the composition of the Executive Committee reflects the distribution of different classes of directorship on the Board.

YES

**Otherwise, explain the composition of the Executive Committee.**

#### AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Category
JOSÉ MIGUEL ANDRÉS TORRECILLAS	CHAIRMAN	INDEPENDENT
BELÉN GARIJO LÓPEZ	MEMBER	INDEPENDENT
JUAN PI LLORENS	MEMBER	INDEPENDENT
TOMÁS ALFARO DRAKE	MEMBER	INDEPENDENT
LOURDES MÁIZ CARRO	MEMBER	INDEPENDENT

% of proprietary Directors	0%
% of independent Directors	100%
% of other external Directors	0%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

As established in article 30 of the Board of Directors Regulations, the duties of the Audit and Compliance Committee include the following:

- Report to the General Meeting on questions raised in relation to issues within the Committee's competence.
- To supervise the effectiveness of the Company's internal control, the internal audit area and the risk management systems in the process of drawing up and reporting the financial information, including tax-related risks, as well as

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to discuss with the auditor any significant weaknesses in the internal control system detected during the audit, without undermining its independence.

- To oversee the drafting and presentation of the financial information and submit recommendations or proposals to the Board aimed at safeguarding its completeness.

- To submit to the Board of Directors the proposals for the selection, appointment, re-election and replacement of the external auditor, taking responsibility for the selection process in accordance with applicable regulations, as well as the conditions for its engagement, and periodically obtain from the external auditor information on the audit plan and its execution, in addition to preserving its independence in the discharge of its duties.

- To establish appropriate relations with the external auditor in order to receive information on any matters that may jeopardize its independence, for examination by the Committee, and any others that have to do with the process of auditing the accounts, as well as those other communications provided for by law and in auditing standards.

- Each year, before the audit report is issued, to submit a report expressing an opinion on whether the auditor's independence has been compromised. This report must contain the reasoned assessment of the provision of each of the additional services referred to in the preceding section, considered individually and as a whole, other than the legal audit and in relation to the regime of independence or the rules regulating the audit activity.

- To report, prior to the decisions that the Board may adopt, on all those matters provided for by law, in the Company Bylaws and in the Board Regulations, and in particular on: (i) the financial information that the Company is required to disclose regularly; (ii) the creation or acquisition of shares in special-purpose entities or entities domiciled in countries or territories considered tax havens; and (iii) the transactions carried out with related parties.

- To oversee compliance with applicable domestic and international regulations on matters related to money laundering, conduct on the securities markets, data protection and the scope of Group activities with respect to anti-trust regulations. Also to ensure that any requests for action or information made by official authorities on these matters are dealt with in due time and in due form.

- To ensure that the internal codes of ethics and conduct and securities market trading, as they apply to Group personnel, comply with legislation and are suitable.

- To especially enforce compliance with the provisions applicable to directors contained in these Regulations, and ensure that directors comply with applicable regulations regarding their conduct on the securities markets.

In keeping with the organizational and operating rules, article 31 of the Board Regulations states that the Audit and Compliance Committee shall meet as often as necessary to discharge its duties, though an annual calendar of meetings will be drawn up in accordance with its tasks. The officers responsible for the areas within their remit, in particular, Accounting, Internal Audit and Compliance, may be invited to attend Committee meetings. They may request that other staff be invited from their areas that have particular knowledge or responsibility in the matters contained on the agenda, when their presence at the meeting is deemed advisable. However, only the Committee members and the Secretary shall be present when the results and conclusions of the meeting are assessed. The Committee may hire external advisory services for matters of importance if, for reasons of specialization or independence, it considers that such services cannot be rendered by Group experts or technical personnel. The Committee may also call on the personal cooperation and reports of any employee when it considers that this is necessary to fulfill its duties with regard to relevant issues. The usual channel for a request of this nature shall be through the reporting lines of the Company. However, in exceptional cases the request may be notified directly to the person in question. In addition, its convocation, quorum of constitution, adoption of agreements, minutes and other ends of its operating regime shall be in accordance with the Board Regulations for the Board of Directors, as applicable, and with that established in the specific regulations of this Committee

The most important activities carried out by the Audit and Compliance Committee in 2016 are detailed in section C.2.5.

Identify the Director who has been appointed Chairman on the basis of knowledge and experience of accounting or auditing, or both and state the number of years they have been Chairman.

<b>Name of Director</b>	JOSÉ MIGUEL ANDRÉS TORRECILLAS
<b>Number of years as Chairman</b>	1

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## APPOINTMENTS COMMITTEE

Name	Position	category
TOMÁS ALFARO DRAKE	CHAIRMAN	INDEPENDENT
JOSÉ MIGUEL ANDRÉS TORRECILLAS	MEMBER	INDEPENDENT
JOSÉ MALDONADO RAMOS	MEMBER	OTHER EXTERNAL
LOURDES MÁIZ CARRO	MEMBER	INDEPENDENT
SUSANA RODRÍGUEZ VIDARTE	MEMBER	OTHER EXTERNAL

% of proprietary Directors	0%
% of independent Directors	60%
% of other external Directors	40%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

The Appointments Committee is bound to assist the Board of Directors in matters relating to the selection and appointment of Board members. Thus, as provided for under article 33 of the Board Regulations, the Appointments Committee will discharge the following duties:

- Submit proposals to the Board of Directors on the appointment, re-election or removal of independent directors and report on the proposals for the appointment, re-election or removal of the other directors.

To such end, the Committee will assess the balance of skills, knowledge and expertise on the Board of Directors, as well as the conditions that candidates should display to fill the vacancies arising, assessing the time dedication necessary to be able to suitably perform their duties in view of the needs that the Company's governing bodies may have at any time.

The Committee will ensure that when filling new vacancies, the selection procedures are not marred by implicit biases that may entail any discrimination and, in particular, discrimination that may hinder the selection of female directors, trying to ensure that women who display the professional profile being sought are included as potential candidates.

Likewise, when drawing up proposals within its scope of competence for the appointment of directors, the Committee will take into account, in case they may be considered suitable, any applications that may be made by any Board of Directors' member for potential candidates to fill the vacancies.

- Submit proposals to the Board of Directors for policies on the selection and diversity of members of the Board of Directors.

- Establish a target for representation of the under-represented gender in the Board of Directors and draw up guidelines on how to achieve that target.

- Analyze the structure, size and composition of the Board of Directors at least once a year when carrying out its operational assessment.

- Analyze the suitability of the various members of the Board of Directors.

- Perform an annual review of the status of each director, so that this may be reflected in the annual corporate governance report.

- Report the proposals for the appointment of the Chairman and the Secretary and, where applicable, of the Deputy Chairman and the Deputy Secretary.

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- Report on the performance of the duties of the Chairman of the Board, for the purposes of the periodic assessment by the Board of Directors, under the terms established in the Board Regulations.
- Examine and organize the succession of the Chairman in conjunction with the Lead Director and, where appropriate, submit proposals to the Board of Directors so that the succession takes place in a planned and orderly manner.
- Review the Board of Directors policy on the selection and appointment of members of senior management, and make recommendations to the Board when necessary.
- Report on proposals for appointment and removal of senior managers.

Moreover, article 34 of the Board Regulations regulates the organizational and operating rules of the Appointments Committee, establishing that it will meet as often as necessary to fulfill its duties, convened by its Chair or by whoever stands in for its Chair pursuant to the provisions of article 32 of the Board Regulations. The Committee may request the attendance at its meetings of persons with tasks in the Group that are related to the Committee's duties. It may also obtain advice as necessary to establish criteria related to its business. This will be done through the Secretary of the Board. For all other matters, the system for convening meetings, quorums, passing resolutions, drafting minutes and other details of its operation will be in accordance with the provisions of the Board of Directors Regulations insofar as they are applicable.

Regarding the most important actions carried out by the Appointments Committee in 2016, the Committee Chairman presented to the Board a report on the activities carried out during the 2016 financial year, which included, among other things, the tasks carried out in relation to the appointment and re-election of directors over the year, the assessment of the duties of the Chairman of the Board, analysis of the structure, size and composition of the Board with a view to evaluating the quality and efficiency of its operations, a review of the suitability of the directors and the condition of independent directors, and proposals for appointment and severance of the members of Senior Management.

## REMUNERATION COMMITTEE

Name	Position	Category
JUAN PI LLORENS	CHAIRMAN	INDEPENDENT
JOSÉ ANTONIO FERNÁNDEZ RIVERO	MEMBER	OTHER EXTERNAL
BELÉN GARIJO LÓPEZ	MEMBER	INDEPENDENT
JOSÉ LUIS PALAO GARCÍA-SUELTO	MEMBER	INDEPENDENT
JAMES ANDREW STOTT	MEMBER	INDEPENDENT

<b>% of proprietary Directors</b>	0%
<b>% of independent Directors</b>	80%
<b>% of other external Directors</b>	20%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

The Remuneration Committee's main task is to assist the Board of Directors in matters related to the remuneration policy for directors, senior management and any employees, whose professional activities have a significant impact on the Bank's risk profile, ensuring that the established remuneration policy is observed. Thus, as provided for under article 36 of the Board of Directors Regulations, it will discharge the following duties:

- Propose to the Board of Directors, for its submission to the Annual General Meeting, the directors' remuneration policy, with respect to its items, amounts and parameters for its determination and its vesting. Also to submit the

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corresponding report, in the terms established by applicable law at any time.

- Determine the extent and amount of the individual remunerations, entitlements and other economic compensations and other contractual conditions for the executive directors, so that these can be reflected in their contracts. The Committee's proposals on such matters will be submitted to the Board of Directors.

- Propose the annual report on the remuneration of the Bank's directors to the Board of Directors each year, which will then be submitted to the Annual General Shareholders Meeting in accordance with applicable law.

- Propose the remuneration policy to the Board of Directors for senior managers and employees whose professional activities have a significant impact on the Company's risk profile.

- Propose the basic conditions of the senior management contracts to the Board, and directly supervise the remuneration of senior managers responsible for risk management and compliance duties within the Company.

- Oversee observance of the remuneration policy established by the Company and periodically review the remuneration policy applied to directors, senior managers and employees whose professional activities have a significant impact on the Company's risk profile.

- Verify the information on directors and senior managers' remunerations contained in the different corporate documents, including the annual report on directors' remuneration.

Moreover, article 37 of the Board of Directors Regulations states that the Remuneration Committee will meet as often as necessary to fulfill its duties, convened by its Chair or by whoever stands in for its Chair pursuant to the provisions of article 35 of the Board Regulations. The Committee may request the attendance at its meetings of persons with tasks in the Group that are related to the Committee's duties. It may also obtain advice as necessary to establish criteria related to its business. This will be done through the Secretary of the Board. For all other matters, the system for convening meetings, quorums, passing resolutions, drafting minutes and other details of its operation will be in accordance with the provisions of the Board of Directors Regulations for the Board insofar as they are applicable.

The most important activities carried out by the Remuneration Committee in 2016 are detailed in section C.2.5.

## RISK COMMITTEE

Name	Position	Category
JAMES ANDREW STOTT	CHAIRMAN	INDEPENDENT
JOSÉ LUIS PALAO GARCÍA-SUELTO	MEMBER	INDEPENDENT
CARLOS LORING MARTÍNEZ DE IRUJO	MEMBER	OTHER EXTERNAL
SUSANA RODRÍGUEZ VIDARTE	MEMBER	OTHER EXTERNAL
JOSÉ MIGUEL ANDRÉS TORRECILLAS	MEMBER	INDEPENDENT

<b>% of proprietary Directors</b>	0%
<b>% of independent Directors</b>	60%
<b>% of other external Directors</b>	40%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

The Risk Committee will be tasked with assisting the Board of Directors in determining and monitoring the Group's risk control and management policy and its strategy in this area. Thus, as provided for under article 39 of the Board of Directors Regulations, it will discharge the following duties:

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- Analyze and assess the proposals on the Group's risk management, control and strategy. In particular, these will identify:

- i. The Group's risk appetite; and
- ii. The setting of the level of risk considered acceptable according to the risk profile and capital at risk, broken down by the Group's businesses and areas of activity.

- Analyze and assess the control and management policies for the Group's different risks and the information and internal control systems.

- The measures established to mitigate the impact of risk identified, should they materialise.

- Monitor the performance of the Group's risks and their fit with the strategies and policies and the Group's risk appetite.

- Analyze, prior to submitting them to the Board of Directors or the Executive Committee, those risk operations that must be put to its consideration.

- Examine whether the prices of the assets and liabilities offered to customers fully take into account the Bank's business model and risk strategy and, if not, present a remedy plan to the Board of Directors.

- Participate in the process for establishing the remuneration policy, ensuring that it is consistent with adequate and effective risk management and does not offer incentives for assuming risks that may exceed the level tolerated by the Company.

- Ensure that the Company and its Group are provided with means, systems, structures and resources in line with best practices to enable it to implement its risk management strategy, ensuring that the entity's risk management mechanisms are appropriate in relation to the strategy.

Moreover, article 40 of the Board Regulations regulates the organizational and operating rules of the Risk Committee, establishing that it will meet as often as necessary to fulfill its duties, convened by its Chair or by whoever stands in for its Chair pursuant to the provisions of article 38 of the Board Regulations, though an annual calendar of meetings will be drawn up in accordance with its tasks. The Committee may request the attendance at its meetings of the Group's Chief Risk Officer, as well as the executives to whom the various risk areas report or the persons with tasks in the Group that are related to the Committee's duties. It may also obtain advice as necessary to establish criteria related to its business. This will be done through the Secretary of the Board. The system for convening meetings, quorums, adopting resolutions, drafting minutes and other details of its procedures will be governed by the provisions defined in the Board Regulations for the Board of Directors insofar as they are applicable to the Committee and by any specific Regulations that might be established.

The Chairman of the Risk Committee presented to the Board a report on the most significant aspects of the activity carried out by the Committee since taking office in April 2016. This emphasized the Committee's follow-up on the evolution of Group risks and its degree of compliance with the defined strategies and policies and the Risk Appetite Framework (RAF) established by the Board of Directors. Among the components of this Framework are the key metrics in solvency, liquidity and recurrence of income, and the limits established for each type of risk. The Committee analyzed the situation of the different geographical areas where the Group operates, with special attention to current issues that could directly affect Group entities, throughout the year. In carrying out its duties, the Committee reviewed different corporate risk policies during the year, prior to their approval by the Executive Committee, and monitored the evolution of different projects developed by the Risk Area. In relation to the ICAAP and ILAAP reports, as well as the Group Recovery Plan, the report commented on the review carried out by the Committee prior to its approval by the Board of Directors, to verify its adequacy, integrity and alignment from the perspective of the Group's risk profile. The report also referred to other projects of relevance to the Group, such as RDA (Risk Data Aggregation), and to the actions carried out by the Committee in monitoring and supervising the development of the project. He also reported on the Committee's follow-up on the Group's risk profile and its various indicators and on the Committee's reviews of the preliminary proposals for the Risk Area for the establishment of the Group's Risk Appetite Framework for 2017.

#### TECHNOLOGY AND CYBER-SECURITY COMMITTEE

Position	Position	category
CARLOS TORRES VILA	CHAIRMAN	EXECUTIVE

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TOMÁS ALFARO DRAKE	MEMBER	INDEPENDENT
SUNIR KUMAR KAPOOR	MEMBER	INDEPENDENT
JUAN PI LLORENS	MEMBER	INDEPENDENT
JAMES ANDREW STOTT	MEMBER	INDEPENDENT

<b>% of executive Directors</b>	20%
<b>% of proprietary Directors</b>	0%
<b>% of independent Directors</b>	80%
<b>% of other external Directors</b>	0%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

According to its specific regulations, the purpose of the Technology and Cyber-security Committee is to assist the Board in the following areas: (i) the understanding and acknowledgement of the risks associated to technology and information systems related to the Group's activity and the oversight of its management and control, particularly with regard to the cyber-security strategy; (ii) the acknowledgment and supervision of the infrastructure and technology strategy of the Group and how this is integrated into the development of its overall strategy; and (iii) ensuring that the Bank has determined plans and policies, and has the appropriate means, for managing the abovementioned matters.

It will also perform the following functions:

- Oversight of technological risk and cyber-security management:

- Review the major technology risks exposures of the Bank, including information security and cyber-security risks and the steps management has taken to monitor and control such exposures.
- Review the policies and systems for the assessment, control and management of the Group's technology risks and infrastructures, including the cyber-attack incident response and recovery plans.
- Receive reports from management regarding the business continuity planning in technology and technology infrastructure matters.
- Receive reports from management, as and when appropriate, on: (i) IT-related compliance risks; and (ii) the steps taken to identify, assess, monitor, manage and mitigate those risks.
- Additionally, the Technology and Cyber-security Committee will be informed of any relevant event that may occur regarding cyber-security issues. These are deemed to be those which, individually or as a whole, may have a material impact or damage in the Group's equity, results or reputation. In any case, such events will be informed to the Chair of the Committee as soon as possible.

- Stay informed of the Technology Strategy:

- Receive reports from management, as and when appropriate, on technology strategy and trends that may affect the Company's strategic plans, including the monitoring of overall industry trends.
- Receive reports from management, as and when appropriate, on the metrics established by the Group for the management and control of IT-related matters, including the progress of the developments and investments carried out by the Group in this field.
- Receive reports from management, as and when appropriate, on matters related to new technologies, applications, information systems and best practices that affect the Group's IT strategy or plans.
- Receive reports from management on the core policies, strategic projects and plans defined by the Engineering area.
- Inform the Board of Directors and, if applicable, the Executive Committee, on any IT-related matters falling within the scope of their functions.

For a better performance of its functions, channels for an appropriate coordination between the Technology and Cyber-security Committee and the Audit and Compliance Committee will be established to ensure: (i) that the Technology and Cyber-security Committee can have access to the conclusions of the work performed by the Internal Audit Department in technology and cyber-security matters; (ii) and that the Audit and Compliance

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Committee is informed on IT-related systems and processes that are related to or affect the Bank's internal control systems and other matters falling within the scope of its functions. Additionally, channels for an appropriate coordination between the Technology and Cyber-security Committee and the Risk Committee will be established to ensure that the Risk Committee monitors the impact of technological risks within the scope of Operational Risk and other matters falling within the scope of its functions.

With regard to its functioning and organization, will meet as often as necessary to perform its duties, convened by its Chair or by whoever stands in for its Chair pursuant to its Regulations. The Committee may request the attendance at its meetings of persons with tasks within the Group that are related to the Committee's duties. In particular, the Committee will maintain a direct and recurring contact with the executives responsible for the areas of Engineering and Cyber-security in the Group, for the purpose of receiving the necessary information for a better performance of the Committee's duties. This information will be discussed in the meetings held.

The Committee may also engage external advisory services as may be necessary to establish an informed opinion on matters related to its duties. This will be done through the Secretariat of the Board. For all other matters, the system for convening meetings, quorums, passing resolutions, drafting minutes and other details of its operation will be in accordance with the provisions of the Board of Directors Regulations for the Board insofar as they are applicable.

The most important activities carried out by the Technology and Cyber-security Committee in 2016 are detailed in section C.2.5.

C.2.2 Fill in the following table with information on the number of female directors sitting on Board Committees over the last four years:

	Number of female directors							
	Year 2016		Year 2015		Year 2014		Year 2013	
	Number	%	Number	%	Number	%	Number	%
<b>Executive Committee</b>	1	16.66%	1	20%	1	20%	1	16.66%
<b>Audit and Compliance Committee</b>	2	40%	2	40%	1	25%	1	20%
<b>Appointments Committee</b>	2	40%	1	20%	1	20%	1	20%
<b>Remuneration Committee</b>	1	20%	-	-	-	-	1	20%
<b>Risk Committee</b>	1	20%	1	16.66%	1	20%	-	-
<b>Technology and Cyber-security Committee</b>	-	-	-	-	-	-	-	-

C.2.3 Section repealed.

C.2.4 Section repealed.

C.2.5 Indicate, where applicable, the existence of regulations for the Board Committees, where they can be consulted and any amendments made to them during the year. Indicate whether an annual report on the activities of each committee has been prepared voluntarily.

The Board of Directors Regulations, available on the Company's website, regulate the composition, functions and operating rules of the Board Committees, except for the Technology & Cyber-security Committee, which has its own Regulations.

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**APPOINTMENTS COMMITTEE:** The Chairman of the Appointments Committee presented to the Board of Directors a report on the activities of the Committee throughout 2016, which is explained in more detail in the section on the Appointments Committee in section C.2.1 above.

**AUDIT AND COMPLIANCE COMMITTEE:** The Audit and Compliance Committee has specific Regulations approved by the Board and available on the company's website, which govern its operation and powers, among other matters.

The Chairman of the Audit and Compliance Committee presented to the Board a report on its activities in 2016, in which it reported on the tasks carried out by the Committee in relation to the functions assigned to it by the Board Regulations, indicating that the Committee had carried out its activity without incident and fulfilled the functions assigned to it in relation to the monitoring and supervision of financial information; the system of internal control of financial-accounting information; internal and external audits; matters related to compliance and those related to the regulatory environment. He reported on the Supervisory Review and Evaluation Process (SREP) carried out by the European Central Bank; on the annual plan for the Compliance Area and its regular monitoring and the communications with both national and international supervisory and regulatory authorities. He also informed the Board regarding the evolution of the Group's corporate structure during the 2016 financial year, the Group's fiscal management and the impact of the forthcoming entry into force of national and international accounting standards.

With regard to the external audit, he highlighted the work plans, schedules and communications maintained with the external auditors for the 2016 financial year, having observed its independence by the Committee in compliance with the applicable regulations and its plan with regard to the selection process for the new BBVA Group external auditor for 2017, 2018 and 2019.

**RISK COMMITTEE:** The Risk Committee has specific Regulations approved by the Board and available on the Company's website, which govern matters including its duties and procedural standards, among other matters.

Likewise, the Chairman of the Risk Committee presented to the Board of Directors a report on the activities of the Committee in 2016, which is explained in more detail in the section on the Risk Committee in section C.2.1 above.

**TECHNOLOGY AND CYBER-SECURITY COMMITTEE:** The Risk Committee has specific Regulations approved by the Board and available on the Company's website, which govern matters including its duties and procedural standards, among other matters. As this Committee was constituted by the Board of Directors in 2016, no specific Committee activity report has been made for this financial year.

C.2.6 Section repealed.

**D RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS**

D.1 Explain the procedure, if any, for approving related-party and intra-group transactions.

<b>Procedures for approving related party transactions</b>
Article 17 v) of the Board of Directors Regulations establishes that the Board is responsible for approving, where applicable, the transactions that the Company or its Group companies may make with directors or with shareholders that individually or in concert hold a significant stake. This includes shareholders represented in the Board of Directors of the Company or of other Group companies or with parties related to them, with the exceptions provided for by law.
Moreover, article 8 of the Board of Directors Regulations establishes that approval of the transactions of the Company or its Group companies with directors needing to be approved by the Board of Directors will be granted after receiving a report from the Audit and Compliance Committee. The only exceptions to this approval will be transactions that simultaneously fulfill the following three characteristics: (i) they are carried out under contracts with standard terms and are applied <i>en masse</i> to a large number of customers; (ii) they go through at market rates or prices set in general by the party acting as supplier of the goods or services; and (iii) they are worth less than 1% of the Company's annual revenues.

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D.2 Detail any significant transactions, entailing a transfer of a significant amount or obligations between the company or its group companies, and the company's significant shareholders:

Name of significant shareholder (person or company)	Name of the company or group entity	Nature of the relationship	Type of transaction	Amount (thousands of euros)

D.3 Detail any significant transactions entailing a transfer of a significant amount or obligations between the company or its group companies, and the directors and/or senior managers:

Name of the directors and/or senior managers (person or company)	Name of the related party (person or company)	Relationship	Nature of transaction	Amount (thousands of euros)

D.4 Detail the significant transactions in which the company has engaged with other companies belonging to the same group, except those that are eliminated in the process of drawing up the consolidated financial statements and that do not form part of the company's usual trade with respect to its object and conditions.

In any event, provide information on any intragroup transactions with companies established in countries or territories considered tax havens.

Name of the Group Company	Brief description of the transaction	Amount (€k)
BBVA GLOBAL FINANCE LTD.	Holding of securities representing debt	1,197
BBVA GLOBAL FINANCE LTD.	Current account deposits	1,663
BBVA GLOBAL FINANCE LTD.	Term account deposits	6,462
BBVA GLOBAL FINANCE LTD.	Issue-linked subordinated liabilities	185,839

D.5 State the amount of the transactions carried out with other related parties.

D.6 Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, managers and/or significant shareholders.

Articles 7 and 8 of the Board Regulations regulate issues relating to possible conflicts of interest as follows:

#### Article 7

Directors must adopt necessary measures to avoid finding themselves in situations where their interests, whether for their own account or for that of others, may enter into conflict with the corporate interest and with their duties with respect to the Company, unless the Company has granted its consent under the terms established in applicable legislation and in the Board of Directors Regulations.

Likewise, they must refrain from participating in deliberations and votes on resolutions or decisions in which they or a related party may have a direct or indirect conflict of interest, unless these are decisions relating to appointment to or severance from positions on the governing body.

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Directors must notify the Board of Directors of any situation of direct or indirect conflict that they or parties related to them may have with respect to the Company's interest.

#### Article 8

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

- Carrying out transactions with the Company, unless these are ordinary business, performed under standard conditions for the customers and of insignificant quantity. Such transactions are deemed to be those whose information is not necessary to provide a true picture of the net worth, financial situation and performance of the Company.
- Using the Company's name or invoking their position as director to unduly influence the performance of private transactions.
- Making use of the corporate assets, including the Company's confidential information, for private ends.
- Taking advantage of the Company's business opportunities.
- Obtaining advantages or remuneration from third parties other than the Company and its Group, associated to the performance of their position, unless they are mere tokens of courtesy.
- Engaging in activities for their own account or on behalf of third parties that involve effective actual or potential competition with the Company or that, in any other way, bring them into permanent conflict with the Company's interests.

The above provisions will also apply should the beneficiary of the prohibited acts or activities described in the previous subsections be a related party related to the director. However, the Company may dispense with the aforementioned prohibitions in specific cases, authorising a director or a related party to carry out a certain transaction with the Company, to use certain corporate assets, to take advantage of a specific business opportunity or to obtain an advantage or remuneration from a third party.

When the authorization is intended to dispense with the prohibition against obtaining an advantage or remuneration from third parties, or affects a transaction whose value is over 10% of the corporate assets, it must necessarily be agreed by a General Meeting resolution.

The obligation not to compete with the Company may only be dispensed with when no damage is expected to the Company or when any damage that is expected is compensated by benefits that are foreseen from the dispensation. The dispensation will be conferred under an express and separate resolution of the General Meeting.

In other cases, the authorization may also be resolved by the Board of Directors, provided the independence of the members conferring it is guaranteed with respect to the director receiving the dispensation. Moreover, it will be necessary to ensure that the authorized transaction will not do harm to the corporate net worth or, where applicable, that it is carried out under market conditions and that the process is transparent.

Approval of the transactions of the Company or its Group companies with directors needing to be approved by the Board will be granted after receiving a report from the Audit and Compliance Committee. The only exceptions to this approval will be transactions that simultaneously meet the following 3 specifications: 1) they are carried out under contracts with standard terms and are applied en masse to a large number of customers; 2) they go through at market rates or prices set in general by the party acting as supplier of the goods or services; and 3) they are worth less than one per cent of the Company's annual revenues.

Since BBVA is a credit institution, it is subject to the provisions of Act 10/2014, dated 26th June, on the regulation, supervision and solvency of credit institutions, whereby the directors and general managers or similar may not obtain credits, bonds or guarantees from the Bank on whose board or management they work, above the limit and under the terms established in article 35 of Royal Decree 84/2015, which implemented Law 10/2014, unless expressly authorized by the Bank of Spain.

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All the members of the Board of Directors and the senior management are subject to the Company's Internal Regulations on the Securities Markets. These Regulations are intended to control possible conflicts of interest. They establish that everyone subject to it must notify the head of their area or the Compliance Unit of situations that could potentially and under specific circumstances may entail conflicts of interest that could compromise their impartiality, before they engage in any transaction or conclude any business in which they could arise.

D.7 Are more than one of the Group's companies listed in Spain as publicly traded companies?

NO

Identify the listed subsidiaries in Spain

<b>Listed subsidiaries</b>

Indicate whether the respective areas of business and any potential relations between them and any potential business relations between the holding company and the listed subsidiary and other group companies have been publicly defined;

<b>Define any potential business relations between the holding company and the listed subsidiary company and between the listed subsidiaries and other group companies</b>

Identify the mechanisms established to resolve any potential conflicts of interest between the listed subsidiary and other companies of the group:

<b>Mechanisms to resolve possible conflicts of interest</b>

**E RISK CONTROL AND MANAGEMENT SYSTEMS**

E.1 Explain the scope of the company's Risk Management System, including risks of a tax-related nature.

The BBVA Group has a General Risk Control and Management Model (hereinafter, "the Model") adapted to its business model, organization and the geographical areas in which it operates. It allows it to operate within the framework of the control and risk management strategy defined by the Bank's company bodies and adapt to an economic and regulatory environment, addressing management globally and monitoring to the circumstances at any particular time.

The risk management function at BBVA (Global Risk Management) is organized and developed by establishing procedures and specific rules for each type of risk, bringing the Model's elements closer to the day-to-day management of risks in the Group.

The elements comprising the model are:

1. A system of governance and organization of the risk management function that has an adequate definition of roles and responsibilities in all areas, a series of committees and delegation structures, and an internal control system which is consistent with the nature and scale of the risks.
2. A Group Risk Appetite Framework approved by the Board that determines the risks and the risk level that the Group is willing to assume to achieve its business objectives.
3. A system of decision-making and processes to allow the ordinary management of risks, which is based on three basic elements: the existence of a homogeneous normative body; a risk planning that ensures its integration into the management of the Risk Appetite Framework and the comprehensive management of risks throughout their life cycle.
4. A framework of risk identification, evaluation, monitoring and reporting that provides the Model with a dynamic and proactive vision to enable compliance with the Risk Appetite Framework, even in unfavorable scenarios.
5. An adequate infrastructure that ensures that the Group has the human and technological resources needed for effective management and supervision of risks in order to achieve its objectives.

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Some notes on the Group management of different risks are given below:

- Credit risk: is the most relevant for the Group and includes management of counterparty, issuer, settlement and country-specific risks. Management of this risk is based on the following principles: A) availability of basic information for assessing risks, proposing risks and having supporting documentation for approval purposes; B) sufficient customer fund generation and solvency to assume the repayments of principal and interest on loans owed; C) establishment of adequate and sufficient guarantees to allow effective recovery of the operation, considered a secondary and exceptional method of recovery for when the first fails. Management of this risk is based on a comprehensive structure covering for objective and independent decision-making.
- Structural interest-rate risk: This includes the potential impact that changes in market interest rates have on the net interest income and book value of entities. Its management model in the Group is decentralized, thus the Balance-Sheet Management unit, pertaining to Finance, designs and executes the strategies to implement via ALCO in accordance with the tolerances set out in the Risk Appetite Framework.
- Structural exchange-rate risk: Managed centrally focusing on the risk that arises when consolidating holdings in subsidiaries with functional currencies other than the euro. The corporate Balance-Sheet Management unit, through ALCO, designs and executes the hedging policies 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 different subsidiaries, considering the transactions according to market expectations and their cost.
- Structural equity risk: Exposure to this risk mainly stems from holdings in non-strategic industrial and financial companies with medium- and long-term investment horizons. It is managed in accordance with the corporate risk management policies for equity positions in the equity portfolio, in order to ensure their adaptation to BBVA's business model and its risk tolerance level according to the Risk Appetite Framework.
- Market risk (trading portfolio): This arises from the probability that there may be losses in the value of the positions held as a result of changes in the market prices of financial instruments. The Value at Risk (VaR) model is used to measure this.
- Liquidity and funding risk: Its control, monitoring and management, intends in the short term, to meet the payment commitments envisaged in a timely manner without resorting to obtaining funds in difficult conditions or that might deteriorate the reputation of the entity. In the medium and long term, the aim is to ensure that the Group's funding structure is appropriate and that its evolution is suitable according to the economic situation, the markets and the regulatory changes, in accordance with the established Risk Appetite.
- Operational risk: Its management is based on the value provided by the Advanced Measurement Approach model (AMA): knowledge, identification, prioritization and management of potential and actual risks, supported by a governance model to drive management across all the Group's units. The aim is to reduce operating losses by managing an adequate control environment.

Regarding taxation, BBVA has defined a tax-related risk management policy based on a suitable control environment, a system for identifying risks and a monitoring process including continuous improvement of the effectiveness of the established controls. In 2016 this management model was evaluated by an independent third party.

## E.2 Identify the corporate bodies responsible for drawing up and enforcing the Risk Management System, including tax-related risks.

BBVA Group's risk governance model is characterized by a special involvement of its governing bodies, both in setting the risk strategy and in monitoring and supervising its implementation on an ongoing basis.

The Board of Directors approves the risk strategy and supervises the internal control and management systems. Specifically, the strategy approved by the Board includes, at least, the Group's Risk Appetite statement, the fundamental metrics and the basic structure of limits by areas, types of risk and asset classes, as well as the bases of the risk management and control model. The Board of Directors is also responsible for approving and monitoring the strategic and business plan, the annual budgets and management goals, as well as the investment and funding policy, in a consistent way and in line with the approved Risk Appetite Framework.

On the basis established by the Board of Directors, the Executive Committee approves specific corporate policies for each type of risk; the metrics by type of risk related to concentration, profitability and reputation and the basic structure of the Group's risk limits. By following up on them, with information on any possible excesses

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of the limits that may occur and on the corrective measures to be taken in such cases in order to reestablish the situation.

Lastly, the Board of Directors includes a committee specializing in risks, the Risk Committee. This committee conducts an ongoing analysis and monitoring of risks within the remit of the governing bodies, assisting the Board of Directors and the Executive Committee in the determination and monitoring of the risk strategy and the corporate policies, respectively. Another task of special relevance it carries out is detailed control and monitoring of the risks that affect the Group as a whole, which enables it to supervise the effective integration of the risk strategy into management and the application of the corporate policies approved by the governing bodies.

The head of GRM is the Group's Chief Risk Officer (CRO), whose main responsibility is to ensure that the Group's risks are managed in accordance with the Model. The Chief Risk Officer is supported by a structure consisting of cross-cutting risk units in the corporate area and specific risk units in the Group's geographical areas and/or business areas. Each of these units is headed by a Risk Officer who, within his/her field of competence, carries out risk management and control functions and is responsible for applying the corporate policies and rules approved at the Group level in a consistent manner, adapting them if necessary to the local requirements and reporting to the local governing bodies.

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

The risks function has a decision-making process supported by a structure of committees. The Global Risk Management Committee (GRMC) is the highest executive body in the risk area and proposes, examines and, where applicable, approves, among others, the internal risk regulatory framework and the procedures and infrastructures needed to identify, assess, measure and manage the risks facing the Group in its businesses, as well as the admission of operations involving more relevant risks.

Regarding the tax-related risk, the Tax Department establishes the control mechanisms and internal rules necessary to ensure compliance with the tax laws in force and the tax strategy approved by the Board of Directors.

This function is subject to supervision by the Audit and Compliance Committee of the BBVA Group, and is evidenced by the appearances made before the same by the Head of the Fiscal Function of the BBVA Group.

### E.3 Indicate the primary risks, including tax-related risks that could prevent business targets from being met.

BBVA has risk identification and scenario analysis processes in place that enables the Group to conduct a dynamic and proactive risk management.

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 closer to the reality of the different geographical areas, and the corporate areas and Senior Management.

Risks are captured and measured in a consistent way using the most appropriate methodologies in each case. Their measurement includes the design and application of scenario analyses and stress testing, and considers the controls the risks are subjected to.

As part of this process, a forward projection is performed of the Risk Appetite Framework variables in stress scenarios, with the aim of identifying possible deviations from the established thresholds; if such deviations are detected, the appropriate measures are adopted to keep those variables within the target risk profile.

In this context, there are a series of emerging risks that could affect the Group's business performance. These risks are organized into the following large blocks:

- Macroeconomic and geopolitical risks

According to the latest available information, global growth remains stabilized slightly above 3% in year-on-year terms.

Recently, the uncertainty of the global panorama has increased with the victory of the exit option from the European Union in the referendum held in the United Kingdom.

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In general, the gradual recovery of growth in the developed economies does not suffice to offset the slowdown in emerging economies. Developments in the Chinese economy, with vulnerabilities due to its high level of debt, will continue to determine the global growth outlook and, in particular, in emerging economies.

Other events complete the outlook for global uncertainties for 2016 and 2017, and could affect the valuation of the Group's holdings in certain countries:

- Geopolitical tensions in some areas. In connection with this issue, it is worth noting the uncertainty over the political and economic situation following the events in Turkey since 15 July.
- The risk of an adjustment scenario in the United States, which might be caused by the Federal Reserve's decision to postpone the rise in interest rates and a lower growth forecast than the previous.

These uncertainties have led to a significant increase in financial market volatility, asset price decline and significant devaluations in emerging countries.

The Group's geographical diversification is the key to achieving a high level of recurring revenue, despite the conditions of the environment and the economic cycles of the economies in which it operates.

• Regulatory and reputational risks

- Financial institutions are exposed to a complex and changing regulatory and legal environment that can impact their growth capacity and the development of certain businesses, with higher liquidity and capital requirements and lower profitability ratios. The Group monitors changes in the regulatory framework on an ongoing basis to enable it to anticipate and adapt to those changes sufficiently in advance, adopt the best practices and the most efficient and rigorous criteria for their implementation.
- The financial sector is coming under intense scrutiny by regulators, governments and society itself. Negative news or inappropriate conduct can seriously damage an institution's reputation and affect its ability to conduct a sustainable business. The attitudes and conduct of the Group and of its members are governed by the principles of integrity, honesty, long-term vision and best practices, thanks to the internal control Model, the Code of Conduct, tax strategy and the Group's Responsible Business strategy, among others.

• Business, legal and operational risks

- New technologies and forms of customer relations: The development of the digital world and the information technologies poses major challenges for financial institutions that represent threats (new competitors, disintermediation...) and also opportunities (new customer relations framework, greater ability to adapt to their needs, new products and distribution channels...). In this regard, digital transformation is one of the priorities for the Group, which aims to lead the digital banking of the future.
- Technological risks and security breaches: Financial institutions are exposed to new threats such as cyber-attacks, internal and customer database theft, payment system fraud... that require major investments in security from the technological and human point of view. The Group attaches a great deal of importance to active management and control of operational and technological risk. One example is the early adoption of advanced models for managing these risks (AMA - Advanced Measurement Approach).

The financial sector is exposed to growing litigation rates in that financial entities are facing an elevated number of lawsuits whose economic consequences cannot be easily foreseen. The Group carries out a constant management and tracking of such lawsuits in defense of its own interests, and allocates, when considered necessary, the corresponding provisions for coverage thereof, following the criteria of internal lawyers and external legal experts and based on the applicable laws and regulations.

#### E.4 Identify whether the entity has a risk tolerance level, including tax-related risks.

The Group's Risk Appetite Framework approved by the governing bodies determines the risks and the risk level that the Group is willing to assume to achieve its business objectives taking into account the organic evolution of the business. These are expressed in terms of solvency, liquidity and funding, profitability, or other metrics, which are reviewed periodically or if there are any substantial changes in the entity's business or relevant corporate operations.

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The risk appetite is expressed through the following elements:

- Risk Appetite Statement: sets out the general principles of the Group's risk strategy and the target risk profile.
- Statements and core metrics: based on the appetite statement, statements are established that specify the general principles of risk management in terms of solvency, profitability, liquidity and funding. Moreover, the core metrics reflect, in quantitative terms, the principles and the target risk profile set out in the Risk Appetite statement.
- Statements and metrics by type of risk: based on the core metrics and their thresholds for each type of risk, statements are established that set out the general management principles for the risk and a number of metrics are determined, whose observance enables compliance with the core metrics and the Group's Risk Appetite statement. These metrics have a maximum risk appetite.
- The basic structure of limits: they shape the Risk Appetite Framework at geographical area, risk type, asset type and portfolio level, ensuring that management is within the metrics by type of risk.

In addition to this Framework, there is a level of management limits that is defined and managed by the risks function when developing the basic structure of limits, with the aim of ensuring that proactive management of risks by risk subcategory within each type or by subportfolio is in line with that basic structure of limits and in general with the established Risk Appetite Framework.

Each geographical and/or business area has its own Risk Appetite Framework, consisting of its local Risk Appetite statement, core metrics, and metrics by type of risk and limits, which must be consistent with those set at the Group level, but adapted to their own reality. These are approved by the corresponding governing bodies of each entity.

The corporate risks area works with the various geographical and/or business areas to define their Risk Appetite Framework, so that it is coordinated with, and integrated into the Group's Risk Appetite Framework, making sure that its profile is in line with the one defined.

The BBVA Group assumes a certain degree of risk to be able to provide financial services and products to its customers and obtain attractive returns for its shareholders. The organization must understand, manage and control the risks it assumes.

The aim of the Group is not to eliminate all risks, but to assume a prudent level of risks that allows it to generate returns while maintaining acceptable capital and fund levels and generating recurrent earnings.

#### E.5 State what risks, including tax-related risks, have occurred during the year.

Risk is inherent to financial business, so the occurrence of risk to a greater or lesser extent is absolutely implicit in the Group's activities. BBVA thus provides detailed information on its annual financial statements (note 7 in the Report and note 19 in the consolidated accounts covering tax-related risks) regarding the developments of such risks, since their very nature can permanently affect the Group in undertaking its activities.

Likewise, as described in note 24 of the Report, BBVA has provided, as a result of the judgement issued by the European Union Court of Justice regarding the interest rate clauses in consumer mortgage loans (known as "floor clauses"), a provision to cover future claims that may arise.

#### E.6 Explain the response and supervision plans for the principal risks faced by the company, including tax-related risks

The BBVA Group's internal control system takes its inspiration from the best practices developed both in the COSO (Treadway Commission Committee of Sponsoring organizations) "Enterprise Risk Management - Integrated Framework" and in the "Framework for Internal Control Systems in Banking Organizations", drawn up by the Basel Bank of International Settlements (BIS).

The control model has a system comprising three lines of defense:

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- The Group's business units constitute the first line of defense. They are responsible for managing current and emerging risks and implementing control procedures. It is also responsible for reporting to its business/support unit.
- The second line is constituted by the specialist control units (Compliance, Accounting & Supervisors (specifically, Internal Financial Control), Global Risk Management (within it, Internal Risk Control) and Engineering (specifically, Internal Operations Control and Internal IT Control)). This line collaborates in identifying current and emerging risks, defines the control policies within the scope of its cross-sector specialty, ensures that they are implemented correctly, and provides training and advice to the first line. In addition, one of its main functions is to monitor and question the control activity carried out by the first line of defense.

The control activity of the first and second line of defense will be coordinated by the Internal Risk Control Unit, which will also be responsible for providing these units with a common internal control methodology.

- The third line of defense is made up of the Internal Audit unit, for which the Group assumes the guidelines of the Basel Committee on Banking Supervision and of the Institute of Internal Auditors. Its function is that of providing independent and objective assurance and consulting activity designed to add value and improve the Organization's operations.

In addition, within the risk area, the Group has units for Internal Risk Control and Internal Validation that are independent of the units that develop the models, manage the processes and execute the controls.

Its scope of action is global, both from the geographical point of view and in terms of the types of risks. It encompasses all the areas of the organization and is designed to identify and manage the risks faced by the Group entities, in order to guarantee the established corporate objectives.

The main function of Internal Risk Control is to ensure the existence of a sufficient internal regulatory framework, a process and measures defined for each type of risks identified in the Group, and for those other types of risk that may potentially affect the Group, control their application and operation, and ensure that the risk strategy is integrated into the Group's management.

The Group's Internal Risk Control Director is responsible for the function and reports its activities and informs on its work plans to CRO and to the Board's Risk Committee, assisting it in any matters where requested.

To perform its duties, the unit has a structure of teams at a corporate level and also in the most important geographical areas in which the Group operates. As in the corporate area, the local units remain independent from the business areas that implement the processes, and from the units that carry out the controls, reporting functionally to the Internal Risk Control unit. The unit's lines of action are established at Group level and it is then responsible for their local-level adaptation and implementation, and for reporting on the most relevant aspects.

Among other functions, Internal Validation is responsible for the independent review and validation, at internal level, of the models used to measure and assume the risks and for determining the Group's capital requirements.

With regard to tax risks, the Board of Directors approved the Tax Strategy for the BBVA Group. This strategy reflects the tax-related postures of the Group. In this regard, the Tax Department establishes the policies and control processes for guaranteeing compliance with the tax laws currently in force and the tax strategy.

## **F SYSTEMS OF INTERNAL RISK MANAGEMENT AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)**

Describe the mechanisms comprising the risk management and control systems for financial reporting (ICFR) in the entity.

### **F.1 The entity's control environment**

Give information, describing the key features of at least:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision.

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Pursuant to article 17 of the Board Regulations, the Board of Directors approves the financial information that BBVA is required to publish periodically as a publicly traded company. The Board of Directors has an Audit and Compliance Committee, whose mission is to assist the Board supervise financial information and exercise control over the BBVA Group.

In this respect, the BBVA Audit and Compliance Committee Regulations establish that the Committee's duties include the supervision of the sufficiency, adequacy and effective operation of the internal control systems in the process of drawing up and preparing financial information, so as to rest assured of the correctness, accuracy, sufficiency and clarity of the financial information of the Entity and its consolidated Group.

The BBVA Group complies with the requirements imposed by the Sarbanes Oxley Act ("SOX") for each year's consolidated annual accounts due to its status as a publicly traded company listed to the U.S. Securities Exchange Commission ("SEC"). The main Group executives are involved in the design, compliance and maintenance of an effective internal control model that guarantees the quality and veracity of the financial information. The Accounting & Supervisors Department ("A&S") is responsible for the operation and maintenance of the internal financial control model.

In addition, and with the aim of reinforcing internal control environment, the Group has the Corporate Assurance model (which includes the ICFR) where is established a framework for the supervision of the internal control model. The Corporate Assurance model (in which the business areas, support areas and the areas specializing in internal control participate) is organized into a system of committees that analyze the most relevant issues related to internal control in each geographical area, with the participation of the country's top managers. These committees report to the Group's Global Committee, chaired by the CEO with the assistance of the main executives responsible for the business and control areas.

The different internal control units at holding and local level, coordinated by the Internal Control Area located in Global Risk Management, are responsible for implementing and applying the internal control and operational risk methodology defined in the Group. These internal control units are responsible, together with the business areas, for identifying, prioritizing and assessing the risks, helping the units to implement a control model, documenting it and supervising it periodically as well as defining risk mitigating measures and promoting their proper implementation.

The effectiveness of this internal control system is assessed on an annual basis for those risks that may have an impact on the proper drawing up of the Group's financial statements. The Internal Financial Control area, the control specialists of the business and support areas and the Group's Internal Audit department collaborate in this assessment. In addition, the external auditor of the BBVA Group issues an opinion every year on the effectiveness of internal control over financial reporting based on criteria established by COSO (Committee of Sponsoring Organizations of the Treadway Commission) and in accordance with the standards of the U.S. Public Company Accounting Oversight Board (PCAOB). This opinion appears in the Form 20-F that is filed every year with the SEC.

The result of the annual assessment of the System of Internal Control over Financial Reporting is reported to the Group's Audit and Compliance Committee by the heads of Internal Audit and Internal Financial Control.

F.1.2. Whether, especially in the process of drawing up the financial information, the following elements exist:

- Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) the clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures exist for their correct dissemination within the entity.

The drafting of the financial information is carried out by the local Financial Management units of the countries and in a centralized manner by the A&S Division, which is overall responsible for the drafting and reporting of accounting and regulatory information.

The BBVA Group has organizational structure design and review mechanisms that clearly define action and responsibility lines in the areas involved in drawing up of financial information of each entity and consolidated group, and also has the channels and circuits necessary for their communication and distribution. The units responsible for drawing up these financial statements have a distribution of tasks and segregation of functions necessary to draw up these statements in an appropriate operational and control framework.

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Additionally, there is an accountability model aimed at extending the culture of, and commitment to internal control. Those in charge of the design and operation of the processes that have an impact on financial reporting certify that all the controls associated with its operation under their responsibility are sufficient and have worked correctly.

- Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether specific mention is made of recording the transactions and drawing up of the financial information), body in charge of analysing non-compliance and proposing corrective measures and sanctions.

BBVA has a Code of Conduct, approved by the Board of Directors that sets out BBVA's specific commitments in developing one of the principles of its Corporate Culture: Integrity as a way of understanding and carrying out its businesses. This Code likewise establishes the corresponding channel for whistleblowers regarding possible infringements of the Code. It is the subject of ongoing training and refresher programs including key personnel in the financial function.

During 2016, and after the Code was updated in 2015, campaigns have been developed to communicate and disseminate its new contents, taking advantage of new formats and digital channels. In addition, an ambitious training plan has been developed at a global level, reaching the entire workforce of the Group.

The Code of Conduct is published on the Bank's website ([www.bbva.com](http://www.bbva.com)) and on the employees' website (intranet). Additionally, Group's integrant undertake personally and individually to observe its principles and rules in an express declaration of awareness and adhesion.

The duties of the Audit and Compliance Committee include ensuring that the internal codes of ethics and conduct and on securities market, applicable to all group personnel, comply with legal requirements and are adequate for the Bank.

Additionally, BBVA has adopted a structure of Corporate Integrity Management Committees (with individual powers at jurisdiction or Group entity levels, as applicable). Their joint scope of action covers all the Group businesses and activities and their main duty is to ensure effective application of the Code of Conduct. There is also a Corporate Integrity Management Committee, whose scope of responsibility extends throughout BBVA. The fundamental mission of this committee entails ensuring uniform application of the Code in BBVA.

The Compliance Unit in turn independently and objectively promotes and supervises to ensure that BBVA acts with integrity, particularly in areas such as money-laundering prevention, conduct with clients, security market conduct, corruption prevention, data protection and other areas that could entail a reputational risk for BBVA. The unit's duties include fostering the knowledge and application of the Code of Conduct, promoting the drafting and distribution of its implementing standards, assisting in the resolution of any concern insofar as interpretation of the Code that may arise, and managing the Whistle-Blowing Channel.

- Whistle-blowing channel, to allow financial and accounting irregularities to be communicated to the Audit Committee, as well as possible non-compliance with the code of conduct and irregular activities in the organization, reporting where applicable if this is confidential in nature.

Preservation of the Corporate Integrity of BBVA transcends the merely personal accountability for individual actions, it calls for all employees to have zero tolerance for activities outside the Code of Conduct or that could harm the reputation or good name of BBVA, an attitude that is reflected in everyone's commitment to whistle-blowing, by timely communication, of situations that, even when unrelated to their activity or area of responsibility, could be illegal or infringe upon the values and guidelines of the Code.

The Code of Conduct itself establishes the communication guidelines to follow and contemplates a Whistle-Blowing Channel, likewise guaranteeing the duty to reserve of the reporting parties, confidentiality of the investigations and the prohibition of retaliation or adverse consequences in light of communications made in good faith.

Telephone lines and email boxes have been set up for these communications in each jurisdiction. A list of these appears on the Group's Intranet.

As described in the previous section, BBVA has adopted a structure of Corporate Integrity Management Committees (with individual powers at jurisdiction or Group entity levels, as applicable), whose joint scope of action covers all the

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Group businesses and activities and whose functions and responsibilities (explained in greater detail in their corresponding regulations) include:

- Drive and monitor global initiatives to foster and promote a culture of ethics and integrity among members of the Group.
- Ensure an uniform application of the Code.
- Promote and monitor the functioning and effectiveness of the Whistle-blowing Channel.
- In exceptional cases where they are not already included among the members of the Committee, inform Senior Management and/or the person responsible for the preparation of the financial statements of those events and circumstances from which significant risks might arise for BBVA.

In addition, periodic reports are made to the Audit and Compliance Committee that supervises and controls their proper functioning (independently managed by the Compliance area).

- [Periodic training and refresher courses for employees involved in preparing and revising the financial information, and in ICFR assessment, covering at least accounting standards, audit, internal control and risk management.](#)

Specific training and periodic refresher courses are given on accounting and tax-related standards, internal control and risk management in units involved in preparing and reviewing the financial and tax-related information and in evaluating the internal control system, to help them perform their functions correctly.

Within the A&S area, there is an annual training program for all members of the area on aspects related to the preparation of financial information and new regulations applicable in accounting, financial and fiscal matters, as well as other courses adapted to the needs of the area. These courses are taught by professionals from the area and renowned external providers.

This specific training program is in addition to the general Group training, which includes courses on finance and technology among other subjects.

Additionally, the BBVA Group has a personal development plan for all employees, which forms the basis of a personalized training program to deal with the areas of knowledge necessary to perform their functions.

## **F.2 Financial reporting risk assessment**

[Give information on at least:](#)

[F.2.1. The key features of the risk identification process, including error and fraud risks, with respect to:](#)

- [Whether the process exists and is documented.](#)

The ICFR was developed by the Group Management in accordance with international standards set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) establishing five components on which the effectiveness and efficiency of internal control systems must be based:

- Establishing an adequate control environment for monitoring all these activities.
- Evaluating the risks that may be incurred by an entity in drawing up its financial information.
- Designing the necessary controls to mitigate the most critical risks.
- Establishing the adequate information circuits to detect and communicate the system's weaknesses or inefficiencies.
- Monitoring such controls to ensure they are operational and the validity of their effectiveness over time.

In order to identify the risks with a greater potential impact on the generation of financial information, the processes from which such information is derived are identified and documented, and an analysis of the risks that may arise in each is conducted.

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Based on the corporate internal control and operational risk methodology, the risks are included in a range of categories by type, which include the error and fraud (internal/external), and their probability of occurrence and possible impact is analyzed.

The process of identifying risks of error, falsehood or omission in the drawing up of the Financial Statements is carried out by the Financial Reporting Internal Control unit, which manages their correction and in turn reports to the Audit and Compliance Committee. The scope of the annual/quarterly or monthly assessment of their controls is determined based on the materiality of the risks, thus ensuring coverage of the critical risks for the financial statements.

The assessment of the aforementioned risks and of the effectiveness of their controls begins with the management's understanding of and insight into the business and the analyzed operating process, considering criteria of quantitative materiality, likelihood of occurrence and economic impact, in addition to qualitative criteria associated with the type, complexity and nature of the risks or of the business structure itself.

The system for identifying and assessing the risks of internal control over financial reporting is dynamic. It evolves continuously, always reflecting the reality of the Group's business, changes in operating processes, the risks affecting them and the controls that mitigate them.

All this is documented in a corporate management tool developed and managed by Operational Risk (Storm) where are documented all the processes, risks and controls managed by the different control specialists, including the Financial Reporting Internal Control unit.

- Whether the process covers all the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), whether the information is updated and with what frequency.

All the processes developed in the BBVA Group for drawing up financial information aim to record all financial transactions, value the assets and liabilities in accordance with applicable accounting regulations and provide a breakdown of the information in accordance with regulatory requirements and market needs.

The model of control over financial information analyses each of the aforementioned processes in order to ensure that error or fraud risks are properly covered with controls that work efficiently, and is updated when there are changes in the relevant processes for drawing up the financial information.

- The existence of a process for identifying the consolidation perimeter, taking into account aspects including the possible existence of complex corporate structures, instrumental or special purpose vehicles.

The A&S (Accounting & Supervisors) organization includes a Consolidation department that carries out a monthly process of identification, analysis and updating of the Group's consolidation perimeter.

In addition, the information from the consolidation department on new companies set up by the Group's different units and the changes made to existing companies is compared with the issues analyzed by two specific committees whose function is to analyze and document the changes in the composition of the corporate group (Holding Structure Committee and Investments in Non-Banking Companies Committee, both corporate).

In addition, with regard to special-purpose entities control, the Internal Audit and Compliance areas of the Bank make a periodic report of the Group's structure to the Board of Directors and to the Audit and Compliance Committee.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax-related, reputational, environmental, etc.) insofar as they impact the financial statements.

The model of internal control over financial reporting applies to processes for drawing up such financial information and all operational or technical processes that could have a relevant impact on the financial, accounting, tax-related or management information.

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As explained above, all the specialist control areas apply a standard methodology and use a common tool (Storm) to document the identification of the risks, of the controls that mitigate those risks and of the assessment of their effectiveness.

There are control specialists in all the operational or support areas, and therefore any type of risk that may affect the Group's operations is analyzed under that methodology (market, credit, operational, technological, financial, legal, tax-related, reputational or any other type of risk) and is included in the ICFR insofar as it may have an impact on the financial information.

- Which of the entity's governing bodies supervises the process.

The process for identifying risks and assessing the effectiveness and suitability of the controls is documented at least once a year, supervised by the Internal Audit area and reported to the Global Corporate Assurance Committee of the Group.

Moreover, the Internal Audit Director and head of the Group's Internal Financial Control report each year to the Audit and Compliance Committee on the analysis and certification work carried out pursuant to SOX methodology, to comply with the legal requirements imposed by the Sarbanes Oxley Act related to internal control systems for the financial reporting and is included in Form 20-F, which is filed every year with the SEC (as explained in point one regarding the control environment).

### F.3 Control activities

Give information on the main features, if at least the following exist:

F.3.1. Procedures for review and authorization of the financial information and the description of the ICFR, to be published on the securities markets, indicating who is responsible for it, and the documentation describing the activity flows and controls (including those concerning risk of fraud) for the different types of transactions that may materially impact the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgements, estimates, valuations and projections.

All the processes related to the drawing up of the financial information are documented, together with their control model: potential risks linked to each process and controls established for their mitigation. As explained in point F.2.1, the aforementioned risks and controls are recorded in the corporate tool Storm, which also includes the result of the assessment of the operability of the controls and the degree of risk mitigation.

In particular, the main processes related to the generation of financial information are: accounting, consolidation, financial reporting, financial planning and monitoring, financial and tax-related management. The analysis of these processes, their risks and their controls is also supplemented by all other critical risks that may have a financial impact from business areas or other support areas.

Likewise, there are procedures for review by the areas responsible for generating the financial and tax-related information disseminated to the securities markets, including the specific review of the relevant judgements, estimates and projections.

As mentioned in the annual financial statements, it is occasionally necessary to make estimates to determine the amount at which some assets, liabilities, income and expenses and commitments should be recorded. These estimates are mainly related to:

- Impairment losses on certain financial assets.
- The assumptions used to quantify certain provisions and in the actuarial calculation of liabilities and commitments for post-employment remunerations and other obligations.
- The useful life and impairment losses of tangible and intangible assets.
- The appraisal of goodwill and price assignments in business combinations.
- The fair value of certain unlisted assets and liabilities.
- The recoverability of deferred tax assets.
- The exchange rate and inflation index in Venezuela.

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These estimates are made based on the best information available on the financial statement closing date and, together with the other relevant issues for the closing of the annual and six-monthly financial statements, are analyzed and authorized by a Technical Committee of A&S (A&S Executive Steering Committee) and submitted to the Audit and Compliance Committee before their formulation by the Board of Directors.

F.3.2. Internal control procedures and policies for information systems (among others, access security, change control, their operation, operational continuity and segregation of functions) that support the relevant processes in the entity with respect to the drawing up and publication of the financial information.

The internal control models include procedures and controls regarding the operability of information systems and access security, functional segregation, development and modification of computer applications used to generate financial information.

The current methodology for internal control and operational risk establishes a list of controls by category whose breakdown includes (among others) two categories: access control and functional segregation. Both categories are identified in the model of internal control of financial information and their risks and controls are analyzed and assessed on a regular basis, so the integrity and reliability of the information drawn up can be guaranteed.

Additionally, there is a corporate level procedure for managing system access profiles. It is developed, implemented and updated by the Group's internal control unit of Engineering. This unit is also in charge of providing support for control processes in change management (development in test environments and putting changes into production), incident management, management of transactions, media and backup copy management, and management of business continuity, among other things.

With all these mechanisms, the BBVA Group ensures the maintenance of adequate management of access control, the establishment of the correct and necessary steps to put applications into production and their subsequent support, the creation of backup copies, and assurance of continuity in the processing and recording of transactions.

In summary, the entire process of preparing and publishing financial information has established and documented the procedures and control models necessary to provide reasonable assurance about the correctness of BBVA Group's public financial information.

F.3.3. Internal control procedures and policies designed to supervise the management of activities subcontracted to third parties, and those aspects of the evaluation, calculation and assessment outsourced to independent experts, which may materially impact the financial statements.

The internal control policies establish controls and procedures for the management of subcontracted activities or those aspects of evaluation, calculation and assessment outsourced to independent experts.

There is a set of standards and an Outsourcing Committee that establishes and supervises the requirements that must be met at group level for the activities to be subcontracted. Regarding the financial processes, there are procedural manuals contemplating the outsourced activity that identify the processes to be executed and the controls to be applied by the service provider units and units entrusted with the outsourcing thereof. The controls established in the outsourced processes concerning the generation of financial information are also tested by the Internal Financial Control area.

The valuations from independent experts used for matters relevant for generating financial information are included within the standard circuit of review procedures executed by internal control, internal audit and external audit.

#### **F.4 Information and communication**

Give information on the main features, if at least the following exist:

F.4.1. A specific function in charge of defining and keeping the accounting policies updated (accounting policy department or area) and dealing with queries or conflicts stemming from their interpretation, ensuring fluent communication with those in charge of operations in the organization, and an up-to-date manual of accounting policies, communicated to the units through which the entity operates.

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The organization has two areas within A&S (Group Financial Accounting and Global Supervisory Relations) in charge of the Accounting Technical Committees (Accounting Working Group) and Solvency. Their purpose is to analyze, study and issue standards that may impact the drawing up of the Group's financial and regulatory information, determining the accounting and solvency criteria required to ensure correct recording of transactions to the accounts and calculation of capital requirements within the framework of standards issued by the Bank of Spain, the European Union (IASB, directives on equity) and the Basel Committee.

There is an updated accounting policies Manual, disseminated over the Company's intranet to all the units in the Group. This manual is the tool that guarantees that all the decisions related to accounting policies or specific accounting criteria to be applied in the Group are supported and are standardized. The Accounting Policies Manual is approved in the Accounting Working Group and is documented and updated for its use and analysis by all the Group's entities.

**F.4.2. Mechanisms to capture and prepare the financial reporting in standardised formats, for application and use by all the units of the entity or the group, that support the main financial statements and the notes, and the information detailed on ICFR.**

The Group's A&S area and the financial directorates of the countries are responsible for the preparation of the financial statements in accordance with the current accounting and consolidation manuals. There is also a consolidation computer application that includes the information on the accounting of the various Group companies and performs the consolidation processes, including the standardization of accounting criteria, aggregation of balances and consolidation adjustments.

Control measures have also been implemented in each of the said processes in order to guarantee that all the data underpinning the financial information are collected in a comprehensive, exact and timely manner. There is also a single and standardized format for the financial reporting system. It is applicable to and used by all the Group units and supports the main financial statements and the explanatory notes. There are also control measures and procedures to ensure that the information disclosed to the markets includes a sufficient level of detail to enable investors and other users of the financial information to understand and interpret it.

## **F.5 Supervision of the system's operation**

Give information, describing the key features of at least:

**F.5.1. The ICFR supervision activities carried out by the Audit Committee and whether the entity has an internal audit function whose powers include providing support to the Audit Committee in its task of supervising the internal control system, including the ICFR. Likewise, give information on the scope of the ICFR assessment carried out during the year and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan listing the possible corrective measures, and whether its impact on the financial reporting has been considered.**

The internal control units of the business areas and of the support areas conduct a preliminary assessment of the internal control model, assess the risks of the processes and the degree of mitigation of the controls, identify weaknesses, design, implement and monitor the mitigation measures and action plans.

BBVA also has an Internal Audit unit that provides support to the Audit and Compliance Committee on the independent supervision of the internal control system of financial information. The Internal Audit function is entirely independent of the units that draw up the financial information.

All the control weaknesses, mitigation measures and specific action plans are documented in the corporate tool Storm and submitted to the internal control and operational risk committees of the areas, as well as to the local or global Corporate Assurance Committees, based on the relevance of the detected issues.

To sum up: both the weaknesses identified by the internal control units and those detected by the internal or external auditor have an action plan in place to correct or mitigate the risks.

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During 2016, internal control areas have conducted a full assessment of the internal control system of financial information, and, to date, no material or significant weakness have been revealed therein. These were reported to the Audit and Compliance Committee, and the Global Corporate Assurance Committee.

Additionally, in compliance with SOX, the Group annually assesses the effectiveness of the internal control model for financial reporting on group of risks (within the perimeter of SOX companies and critical risks) that could impact the drawing up of Financial Statements at local and consolidated levels. This perimeter considers risks and controls of other specialties that are not directly financial (regulatory compliance, technology, risks, operational, human resources, procurement, legal, etc.).

F.5.2. Whether there is a discussion procedure by which the auditor (in line with the technical auditing notes), the internal audit function and other experts can inform senior management and the audit committee or the directors of the entity of significant weaknesses in the internal control encountered during the review processes for the annual accounts or any others within their remit. Likewise, give information on whether there is an action plan to try to correct or mitigate the weaknesses observed.

As mentioned in the preceding section (F.5.1) of this Annual Corporate Governance Report, the Group has a procedure in place whereby the internal auditor, the external auditor and the heads of Internal Financial Control can report to the Audit and Compliance Committee, where appropriate, any significant internal control weaknesses detected in the course of their work. Thus, a plan of action is prepared for all detected weaknesses, including those that are not significant, which is presented to the Audit and Compliance Committee.

Since BBVA is a company listed with the SEC, the BBVA Group's auditor issues on an annual basis its opinion on the effectiveness of the internal control over the financial information contained in the Group's annual consolidated statements as of 31 December each year under PCAOB standards ("Public Company Accounting Oversight Board"), with a view to filing the financial information under Form 20-F with the SEC. The latest report issued on the financial information for 2015 is available on [www.sec.gov](http://www.sec.gov). As of the date of this report, the auditor of the annual consolidated statements corresponding to 2016 reported no significant or material weakness to the Audit and Compliance Committee, the Board of Directors or executive management bodies of the Group.

The supervision activities of the internal control system carried out by the Audit and Compliance Committee, described in the Audit and Compliance Committee Regulations published on the Group website, includes the following:

- Analyze the financial statements of the Bank and of its consolidated Group contained in the annual, six-monthly and quarterly reports prior to their submission to the Board of Directors, as well as all other required financial information, with the necessary detail deemed appropriate. For this purpose, the Committee shall be provided with the necessary support by the Group's Senior Management, especially that of the Accounting Department and the external auditor of the Company and its Group.
- Review the necessary scope of consolidation, the correct application of accounting criteria, and all the relevant changes relating to the accounting principles used and the presentation of the financial statements.
- Oversee the effectiveness of the company's internal control, internal audit and risk management systems in the process of drawing up and reporting the mandatory financial information, including tax-related risks, as well as discuss with the external auditor any significant weaknesses in the internal control systems detected during the audit, without undermining its independence. For such purposes, and where appropriate, they may submit recommendations or proposals to the Board of Directors, along with the period for their follow-up.
- Analyze, and approve as the case may be, the Annual Internal Audit Plan, monitoring it and being apprised of the degree to which the audited units are complying with the corrective measures recommended by Internal Audit.
- Examine the draft codes of ethic and conduct, and respective amendments thereto drawn up by the corresponding areas of the Group, and express an opinion before the proposals being put to the Bank's governing bodies.

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The external auditor and the head of Internal Audit attend all meetings of the Audit and Compliance Committee, as well as the Internal Control officer attend every six months, and are duly informed of the matters discussed.

## F.6 Other relevant information

### F.7 External auditor report

Report on:

F.7.1. Whether the ICFR information disclosed to the markets has been submitted by the external auditor, in which case the entity must attach the corresponding report as an annex. Otherwise, explain the reasons why it was not.

The information related to internal control over the financial information of the BBVA Group described in this report is reviewed by the external auditor, which issues its opinion on the control system and on its effectiveness in relation to the statements published at the close of each financial year.

On 6 April 2016, the BBVA Group, as a private foreign issuer in the United States, filed the Annual Report (Form 20-F) which was published on the SEC website on that same date.

In accordance with the requirements set out in Section 404 of the Sarbanes-Oxley Act of 2002 by the Securities and Exchange Commission (SEC), the annual report Form 20-F included the certification of the main Group executives on the establishment, maintenance and assessment of the Group's internal control system of financial reporting. Form 20-F report also included the opinion of the external auditor regarding the effectiveness of the entity's internal control system of financial reporting at year-end 2015.

## G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent to which the company follows the recommendations of the Good Governance Code of listed companies.

Should any recommendation not be followed or be only partially followed, a detailed explanation should be given of the reasons so that the shareholders, investors and the market in general have sufficient information to assess the way the company works. General explanations will not be acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

COMPLIANT

2. When a dominant and subsidiary company are both listed, they should provide detailed disclosure on:

- a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.
- b) The mechanisms in place to resolve possible conflicts of interest.

NOT APPLICABLE

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

- a) Changes taking place since the previous annual general meeting.
- b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

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#### COMPLIANT

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

#### COMPLIANT

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

#### PARTIALLY COMPLIANT

The Company has proposed to the General Shareholders' Meeting to delegate to the Board of Directors the power to increase the share capital and issue convertible securities, while delegating the power to exclude, wholly or in part, the preemptive right in capital increases and convertible securities issued, although this power to exclude the preemptive right will be jointly limited to 20% of the share capital at the time of the delegation, this limitation not being applicable to the issue of convertible securities which foresee their eventual conversion to the effects of their computability as capital instruments, in accordance with the applicable solvency regulations, for being dilutive to shareholders.

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

- a) Report on auditor independence.
- b) Reviews of the operation of the audit committee and the nomination and remuneration committee.
- c) Audit committee report on third-party transactions.
- d) Report on corporate social responsibility policy.

#### COMPLIANT

7. The company should broadcast its general meetings live on the corporate website.

#### COMPLIANT

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

#### COMPLIANT

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

#### COMPLIANT

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10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

NOT APPLICABLE

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

NOT APPLICABLE

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximizing its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

COMPLIANT

13. The board of directors should have an optimal size to promote its efficient functioning and maximize participation. The recommended range is accordingly between five and fifteen members.

COMPLIANT

14. The board of directors should approve a director selection policy that:

- a) Is concrete and verifiable;
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs; and
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

COMPLIANT

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

COMPLIANT

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16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

COMPLIANT

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalization, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

COMPLIANT

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

- a) Background and professional experience.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the company, and any options on the same.

COMPLIANT

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

NOT APPLICABLE

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

COMPLIANT

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

COMPLIANT

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organization's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

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The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decides whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

COMPLIANT

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

COMPLIANT

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

COMPLIANT

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of director's regulations should lay down the maximum number of company boards on which directors can serve.

COMPLIANT

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

COMPLIANT

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

COMPLIANT

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

COMPLIANT

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

COMPLIANT

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

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#### COMPLIANT

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

#### COMPLIANT

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

#### COMPLIANT

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organize and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

#### COMPLIANT

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

#### COMPLIANT

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

#### COMPLIANT

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.
- b) The performance and membership of its committees.
- c) The diversity of board membership and competences.
- d) The performance of the chairman of the board of directors and the company's chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

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#### COMPLIANT

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

#### PARTIALLY COMPLIANT

The current composition of the Executive Committee of BBVA was agreed by the Board of Directors at its meeting on 31 March 2016, and it was considered that it had the most adequate composition for the performance of its functions.

Thus, in accordance with article 26 of the Board of Directors Regulations of BBVA, which establishes that in its composition non-executive directors have to be a majority over executive directors, as of 31 December 2016, the Executive Committee of the Board of Directors partially reflects the participation on the Board of Directors since its Chairman and Secretary are those of the Board of Directors and is composed of two executive directors and four non-executive directors with the status of other external directors, which represents a majority of non-executive directors in accordance with the provisions of the Regulations of the Board of Directors.

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

#### COMPLIANT

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

#### COMPLIANT

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

#### COMPLIANT

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

#### COMPLIANT

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

- a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

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- b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
- c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

COMPLIANT

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

COMPLIANT

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyze the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

COMPLIANT

45. Risk control and management policy should identify at least:

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance sheet risks.
- b) The determination of the risk level the company sees as acceptable.
- c) The measures in place to mitigate the impact of identified risk events should they occur.
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

COMPLIANT

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

COMPLIANT

47. Appointees to the nomination and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

COMPLIANT

48. Large-cap companies should operate separately constituted nomination and remuneration committees.

COMPLIANT

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49. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

COMPLIANT

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior officer contracts.
- b) Monitor compliance with the remuneration policy set by the company.
- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.
- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

COMPLIANT

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

COMPLIANT

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations.

They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
- b) They should be chaired by independent directors.
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
- d) They may engage external advice, when they feel it necessary for the discharge of their functions.
- e) Meeting proceedings should be minuted and a copy made available to all board members.

COMPLIANT

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organization, with at the least the following functions:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

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- e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
- f) Monitor and evaluate the company's interaction with its stakeholder groups.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

COMPLIANT

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- d) The methods or systems for monitoring the results of the practices referred to above and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honor and integrity.

COMPLIANT

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

COMPLIANT

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

COMPLIANT

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

COMPLIANT

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.

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- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

COMPLIANT

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

COMPLIANT

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

COMPLIANT

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

COMPLIANT

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

PARTIALLY COMPLIANT

As a credit entity and thus bound to requirements insofar as remunerations, BBVA establishes its specific rules and regulations by furnishing its remuneration policy with a variable remuneration system that includes deferral conditions, payment in shares, unavailability and clauses for the ex-post adjustment of the remuneration depending on the risk.

In this regard, the BBVA remuneration policy establishes that executive directors will receive 50% of the Annual Variable Remuneration in equal parts in cash and in shares, in the first quarter of the financial year following the year to which the remuneration corresponds, and the remaining 50% (in cash and in shares) deferred as a whole for a period of three years, whereby its accrual and vesting shall be subject to compliance with a series of multi-year indicators, which may reduce the deferred amount even to zero. Moreover, all shares paid for the settlement of Annual Variable Remuneration, both the initial percentage and deferred amounts subject to multi-year indicators shall be unavailable during a certain period, which shall be established on an annual basis by the Board of Directors, applying such a withholding on the resulting number of shares after discounting the part required to honor the tax payments.

In addition, the variable remuneration as a whole will be subject to the reduction and recovery clauses established in the remuneration policy of BBVA's directors, which approval is subject to the coming General Shareholders' Meeting of the Bank, which will be applicable to the annual variable remuneration accrued since 2016, inclusive.

This policy already includes for years 2017, 2018 and 2019 the executive directors' commitment not to transfer the shares that they receive from the remuneration systems, in the terms established in this Recommendation, thus fulfilling it.

On a separate note, the executive directors have not transferred during 2016 the shares derived from remuneration systems, except those transfers made to fulfill tax obligations deriving from their delivery.

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63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

COMPLIANT

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

COMPLIANT

## **H OTHER INFORMATION OF INTEREST**

1. If there is any other aspect relevant to the corporate government in the company or in the group entities that has not been reflected in the rest of the sections of this report, but is necessary to include to provide more comprehensive and well-grounded information on the corporate governance structure and practices in your entity or its group, detail them briefly.

2. This section may also include any other relevant information, clarification or detail related to previous sections of the report insofar as they are relevant and not reiterative.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the mandatory information to be provided when different from that required by this report.

3. The company may also indicate if it has voluntarily signed up to other international, industry-wide or any other codes of ethical principles or best practices. Where applicable, the code in question will be identified along with the date of signing. In particular, mention will be made as to whether it has adhered to the Code of Best Tax Practices (Código de Buenas Prácticas Tributarias) of 20 July 2010.

The data in this report refer to the year ending 31 December 2016, except in those cases when another date of reference is specifically stated.

Further to Section A.2, State Street Bank and Trust Co., The Bank of New York Mellon S.A.N.V. and Chase Nominees Ltd., as international custodian/depositary banks, held 11.74%, 5.18% and 7.04% of BBVA's share capital, respectively, as of December 31 2016. Of said positions held by the custodian banks, BBVA is not aware of any individual shareholders with direct or indirect holdings greater than or equal to 3% of the BBVA common stock.

Filings of significant holdings to CNMV: On 6 October 2016, Blackrock Inc. filed a report with the CNMV (securities exchange authority) stating that it now had an indirect holding of 5.000% of the BBVA share capital, through the company Blackrock Investment Management. Likewise, on 9 January 2017, Blackrock Inc. filed a report with the CNMV (securities exchange authority) stating that it now had an indirect holding of 4.886% of the BBVA share capital. Likewise, on 13 January 2017, Blackrock Inc. filed a report with the CNMV (securities exchange authority) stating that it now had an indirect holding of 5.253% of the BBVA share capital.

The director holdings indicated in section A.3 are those reported as of 31 December 2016 and therefore may have subsequently changed. Moreover, following the instructions to complete the Corporate Governance Report, the owners of indirect holdings are not identified in this section; as none of them holds as much as 3% of share capital and none of them reside in tax havens.

Moreover, as an explanation to the second table of section A.3., the number of direct rights on shares in the Company corresponds with the shares from the Annual Variable Remuneration (AVR) from previous years that was deferred and pending payment on the date of this Report, subject to the conditions for this. Thus, is included the total number of "rights to shares" of BBVA executive directors corresponding to the third and second third deferred of years 2013 and 2014 that they will perceive in 2017; to the third third deferred of the year 2014 that they will perceive

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in 2018; and the 50% deferred of the AVR 2015 that they will perceive in 2019, subject in this case to the multiannual indicators that could reduce the amount deferred, even become zero.

These amounts are disclosed in an individual manner for each executive director in the following way:

- In the case of the Chairman: 29,555 shares corresponding to the third third deferred of AVR 2013; 37,392 shares and 37,390 shares corresponding to the second and third third deferred of AVR 2014; and 135,299 shares corresponding to the 50% of AVR 2015.
- In the case of the CEO, who was appointed to that position on 4 May 2015: 7,937 shares corresponding to the third third deferred of AVR 2013; 11,766 shares and 11,766 shares corresponding to the second and third third deferred of AVR 2014, all of this in his previous condition of Director of Digital Banking; and 79,956 shares corresponding to the 50% of AVR 2015, being his AVR 2015 proportional to the months elapsed in the performance of both positions.
- In the case of the executive director Head of GERPA: 1,768 shares corresponding to the third third deferred of AVR 2013; 3,681 shares and 3,678 shares corresponding to the second and third third deferred of AVR 2014; and 14,815 shares corresponding to the 50% of AVR 2015.

The payment of these deferred shares is subject to the non-occurrence of any of the situations established by the Remuneration Policy applicable in each year that could impede payment thereof (malus clauses/clawback) in addition the remaining conditions of the liquidation and payment system.

Further to the information in section A.8, regarding earnings from treasury-stock trading, rule 21 of Circular 4/2004 and IAS 32, paragraph 33, expressly prohibit the recognition in the income statement of profits or losses made on transactions carried out with treasury stock, including their issue and redemption. Said profits and losses are directly booked against the company's net assets. In the table of significant variations, the date of entry of CNMV Model IV in the registries of that body is included. Such model corresponds to the communications with own shares and the reason for such communication.

In addition to what is indicated in section A.9, in relation to the agreement adopted by the BBVA Ordinary General Shareholders Meeting held on 16 March 2012, item three of the Agenda, regarding delegation to the Board of Directors of the power to increase the share capital, one or more times, within a maximum period of five years from the date of adoption of said agreement, up to 50% of the share capital of BBVA at the time of said authorization, the countervalue of said shares comprising cash considerations, given that the term of the aforementioned delegation expires in 2017, the adoption of a new delegation in terms similar to those currently in force will be proposed at the next Ordinary General Shareholders' Meeting.

Also, in relation to the agreement adopted by the BBVA Ordinary General Shareholders' Meeting held on March 16, 2012, in the fifth item on the Agenda, delegating to the Board of Directors the power to issue convertible securities and/or securities exchangeable for BBVA shares, one or more times, within a maximum period of five years from the date of adoption of said agreement, to a maximum total amount of €12,000,000,000 or the equivalent in any other currency, given that the term of the aforementioned delegation expires in 2017, a new delegation agreement will be proposed at the next Ordinary General Shareholders' Meeting in terms similar to those currently in force.

Regarding section A.9 bis, the resulting estimated floating capital of BBVA less the capital held by the members of the Board of Directors and as treasury stock, both as of 31 December 2016, following the instructions to complete the Corporate Governance Report is 99.87%.

Further to the information in section A.10, there are no legal or bylaws restrictions on the exercise of voting rights and there are no legal or bylaws restrictions on the free acquisition or transfer of shares in the company's share capital. As for the legal restrictions on the free acquisition or transfer of shares in the company's share capital, Spanish Act 10/2014, dated 26th June, on the regulation, supervision and solvency of credit institutions establishes that the direct or indirect acquisition of a significant holding (as defined in section 16 of that Act) is subject to assessment by the Bank of Spain as set out in sections 16 et seq. of that Act. Additionally, article 25 of Royal Decree 84/2015, implementing Act 10/2014, establishes that the Bank of Spain shall evaluate proposals for acquisitions of significant shares and submit a proposal to the European Central Bank regarding whether to oppose this acquisition or not. This same article establishes the criteria that should be considered during said evaluation and the applicable timelines.

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Further to the information included in section C.1.15:

The amount indicated as "Remuneration of the Board of Directors" includes remuneration stemming from the remuneration systems established for non-executive and executive directors as provided for in the Remuneration Policy for BBVA directors and pursuant to article 33 bis and 50 bis of the Company Bylaws, respectively, and includes:

- a) The fixed remuneration (for pertaining to the Board and Committees) and remuneration in kind corresponding to 2016 of non-executive board members.
- b) The fixed remuneration and in kind for executive directors (3) corresponding to 2016.
- c) The Annual Variable Remuneration 2016 equally distributed in cash and in shares for executive directors. It should nonetheless be noted that this remuneration, has not accrued to the executive directors in its entirety on the date of this Report, since, according to the BBVA director Remuneration Policy applicable to them, they will only receive 50% of this amount in 2017, while the remaining amount will be deferred for a period of three years, and its accrual and payment is subject to the concurrence of the multi-year assessment indicators. Furthermore, the deferred Annual Variable Remuneration will be subject to the non-occurrence of any of the situations established by the Remuneration Policy applicable in each year, that could reduce or impede payment thereof (malus clauses/clawback) in addition the remaining conditions of the liquidation and payment system of the Annual Variable Remuneration.
- d) The remuneration paid for all concepts to two independent directors who ceased in their position in March 2016 and who, consequently, did not remain in office as of 31 December 2016.

The total amount indicated, pursuant to the instructions in this Report, corresponds to the amount declared as total remuneration accrued according to chart c) "Summary of Remuneration", section D.1 in the Annual Report on Directors' Remuneration of BBVA.

All these items are included for each individual director in Note 54 of the Annual Report.

For calculating the cash value of the shares corresponding to the Annual Variable Remuneration for 2016, and in accordance with the Remuneration Policy, the reference used was the average BBVA share closing price corresponding to the trading days between 15 December 2016 and 15 January 2017, namely €6.43 per share.

The provisions recorded as of 31 December 2016 to cover commitments undertaken for the Chief Executive Officer amounted to €16,051 thousand, of which, during 2016 and according to applicable accounting regulations, €2,342 thousand have been provisioned against earnings of the year and €836 thousand against equity, in order to adapt the interest rate assumption used for the valuation of pension commitments in Spain. In the case of the executive director Head of GERPA, the provisions recorded as of 31 December 2016 amounted to €609 thousand, of which €310 have been provisioned against earnings of the year. In both cases, these amounts include the provisions covering retirement, as well as death and disability.

There are no other pension obligations in favour of other executive directors.

As a result of the entry into force of Circular 2/2016, of the Bank of Spain to the credit institutions, on supervision and solvency, 15% of the annual contributions agreed to pension systems determined on the basis of the benefit accrued for the financial year corresponding to executive directors and BBVA's senior managers, will be based on variable components and will be considered as discretionary pension benefits, and in consequence will be deemed as deferred variable remuneration, subject to the payment and withholding conditions provided in the applicable regulations, as well as reduction arrangements and other applicable conditions established to the variable remuneration in the Remuneration Policy for BBVA's Directors.

The balance of the item "Provisions - Funds for pensions and similar liabilities" on the Group's consolidated balance sheet as of 31 December 2016 includes €89 million under the item for post-employment benefit commitments maintained with former members of the Board of Directors.

Further to the information included in section C.1.16:

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The heading "Total senior management remuneration" includes the remuneration of members of Senior Management listed as such as of 31 December 2016 (14 members), comprising:

- a) The fixed remuneration and the remuneration in kind during 2016;
- b) The Annual Variable Remuneration received during the first quarter of 2016 corresponding to 2015, both in cash and in shares;
- c) The deferred part of the variable remuneration received during the first quarter of 2016, corresponding to previous years (2014, 2013 and 2012), both in cash and in shares, plus the amount of the corresponding updates.

For calculating the cash value of the shares corresponding to said remuneration, the payment price has been €5.44.

Moreover, members of Senior Management of the BBVA Group, excluding executive directors, who had ceased in that condition during 2016 have received an overall total amount during this period of: €2,232 thousand as fixed remuneration; €1,076 thousand and 162,266 BBVA shares corresponding to 50% of the Annual Variable Remuneration for 2015; and €462 thousand and 53,246 BBVA shares as liquidation of the parts deferred from the Annual Variable Remuneration from 2014, 2013 and 2012 whose corresponding payment was settled during the first quarter of 2016, including the corresponding update; and as remuneration in kin and others amounting to €511 thousand.

Moreover, in 2016 following the disengagement of some members of Senior Management from the Group, compensations were settled for a total amount of €1,788 thousand, which is recorded in note 44 to the Annual Report under Other Personnel Expenses.

Lastly, the provisions recorded as of 31 December 2016 for pension commitments for members of the Senior Management, excluding executive directors, amounted to €46,299 thousand, of which, during 2016 and according to applicable accounting regulations, €4,895 thousand have been provisioned against earnings of the year and €2,226 thousand against equity, in order to adapt the interest rate assumption used for the valuation of pension commitments in Spain. These amounts include the provisions covering retirement, as well as death and disability.

As a result of the entry into force of Circular 2/2016, of the Bank of Spain to the credit institutions, on supervision and solvency, 15% of the annual contributions agreed to pension systems determined on the basis of the benefit accrued for the financial year corresponding to executive directors and BBVA's senior managers, will be based on variable components and will be considered as discretionary pension benefits, and in consequence will be deemed as deferred variable remuneration, subject to the payment and withholding conditions provided in the applicable regulations, as well as reduction arrangements and other applicable conditions established to the variable remuneration in the Remuneration Policy for BBVA's Directors.

The balance of the item "Provisions - Funds for pensions and similar liabilities" on the Group's consolidated balance sheet as of 31 December 2016 includes €265 million under the item for post-employment benefit commitments maintained with former members of the Bank's Senior Management.

In reference to section C.1.29, the Board of Directors always meets with the attendance of its chair and therefore the Lead Director has never chaired a meeting of the Board of Directors. The Lead Director, in the scope of his entrusted duties, maintains fluid contact with the independent directors to simplify the discharge of his duties.

With regard to section C.1.31, as BBVA shares are listed on the New York Stock Exchange, it is subject to the supervision of the Securities & Exchange Commission (SEC) and, thus, to compliance with the Sarbanes Oxley Act and its implementing regulations, and for this reason each year the Group Executive Chairman, the CEO and the executive tasked with preparing the Accounts sign and submit the certifications described in sections 302 and 906 of this Act, related to the content of the Annual Financial Statements. These certificates are contained in the annual registration statement (Form 20-F) which the Company files with this authority for the official record.

As reference to section C.1.45, the contractual terms and conditions insofar as provisions of the Chief Executive Officer, shall determine that when no longer holding said position for any reason other than his own will, retirement, disability or serious breaches of duty, he would be given early retirement with a pension payable, as he chooses, through a lifelong annuity pension or capital, whose annual amount will be calculated on the basis of the provisions

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that, according to current actuarial criteria applicable at that moment, the Bank might have made to said date in fulfillment of the pension commitments for retirement as established in his contract, though in no case whatsoever shall this commitment bind the Bank to any additional provisions. This pension may not exceed 75% on the pensionable base if the event occurs before turning 55 or 85% on the pensionable base if the event occurs after turning said age.

Likewise, the Board of Directors only approves the contract conditions related to executive directors and Senior Management members as set out in article 17 of the Board Regulations, which are reported to the General Meeting through this Report and the Annual Report on Directors' Remuneration of BBVA, but does not authorize those of other technical and specialist professionals.

Further to section C.2.1, on 31 December 2016, the BBVA Executive Committee partially reflected participation in the Board of Directors, since its Chair and Secretary sit on the Board of Directors whose composition, according to article 26 of the Regulations of the Board of Directors, has more non-executive directors than executive directors.

Moreover, and further to section C.2.1, we provide brief indications regarding what the regulations establish about the composition and functions of each board committee:

- **Audit and Compliance Committee:** Article 29 of the Board Regulations establishes that the Audit and Compliance Committee will exclusively comprise independent directors tasked with assisting the Board of Directors in supervising the financial information and exercising oversight for the Group. The members of the Audit and Compliance Committee, and particularly its Chair, shall be appointed with regard to their knowledge and background in accounting, auditing and risk management. It will be made up of four members appointed by the Board, one of whom will be appointed taking into account his/her knowledge of accounting, auditing or both. The Board will also appoint the Chair of this Committee, who must be replaced every four years and may be re-elected one year after the end of his/her term of office. When the Chair cannot be present, his/her duties will be performed by the most senior independent director on the Committee, and, where more than one person of equal seniority are present, by the eldest. The Committee will appoint a Secretary who may or may not be a member of the Committee.

Turning to the duties of the Audit and Compliance Committee mentioned in section C.2.1, in addition to the duties cited in said section, the Audit and Compliance Committee has its own operating regulations available on the BBVA website ([www.bbva.com](http://www.bbva.com)) and includes a full breakdown of the duties of this Committee.

- **Appointments Committee:** Article 32 of the Board Regulations establishes that the Appointments Committee will comprise a minimum of three members who will be appointed by the Board of Directors, which will also appoint its Chair. All the members of this Committee must be non-executive directors, and a majority of them independent directors, as its Chair. When the Chair cannot be present, the meetings will be chaired by the most senior independent director on the Committee, and, where more than one person of equal seniority are present, by the eldest.

- **Remuneration Committee:** Article 35 of the Board Regulations establishes that the Remuneration Committee will comprise a minimum of three members who will be appointed by the Board of Directors, which will also appoint its Chair. All the members of this Committee must be non-executive directors, and a majority of them independent directors, as its Chair. When the Chair cannot be present, the meetings will be chaired by the most senior independent director on the Committee, and, where more than one person of equal seniority are present, by the eldest.

- **Executive Committee:** Article 26 of the Board Regulations establishes the following: In accordance with the Company Bylaws, the Board of Directors may, with the favorable vote of two-thirds of its members, appoint an Executive Committee, ensuring that there is a majority of non-executive directors over executive directors. The Executive committee will be chaired by the Chairman of the Board of Directors, or when this is not possible, by whomever the Company Bylaws determines. The secretary of the Committee will be the Secretary of the Board. If absent, the person the meeting's members appoint for this purpose will stand in for the secretary.

- **Risk Committee:** Article 38 of the Company Board Regulations establishes that the Risk Committee will comprise a minimum of three members who will be appointed by the Board of Directors, which will also appoint its Chair. All the members of this Committee must be non-executive directors of whom at least one third, and in any event the Chair,

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must be independent. When the Chair cannot be present, the meetings will be chaired by the most senior independent director on the Committee, and, where more than one person of equal seniority are present, by the eldest.

- **Technology and Cyber-security Committee:** The Technology and Cyber-security Committee Regulations establish that it will comprise a minimum of three members appointed by the Board of Directors, which will also appoint its Chairman. For these purposes, the Board of Directors will consider the knowledge and experience in technology, information systems and cyber-security. When the Chairman cannot be present, the Committee meetings will be chaired by the most senior member of the Committee and, where more than one person of equal seniority are present, by the eldest.

Regarding section C.2.5, on the most important actions of the Remuneration Committee during 2016, the Chairman of the Remuneration Committee submitted a report to the Board on its activities during 2016 including, among others, the following aspects: in relation to non-executive directors, the need to extend the remuneration system with deferred payment for an additional period of 5 years and submitted that decision to the General Meeting as governing body responsible for approving it; likewise, the remuneration corresponding to the Technology and Cyber-security members' was determined for its proposal to the Board. Regarding the remuneration issues of executive directors, the Committee proposed for approval by the Board the settlement of the Annual Variable Remuneration 2015, the updating of the deferred parts of the variable remuneration of previous years, the review of the update of the fixed and variable remuneration of reference for 2016, the determination of the annual and multiannual indicators for the calculation of the Annual Variable Remuneration 2016, as well as their weightings, target and scales, and annual determination rules for the settlement and payment system of the variable remuneration applicable to the categories of personal whose professional activities significantly influence the risk profile of the Group, including executive directors and BBVA Senior Management (Identified Group). In addition, regarding the remuneration issues of Senior Management, the Committee proposed for approval by the Board the settlement of the variable remuneration for 2015 and the basic contractual conditions for 2016. This also included, among other matters, the tasks carried out by the Committee in relation to the Annual Report on Directors' Remuneration, proposed to the Board for a consultative vote by the General Meeting, review of the application of the Remuneration Policy in the previous year and verification of information on the remuneration of directors and senior executives contained in corporate documents. In addition, the Committee has carried out in 2016 an intense work to review the Remuneration Policy applicable in view of the new regulation that has recently been approved on remuneration, by submitting the corresponding proposals to the Board for the amendment of the Remuneration Policy for directors and Identified Group.

With respect to section D (Related-party and Intragroup Transactions), see Note 53 of the BBVA Annual Consolidated Accounts for 2016. With respect to section D.4, it details the transactions conducted by Banco Bilbao Vizcaya Argentaria, S.A. at the close of the year, with companies issuing securities on international markets, carried out as part of ordinary trading related to the management of outstanding issuances. Moreover, with respect to section D.4, please refer to the section entitled "Offshore financial centers" in the BBVA Consolidated Management Report for 2016.

During 2011, the BBVA Board of Directors approved the Bank's adhesion to the Code of Best Tax Practices (Código de Buenas Prácticas Tributarias) approved by Foro de Grandes Empresas according to the wording proposed by the State Tax Administration Agency (AEAT). During this year, it has been compliant with the contents of this Code. Moreover, BBVA is committed to applying the provisions of the Universal Declaration of Human Rights, Principles of United Nations Global Compact (which BBVA has formally signed), Equator Principles (to which BBVA has been formally adhered since 2004) and other conventions and treaties involving international organizations such as the Organization for Economic Cooperation and Development and the International Labor Organization.

[This annual report on corporate governance has been approved by the company's board of directors on 9 February 2017.](#)

[List whether any Directors voted against or abstained from voting on the approval of this Report.](#)

NO

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