BBVA in 2014

We work for a better future for people

“In 2014 we achieved good earnings, took important decisions that improve BBVA’s growth potential and made notable progress in our digital transformation strategy.”

Francisco González, Chairman and CEO

Contents

8 Letter from the Chairman and CEO

12 BBVA Group

About BBVA 14
Corporate Governance System 18
Strategic positioning 20
- Values and principles 20
- The economic, banking and regulatory background 21
- The banking model in BBVA 26
- Transforming from and for customer 31

BBVA brand 35
Primary stakeholders 43
- Tools for communication and dialog with stakeholders 43
- Customers 45
- Shareholders 53
- The team 57
- Society 62

Performance in 2014 63
- Relevant events 68
- Earnings 69
- Balance sheet and business activity 81
- Solvency 86

90 Global Risk Management

BBVA Group's risk management function. General risk management and control model 92
Credit risk 102
Market risk 114
- Market risk in trading book 114
- Structural risks 122

Liquidity and funding risk 128
Operational risk 130
Social, environmental and reputational risks 134

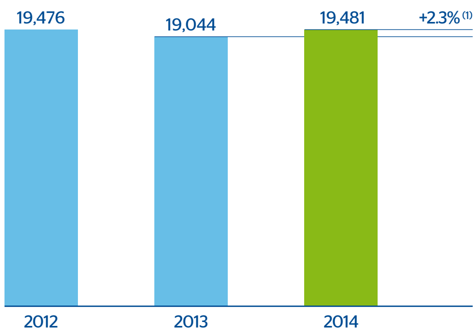
136 Business areas

Banking activity in Spain 141
Real-estate activity in Spain 158
The United States 164
Eurasia 175
Mexico 189
South America 202
Corporate Center 221
Other information: Corporate & Investment Banking (CIB) 226

242 Supplementary information

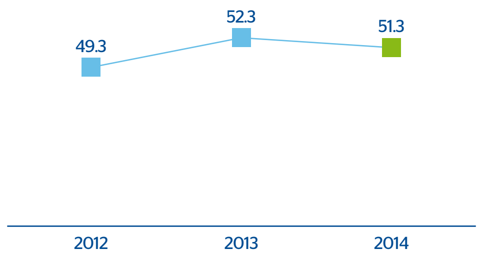
BBVA Group Highlights

Net interest income plus fees and commissions (Million euros)

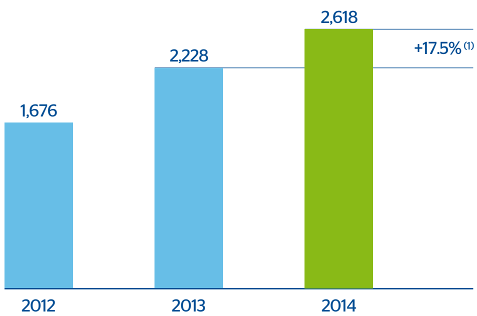


(1) At constant exchange rates: +13.3%.

Efficiency ratio
(Percentage)

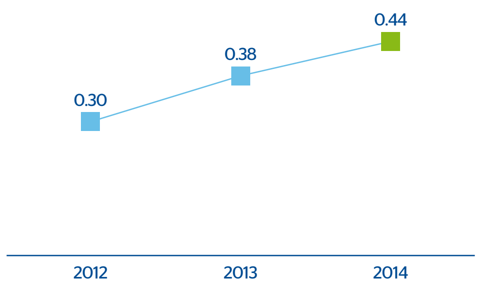


Net attributable profit
(Million euros)

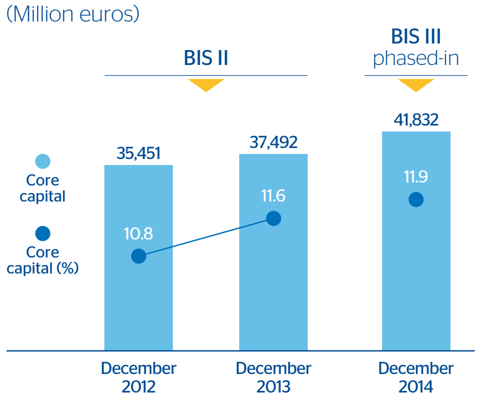


(1) At constant exchange rates: +42.5%.

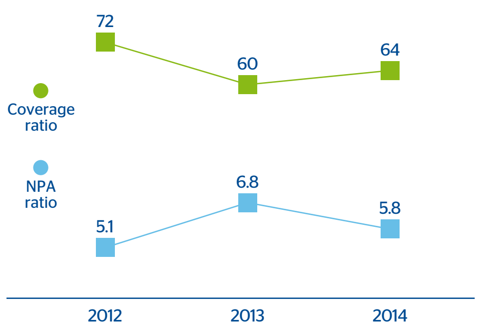
Earnings per share
(Euros)



Core capital
(Million euros)



Coverage and NPA ratios



BBVA Group Highlights

(Consolidated figures)

	31-12-14	Δ%	31-12-13	31-12-12
Balance sheet (million euros)				
Total assets	651,511	8.7	599,517	637,785
Loans and advances to customers (gross)	366,536	4.7	350,110	367,415
Deposits from customers	330,686	6.6	310,176	292,716
Other customer funds	115,274	16.2	99,213	91,776
Total customer funds	445,960	8.9	409,389	384,493
Total equity	51,609	15.1	44,850	43,802
Income statement (million euros) (1)				
Net interest income	15,116	3.4	14,613	15,122
Gross income	21,357	(0.2)	21,397	21,892
Operating income	10,406	2.1	10,196	11,106
Income before tax	4,063	47.7	2,750	749
Net attributable profit (1)	2,618	17.5	2,228	1,676
Data per share and share performance ratios				
Share price (euros)	7.85	(12.2)	8.95	6.96
Net attributable profit per share (euros) (1)	0.44	15.7	0.38	0.30
Book value per share (euros)	8.01	0.1	8.00	8.00
P/BV (Price/book value; times)	1.0		1.1	0.9
PER (Price/earnings; times)	17.3		23.2	21.5
Yield (Dividend/price; %)	4.5		4.1	6.0
Significant ratios (%)				
ROE (Net attributable profit/average equity)	5.6		5.0	4.0
ROTE (Net attributable profit/average tangible equity)	6.5		6.0	5.0
ROA (Net income/average total assets)	0.50		0.48	0.37
RORWA (Net income /average risk-weighted assets)	0.90		0.91	0.70
Efficiency ratio (1)	51.3		52.3	49.3
Cost of risk	1.25		1.59	2.15
NPA ratio	5.8		6.8	5.1
NPA coverage ratio	64		60	72
Capital adequacy ratios (%) (2)				
Core capital	11.9		11.6	10.8
Tier I	11.9		12.2	10.8
Ratio BIS	15.1		14.9	13.0
Non financial indicators (3)				
Global employee satisfaction index (%)	77		76	76
Gender diversity (Ratio of women in the staff; %)	53		53	53
Socially responsible mutual funds (SRI) (%)	13.9		5.1	2.6
Attributable profit dedicated to community involvement programs (%)	4.1		4.4	4.8
Number of beneficiaries of the Financial Literacy Plan	1,385,447		1,339,549	1,174,372
Number of microentepreneurs supported by the BBVA Microfinance Foundation	1,544,929		1,493,709	1,293,514
Other information				
Number of shares (millions)	6,171	6.7	5,786	5,449
Number of shareholders	960,397	(1.4)	974,395	1,012,864
Number of employees (4)	108,770	(0.5)	109,305	115,852
Number of branches (4)	7,371	(0.7)	7,420	7,878
Number of ATMs (4)	22,104	8.3	20,415	20,177

Memorandum item: the consolidated accounts of the BBVA Group have been drawn up according to the International Financial Reporting Standards (IFRS) adopted by the European Union and in accordance with Bank of Spain Circular 4/2004 and with its subsequent amendments. As regards the stake in the Garanti Group, the information is presented as in previous periods and consolidated in proportion to the percentage of the Group's stake.

(1) The Group income statement figures for the year 2013 have been maintained as they were published in 2013, without the restatement following the change in the accounting policy relating to contributions to the Deposit Guarantee Fund in Spain, as explained in the following pages.
(2) The capital ratios in 2014 have been calculated under the Basel III phased-in regulations. For previous periods, the calculation was done in accordance with the Basel II regulations in force at the time.
(3) More details are provided in the Information on Responsible Banking 2014 included in the web page www.bbvaresponsiblebanking.com.
(4) Excluding Garanti.

Information about the net attributable profit (excluding results from corporate operations) (1-2)	31-12-14	Δ%	31-12-13	31-12-12
Net attributable profit (2)	3,195	(28.9)	4,490	4,127
Net attributable profit per share (euros)	0.56	(29.7)	0.80	0.81
ROE	7.1		10.7	10.9
ROTE	8.6		13.4	14.7
ROA	0.64		0.82	0.81
RORWA	1.20		1.54	1.43

(1) In 2013 and 2012 the figures include the results from the pension business in Latin America, including the capital gains from their sale (in 2013); the capital gains from the sale of BBVA Panama (in 2013); the capital gains generated by the reinsurance operation on the individual life and accident insurance portfolio in Spain (in 2013); the equity-accounted earnings from CNCB (excluding dividends), together with the effect of the mark-to-market valuation of BBVA's stake in CNCB following the agreement concluded with the CITIC group, which included the sale of 5.1% of CNCB (in 2013); the losses generated from the sale of BBVA Puerto Rico (in 2012); and Unnim badwill (in 2012).
(2) The Group income statement figures for the year 2013 have been maintained as they were published in 2013, without the restatement following the change in the accounting policy relating to contributions to the Deposit Guarantee Fund in Spain, as explained in the following pages.

Conciliation of the BBVA Group's financial statements

These headings present the reconciliation of the Group's financial statements with the Garanti Group using the equity method versus consolidation in proportion to the percentage of the BBVA Group's stake in the Turkish entity. In terms of reporting to the market, this consolidation method is deemed better for evaluating the nature and financial effects of the Garanti Group's business activities, consistent with the information from previous periods, and more coherent in its effects on solvency. On the other hand, as a result of the adoption of the IFRIC 21 Interpretation on levies issued by the IFRS Interpretation Committee, the accounting policy related to the contributions made to the Deposit Guarantee Fund in Spain was amended in 2014. This change entails that levies are booked when the payment obligation is produced, regardless of when the actual payment is done. In accordance with the International Accounting Standards, this change has been applied retroactively, and therefore certain amounts from previous years have been re-expressed, exclusively for comparison purposes. The main effect of this amendment is for the year 2013. This means, with respect to the previously published income statements, that the amount of the "other operating income and expenses" heading has been modified and, consequently, changes have also been made to the "gross income", "operating income", "income before tax", "net income from ongoing operations", "net income" and the Group's "net attributable profit" headings. In 2013, "net attributable profit" would be €2,084m, instead of the €2,228m published under

Consolidated income statement BBVA Group

(Million euros)

	Garanti Group consolidated in proportion to the percentage of the Group's stake and with the heading "Results from corporate operations"					Garanti Group consolidated using the equity method		
	2014	∆%	∆% (1)	2013	2013 (1)	2014	2013	2013 (1)
Net interest income	**15,116**	**3.4**	**3.4**	**14,613**	**14,613**	**14,382**	**13,900**	**13,900**
Net fees and commissions	4,365	(1.5)	(1.5)	4,431	4,431	4,174	4,250	4,250
Net trading income	2,135	(15.5)	(15.5)	2,527	2,527	2,134	2,511	2,511
Dividend income	531	45.5	45.5	365	365	531	235	235
Income by the equity method	35	(51.9)	(51.9)	72	72	343	694	694
Other operating income and expenses	(826)	34.8	0.8	(612)	(819)	(839)	(632)	(838)
Gross income	**21,357**	**(0.2)**	**0.8**	**21,397**	**21,190**	**20,725**	**20,958**	**20,752**
Operating expenses	(10,951)	(2.2)	(2.2)	(11,201)	(11,201)	(10,559)	(10,796)	(10,796)
Personnel expenses	(5,609)	(3.1)	(3.1)	(5,788)	(5,788)	(5,410)	(5,588)	(5,588)
General and administrative expenses	(4,161)	(2.8)	(2.8)	(4,280)	(4,280)	(4,004)	(4,113)	(4,113)
Depreciation and amortization	(1,180)	4.2	4.2	(1,133)	(1,133)	(1,145)	(1,095)	(1,095)
Operating income	**10,406**	**2.1**	**4.2**	**10,196**	**9,989**	**10,166**	**10,162**	**9,956**
Impairment on financial assets (net)	(4,486)	(22.3)	(22.3)	(5,776)	(5,776)	(4,340)	(5,612)	(5,612)
Provisions (net)	(1,155)	83.4	83.4	(630)	(630)	(1,142)	(609)	(609)
Other gains (losses)	(701)	(32.5)	(32.5)	(1,040)	(1,040)	(704)	(2,781)	(2,781)
Income before tax	**4,063**	**47.7**	**59.7**	**2,750**	**2,544**	**3,980**	**1,160**	**954**
Income tax	(981)	65.5	84.8	(593)	(531)	(898)	(46)	16
Net income from ongoing operations	**3,082**	**42.8**	**53.1**	**2,158**	**2,013**	**3,082**	**1,114**	**970**
Net income from discontinued operations	-	-	-	-	-	-	1,866	1,866
Results from corporate operations	-	n.s.	n.s.	823	823	-	-	-
Net income	**3,082**	**3.4**	**8.7**	**2,981**	**2,836**	**3,082**	**2,981**	**2,836**
Non-controlling interests	(464)	(38.4)	(38.4)	(753)	(753)	(464)	(753)	(753)
Net attributable profit	**2,618**	**17.5**	**25.7**	**2,228**	**2,084**	**2,618**	**2,228**	**2,084**

(1) Figures restated following the change made in accounting policy relating to contributions to the Deposit Guarantee Fund in Spain.

the previous regulation. Additionally, the Group's total equity in 2013 would change from €44,850m published with the previous regulation to €44,565m. However, in the explanations contained in this annually information, the 2013 figures have been maintained as presented previously, in order to isolate the effect of the aforementioned modification on the year-on-year variations in the various income headings. The section on BBVA Group highlights in this document presents a reconciliation between the Group's financial statements presented in this annual information and the audited financial statements. Lastly, it is worth noting that the inclusion under the heading "Results from corporate operations" of all the impacts of such operations on the BBVA Group's earnings and the reconstruction, where applicable, of the historical series to guarantee a homogeneous comparison of the accounts.

Consolidated balance sheet BBVA Group

(Million euros)

	Garanti Group consolidated in proportion to the percentage of the Group's stake		Garanti Group consolidated using the equity method		
	31-12-14	31-12-13	31-12-14	31-12-13 [(1)]	31-12-13
Cash and balances with central banks	33,908	37,064	31,430	34,903	34,903
Financial assets held for trading	83,427	72,301	83,258	72,112	72,112
Other financial assets designated at fair value	3,236	2,734	2,761	2,413	2,413
Available-for-sale financial assets	98,734	80,848	94,875	77,774	77,774
Loans and receivables	386,839	363,575	372,375	350,945	350,945
Loans and advances to credit institutions	28,254	24,203	27,059	22,862	22,862
Loans and advances to customers	351,755	334,744	338,657	323,607	323,607
Debt securities	6,831	4,628	6,659	4,476	4,476
Held-to-maturity investments	-	-	-	-	-
Investments in entities accounted for using the equity method	661	1,497	4,509	4,742	4,742
Tangible assets	8,014	7,723	7,820	7,534	7,534
Intangible assets	8,840	8,165	7,371	6,759	6,759
Other assets	27,851	25,611	27,544	25,515	25,393
Total assets	**651,511**	**599,517**	**631,942**	**582,697**	**582,575**
Financial liabilities held for trading	56,990	45,782	56,798	45,648	45,648
Other financial liabilities designated at fair value	3,590	2,772	2,724	2,467	2,467
Financial liabilities at amortized cost	509,974	480,307	491,899	464,549	464,141
Deposits from central banks and credit institutions	97,735	87,746	93,361	83,316	83,316
Deposits from customers	330,686	310,176	319,060	300,490	300,490
Debt certificates	59,393	65,497	58,096	64,120	64,120
Subordinated liabilities	14,118	10,579	14,095	10,556	10,556
Other financial liabilities	8,042	6,309	7,288	6,067	5,659
Liabilities under insurance contracts	10,471	9,844	10,460	9,834	9,834
Other liabilities	18,877	15,962	18,451	15,635	15,635
Total liabilities	**599,902**	**554,667**	**580,333**	**538,133**	**537,725**
Non-controlling interests	2,511	2,371	2,511	2,371	2,371
Valuation adjustments	(348)	(3,831)	(348)	(3,831)	(3,831)
Shareholders' funds	49,446	46,310	49,446	46,025	46,310
Total equity	**51,609**	**44,850**	**51,609**	**44,565**	**44,850**
Total equity and liabilities	**651,511**	**599,517**	**631,942**	**582,697**	**582,575**
Memorandum item:					
Contingent liabilities	37,070	36,437	33,741	33,543	33,543

(1) Figures restated following the change made in accounting policy relating to contributions to the Deposit Guarantee Fund in Spain.

Letter from the Chairman and CEO

Dear Shareholder,

2014 was a difficult year, although it was positive from the economic point of view. Global GDP grew by 3.3%, slightly above the figure for 2013. The stronger growth in the developed economies offset a certain slowdown in emerging economies as a whole, where the performance of individual countries varied greatly.

For BBVA it was a productive year because we achieved good earnings, took important decisions that improve the Group's growth potential and made notable progress in our digital transformation strategy to become the best Bank in the world.

The net attributable profit in 2014 was €2,618m, an increase of 25.7% in current euros. In constant euros, i.e. not taking into account the exchange-rate effect, the net attributable profit increased by 54.6% from a year earlier. These results have been characterized by increased revenue, cost control, improved risk indicators and a strengthening of the capital base.

Gross income totaled €21,357m, slightly above the figure in 2013, and an increase of 9.6% in constant euros. Overall, expenses fell by 2.2% as a result of management actions adapted to each market. The trend in risk indicators has been positive. The NPA ratio has improved to 5.8%, the coverage ratio has increased to 64%, loan-loss and real-estate provisions have dropped by 25% and the cost of risk is down 34 basis points to 1.25%.

"The stress tests carried out on European banks confirmed the extraordinary solvency of BBVA"

As regards capital, we have increased the phased-in core capital ratio to 11.9%, well above the minimum levels required by the new regulation, while fully-loaded core capital closed the year at 10.4%, 70 basis points higher than in 2013. The stress tests carried out on European banks confirmed the extraordinary solvency of BBVA, which under the most adverse scenario would reach a fully-loaded core capital ratio of 8.2% in 2016. It is one of only three large European banks to exceed the 8% threshold.

In short, the strength of BBVA's capital base enables us to fund our growth, comfortably comply with the regulator's requirements and, at the same time, offer our shareholders a sound and predictable remuneration model linked to profit growth.

In recent months we have also taken important steps to improve future growth prospects. First, the acquisition of Catalunya Banc enables us to grow significantly in Catalonia, a market with great economic potential, and become Spain's number one financial institution in terms of loans and customer funds. Second, the increase in our stake in Garanti to 39.9% makes us the largest shareholder in what is the best bank in Turkey and possibly the most technologically advanced bank in the world. Lastly, the divestments announced in Citic International Financial Holdings Limited and in China CITIC Bank Corporation Limited will have a very positive impact on our capital base.

In 2014 we made notable progress in our digital transformation strategy to become the best Bank in the world. Technology is changing the banking business. New generations of customers demand a new standard of service, and new competitors emerging from the digital world are beginning to provide it. Banks need to change fast, and that is what we are doing.

“Banks need to change fast, and that is what we are doing... to build the next generation BBVA, the best Bank in the world”

After completing the initial construction stage of the new, highly innovative and world-class technological platform which we initiated eight years ago, we are now working hard on the next stage, creating new distribution models, processes and products and a new organization, while we explore new digital businesses. To accelerate the process, in 2014 we created the Digital Banking area, made up of more than 3,000 people from the Group's different geographical areas and to which we are adding external talent from top-level digital companies.

Apart from transforming our business internally, in 2014 we have followed very closely the emergence and development of new digital businesses, in some cases as investors and in others as new owners.

BBVA Ventures, the corporate venture arm of BBVA Group that studies disruptive initiatives in Silicon Valley, has made some very interesting investments in 2014 in companies with a great disruptive potential for the world of finance. They operate in fields such as e-signature (Docusign), cloud-based invoice payments (Taulia), software for financial management of assets (Personal Capital) and bitcoin wallets (Coinbase).

We have also acquired startups with potential, such as Simple in the United States, which has developed a highly innovative online and cell-phone alternative to the traditional banking experience, and Madiva Soluciones, a Spanish startup specializing in services based on big data and cloud computing, which will help us generate a more valuable product offering for our customers.

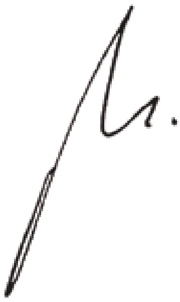
In 2014 we continued to "work for a better future for people". For its part, the Board of Directors approved the Group's renewed Corporate Social Responsibility Policy. In addition, significant progress was made in responsible banking. Examples include: the partnership with the OECD to prepare the PISA report on financial literacy for the first time; the Group's progress in transparent, clear and responsible communication; and the development of products with a high social impact.

In 2014, BBVA also continued to develop numerous initiatives in the social, economic, cultural, artistic, environmental, scientific and research areas worldwide through the BBVA Foundation, the Microfinance Foundation and the Bank itself.

“2015 will again be a year of challenges and opportunities and I am sure that BBVA’s response to them will be outstanding”

2015 will again be a year of challenges and opportunities and I am sure that BBVA’s response to them will be outstanding, thanks to the nearly 110,000 men and women who work in this Group around the world to make BBVA a different Bank. I want to take this opportunity to thank them all and encourage them to continue working with the same enthusiasm and dedication.

Ladies and gentlemen, shareholders, I want to thank you for your support. Your trust is what motivates us to continue working with the greatest enthusiasm and effort to consolidate our current leading position and build the next generation BBVA, the best Bank in the world.



March 1, 2015
Francisco González Rodríguez

14 About BBVA

18 Corporate Governance System

20 Strategic positioning

20 Values and principles
21 The economic, banking and regulatory background
26 The banking model in BBVA
31 Transforming from and for customer

35 BBVA brand

43 Primary stakeholders

43 Tools for communication and dialog with stakeholders
45 Customers
53 Shareholders
57 The team
62 Society

63 Performance in 2014

68 Relevant events
69 Earnings
81 Balance sheet and business activity
86 Solvency

BBVA Group

About BBVA

BBVA, a global financial Group with a customer-centric approach

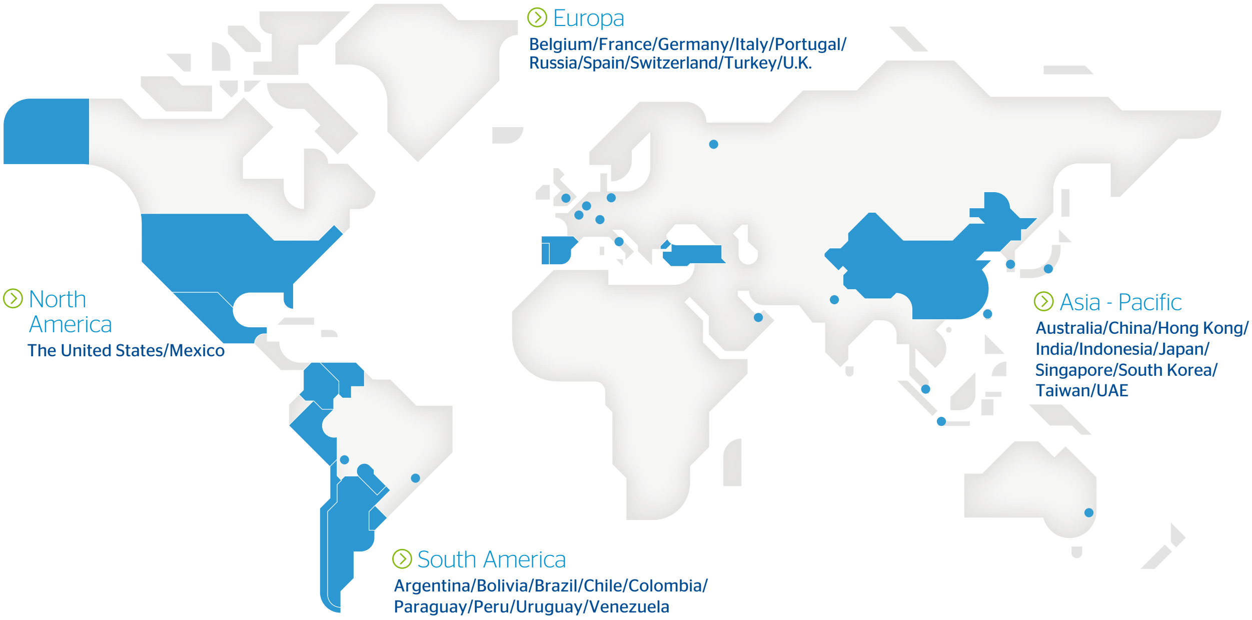
BBVA is a global **financial Group** founded in 1857. It has a customer-centric approach focused on both retail and wholesale businesses, based on creating a stable and lasting relationship that can offer a complete range of financial and non-financial products and services wherever the Group operates around the world.

A brief history of BBVA's expansion process

1995	Banco Continental (Peru) Probursa (Mexico)
1996	Banco Ganadero (Colombia) B. Cremi & B. Oriente (Mexico) Banco Francés (Argentina)
1997	Banco Provincial (Venezuela) B.C. Argentino (Argentina)
1998	Poncebank (Puerto Rico) Banco Excel (Brazil) Banco BHIF (Chile)
1999	Provida (Chile) Consolidar (Argentina)
2000	Bancomer (Mexico)
2004	Valley, Laredo (The United States) Bancomer buy-out
2005	Granahorrar (Colombia) Hipotecaria Nacional (Mexico) Laredo (The United States)
2006	Texas Regional Bancshares (The United States) Forum Servicios Financieros (Chile)
2007	CITIC (China) Compass (The United States) State National Bancshares (The United States)
2008	Extension CITIC agreement
2009	Guaranty Bank (The United States)
2010	Extension CITIC agreement
2011	Extension Forum SF agreement (Chile) Turkiye Garanti Bankasi (Turkey) Credit Uruguay (Uruguay)
2012	Sale of Puerto Rico Business Unnim Banc (Spain)
2013	Sale of Pension Business in Latin America Sale of BBVA Panama Agreement with the CITIC group including the sale of 5.1% in CNCB
2014	Acquisition of Simple (The United States) Announcement of the acquisition of Catalunya Banc (Spain) Announcement of the agreement to increase by 14.89% the stake in Garanti (Turkey) Sale agreement of the 29.68% holding in CIFH to China Citic Bank (CNCB)

With **presence** in 31 countries, as of 31-Dec-2014 it has 108,770 employees, 7,371 branch offices and 22,104 ATMs, and provides service to around 51 million customers worldwide.

BBVA in the world

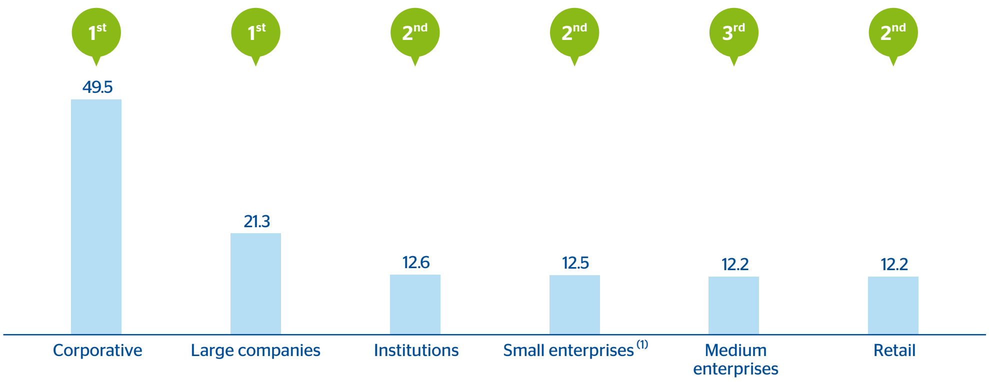


€652	51	31	7,371	22,104	108,770
billion in total assets	million customers	countries	branches	ATMs	employees

The Group is made up of solid franchises holding leading positions in all the markets where it operates

Spain. Main financial services provider market share

(Percentage and ranking)



(1) Includes business pofessionals.

Source: FRS with figures as of 31-12-2014.

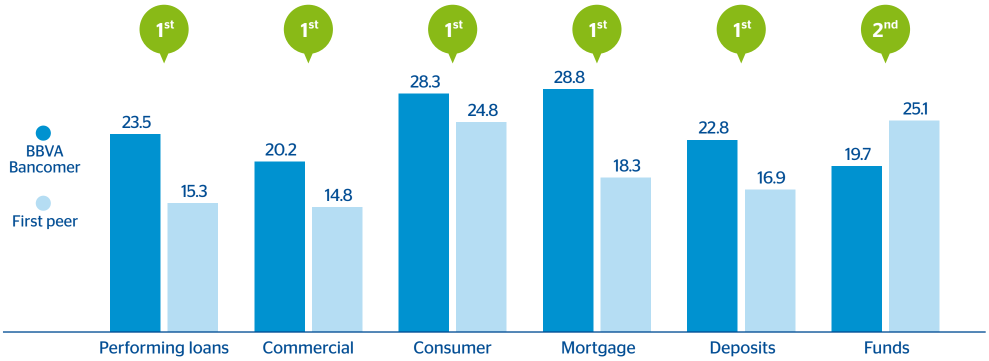
BBVA has a strong position in Spain

It ranks first in the Mexican financial system

And it has leading franchises in South America, the Sunbelt region in the United States and Turkey

BBVA Bancomer. Market shares by type of product (1)

(Percentage)



(1) The figures are as of November 2014, excluding funds, which are as of December 2014.
Source: CNBV and AMIB. Excluding subsidiaries.

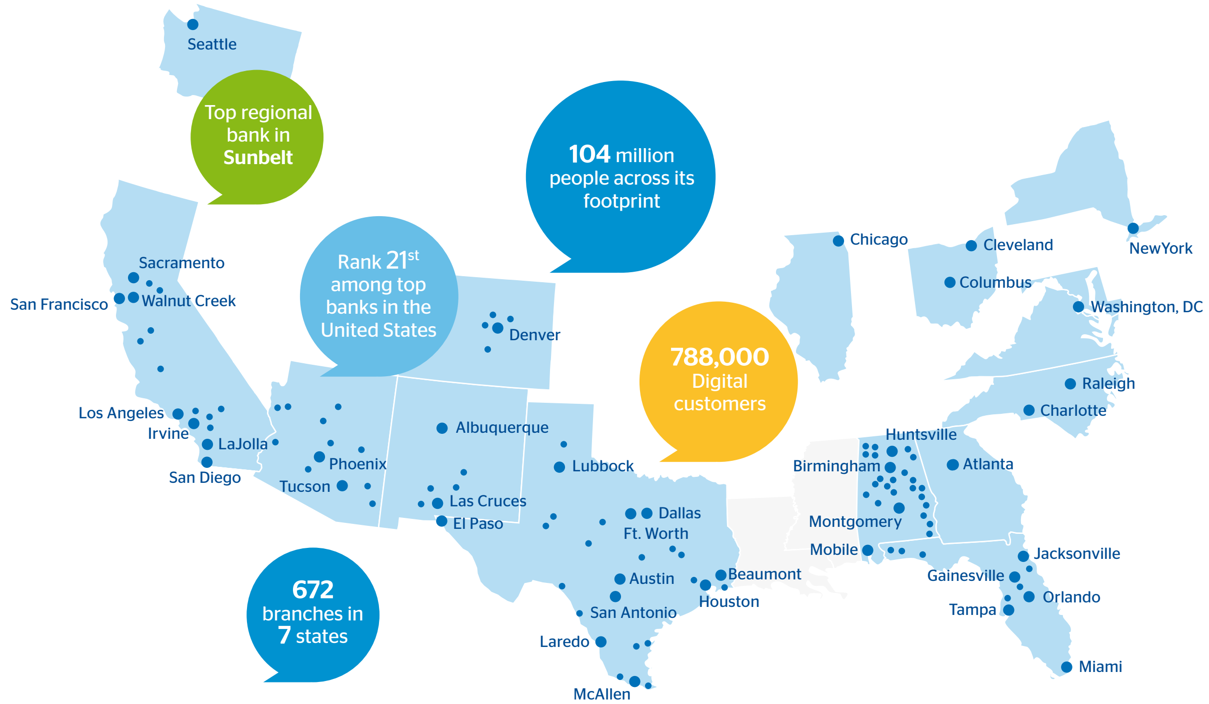
BBVA has been present since it acquired a 25.01% stake in Turkiye Garanti Bankasi, A.S. in 2011. Having increased its stake at the end of 2014 with the announcement of the acquisition agreement of an additional 14.89%, BBVA will own, after obtaining the necessary authorizations, a 39.9% stake in what is the largest bank in Turkey by market capitalization with a clear position as market leader in a very attractive country. This allows it to appoint 7 out of 10 members on Garanti's board of directors.

BBVA maintains a leading position in a region with high growth potential

	Loans		Deposits	
Country	Ranking	Market share (%)	Ranking	Market share (%)
Argentina	3rd	7.1	3rd	7.0
Chile	4th	7.5	5th	6.2
Colombia	4th	10.2	4th	11.4
Paraguay	4th	12.6	4th	11.6
Peru	2nd	23.2	2nd	21.7
Uruguay	2nd	20.7	3rd	17.4
Venezuela	3rd	13.6	3rd	11.9

Source: own elaboration from figures of superintendences, central banks and banking associations in each country. Figures as of November 2014.

Today, BBVA Compass is an excellent franchise

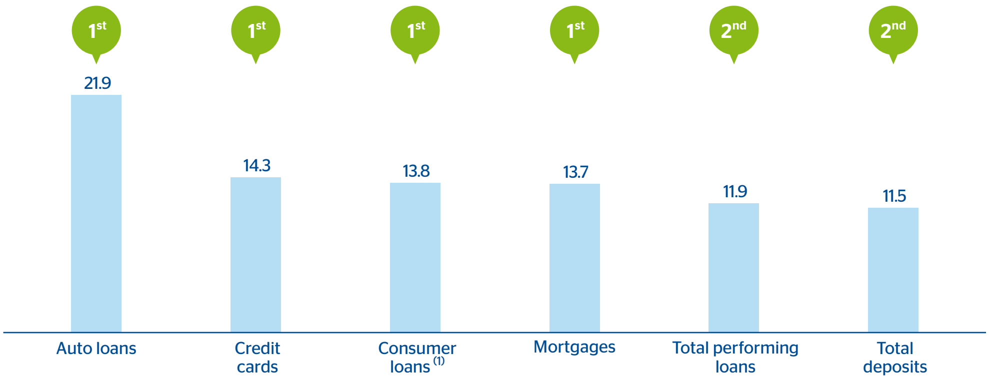


Strong position in Texas: one of the most dynamic economies during the recovery

Source: data elaborated internally and from FDIC.

Garanti. Market shares by type of product

(Percentage and ranking as of 31-Dec-2014)



Note: based on bank-only BRSA figures as of December 31, 2014. Includes only private banks.
(1) Including consumer credit cards.

In short, BBVA's diversified business is focused on high-growth markets in which **technology** is a key competitive advantage. The Digital Banking area has been set up to drive the Group's transformation process, with the double mission of speeding up the Bank's transformation and boosting the development of new digital businesses.

Corporate responsibility is at the core of its business model. BBVA fosters financial literacy and inclusion, and supports scientific research and culture. BBVA operates with the highest integrity, a long-term vision and best practices and it is listed on the main sustainability indices.

Corporate Governance System

Banco Bilbao Vizcaya Argentaria S.A. (BBVA) has a constantly evolving Corporate Governance System that is improved on an ongoing basis and enables it to be in line with national and international recommendations and trends for large listed companies. It is tailored to its business reality, characterized by a very diversified shareholder structure, with nearly one million shareholders, both retail and institutional, and it carries out its business in 31 countries.

In 2014, BBVA has maintained the essential elements and principles of its Corporate Governance System and incorporated certain enhancements, such as increasing the powers of the Board of Directors that may not be delegated and the powers of the Board's committees; the amendment of the definition of independent director; the appointment of a lead director; and some changes related to the duties of directors, in order to adapt them to the new legal regime.

The principles and elements comprising the BBVA's Corporate Governance System are set forth in its Board Regulations, which govern the internal procedures and the operation of the Board and its committees, as well as the directors' rights and duties as described in their Charter.

BBVA's Corporate Governance System is fundamentally based on the distribution of functions between the Board of Directors and the Board committees, as well as on the composition of its corporate bodies and on an appropriate decision-making process.

Pursuant to the Company Bylaws, the Board of Directors constitutes the natural body to perform the Company's representation, administration, management and oversight.

The BBVA Board of Directors comprises an ample majority of non-executive directors, half of whom are independent directors. The Board of Directors is currently made up of fourteen members, three of whom are executive directors. The remaining eleven members are non-executive directors, four of whom are external and eleven independent. This ensures the effective exercise of its management and supervision functions.

To this end, a proposal is submitted to the 2015 Annual General Meeting for the appointment of a new independent director which, if approved, will result in the Board having a majority of independent directors. The Board also has a Lead Director, appointed from among its independent directors, with the powers set out in the Board Regulations.

The directors are provided with as much information as necessary for properly performing their functions, which is submitted at the meetings of the corporate bodies by the Bank's main executives, as well as by external experts where required by the matter. Any of them may also request the inclusion of matters deemed advisable for the corporate interest in the Board's agenda. Likewise, directors representing one quarter of the Board, as well as the Lead Director, may request the holding of a meeting of the Board of Directors.

In order to better perform its management and control duties, the BBVA Board of Directors has established five specialist committees with a broad range of duties in its Regulations, to assist the Board on matters falling within their remit. A working scheme coordinated among the committees and between the committees and the Board has been established. In doing so, they ensure the corporate bodies know of matters relevant to the Group and reinforce the control environment existing in BBVA.

The Board of Directors has set up an Executive Committee which has a majority of external directors and performs executive duties, such as developing the risk appetite framework established by the Board of Directors, analyzing and supervising the Bank's results and activity, the evolution of the environment in which the businesses are carried out, monitoring the Group's risks, and approving certain transactions which are beyond the scope of the Board of Directors.

In addition, the Board has set up another four committees: Audit & Compliance Committee, Appointments Committee, Remuneration Committee and Risk Committee. They are composed exclusively of external directors and with a majority of independent directors, except for the Audit & Compliance Committee, which is made up exclusively of independent directors, whose duties and operating rules are set out in the Board Regulations and in their specific regulations in the case of the Audit & Compliance and Risk Committees.

These committees are chaired by independent directors with broad experience in the matters falling within their remit. In accordance with the Board Regulations, they have extensive powers and autonomy in managing their committees, and may convene meetings as they deem fit for performing their duties, decide the agenda and hire external experts, when they deem it appropriate. They also have direct access to the Bank's executives, who report on an ongoing basis both to the Committees and to the Board of Directors.

The quality and efficiency of the operation of the Board and of its committees is evaluated on an annual basis by the full Board of Directors based on the report submitted by the Appointments Committee in the case of the Board, and based on the report submitted by each Committee in the case of the committees.

The proper operation of this organization system for the BBVA Board of Directors requires a high level of dedication by all the Bank's directors (1), who are also subject to strict rules governing incompatibility and conflicts of interest set out in the Board Regulations.

The Board Regulations and the specific regulations of these committees can be consulted on the Corporate website www.bbva.com. The composition of the Board of Directors and of its various committees is detailed below.

Committees of the Board of Directors

Full name	Executive Committee	Audit & Compliance	Appointments	Remuneration	Risk
González Rodríguez, Francisco	•				
Cano Fernández, Ángel	•				
Alfaro Drake, Tomás		•	•	•	
Bustamante y de la Mora, Ramón					•
Fernández Rivero, José Antonio			•		•
Ferrero Jordi, Ignacio	•			•	
Garijo López, Belén		•			
González-Páramo Martínez-Murillo, José Manuel					
Loring Martínez de Irujo, Carlos		•		•	
Máiz Carro, Lourdes					
Maldonado Ramos, José	•		•	•	
Palao García-Suelto, José Luis		•	•		•
Pi Llorens, Juan				•	•
Rodríguez Vidarte, Susana	•		•		•

(1) In 2014, the BBVA Board of Directors held a total of 14 meetings, the Executive Committee 20 meetings, the Audit & Compliance Committee 12 meetings, the Risk Committee 45 meetings, the Remuneration Committee 4 meetings and the Appointments Committee 8 meetings.

Strategic positioning

Values and principles

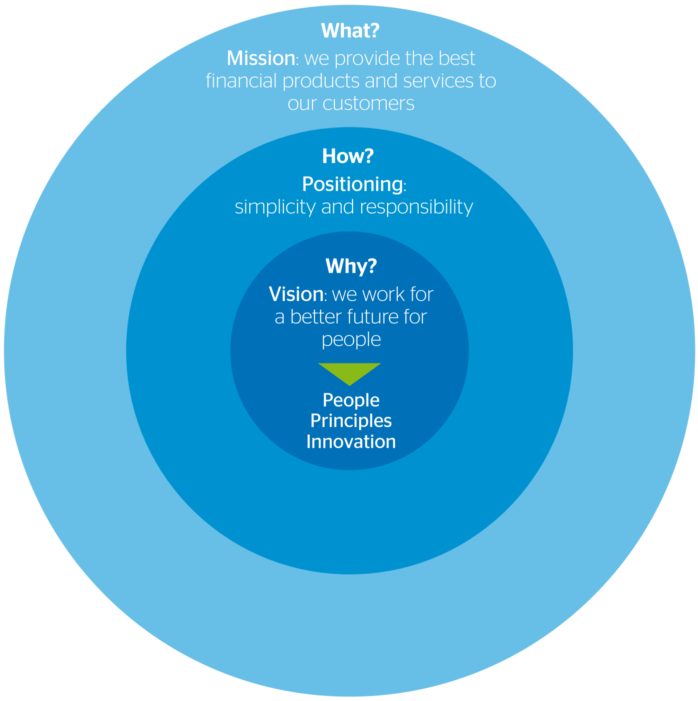
At BBVA we do business responsibly, guided by principles of integrity, prudence and transparency

BBVA practices **responsible banking** as part of a permanent commitment to strengthening the Group's social function and to win back the trust of society. We make life simpler for people while acting responsibly. Our differential form of banking is based on a strategy of return adjusted to the principles of integrity, prudence and transparency.

- **Integrity** as a manifestation of ethics in our actions and in all our relations with stakeholders.
- **Prudence**, understood basically as the principle of precaution in risk-taking.
- **Transparency** as a principle offering access to clear and truthful information within the limits of the law.

BBVA's **vision** "we work for a better future for people" is our reason for being it rests on three pillars: people, principles and innovation.

The Group's **mission** is "to offer the best products and services to our customers". And doing simply and responsibly is our **positioning**. For BBVA, simplicity means ease, proximity, accessibility and clear language. And we understand responsibility as a long-term process term, a balanced relationship with customers and support for the development of society.



The economic, banking and regulatory background

Global growth

In 2014, **global GDP** grew by 3.3%, 0.1 points more than in 2013. The pace accelerated over the year, boosted by rising GDP growth in developed economies, particularly in the United States. In contrast, it slowed in the emerging economies, affected by the impact of the fall in commodity prices and reduced demand in China. Overall, the global recovery is slow, particularly in the most developed economies, which in some cases have to continue to reduce their levels of debt accumulated in the previous expansive stage. On the other hand, emerging markets are facing the challenge of lower commodity prices and the structural change resulting from a transformation to the pattern of growth in China from exports to domestic consumption. Another element to consider in the global economic scenario is the role of international trade, which has slowed more than the moderation in global economic activity.

The global economy is recovering, albeit at a slower pace than expected

Economic activity in the **United States** appears to be growing at a steady pace, with stronger GDP growth than expected, significant growth in employment and private consumption being boosted by the increased purchasing power of consumers. However, there are other details that reflect what is still a vulnerable recovery: downward pressure on long-term Treasury yields (due to the current safe-haven strategy); slowing global demand and the appreciation of the US dollar (limiting exports); as well as the current uncertainty regarding the adjustment in monetary policy in 2015.

With respect to the **Eurozone**, the effect of geopolitical risks and the lack of reforms have left their mark on growth, which has fallen to around 1%. The recovery has been delayed, although the fundamentals continue to be positive. The factors lying behind this delay in recovery are the crisis between Ukraine and Russia, which is affecting confidence, investment and expectations, and a lack of strength in domestic demand. The fundamentals for growth are: moderate but positive progress in the global economy; a fiscal policy that is no longer a drain on growth; the abundance of liquidity; depreciation of the exchange rate; and compliance with the steps planned for banking union. In **Spain**, the data on economic activity confirm that recovery has continued to move forward. Improved domestic demand (mainly private) has been based on temporary factors (reduction in uncertainty), greater support from fiscal and monetary policies, and on structural elements such as the progress made in correcting internal imbalances and some of the reforms carried out over recent years. Over the year Spanish exports have stagnated in a foreign environment conditioned by the lack of strength in the European economy and growth in financial tensions.

Emerging economies have maintained positive growth, although more moderate than in previous years. In **Mexico**, following the slowdown in the first quarter of the year, the economy has improved thanks to increased foreign demand to an expected GDP growth of 2.1% in 2014. Among the factors explaining the moderate growth are lower oil prices and production, a delay in the execution of major public investment projects, and weak domestic demand, which crucially depends on the creation of formal jobs. In **Turkey**, monetary policy decisions taken at the start of the year managed to stabilize the economy and moderate the current-account deficit. Inflation has remained high due to the depreciation in the Turkish lira (affected by geopolitical factors), but it began to be corrected toward the end of the year, supported by the significant fall in energy prices. In **South America**, economic growth slowed in 2014 for a number of reasons: the less favorable international environment; falls in commodity prices; a slowdown in activity in China; and the increased volatility in the financial markets due to the start of the interest-rate rises in the United States. However, growth started to rise in the third quarter of 2014 on the back of greater global growth and increased public investment in many countries in the region.

In general terms, financial tensions remained limited and volatility in low levels in 2014, despite some episodes of risk aversion. The behavior of the **markets** has continued to be impacted by the central banks. Supported by an economy that is more advanced in the cycle, the Federal Reserve (Fed) maintained its tapering process and ended the asset purchase program in October 2014, as expected.

Real global GDP growth and inflation in 2014

(Percentage of real growth)

	2014	
	GDP	Inflation
Global	3.3	4.1
Eurozone	0.8	0.4
Spain	1.4	-0.2
The United States	2.4	1.7
Mexico	2.1	4.0
Latin America (1)	0.8	12.7
Turkey	2.5	8.8
China	7.4	2.1

Source: BBVA Research estimates.

(1) Includes Mexico, Brasil, Argentina, Venezuela, Colombia, Peru and Chile.

In contrast, the European Central Bank (ECB) and the Bank of Japan have reacted to deteriorating expectations with respect to growth and above all inflation. Specifically, the ECB cut its official benchmark rate to 0.05% and its deposit rate to a negative -0.20%, and announced a new liquidity program for the banks, associated with new credit, called targeted longer-term refinancing operations (TLTRO) and covered bond and asset-backed securities (ABS) purchase programs. For 2015 the ECB announced asset purchases for €60 billion per month until at least September 2016, including the programs of acquisition of asset-backed securities and covered bonds currently underway. Overall, these measures represent a liquidity injection of at least €1,100 billion over the year and a half, with the aim of restoring the size of its balance sheet to the levels of the start of 2012. The ECB announcement has convincingly exceeded market expectations.

In this environment of abundant liquidity one-year **interest rates** have fallen moderately in the United States and more aggressively in Europe.

Interest rates

(Quarterly averages)

	2014				2013				2012			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Oficial ECB rate	0.05	0.12	0.22	0.25	0.33	0.50	0.58	0.75	0.75	0.75	1.00	1.00
Euribor 3 months	0.08	0.16	0.30	0.30	0.24	0.22	0.21	0.21	0.20	0.36	0.69	1.04
Euribor 1 year	0.33	0.44	0.57	0.56	0.53	0.54	0.51	0.57	0.60	0.90	1.28	1.67
USA Federal rates	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
TIIE (Mexico)	3.29	3.29	3.67	3.79	3.85	4.24	4.32	4.72	4.83	4.79	4.76	4.78

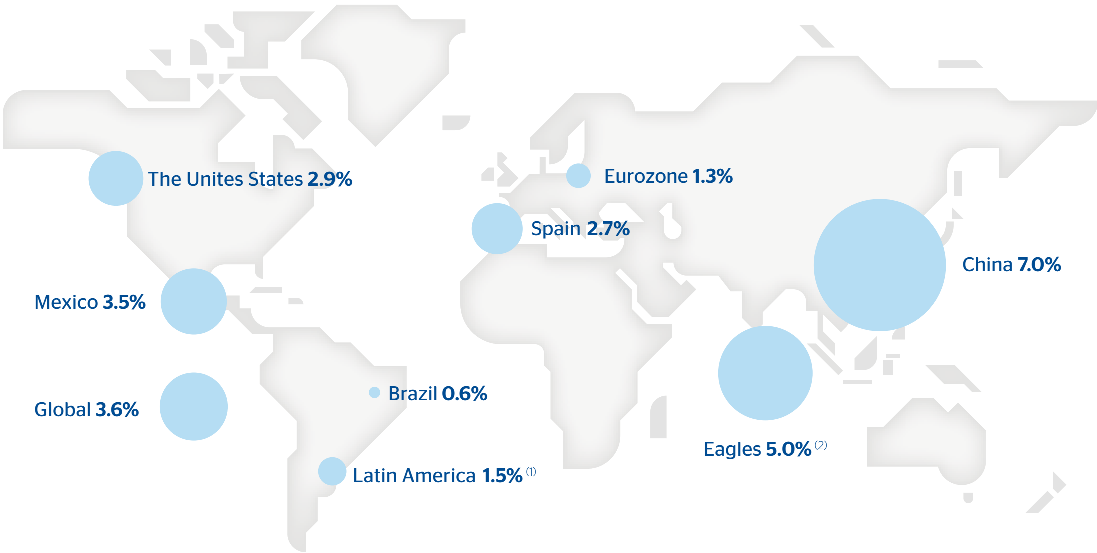
Global GDP growth of 3.6% is expected in 2015

Global GDP will increase its growth from 3.3% in 2014 to 3.6% in **2015**. This improvement is based on the increased traction provided by U.S. expansion, due to the decisive policies implemented by the U.S. authorities since the start of the crisis: capitalization of the financial system, fiscal stimuli and the extraordinary expansion of liquidity by the Fed. In Europe, the stronger measures taken by the ECB to avoid the scenario of continued deflation, the progress made toward banking union, and a less restrictive stance on fiscal policy should contribute to a gradual improvement in growth. Meanwhile, China will have continued its moderate slowdown, controlled by the authorities which are managing the transition from an export-oriented economy to one focused on services and domestic consumption. All these factors have led to many emerging economies having a less positive international outlook, with a worsening of the terms of trade for their commodity exports and less favorable conditions for accessing the global financial markets as a result of the gradual withdrawal of stimuli by the Fed over the year. Nevertheless, the decline in oil prices below the levels of early 2014 has a positive impact on the global economy as a whole, although not for oil exporting countries. More abundant oil at lower prices increases disposable income of households and fuel consuming companies, which encourages consumer spending and investment.

The expected growth scenario for 2015 is consistent with financial markets in which the euro will continue to weaken against the dollar as it has been doing since the third quarter of 2014. This will exacerbate if expectations of further easing are consolidated by the central banks of Japan or China. In this scenario, the outlook for exchange rates of the currencies of BBVA's footprint will be more dependent on idiosyncratic factors such as the respective monetary and fiscal policies, which will try to support demand as much as possible.

Economic growth for 2015

(Percentage of GDP)



Source: BBVA Research.
(1) Latin America: Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela.
(2) EAGLES: China, India, Indonesia, Russia, Brazil, Turkey and Mexico.

Exchange rates

(Expressed in currency/euro)

	Year-end exchange rates				Average exchange rates			
	31-12-14	Δ% on 31-12-13	31-12-13	Δ% on 31-12-12	2014	Δ% on 2013	2013	Δ% on 2012
Mexican peso	17.8680	1.1	18.0731	(3.8)	17.6582	(3.9)	16.9627	(4.3)
U.S. dollar	1.2141	13.6	1.3791	8.7	1.3283	(0.0)	1.3281	(3.3)
Argentinean peso	10.3830	(13.4)	8.9890	(37.6)	10.7680	(32.4)	7.2767	(45.7)
Chilean peso	736.92	(2.0)	722.54	(14.1)	756.43	(13.0)	658.33	(17.4)
Colombian peso	2,906.98	(8.5)	2,659.57	(19.8)	2,652.52	(6.5)	2,481.39	(12.9)
Peruvian new sol	3.6144	6.6	3.8535	(6.8)	3.7672	(4.7)	3.5903	(10.0)
Venezuelan bolivar fuerte	14.5692	(40.4)	8.6775	(61.1)	14.7785	(45.6)	8.0453	(62.7)
Turkish lira	2.8320	4.5	2.9605	(16.8)	2.9064	(12.8)	2.5339	(20.4)

Lastly, in terms of the risks of the global context, the removal of extraordinary monetary stimuli (extraordinary and sustained over time) in the United States continues to be an event that can generate volatility in the financial markets. Moreover, China is facing the challenge of managing the slowdown that is underway, while reducing its financial vulnerabilities and shifting its growth toward domestic demand. Meanwhile, the euro area still has downside growth and inflation risks. Not to forget geopolitical risks, which are difficult to predict. Based on the foregoing, the continued implementation of policies that improve efficiency in resource allocation, employment and capital, the availability of which will not be as abundant as in the past, remains key. Employment, due to the aging of the population; capital is now more expensive, due to regulatory changes in financial brokerage and high levels of debt on the economy's balance sheet; and efficient use of production factors, which do not improve with expansionary demand policies. More measures are needed to increase the trend growth of economies.

The regulatory environment in the financial industry

Banks are facing higher capital, liquidity and leverage requirements and high standards of transparency, risk management and governance

Six years after the outbreak of the financial crisis, the main pillars of the **regulatory reform** driven by the G-20 have been established. Banks are facing a new regulatory environment characterized by higher capital, liquidity and leverage requirements, as well as very demanding standards concerning transparency, risk management and corporate governance, among other things.

The bulk of regulatory reforms that were underway have now been undertaken, so the main focus has shifted to implementation

Although certain global proposals have not yet been concluded (such as, for example, the loss-absorbing capacity requirements for systemic banks, or T-LAC, the mitigation of systemic risks associated with "shadow banking" or the strengthening of security in derivatives markets), in general terms the main part of the reform can be considered undertaken, leaving behind a new reality in which regulatory aspects now have a strategic nature (in addition to the traditional, purely regulatory nature).

Against this backdrop, the main focus has shifted towards the **implementation** and regulatory development in the various jurisdictions, and also towards the possible impact of the regulation on financial stability and economic growth. Thus, regulatory uncertainty remains, although it is true that it is now more focused on technical aspects and those related to implementation and cross-border consistency. Broadly speaking, the progress made in the implementation of Basel III and the resolution principles in the different G-20 countries is satisfactory, but in other areas, such as the world of derivatives or the so-called "shadow banking", the degree of progress has been less evident.

In the European Union, the Single Rulebook is essential for the existence of a banking union

In the **European Union**, nearly 40 new financial rules have been issued during the previous parliamentary term (2009-2014). The initiatives pending approval include the structural reforms, with a relevant potential impact on the banking business. The European Commission's legislative proposal (January, 2014) is currently under discussion in the European Parliament and Council.

As regards implementation, the transposition of Basel III has been carried out through the fourth European Directive on Capital Requirements and its associated regulations (CRD IV package), which became binding in January 2014. Also, the Banking Resolution Directive was approved in mid-2014 and will come into force in January 2015 (except for the bail-in tool, which will apply starting in January 2016). Both rules make up the backbone of the new Single Rulebook, which is designed to offer regulatory harmonization, something essential for the existence of a **banking union in Europe** that puts a stop to financial fragmentation, thus preserving the integrity of the single currency.

The banking union project was established in July 2014 with the approval of its second basic pillar: the Single Resolution Mechanism (SRM), an essential complement to the **Single Supervisory Mechanism** (SSM). The final launch of the SSM took place on November 4, 2014, when the ECB fully took on the responsibilities of a single banking supervisor. The SSM represents a very significant shift in the supervisory culture, as its main purpose is to guarantee the security and soundness of the European banking system, putting an end to national isolation and leniency in supervisory practices. The ECB now directly supervises credit institutions considered significant (at present 120 banks, including BBVA) and works very closely with the national authorities, which directly supervise the rest of the credit institutions. The ECB has also been given the necessary tools and powers to ensure proper operation of the SSM as a whole, since at all times it can take over the direct supervision of a non-significant bank if necessary. As for the functional scope of the SSM, there is a clear division of tasks between the ECB and the national authorities. The ECB is the competent supervisory authority in prudential matters and, therefore, has all available powers, according to the Directive on Capital Requirements and its associated regulations (CRD IV-CRR). The national supervisory authorities retain some powers (such as the supervision of payment systems, consumer protection or money laundering control) that are not directly related to prudential matters. In its prudential supervisory task, the ECB will therefore apply the CRD IV regulations (and, on a more general level, the Single Rulebook) under unified criteria, guaranteeing the standardization of supervisory practices across the Economic and Monetary Union (EMU), thus enabling a better comparative assessment of the banks.

Before taking on its role as single supervisor in November 2014, the ECB conducted an exercise consisting of two basic pillars:

- An asset quality review of the banks (**AQR**) aimed at assessing under standard criteria their proper accounting classification and valuation.

- A **stress test**, in which the ECB, together with the European Banking Authority (EBA), analyzed the capacity of each bank to maintain adequate levels of solvency in two stress scenarios: base and adverse.

On October 26, the ECB published the **results** of this exercise. The AQR, which required banks to reach a minimum level 1 equity ratio (CET1) of 8%, revealed a capital shortage of €5,000m, distributed among 16 banks. In the stress test, the banks were required to maintain a minimum CET1 ratio of 8% in the base scenario and 5.5% in the adverse scenario. The overall capital shortage in the comprehensive assessment stood at €24,600m, mainly concentrated in Italy (€9,700 million) and Greece (€8,700 million).

Of the 25 banks that failed the test, 12 were technical fails, since they have issued sufficient capital to cover the shortage throughout 2014. This shows that the stress test has been a success, by generating capital increases and reinforcing the balance sheets, even before the results were published. The other institutions that failed the test were four banks in Italy, two in Greece, two in Slovenia, and one each in Austria, Belgium, Cyprus, Ireland and Portugal. The assets of these 13 banks account for 4% of the total assets of the tested banks.

Spanish banks have obtained very good results. The AQR identified a low volume of required adjustments (€2,200m, i.e. 14 basis points of CET1, the lowest in Europe) and the resilience of the banks' capital to the stress test was very high. In the adverse scenario, the average decrease in the CET1 ratio in Europe was 400 basis points, with the Spanish banks being the second best (159 basis points reduction), after Estonia. In addition, the system has high buffers to absorb the shocks and, therefore, after the adverse scenario, the average excess of CET1 is 347 basis points. Only one Spanish bank, Liberbank, showed a capital shortage in the AQR, of €32m, which was already tackled in 2014 with a capital increase of €575m. With the publication of the results, one of the main steps for creating a fully-functioning banking union has been completed, the transparency of the banks has been increased significantly, and the test has confirmed that the European banking system is resilient to an adverse economic scenario, with very acceptable capital requirements of around €9,500m.

In 2014, a comprehensive assessment of European banks was conducted by the ECB, which on November 4 fully took on the responsibilities of a single banking supervisor

The results of this exercise, published on October 26, were very positive for Spanish banks

The banking model in BBVA

In 2014 BBVA Group has continued to perform outstandingly in terms of earnings, risks, liquidity and solvency. This is thanks to its banking model leveraged on four pillars, with very clear mandates.

BBVA, a banking model leveraged on four pillars

1	2	3	4
Diversification and leadership	Prudent and proactive management	Return adjusted to principles	A customer-centric approach
To keep constructing a well-balanced business portfolio with future growth	To boost the best practices and synergies maximizing the value of the Group	To reinforce our commitment to the societies where we operate	To be leaders in customer satisfaction

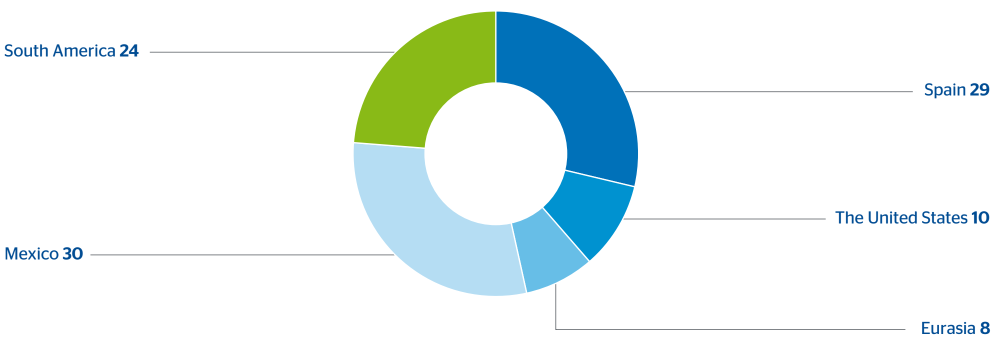
Diversification and leadership

BBVA, a balanced and diversified portfolio model underpinned by sound franchises

Diversification is essential for ensuring resilience in any environment. BBVA's model offers a highly balanced mix in terms of geographical areas, businesses and segments. This diversification has enabled it to maintain a high level of recurrent revenues, despite the adverse conditions of the environment and the economic cycles. In 2014, 59% of the Group's gross income generated by its business areas has originated in emerging countries.

BBVA Group. Gross income breakdown by geographical areas [1]

(Percentage)



(1) Excluding Corporate Center.

This balanced and diversified model is based on sound franchises, with a sufficiently large customer base and **leadership** positions in our core markets (Spain, Mexico, South America, the Sunbelt region in the United States and Turkey), as well as three global franchises: Digital Banking, Corporate & Investment Banking (CIB) (wholesale business) and Lines of Business (LoBs), a unit that includes the global activities of Consumer Finance, Asset Management and Insurance.

BBVA actively manages its portfolio with the aim of maximizing shareholder value

BBVA Group. Market shares and ranking by geographical areas

Market share	Loans (%)	Deposits (%)	Deposits ranking
Spain	13.2	11.3	3rd
Mexico	24.1	22.2	1st
South America excl. Brazil	11.0	10.9	n.m.
The United States (Sunbelt)	n.m.	6.2	4th
Eurasia			
Turkey (Garanti Bank) 39.9% stake (1)	11.9	11.7	2nd

Note: Spain: Other domestic sector and public sector data as of November 2014 (BBVA+ Unnim). Mexico: data as of December 2014. South America: data as of November 2014 for Argentina, Chile, Colombia, Paraguay, Peru, Uruguay and Venezuela. The United States: data as of June 2014, market share and ranking considering only Texas and Alabama; Turkey: source BRSA, data only for commercial banking as of December 2014.

(1) Closing expected by the first half of 2015.

BBVA is continuously analyzing the market in search of attractive and profitable **investment opportunities** as part of its policy of active portfolio management, which aims at maximizing shareholder value. The Group has a very clear strategic roadmap: building a balanced portfolio of businesses, combining growth potential with stable earnings. It also has a well-defined scheme for analyzing investment opportunities and carrying out operations, based on specific requirements and with minimum criteria with respect to size, growth and risk/return, in line with existing limitations on resources

A very clear strategic roadmap

Our footprint	Emerging markets with no presence	Developed markets with no presence
• Cost synergies • Strengthen market share and competitive position • Add value through our model	• Acquire long-term growth • Capitalize on BBVA's know-how to develop markets and products	• BBVA's value-added model • Increase efficiency
Competitive positioning	Market attractiveness	Ability to create added-value

In 2014, as part of this mid and long-term strategy, BBVA carried out a number of **transactions**. The most relevant are:

- Acquisition of Simple in February, 2014. This deal is part of BBVA's strategy to lead the technological transformation of the financial industry. It is a U.S. company headquartered in Portland, Oregon. It began to operate in the United States in 2013, when it had over 40,000 customers. In its second year of operation, this figure grew more than threefold. The company is notable for its new form of banking exclusively through digital channels, focused on providing a unique user experience. Through a Visa card and advanced mobile apps for Android and Apple, Simple provides customers with outstanding service and tools that streamline their spending and optimize their savings. The company will continue to operate under the same brand, with the same philosophy and the same customer experience approach.

- At the end of July, BBVA announced the acquisition of Catalunya Banc from the Fund for Orderly Bank Restructuring (FROB). At the time of the announcement, this bank had 773 branches, 94% of them in Catalonia. This means BBVA will make strong progress in this region and maintain its leading position in Spain in both lending and customer funds. The closing of this transaction is expected for the first half of 2015.
- A 14.89% increase of the stake in Garanti, to 39.9%, announced in November, 2014, and expected to be closed during the first half of 2015. This Turkish bank is a clear leader in Turkey, a country with high growth potential. The deal gives BBVA a majority on the bank's board of directors.

In addition, the implementation of this strategy has led BBVA to sign sale agreements of non-core assets for the Group. Their closure will occur, predictably, in the first half of 2015, such as the sale, in December, of the 29.68% of CIFH to CNBC and, already in January 2015, it has been carried out the sale of 4.9% of CNCB.

Prudent and proactive management

A management model based on prudence and anticipation

BBVA has a management model based on prudence and anticipation.

Prudence is materialized basically in structural and credit risk management, capital management and corporate transaction management.

Anticipation is also crucial in terms of the need to anticipate events and to have the flexibility to adapt to them easily.

A management model based on prudence and anticipation...

1 Structural risks
- Financially independent subsidiaries
- Optimized balance sheet structure

2 Credit risks
- Defined asset allocation
- Risk-adjusted growth
- Identified, measurable and limited risks

3 Capital management
- Focus on organic capital generation
- Commitment to shareholders
- Compliance with regulatory ratios

4 Corporate operations
- Creating value and selective acquisitions
- Desinvestment in non-strategic businesses

...which results in:

1 Comfortable liquidity position
- Well-balanced funding mix
- Limited financial needs
- Enough collateral to face hypothetical shocks

2 Outstanding risk management
- Better risk indicators than local peers in markets with presence

3 Strong capital position
- Capital and leverage ratio above the minimum required by regulators
- First issuing AT1 instruments with capacity to absorb losses

4 Well-balanced portfolio
- Greater resistance to economic cycles
- Gross income*:
  - 41% developed markets
  - 59% emerging markets

* Excludes Corporate Center.

This strategy of prudence and anticipation has allowed BBVA to pass with ease the ECB's comprehensive assessment, whose results were published in October. BBVA is among the banks that do not need additional capital, not even in the most adverse scenario, as its capital adequacy ratios as of December, 2016 are far above the minimum required in both scenarios (even in the adverse scenario, its CET1 fully-loaded ratio is above 8.0%). This ability to anticipate has been key to the Bank's performance over these difficult years, and will continue to be essential in an increasingly global and challenging future.

BBVA easily passes the ECB's comprehensive assessment

CET1 fully-loaded
2016 adverse scenario
8.2%
Ranking: **3**
Peer group average: **7.3%**

Resilience
CET1 2016 adverse *versus* 2016 base
-164 basis points
Ranking: **1**
Peer group average: **-333 b.p.**

Profit generation
Cumulative 2014-2016 in adverse scenario
71 basis points
Ranking: **2**
Peer group average: **-100 b.p.**

Excess NPL coverage
AQR total exposure
+1.8%
Ranking: **1**
Peer group average: **-2.5%**

Leverage ratio
2013 phased-in
6.1%
Ranking: **2**
Peer group average: **4.2%**

Peer Group includes: BARCL, BNPP, CASA, CMZ, DB, ISP, HSBC, LBG, RBS, SAN, SG and UCI. Leverage ratios and excess NPL coverage exclude United Kingdom banks.

Return adjusted to principles

A unique model based on return adjusted to the principles of...

Integrity	Prudence	Transparency

- Regulatory compliance
- Corporate governance
- Responsible Business Plan

A model of return adjusted to principles of integrity, prudence and transparency

...that places people at the core of our business

The Responsible Business Plan establishes three strategic priorities: "TCR" Communication, Education and Products with a High Social Impact

The current **environment** still demands and requires a change in behavior and a new approach from banking institutions. The social legitimacy of financial activity has been eroded on a global scale, and this is also combined with a growing demand for accountability. In addition, there is increasing regulatory pressure in the sector, particularly in customer protection. Against this backdrop, BBVA believes in a differential approach to banking. The Bank is aware that there is much room for improvement, but it does not subscribe to the view that being profitable means doing business at all costs. That is the reason for the concept of return adjusted to principles.

BBVA firmly believes that putting **principles** first in the Group's governance management is a competitive advantage in itself. Principles are vital to maintaining trust and the value of the franchise, thus ensuring long-term sustainability. It is important to achieve the goals set by the Group every year. But it is even more important to do so abiding by the rules, following very sound principles and putting people at the heart of the business.

For BBVA, the fundamental asset in the banking business is the trust of its customers, shareholders, employees, regulators and society in general. The Bank has a very clear vision: "we work for a better future for people". This has been the great motivator that has prompted BBVA to work on a strategy of **responsible business** approved in 2013. BBVA has continued to work in 2014 to respond to this demand from society. The vehicle is a different model of banking: responsible banking. It integrates the requirements and expectations of its different stakeholders, and in particular, its customers. It creates value for BBVA and it creates value for its main stakeholders. The Responsible Business Plan therefore establishes three strategic priorities:

- **Transparent, Clear and Responsible Communication** ("TCR" Communication). Transparency and clarity are fundamental for helping people understand the products they sign. All communication with customers, any document or contract, must be clear and transparent. To achieve this, the Bank is developing product leaflets that make it easier for customers to make decisions when choosing products, as well as new contracts that are drafted in simple, clear and precise language.
- **Education**. Strengthening financial literacy is a strategic priority of the Group's social programs, which are:
  - Financial culture to prepare children and young people for their future.
  - Financial literacy for adults, which together with TCR Communication is the other element that helps customers make informed decisions.
  - Training in finance and business skills for businesses and SMEs, which play an important role in the development of the economic and business fabric of the countries in which they operate.
- **Products with a High Social Impact**, meaning the development of financial products that integrate important social attributes. Products that boost growth and financial inclusion, and respond to people with special needs.

The Responsible Business Plan integrates a holistic vision of our business. As well as these three strategic priorities, it also includes initiatives linked to the Plan's three core elements: customers, banking for people; society, education and science and committed employees.

The Responsible Business Plan was approved by the Responsible Business Committee, chaired by the Chairman and CEO of BBVA. It is implemented through local responsible business plans in the main countries.

A customer-centric approach

BBVA's business model is focused on the **customer**, not only in the retail world, but also in wholesale banking, i.e. it is based on stable and lasting relationships with around 51 million customers the Group has around the world. BBVA has set itself a very ambitious goal in this respect: to be leaders in customer satisfaction across our global footprint.

New technologies, specifically the universal use of the Internet and cell phones, are changing customer behavior and expectations, giving rise to new competitors and reshaping the financial industry.

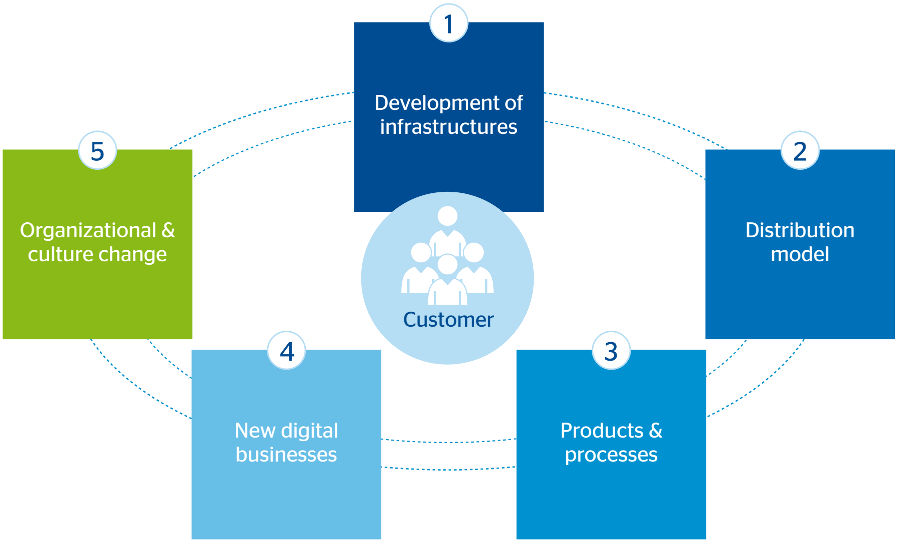
Transforming from and for customer

BBVA has been working for a number of years on the **transformation** of its business model to a more digital model, based on technology and innovation as key levers. The aim is to offer the best experience for our customers, generating a significant improvement in productivity, efficiency, profitability and value creation for the Group's shareholders.

The market has already recognized this transforming effort of recent years. The British magazine *Euromoney* has awarded one of its global Euromoney Awards for Excellence 2014 to BBVA's digital project to head up the financial industry of the 21st century, as the best transformation by a global financial institution last year. The jury highlighted BBVA's achievements in transforming the business, based on a profound strategic review of the Bank to address the new challenges in the industry. BBVA considers that there are five basic elements for tackling this transformation process.

BBVA is evolving toward a more digital Organization because it wants to lead the banking industry of the future

The five basic elements for addressing the transformation process in BBVA



Developing new technological infrastructures

BBVA began to lay the foundations years ago by developing a cutting-edge **technological platform**, which it has already completed and today represents a great competitive advantage, as well as the construction of consistent, scalable and secure data processing centers.

In 2011, the first of the **data centers** was opened in Tres Cantos (Madrid). This center has received Tier IV Gold certification from the Uptime Institute, the highest recognition granted for operational sustainability. It makes the Group the first bank with facilities of these characteristics in Europe, and one of only five in the world. This recognition is in addition to two other Tier IV classifications which the data processing center has received for its construction and design. BBVA is therefore clearly at the avant-garde of its sector.

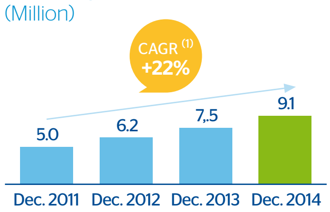
Evolution of the distribution model

Over recent years, BBVA has also made major progress in evolving toward a highly productive **distribution model** based on customer needs. This development affects all the distribution channels (branches, ATMs and, of course, online banking and mobile banking) and customer relationship models.

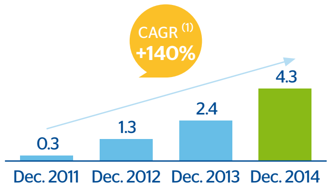
We have developed the distribution model to adapt it to the customer's multi-channel profile

New branches formats

Active digital customers
(Million)



Active mobile banking customers
(Million)



(1) Compound annual growth rate.

In line with this development, BBVA has recently undertaken major improvements in its corporate websites and the apps for cell phones and tablets. It has also implemented new models of customer relations, including the following:

- **BBVA Contigo**, a model for alternative relations launched in Spain. It is targeted at customers who are looking for a less physical relationship with their financial services provider.

- **Banker Link**, a new drive-through banking service launched in the United States. It combines personal service from a branch manager with the self-service functionalities of an ATM.

- **BBVA Bancomer Express** in Mexico, which allows customers to make payments or cash withdrawals through the tills at some stores or service outlets.

Transforming processes and adapting the product offering

BBVA is transforming its processes so they are more responsive and adapting its product offering to new customer needs. The Bank has launched a number of **digital products and services** and is working on new developments that continue with the Group's digital strategy. The following are some of the initiatives worth highlighting:

- **BBVA Wallet**, an application launched in 2013, which in 2014 received some major updates. Mid-way through the year, BBVA announced the commercial launch of a Near-Field Communication (NFC) payment solution, which uses the Visa cloud-based specification. The new system allows BBVA customers with Android NFC-equipped terminals to make purchases by simply downloading the updated BBVA Wallet app. Currently it is the most used and popular mobile banking payment app in Spain, with more than 400,000 downloads, according to data as of the close of 2014. Thanks to this success, it has already been launched in Mexico and its launch in the United States is planned for 2015. This app has received a prize at the Contactless & Mobile Awards 2014, which recognize the most important innovations in Europe in applying contactless technology in the market. In this case, the award highlights the efforts "the Company is making to bring mobile payments to the mass market".

- In Chile, the **BBVA Link** service has been launched as the first Facebook bank account in Latin America. It is a totally digital product. It allows money to be sent and received easily through the social network in only three steps, in complete security and at no cost for users. The product will be extended to other Latin American countries.

Boosting the development of new digital businesses

In addition, the Bank aims to promote the development of **external initiatives** in order to be at the cutting-edge of transformation in the financial industry and understand the changes in the digital world in real time.

- First, through BBVA Ventures, the Bank invests in disruptive startups in the area of innovation and financial services. In 2014, BBVA has announced investments in Taulia, DocuSign and Personal Capital. And already in January 2015, in Coinbase, the leader platform to carry out transactions with the virtual currency Bitcoin.

- Second, by acquiring digital companies from which it can learn and that reinforce the Group's digital transformation strategy. The acquisition of Madiva Soluciones, Spanish startup specialized in big data and cloud computing services, together with the aforementioned acquisition of Simple are an example of this kind of operations that BBVA aims to carry out.

In addition, the Bank supports a number of initiatives designed to drive **innovation**, including the following:

- **Innova Challenge**, which aims to promote an open and collaborative culture between the Bank and an active community of developers with similar values. The goal is to create an innovation ecosystem and try to make them participants in the Group's creative process and technological development. This year for the first time the Bank has opened up its platform to the community of developers through an application programming interface (API), which represents a major milestone in its history.

- **BBVA Open4U.com**, is a digital environment in which developers can interact with potential collaborators through the use of data provided by the Bank itself.

- **BBVAbetatesting.com**, is a community that aims to form part of the process of creating and developing applications, mainly for the Bank.

Developing a new corporate culture

Lastly, BBVA is developing a new corporate culture that promotes responsiveness and error tolerance, a culture of entrepreneurship and collaboration; incorporating new digital talent and creating new organizational structures.

BBVA has already taken the first steps in this direction with the creation of the **Digital Banking** business area, headed by Carlos Torres. It has been created with a dual mission: speeding up the Group's transformation and boosting the development of new digital businesses.

Our goal: to be leaders in customer satisfaction across our global footprint

We have changed the organizational structure to speed up the Group's digital transformation

Creation of the area

Digital Banking

Goals:

1. Transformation of current business into digital
2. Development of new digital businesses

- Transformation integrated in local business management.
- Focus on execution and implementation of more agile work methodologies in project development.

All this process of transformation toward an increasingly digital model is a means for achieving a single end: to be leaders in the satisfaction of our customers across our global footprint.

BBVA brand

A brand is the emotional structure that different stakeholders have with respect to a company as a result of its positioning and reputation.

Brand positioning and reputation

Positioning

Attributes of differentiation for consumers to compete beyond the price in an environment of commoditization.

Reputation

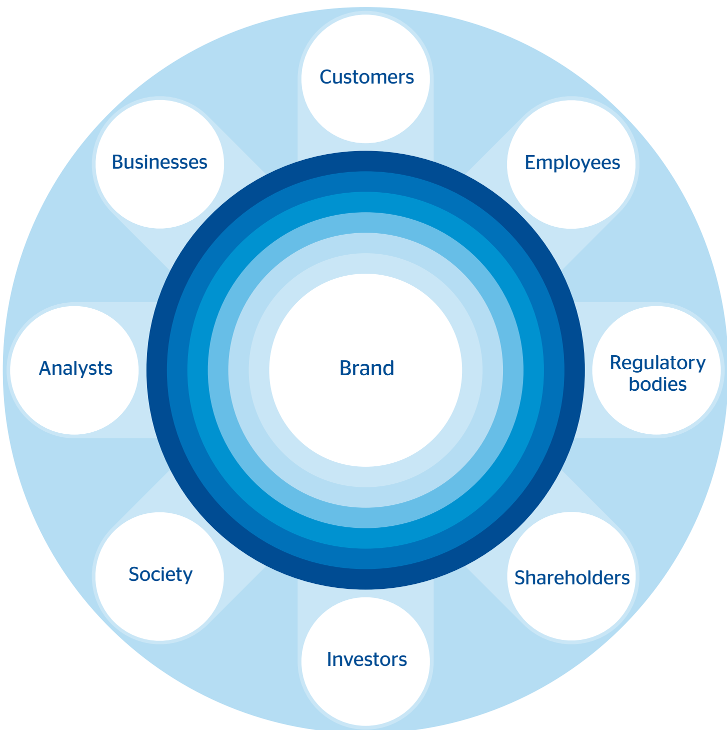
Set of perceptions that various stakeholders have about the company with which it interacts, both internally and externally.

Constructing a brand is the mission of the whole organization, as everything it does has an impact on the perception of the brand by all its stakeholders.

BBVA brand is one of the Group's intangible assets. It is intangible because the value of the brand lies in the perception our different stakeholders have of us.

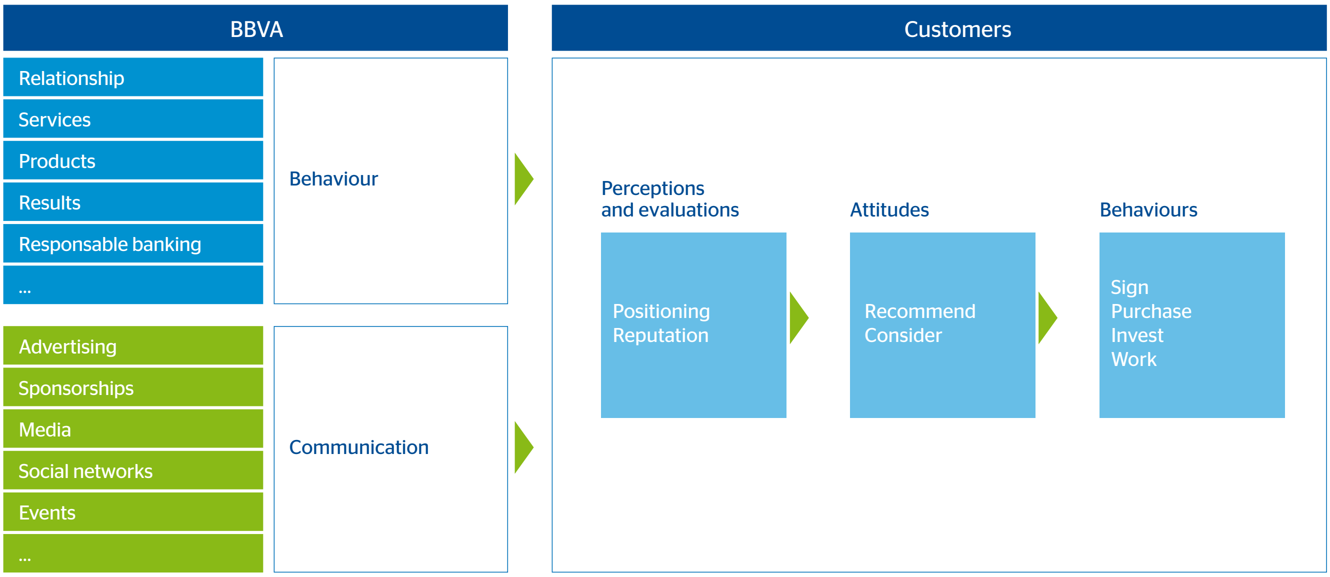
Positioning of BBVA brand: a Bank that makes life easier for its customers

Stakeholders



It is these perceptions that give value to our brand, differentiate us at key moments and make our customers prefer to interact with us. In short, everything we do and communicate is translated into attitudes and behavior towards the brand and the company.

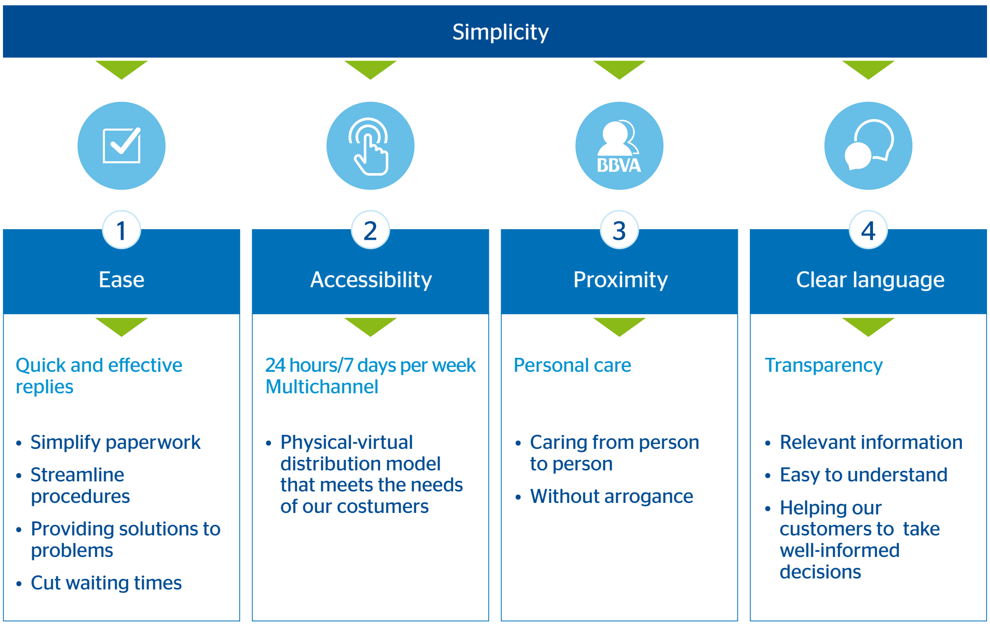
Attitudes and behaviors



This is how BBVA brand **positioning** originates: a Bank that makes life easier for its customers. And simplicity is our differential pillar in being customer-centric.

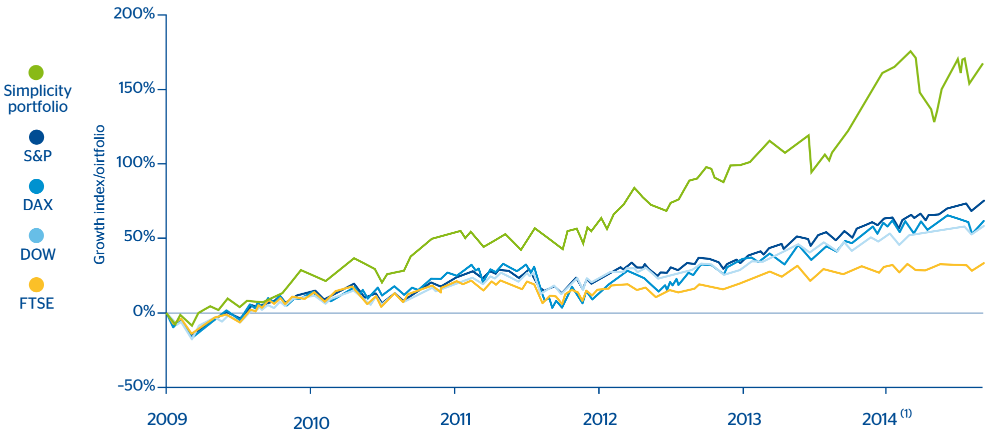
The commitment to **simplicity** is based, above all, on the core elements that play a decisive role at each point of contact with our current and potential customers: branches, remote customer services, communication, etc. These core elements are: ease, accessibility, proximity and clear language.

Simplicity



Simplicity generates **value**. For example, it can be seen that a portfolio composed of the shares of the ten brands considered the simplest outperforms the main stock-market indices.

The value evolution of the "Simplicity portfolio" compared with the main stock-market indices



(1) Data as of September 2014.

How BBVA brand has continued to be constructed in 2014

In **2014** progress continued to be made on implementing the positioning of BBVA brand and corporate identity with the aim of maximizing its recognition (the capacity of BBVA brand to attract customers) and making its impacts (the number of people to whom BBVA brand could potentially reach) more profitable.

This visual **corporate identity** is already implemented in all the Bank's points of contact with the different stakeholders, with particular attention being paid to the digital environment and physical spaces. This enables BBVA brand to be identified quickly, simply and clearly.

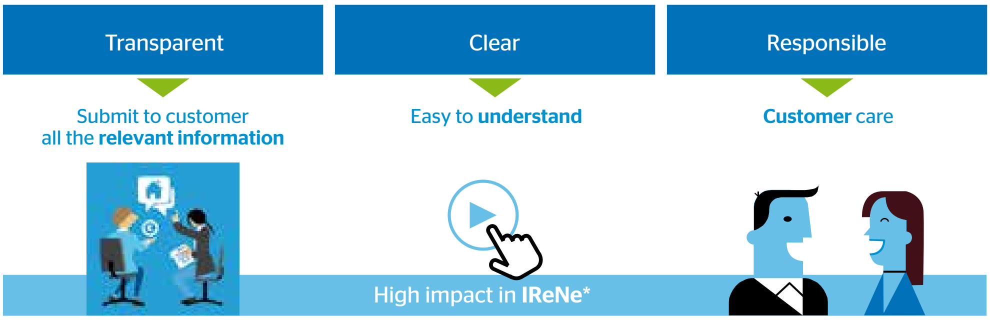
A single corporate identity for the whole Group that enables the brand to be identified quickly, simply and clearly

BBVA brand

A single visual identity	A masterbrand	A slogan
	**BBVA** **BBVA** Bancomer **BBVA** Compass **BBVA** Continental **BBVA** Francés **BBVA** Provincial	**adelante.**

BBVA also wants to stand out as a responsible Bank that conducts its financial activity really thinking about people. In this regard, consumers want more balanced relations with their bank. It is essential to talk to them clearly and transparently. Thus initiatives such as the **TCR Communication Plan**, already mentioned in the chapter on Strategic positioning, and which will be described in more detail in the "Customers" section, are fundamental for dealing with our customers' needs, while conveying BBVA's positioning and values.

TCR Communication



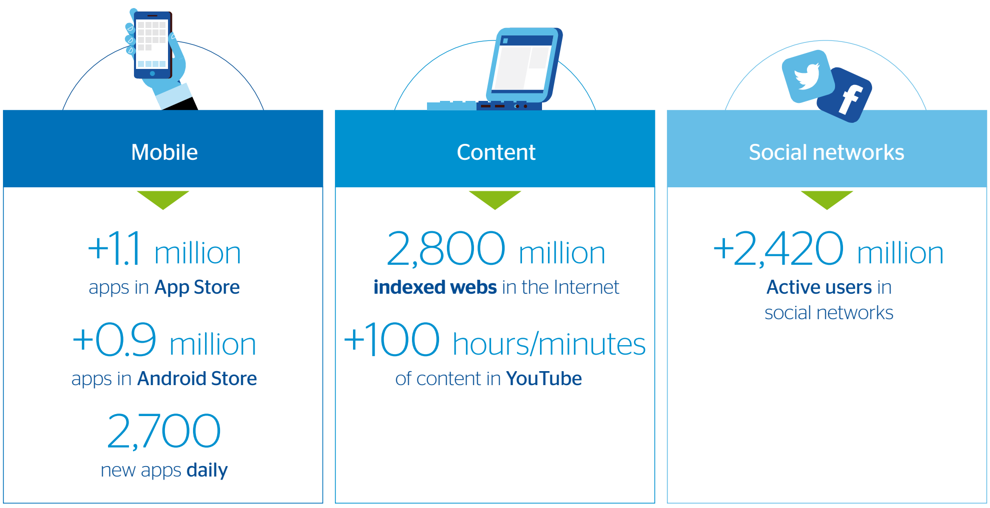
* Net recommendation indicator.

The digital challenge: digital transformation to improve customer experience and its online presence

BBVA also wants to continue to be a model in communication through **digital channels, the Internet and the social media**. The communication strategy strengthens the positioning of BBVA brand. The new media are fundamental to improve customer relations. In our pursuit of simplicity, users are given the best possible service, wherever they are, through alternative channels and the social media. That is why BBVA is one of the cutting-edge financial institutions in the use of the social media, where its presence responds to a clear objective of offering the best information and service possible to its customers and stakeholders, wherever they are. It is a presence that is always in a process of construction, based on the premise that BBVA meets the specific needs of each of the people close to it. Collaboration between experts in different areas of the Bank makes possible a direct management of an active community and effective coordination of communication in an environment as quickly changing and increasingly saturated and competitive as the digital world. This means, first of all, managing an ecosystem of channels segmented by stakeholders, with content adapted to each of them; second, centrally coordinating messages; and finally, monitoring reactions and mentions that are posted every day, as well as establishing protocols for action and response to possible crises as they are detected, above all in these social networks.

Digital world, an increasingly saturated and competitive environment

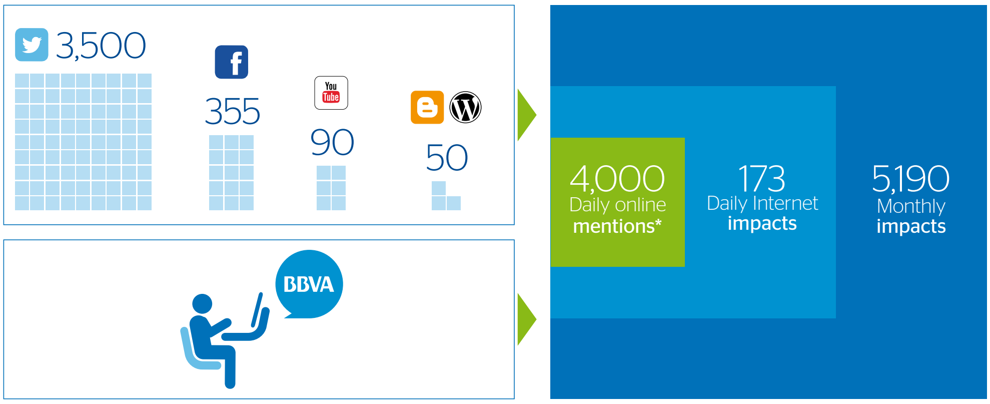
(Average figures as of June 2014)



Specifically, the BBVA community in **social networks** is growing every day and now totals around 20 million followers, doubling the figure for the previous year. All the Group's news, as well as the BBVA news across our global footprint, may be consulted in these media in real time and on the corporate blog bbvasocialmedia.com. Currently, over 150 profiles are included under the umbrella of BBVA brand on Facebook, Twitter, LinkedIn, YouTube and Google+ in 10 countries. Every day there are around 4,000 mentions of BBVA in the main social networks, most (3,500) on Twitter. This implies a high online impact; in other words, the number of people that may be reached by these mentions is 173 million every day and 5,190 million every month.

BBVA continues to increase its presence in the social media

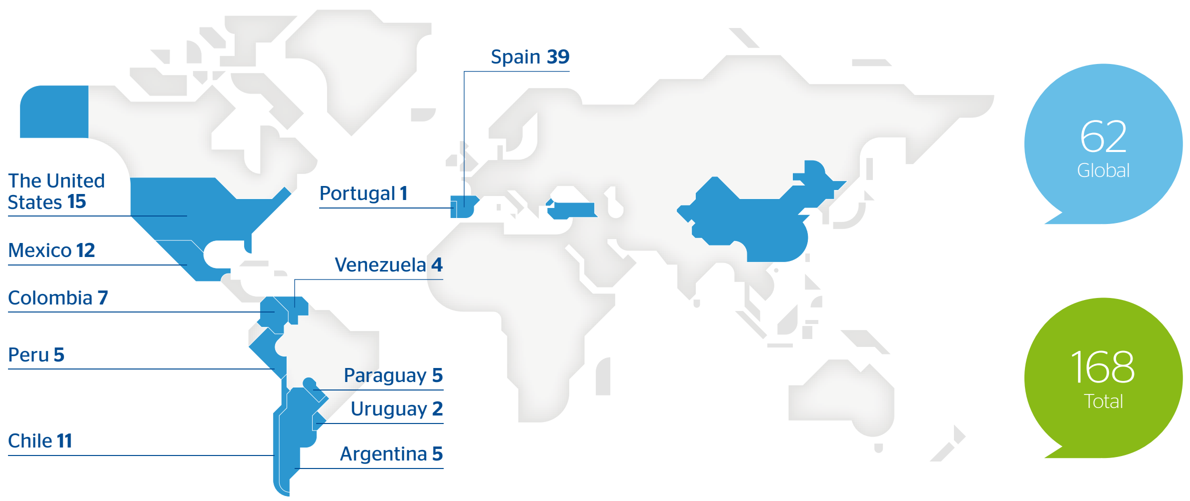
BBVA Group. Daily production in the main social media



(*) Figures of BBVA online impacts for 2014.

BBVA Group. Presence in the social media

(Profiles number as of December 2014)



Facebook		Twitter		YouTube	
22,982,443	+224%	4,226,274	+93%	583,680	+20%
Fans until today	Year-on-year new fans	Followers until today	Year-on-year new followers	Subscribers until today	Year-on-year new subscribers

It is worth noting that the Bank's senior management is fully committed to the use of the social media as a form of ongoing communication with its stakeholders. As an example of the above, BBVA's Brand and Communication Manager has used these media to communicate and spread the objectives that BBVA has set itself to transform the Bank into a more digital organization, and to make it easier to follow the presentation of the Group's quarterly earnings.

The work on communication through digital channels and the social media has been recognized by the Social Media Sustainability index, which has rewarded Momentumproject, Bancaparatodos (now Bancaresponsable), BBVA Socialmedia, BBVAsuma, Valoresdefuturo, Openmind, FundéuBBVA, RutaBBVA and Adelantecontufuturo. In addition, the Facebook profiles "Ruta BBVA" and "Yo Subo con Carlos Soria" have won three awards in the second edition of the TNS FanPage Awards in Spain. The fans themselves are the judges at these awards for the best Facebook pages, in a competition in which 240 brands took part. With these awards BBVA has positioned itself as a benchmark among Spanish companies in the management of its social media profiles. The awards value aspects such as the influential capacity of the page, the quality of the content, the level of interaction with fans, customer service and the differential value with respect to its competitors.

Sponsorships in BBVA

Sponsorship reinforces the brand's appeal by associating BBVA with universal domains of global scope which share values with its corporate culture

Sponsorships are another of BBVA's significant attempts to make it more appealing and boost BBVA brand as a global, innovative brand with a differential strategy. The Group has a policy of integrated sponsorships, based on territories with a high following, with values close to our corporate culture and links to people.

Through this sponsorship strategy, BBVA supports initiatives or projects that are in line with the principles of simplicity, integrity and prudence, and that generate value for the Group and its stakeholders. The Bank's investment in sponsorships is a result of its vision, "at BBVA we work for a better future for people", as set out in three motivations:

- To be a Company of people for people.
- To position our brand.
- To contribute to the development of our business.

Within this general strategy is the Group's ongoing commitment to become the Sport Bank, which has led it to begin sponsoring soccer and basketball, the two sports that best represent the global world. BBVA is also giving its support to initiatives of a cultural and educational nature, as well as other non-profit social development projects through which it expresses the Bank's commitment to the communities where it operates.

The Sport Bank

Soccer and basketball are the sports that best represent the global world

BBVA decided to enter into sports sponsorship, particularly in **soccer and basketball**, because it allows to establish a relationship with millions of people around the world. The passion for sport is an everyday reality, far removed from elitism. It moves passions, enthusiasms and dreams. Liga BBVA, the most supported competition in the world, and NBA, of which BBVA is the Official Bank, are clear examples of competitions that represent the global world and that are followed widely in many growing markets where the Group is present. In addition to this, sport is associated with several values, such as fair play, respect for the rules, teamwork, effort, self-improvement, personal integrity and ethical behavior, which coincide and are integrated with BBVA's corporate culture. At BBVA we have an innovative vision of sport sponsorship: it is a case of "living" the brand, integrating it into the content. In this way, our customers feel more loyal to the Bank and sponsorship becomes a focus of attraction for potential customers. Our sports sponsorships comply with three fundamental premises: global recognition, positioning in values and commercial activation.

1. Liga BBVA

BBVA and the Professional Soccer League (LFP) in Spain have a strategic agreement to sponsor Spanish soccer with a global scope of action. As a result of this agreement, the First Division is called Liga BBVA, while the Second Division is called Liga Adelante. The agreement is in force until 2016, and may be extended until 2018.

2. NBA Official Bank

In 2010 BBVA became the Official Bank of the most important basketball league in the world, after signing a long-term agreement with the National Basketball Association (NBA). This agreement includes the Women's National Basketball Association (WNBA) and the NBA Development League in the United States, Mexico, South America, Spain, Portugal and Turkey.

As part of this sponsorship deal, the NBA 3X initiative was developed in **2014**, with the collaboration of NBA legends such as Kenneth Faried, James Worthy and Richard Hamilton, and slam dunk teams that have visited Barcelona, Bilbao, Granada, Valencia, Leon and Madrid. It consisted of a 3x3 competition and interactive activities in which young basketball players had the opportunity to take part. In addition, as part of its commitment to the community, BBVA organized a BBVA Day the Friday before each stop on the NBA 3x tour, with visits to hospitals and charities by players, including Kenneth Faried, James Worthy and Richard Hamilton.

3. Other sponsorships

In addition to the major global sponsorships, the Group has also concluded a number of sponsorship agreements in sport at regional and local level around the world, mainly in key markets for the Bank such as Latin America and the United States. The following are the most relevant:

- **Liga BBVA Bancomer**. Reaffirming its commitment to Mexico, BBVA Bancomer has since 2013 been sponsor of the Liga MX, which receives the name Liga BBVA Bancomer. The Mexican league consists of 18 clubs in the top soccer division in the country. It is watched by 75 million people.

- In **soccer** it also sponsors the team Rayados de Monterrey, the Venezuelan Soccer Federation, the teams Boca Juniors and River Plate in Argentina and the Houston Dynamo Soccer Team in Houston.

- In **basketball** it sponsors the NBA teams San Antonio Spurs, Miami Heat, Dallas Mavericks and Houston Rockets.

New this year, and for the first time in history, **El Celler de Can Roca**, named best restaurant in the world in 2013, closed its doors to go on a tour that has taken the Roca brothers to four countries and six different cities in six weeks. In their tour through Houston, Dallas, Monterrey, Mexico City, Bogota and Lima, the Roca brothers and BBVA have paid a deserved homage to the contribution of the Americas to world gastronomy through the best ingredients on the continent, while supporting the best cookery school students in each country. The Roca brothers' "Haute Cuisine with Values" sums up perfectly the shared vision of BBVA and El Celler de Can Roca. It is a cuisine that is based on principles and is concerned with building a better future for people, by training the best talents of the future and supporting local producers.

Education and culture

Education as a fundamental pillar of equality

Education and culture are two of the most important areas of community involvement for BBVA. The Group is committed to education, as we believe it is a fundamental pillar in the construction and development of more egalitarian and fairer societies.

Access to education and the quality of education are two of the most relevant issues for our stakeholders. These areas are where the most important initiatives for dialog, commitment and shared work are formed. That is why in tackling the educational question BBVA develops long-term alliances with social institutions with which it can work jointly on a continuous basis.

1. Fundéu BBVA

Fundación del Español Urgente (Fundéu BBVA) is an institution created in 2005 by the EFE news agency and BBVA. It was set up with the aim of encouraging the good use of the Spanish language in the media. It is backed by institutions such as the Spanish Royal Academy, the Autonomous Region of La Rioja, the Cervantes Institute, various universities and the public-service broadcaster Radio Televisión Española (RTVE). It also collaborates with the academies of other Spanish-speaking countries.

2. Ruta BBVA

Ruta BBVA is an educational and cultural program that the Bank has promoted since 1993. Year after year, young people from more than 50 countries are given the opportunity to discover the human, geographical and historical dimension of ancient civilizations. This adventure shares many of BBVA Group's core values: solidarity, effort, humility, cooperation and teamwork.

In **2014** Ruta BBVA traveled to Peru. The expedition found out about some of the projects with a social emphasis promoted by BBVA in the region and reflected about the major challenges that are faced today by society in order to include collectives, ethnic groups and social segments into a future social project that is fairer, more participative and more egalitarian.

Brand ambassadors

The collaboration between BBVA and its brand ambassadors extends beyond advertising campaigns

In 2014, BBVA has continued to support the **BBVA Ambassadors** project, which brings together in different facets of their activity people recognized in different fields who share fundamental BBVA values, such as the spirit of self-improvement, integrity, cooperation, humility and responsibility. The collaboration between BBVA and its brand ambassadors extends beyond the use of their image in advertising campaigns. It also includes their participation in activities related to corporate responsibility.

BBVA began this program with Iker Casillas and Andrés Iniesta. Since then it has added NBA players such as Kevin Durant (Oklahoma City Thunder) and James Harden (Houston Rockets), and more recently, the tennis player Garbiñe Muguruza, who is in 20th place in the Women's Tennis Association (WTA) ranking. Another ambassador is the Alpine mountaineer Carlos Soria, who at 75 years of age climbed to the 8,586-meter summit of Kanchenjunga on May 18, 2014.

Primary stakeholders

Tools for communication and dialog with stakeholders

At BBVA we have a system of tools through which we listen and try to respond to our stakeholders, thus integrating their expectations into our responsible banking model. These tools guarantee two things: that stakeholders have the proper channels available to be heard and BBVA has sufficient sources of information to understand their priorities and expectations and thus respond to their needs. The most relevant highlights are summarized below.

In BBVA, we listen and try to respond to our stakeholders' expectations

Customers and society

- In-depth research into **people who use banking services** conducted between 2013 and 2014, which involved 8 interviews with external experts, 22 focus groups and 3,579 interviews in 8 countries in which the Group operates (Spain, Mexico, United States, Argentina, Chile, Colombia, Peru and Venezuela) and which will be revised every three years.

  This research is our fundamental tool for identifying the major structural trends and social demands in relation to banks. It has enabled us to identify the most relevant attributes for building a responsible Bank and also understanding which of them have the biggest impact on the business.

- The external reputation survey, RepTrack, conducted every year among customers and non-customers, which supplements and validates the results of the above research work (1,000 interviews per country and year). This survey allows us to identify the elements that have the biggest influence in building an emotional reputation. The variables measured are: customer orientation, ethics, citizenship, work, leadership, finance and innovation. This tracking or ongoing survey is also conducted in the eight countries mentioned above.

- Other annual quantitative research into trends, confidence levels and expectations of public opinion with respect to companies in general and financial institutions in particular, such as GlobeScan, Edelman's Trust Barometer or the summaries prepared by Corporate Excellence.

- Tracking and analysis of news items in the online press, television and radio in the main countries in which we operate. This, along with the analysis of social networks, gives us a better understanding of the demands and priorities of public opinion in relation to banking and, in particular, with respect to BBVA at any given time.

- BBVA tracks Facebook, Twitter, LinkedIn, YouTube, Google+, etc. on an ongoing basis and also has an online reputation assessment tool (Alto Analytics) to conduct more in-depth analyses of the aspects that are of key interest to us.

- 2014 Issues Report by Corporate Excellence. Provides what are the ten key topics according to the public agendas of international and regional organizations around the world (UN, WTO, World Bank, etc.). The issues are organized by number of mentions.

Employees

- In-depth internal research into the team, with interviews with 26 executives and surveys with 5,701 of the Group's employees in ten countries, conducted in 2013. This supplements the research into people who use banking services, and we are planning to repeat it every three years. It is the fundamental tool for identifying what a responsible bank should do in the opinion of our employees.

- The internal reputation survey conducted among employees in the aforementioned eight countries (6,945 employees). It is carried out once a year with the aim of finding out what the people who work at BBVA think about their company, as an institution rather than as a workplace. Our analysis of the results allows us to determine the most important variables for employees to feel proud of belonging to BBVA and consider it a responsible entity.

- The employee satisfaction survey, conducted every two years among the Group's entire staff and with a participation of 78.4% in 2014, enables us to find out their views about which are the most important elements for making BBVA a good workplace and generating motivation and satisfaction.

- An analysis of the extent to which BBVA is a Family-Responsible Company, conducted in 10 countries, with interviews with 18 Human Resources and Business managers, a questionnaire for those responsible for the work/life balance and an online questionnaire for 5,926 employees. The results of this survey have enabled us to prioritize the most important issues for our staff in this area, and also to reinforce and supplement the results of the satisfaction survey.

Investors

The Corporate Responsibility & Reputation (CRR) department analyzes the questionnaires and questions of sustainability analysts such as MSCI, RobecoSAM, Sustainalytics, Vigeo, CDP, GS Sustain, Oekom, EIRIS, etc., and also of investors interested in this subject. This enables us to identify their expectations and priorities.

The regulator

Internal analysis of the main regulatory trends by the areas involved and analyses from external sources, also on regulatory trends, such as KMPG's 2014 Evolving Banking Regulation and Deloitte's report Top 10 2014: Our Outlook for Financial Markets, Regulation and Supervision.

All stakeholders

The reputational risk methodology enables us to identify the main reputational risks by country and globally.

The CRR department in each country is in charge of assessing the impact of reputational risks, according to how those risks influence stakeholder expectations. The holding's CRR department is responsible for supervision and coordination, once the list of reputational risks have been identified.

The sources/tools used by the CRR departments in each country for assessing the impact are: RepTrack model (weights), ATPs, Internal Reputation Survey, experience in other crises, Kantar, crisis and resource management tools, etc.

Customers

BBVA's commitment to its customers

At BBVA we work for a better future for people, trying to build lasting relations with our customers and providing them with the greatest possible value. BBVA is, and has always been, a responsible Entity with principles, one that has met its customers' expectations and its commitments to them. Our true aim is to be the **best Bank for our customers**, offering them the most appropriate products and services; in other words, more accessible products and services, simply, quickly and at any time, from any device and for any operations they may want to carry out.

We aim to be the best Bank for our customers...

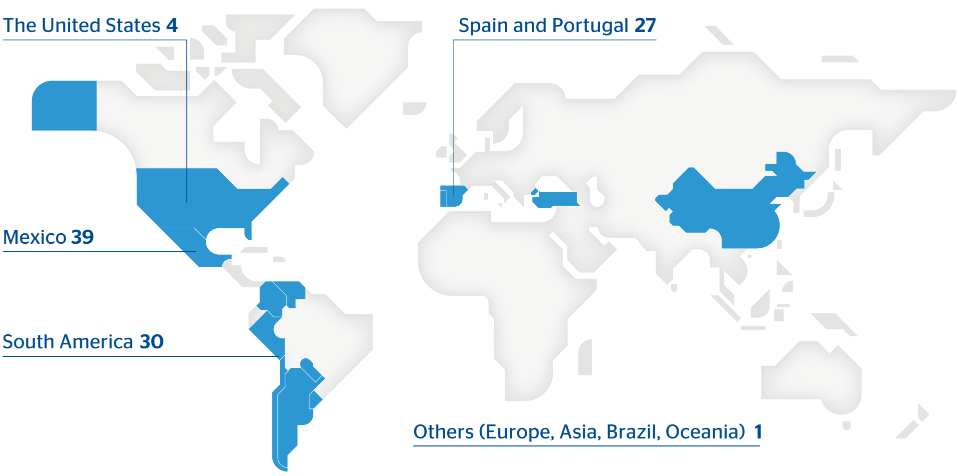
BBVA also aims to continue to be a **leading Bank in the future**. We aspire to offer the best experience for our customers across all the channels and become a model Entity in terms of customer satisfaction in all the geographical areas where we serve them.

...And become the model Entity in terms of customer satisfaction

Breakdown of customer numbers

(31-12-2014. Percentage)

BBVA has around 51 million customers, with a geographical distribution balanced between emerging and mature markets.



For BBVA, in the words of our President and COO: "customers must always be the winners," and that is why whenever we work internally on any project we do not forget that what lies behind it there is a customer.

Customer quality and experience

1. Customer insight

Customers are at the core of BBVA's business model. Listening to our customers and understanding their needs, offering sustainable and innovative solutions, and building long-term relations based on trust, are all of the greatest **priority** for the Group. The challenge that BBVA has set itself is to be the most recommended Entity in all the countries where it operates. We were the first in the market to understand the need to boost the customer-centric business model as a competitive advantage in the medium term. The financial sector is undergoing a rapid transformation. In this process of change, customers increasingly have more power and the degree of their demand is reaching levels that had not been seen before.

We aim to be the most recommended Bank by our customers

BBVA's customer-centric strategy ensures high recurrence of results and business stability.

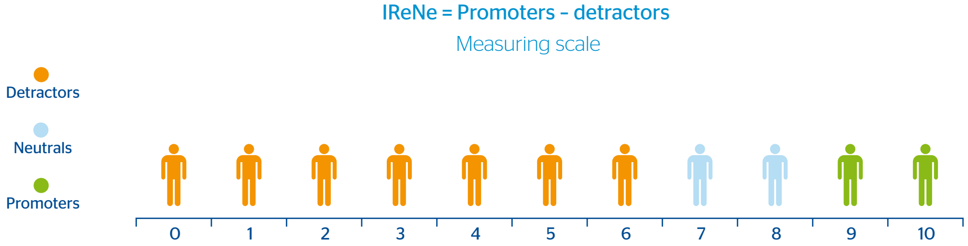
Customer experience and quality are the key differentiating levers in the new competitive environment

The Quality and Customer Experience areas work on the development of the **customer experience model** in retail banking. Being customer-centric requires extensive knowledge of our customers and their financial needs, as well as having a good value offering and being capable of generating differential experiences. At BBVA we have made progress over the last three years in building and implementing a global methodology based on recommendation. It is called IReNe (Net Recommendation Index), and provides us a deep understanding of our customers across the whole Group.

We must consider the **customer relation** as a whole, including all the processes, channels and products, and try to make progress toward greater simplicity with the aim of turning customers into fans. To achieve these objectives it is essential to approach the business through the customer profile. Each segment is a business in itself, with a differentiated value proposition, adapted to that kind of customer, in both the physical and virtual world. In 2014 we have improved the application of this methodology and have concentrated our efforts on developing a customer infrastructure. This has made it easier to use and periodically disclose the results of our studies, allowing for a better monitoring and comparison between countries.

Through surveys, the **IReNe** methodology allows us to understand BBVA's competitive situation and our position with relation to our competitors in terms of recommendation.

IReNe methodology



The IReNe indicator by country

	Spain	Mexico	The United States	Argentina	Chile	Colombia [1]	Peru	Venezuela
Second half of 2014 compared with the second half of 2013	2	-9	21	3	7	-11	8	1

Note: the difference between the value of the IReNe in the second half of 2014 and the second half of 2013, expressed in percentage points.
(1) Despite the decline in the value of the indicator, BBVA Colombia improved its ranking position in 2014.

	Spain	Mexico	The United States [1]	Argentina	Chile	Colombia	Peru	Venezuela
Gap to the peer evolution. Second half of 2014 compared with the second half of 2013	2	3	-2	4	-4	14	7	-5

Note: the gap to the peer is the difference between the Bank's IReNe value and the average IReNe values of the peer group. A peer group has been defined for each country.
(1) Value affected by the reconfiguration and expansion of the peer group in the second half of 2014.

Moreover, BBVA has an **Internal IReNe** methodology that is key for providing a standard evaluation of the services considered critical for the branch network (in other words, the services provided by the Group's headquarters units) and that make possible a real service for the end customer. Based on the knowledge of the aspects that are most important for the external customer, we have created an internal process consisting mainly of diagnosis and checking with employees that results in selection and then evaluation of the most important services for which the best attention and service quality must be provided to our branch customers. In this way we obtain an indicator that measures the perception that the network has of the service provided by its internal suppliers, the headquarters units. All this by way of recommendations (IReNe by Service). At the same time, the methodology sets specific objectives based on:

- Identifying levers and attributes on which actions can be taken to promote recommendation.
- Boosting plans and commitments from providers that improve the service in the branch network.
- Incentivizing employees for this effort.

2. Customers as a driver for transformation

As commented in the section on Strategic Positioning, BBVA Group is immersed in a process of **transformation** toward a more digital model, which is needed to address the challenges faced by the financial industry: more regulation, higher levels of transparency and accountability, and an increase in competition due to changes in customer preferences resulting from the technological revolution. The Bank's global digital transformation strategy from the customer's point of view means improving their experience, and not only in the purely digital world, but across all the channels. In general terms, we aim for our customers to feel that interacting with BBVA in any geographical area means a completely different experience.

We aim for our customers to feel that interacting with us gives them a different experience

Processes and technology are crucial instruments for implementing this model. Processes must be simple, uncomplicated and user-friendly. In all the countries where BBVA operates, we work to ensure that we have the appropriate processes in place to generate positive experiences for our customers at key times, such as for example when new customers begin to interact with us, when they need advice or we handle their claims.

In 2014 BBVA strengthened its global Customer Experience area due to the relevant role this factor will have in the Group's future digital transformation. **Technology** is improving the way in which people understand the world, and thus it must be the main lever in the BBVA experience. Within the financial sector, BBVA has been proactive in making major investments in real-time platforms that enable scaled data analysis and the distribution of customized content. In addition, in trying to offer the best experience to its customers, BBVA works to be permanently focused on their needs, using the opportunities offered by digital technology.

Thanks to the IReNe methodology, we know the assessment for each type of customer and relationship channel, so we have the elements we need to establish **quality plans** and integrate the customers' priorities into the Group's transformation projects. The effort of all the areas is geared toward boosting the plans and actions that BBVA has underway. The result is having an effect on the increase in customer satisfaction, the recommendations they make of the Bank, and thus the increase in the base of new customers and increased loyalty of current customers. The following table sums up the most important initiatives:

Quality initiatives occupy an important place within BBVA's customer strategy

Quality Initiatives in 2014

Spain	"Banco 10" (10 Bank), program for the entire Commercial Banking network and for "BBVA Contigo" (BBVA with you), which aims to position BBVA as the most recommended Entity.
	Operational Excellence Plan aimed at providing better service to customers and achieving a differential experience in customer operations and transactions on any of the channels.
Mexico	Implementation of the "Experiencia Única" (Unique Experience) customer service model across 100% of the branches.
	Development of projects for measuring, immediately, customer experience at the points of contact.
	Launch of an open market study to assess the bank's different channels.
Argentina	Incentives scheme for the branches, associated with customer recommendation.
	Launch of the Service Quality Training plan.
	Process improvement, with an impact on customer experience.
Chile	Tracking and weekly measurements of complaints.
	Customer Proximity and Transparency Program.
	Design of the Personal Banking experience.
Colombia	Definition of the service strategy, consisting of a "service pledge" and "service proposals".
	Implementation of a tool for permanent monitoring of recommendations at each branch.
	Monitoring of the initiatives for mitigating the causes of complaints.
Peru	Setting up of the Strategic Action Committee (SAC), with the participation of the Management Committee, which discusses quality issues, among others.
	The technology area's ongoing commitment to ensure the stability of the channels, taking into consideration indicators which assess the impact on customers.
	Identification of the critical moments that have the greatest impact on customer satisfaction.
Venezuela	Improvement plans under the "Visitas a la Red" (Visits to the Branch) program.
	Complaints reduction plan – root causes and reduction in response time.
	Digital Feedback on the public website.

3. Success cases

Over 2014, BBVA has received the following **recognitions** for quality:

- BBVA Chile has achieved leadership within its peer group, and the second position in the industry in satisfaction in mobile banking, according to a Servitest study.
- In 2014, BBVA Provincial focused on reducing claims and response times. Claims registered by our customers through the various channels made available by the Bank registered a steady decline every month, representing an overall decrease of 30% compared to the previous year's figure. The reason for all this effort is to constantly improve and exceed the goals set, which translates into a better service for customers. As it can be seen, the reduction of claims has a direct effect in fewer customer demands with the supervisory authorities, optimal timing and effective responses and high IreNe rate, among others.

Digital strategy

Our aim: to create the Bank with the best digital experience in the 21st century

Over the last year, BBVA has increased the number of **digital customers** in South America to 3 million and tripled those that operate with cell-phones to over a million. However, there is still a great deal to do on the traditional business front, to continue extending relations with our customers and attract those who remain unbancarized. To do so we continue to open branches and installing ATMs, while developing new mobile solutions.

BBVA Compass has implemented a methodology for managing projects that use the digital "giants".

In its process of boosting its digital banking agenda, BBVA Compass uses Agile, a project management system that has been used by major technological companies that are leaders at a global level.

The **Agile methodology** is known for its use in software development. It uses an iterative approach that divides projects into parts. It is a work method that is well considered because of its highly collaborative nature, in which the feedback generated in each cycle is used to improve the following cycles, and for its capacity to adapt quickly to change.

The techniques of the Agile methodology are being increasingly used in BBVA, as the Group makes progress in its transformation into the Bank of the future. The aim is to provide solutions of the highest quality to the internal areas, and ultimately to our customers. The rigorous process of developing the Agile methodology allows a swifter reaction to any problems that may arise, without exceeding deadlines or negatively affecting customers.

Initially, BBVA Compass is using the Agile methodology to implement two improvements aimed at optimizing customer experience. The first of these will allow the re-establishment of the Bank's online security protocols after the accounts are blocked. The second will allow customers who do not have a current account to register in the online banking system themselves, instead of having to request it from customer service.

Complaints and claims management

Customer experience and quality are the key levers for attracting and retaining customers in the new competitive environment. **Claims** are a source of customer opinions: they allow us to identify the causes that lie behind the complaints and activate action plans. Without a doubt, they represent a moment of truth, whose analysis and management provide relevant information on the reasons for the lack of customer satisfaction.

Customers' claims become opportunities for winning them back. The aim is for the customers to recognize us as a benchmark in terms of customer service quality

In **2014**, the countries have continued to make progress in the comprehensive transformation of customer service, developing their claims and complaints management systems to achieve an optimal model, making the Bank a benchmark for quality. As we are determined to turn customer claims into opportunities to regain them, we have strengthened the channels for dealing with complaints to facilitate the process.

The new **complaints and claims model** has the following objectives:

- More agility and simplicity through swift processes with automatic assignments that allow management of simpler claims to be resolved online.
- More transparency, allowing managers and customers to have clear and precise information on claims through mechanisms that provide traceability.
- Resolution of claims within the Entity, without being transferred to regulatory bodies, thus ensuring that the management of these claims and complaints make us leaders in responding to cases of customer dissatisfaction.
- Provide communication with customers from the different channels, having defined the management model as a multi-channel process through a tool that provides comprehensive support to the whole process.

This is all supported by the digital mechanisms implemented by the Bank, such as the digital library, in which all the information is scanned in a single place, making it unnecessary to physically review the customers' contractual documentation. The objective pursued is that the customer recognizes us as a benchmark in terms of the quality of the complaints and claims service.

In short, BBVA is committed to technology and the digitization of customer service, with the customer being a key reference point in the entire process.

The world of claims is also undergoing a process of transformation and improvement of the internal **processes** undertaken by BBVA. That is why, in 2014, it has once more been the object of evaluation as a critical service for the branch network in BBVA Spain with the goal of progressing in improving the value of this service. Because of the desire for continuous improvement in this Customer Service unit, it has been recognized as one of the most recommended at an internal level in the Bank, thanks to the implementation of specific working plans within the Internal IReNe methodology.

Average resolution times

(Number of calendar days)

	2014	2013	2012	2011	2010
Spain	15 (1)	12	7	5	8
Mexico	14 (2)	8	7	7	7
Argentina	5	19	12	14	18
Chile	9	8	9	12	7
Colombia	4	7	7	12	14
Peru	10	12	16	11	10
Portugal	6	6	6	10	12
Venezuela	5	6	6	7	16

General note: average time in calendar days.

(1) The request for documentation and old contracts, which is one of the main complaints by customers, has extended management times in 2014.

(2) The implementation in 2014 of the DataMart tool for managing complaints has allowed for a more accurate and complete calculation of the resolution times.

Claims resolved in First Contact Resolution (FCR) in 2014

	Spain	Mexico	Argentina	Chile	Colombia	Peru	Portugal	Venezuela
% of claims resolved by FCR	n.m.	13	30	7	45	24	n.m.	19

Note: In Spain to credit and debit cards' complaints, not to claims. This kind of management is not applied in Portugal.

Number of cases before banking authority

(For each €1,000m of activity)

	2014	2013	2012	2011	2010
Spain	2	4	2	2	3
Mexico	632	352	289	412	425
Argentina	131	159	96	85	100
Chile	16	17	21	29	26
Colombia	135	149	117	192	231
Peru	10	43	40	30	27
Portugal	20	21	15	12	5
Venezuela	55	88	60	69	209

Notes:
Activity: Loans and advances to customers (gross) + total customer funds.
Changes in the figures for 2013 and 2012 have been caused by adjustments in the final activity data.
Banking Supervisory Authority: generic name for the external body to which customers can present claims against BBVA. The body varies according to the market, ranging from the Bank of Spain or the CMNV to the Superintendencia Financiera in Colombia or CONDUSEF in Mexico.

Transparent, Clear and Responsible Communication

As clear as water
What is TCR Communication?

Transparent

Clear

Responsible

Within the framework of the responsible business strategy, BBVA is developing the previously mentioned TCR Communication project that aims to improve customers' financial decisions. To do so, the information that BBVA provides to its customers must:

- Maintain a balance between advantages and costs (transparency).
- Be easily understood (clarity).
- Help them take responsible decisions that are in their short, medium and long-term interests (accountability).

In **2014**, BBVA has continued with two initiatives implemented in 2013, and has initiated two new ones:

- **TCR product leaflets**: These leaflets summarize the product with all its advantages and also the associated disadvantages and costs. This documentation is provided prior to signing the contract. The leaflets provide the necessary information to customers so that there are no surprises, explained in simple language and with a glossary of terms. The project has been implemented in Spain in 2014. In 2015, TCR leaflets will be available for the 80% of the most popular products in the eight main geographical areas where BBVA operates.
- **TCR contracts:** The project involves reworking current contracts and structuring them logically for customers using a language that is easy to understand. The first contracts using TCR criteria were drafted in 2014, and they have already been tested by customers. In 2015 TCR contracts will be given to customers who contract any of the five most popular products in each geographical area.
- **Digital TCR**: The aim is to extend the initiative of TCR communication to the digital sphere within the framework of BBVA Group's digitization strategy, in particular in terms of clarity, which is a priority in the digital world. Thus, in 2014 practices perceived as TCR by users have been analyzed: for example, there should be simple online simulators for loans and other products, detailed product information, a glossary of terms, explanatory videos, etc. These initiatives will be implemented starting in 2015.
- **TCR Advertising Code**: This is a document containing the principles that must be followed by commercial communication and advertising in the Group to guarantee that it is TCR. The underlying concept is that commercial information should allow proper decision-making by customers and take care of their interests. It is important that this is done from the moment when a potential customer's attention has been captured. This code has general principles and also product-related principles. It has been developed in 2014 and will be implemented from January 1, 2015.

Within the customer area, the aim of TCR Communication is to improve customers' financial decisions

In addition, BBVA places customers at the beginning and end of the TCR Communication project:

- At the beginning, by listening to a focus group and through a quantitative study of more than 3,500 interviews. Customers have told us that clarity is important for them. It is also key for recommending us to another person and for that other person to consider dealing with us.

- At the end, by testing the TCR documentation with customers. We are achieving very good results with these tests.

  - The messages are relevant, with no doubts or lack of information.
  - The language is clear, simple, explanatory and direct, which makes it easier to understand.
  - The transparency and clarity of the TCR documentation tested is perceived as an act of responsibility by the Bank.

In **2015** the aim is to be one of the two banks with the clearest communication in the eight main geographical areas where BBVA Group operates.

Literacy

Literacy aims to help customers make informed financial decisions

Literacy is another BBVA initiative that, as in the case of TCR Communication, aims to help customers make informed financial decisions. That is why both TCR Communication and Literacy are strategic priorities in the Group's Responsible Business Plan.

In **2014** BBVA continued with the Financial Literacy programs carried out from earlier years, while launching new initiatives:

- **Financial Literacy workshops for adults**, targeted at both customers and non-customers. The aim is to improve their financial culture and allow them to make informed financial decisions. They cover very varied subject areas, such as credit health and stock-market education (this workshop was launched in 2014 in Mexico).

- **Financial Literacy workshops for SMEs**. Since 2013, Mexico has undertaken financial workshops channeled through the National Institute for Entrepreneurship (INADEM). These workshops are made available for all the SMEs in the country. They cover a variety of subject areas, such as credit and cash flow management.

- **Training for businesses**, targeted at SMEs, is a training initiative for businesses in subjects related to financial literacy, as well as executive skills. A regional training program was launched in this area in 2014 in Argentina, Colombia, Chile and Venezuela. It has allowed companies to access courses designed to address their needs, given by top-level local business schools.

- **Momentum Project**, designed to support the growth of social development companies. It has been running since 2011, and today is present in three countries: Spain, Mexico and Peru. Since its launch, 66 companies have participated in the comprehensive training, strategic mentoring, visibility, financing and follow-up program for entrepreneurs. Of these, 21 have been financed with more than €6m.

- BBVA also has **initiatives for children and young people** focused on promoting the value and importance of money in their lives and behavior, covering areas such as saving and controlling expenses. It works hard to make training content available through local websites and the social media. In 2014 the beneficiaries of the Financial Literacy programs in all the countries where BBVA operates numbered 1,385,447. For 2015, the aim is to be one of the main banks recognized for their support for financial literacy in the eight main geographical areas where the Group is present.

Shareholders

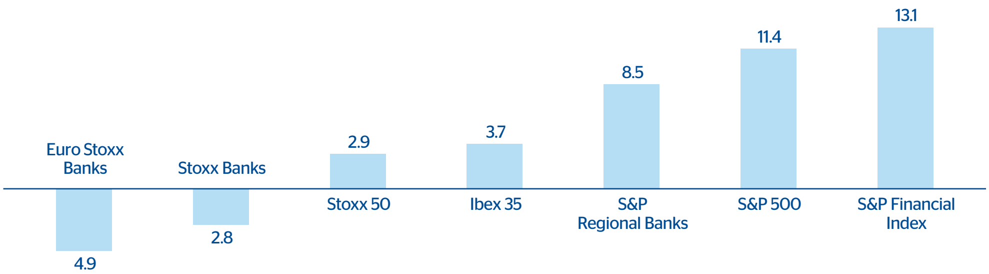
In 2014, the global economy recovered, but with a diverged behavior among geographical areas: sustained improvements in the United States, reduced growth in Europe and Japan and moderation in China and other large emerging economies. The above has had an impact on **stock market indices**. The performance of the indices of the main developed economies has continued to vary, with the United States performing better than Europe. In the United States, the S&P 500 closed with a year-on-year rise of 11.4%, while the Stoxx 50 in Europe gained 2.9% over the same period. In Spain, the Ibex 35 gained 3.7% since 31-Dec-2013 after an outstanding performance in 2013.

The performance of the different stock market indices diverged notably in 2014

In contrast, the performance of the **banking sector** has, in general, been weaker than that of its respective general indices. Specifically, the S&P Regional Banks index in the United States gained 8.5%, while the Euro Stoxx Banks, which includes the banks in the Eurozone, lost 4.9% on its levels at the close of 2013. This divergent performance of the banking sector in both cases is in part a reflection of the more restrictive bias in the monetary policy outlook in the United States, compared with the expectations of new expansionary measures in the Eurozone.

Year-on-year evolution of the main stock market indices

(Percentage)

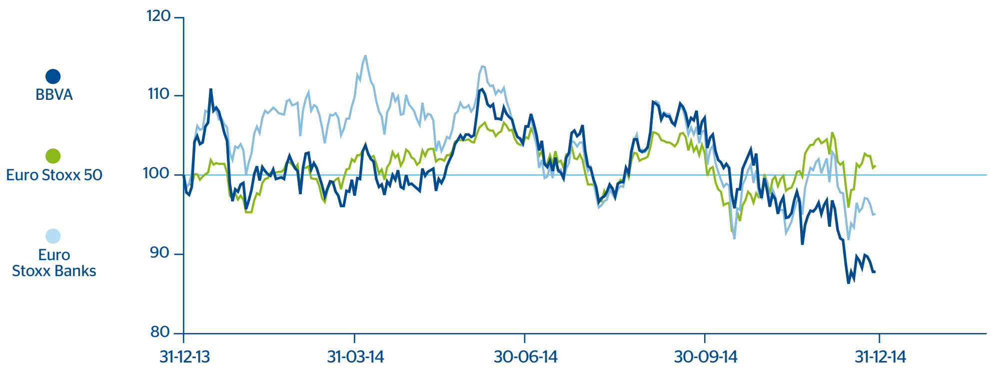


Of note with respect to the Group's situation at the close of **2014** is its sound capital and balance sheet position, which has been confirmed by the results of the comprehensive assessment of the European banking sector conducted by the ECB. BBVA's proven capacity to generate earnings and the quality of its capital ratio has made it one of the European entities that have passed this assessment with greatest ease, even under the most adverse scenario of the stress tests. Also notable in 2014 was the aforementioned announcement of several corporate operations. First, the acquisitions of Catalunya Banc in Spain and of an additional 14.89% stake in the capital of Garanti in Turkey (which increases BBVA's stake to 39.9%) strengthen the Group's position in Spain and Turkey, respectively. Second, an announcement was made of the divestment in CIFH and, already in January 2015, the sale of a 4.9% capital stake in CNCB. The latter divestments will improve the Group's capital position. Predictably, all these operations should be closed in the first half of 2015, once the required authorizations are received.

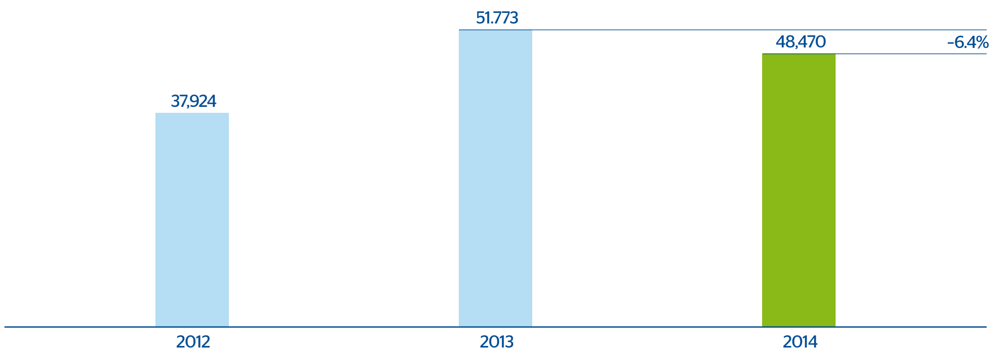
The ECB ratified BBVA's solvency and capacity to generate earnings

The comparative performance of the **BBVA share** in 2014 was affected by the significant gain in 2013. Its price has fallen year-on-year by 12.2%, mainly in the last quarter, with a price at the close of 31-Dec-2014 of €7.85 per share. This amount represents a market capitalization of €48,470m, a price/book value ratio of 1.0 and a PER of 17.3 (calculated on BBVA Group's net attributable profit for 2014). At these levels, the value of the BBVA share could be considered attractive when taking into account the growth potential in recurrent revenue and the Group's sound capital position.

Share price index
(31-12-2013=100)



BBVA's market capitalization
(Million euros)



The BBVA share and share performance ratios

	31-12-14	31-12-13	31-12-12
Number of shareholders	960,397	974,395	1,012,864
Number of shares issued	6,171,338,995	5,785,954,443	5,448,849,545
Daily average number of shares traded	48,760,861	55,515,852	68,701,401
Daily average trading (million euros)	437	411	406
Maximum price (euros)	9.99	9.40	7.35
Minimum price (euros)	7.45	6.18	4.31
Closing price (euros)	7.85	8.95	6.96
Book value per share (euros)	8.01	8.00	8.00
Market capitalization (million euros)	48,470	51,773	37,924
Price/Book value (times)	1.0	1.1	0.9
PER (Price/earnings; times)	17.3	23.2	21.5
Yield (Dividend/price; %)	4.5	4.1	6.0

With respect to **shareholder remuneration** for 2014, a cash dividend of €0.08 gross per share was paid on July 10, amounting to a total disbursement of €471m. In addition, at its meetings on March 26, September 24 and December 17, 2014, the Board of Directors of BBVA agreed to perform three capital increases against reserves in accordance with the terms agreed by the Annual General Meeting held on March 14, 2014. These increases have been used as instruments to implement the shareholder remuneration system called the "dividend-option", which offers shareholders the chance to choose between receiving all or part of the corresponding amount in either new BBVA shares or in cash. Each shareholder is entitled to one free allocation right for each BBVA share held on the date of the announcement of the capital increase in the Official Bulletin of the Companies Register. In the case of the first increase, agreed in April, they could choose to receive one BBVA share for every 51 rights. In the case of second increase, agreed in September, for every 120 rights, the shareholder had the option to receive one new BBVA share, while in the case of the third increase, in December, the shareholder needed 99 rights to have the option to receive one new BBVA share. Alternatively, shareholders who wished to receive their remuneration in cash could sell their free allocation rights to BBVA at a gross fixed price of €0.168 per share in the first increase and €0.08 gross per share in the second and third capital increases, or on the market during the rights trading period. In this way, shareholders enjoy a greater degree of flexibility and efficiency, as they can adapt their remuneration to their preferences and personal circumstances. In the three capital increases carried out for the implementation of the "dividend option", the holders of 89.2%. 85.1% and 86.0%, respectively, of these rights chose to receive new shares. This high percentage confirms, once more, the excellent acceptance of this system of remuneration and the confidence felt by shareholders in the future performance of the share.

BBVA's shareholder remuneration remains attractive

The **number of BBVA shares**, as of 31-Dec-2014, amounted to 6,171 million. The 385 million increase on the figure at the close of 2013 can be explained by the capital increases against reserves carried out for the implementation of the "dividend-option", and by the capital increase of €2,000m on November 20, 2014, through an accelerated bookbuilt offering aimed at institutional investors. The capital increase completed in November 2014 entailed the issue of 242,424,244 new ordinary BBVA shares, equivalent to 4.09% of the share capital of BBVA before the capital increase.

The **number of BBVA shareholders** as of 31-Dec-2014 stood at 960,397, compared with 974,395 as of 31-Dec-2013, a slight decline of 1.4%. The granularity of the shareholders remained at similar levels in 2014, with no significant holding.

The number of shares and participation by foreign investors in BBVA's capital has increased

BBVA Group. Shareholder structure

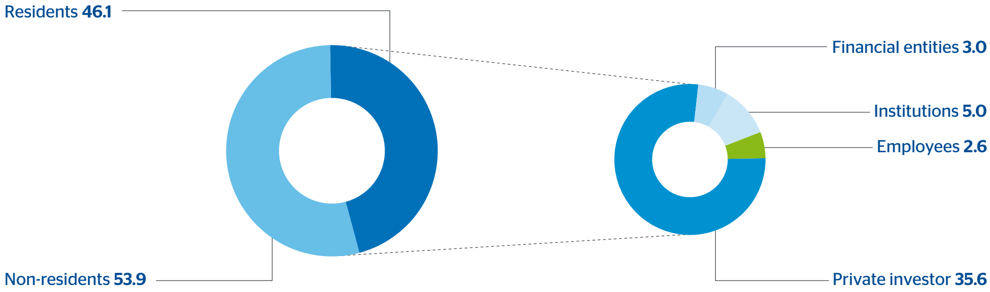
(31-12-2014)

	Shareholders		Shares	
Number of shares	Number	%	Number	%
Up to 150	237,602	24.7	16,905,523	0.3
151 to 450	205,237	21.4	55,701,184	0.9
451 to 1800	283,498	29.5	262,109,459	4.2
1,801 to 4,500	122,226	12.7	348,132,950	5.6
4,501 to 9,000	57,042	5.9	358,401,121	5.8
9,001 to 45,000	48,230	5.0	842,172,408	13.6
More than 45,001	6,562	0.7	4,287,916,350	69.5
Total	**960,397**	**100.0**	**6,171,338,995**	**100.0**

In addition, 46.1% of the share capital belongs to investors resident in Spain, while the percentage owned by non-resident shareholders has continued to increase to 53.9% (compared with 52.3% in 2013). This demonstrates once more the renewed confidence and recognition of the BBVA brand among foreign investors.

BBVA Group. Shareholder structure

(Percentage 31-12-2014)



High liquidity of the BBVA share

BBVA **shares** are traded on the Continuous Market of the Spanish Stock Exchanges and also on the stock exchange markets of London and Mexico. BBVA American depositary shares (ADS) are traded in New York and also on the stock exchange of Lima (Peru) under an exchange agreement between these two markets. The BBVA share was traded on each of the 255 trading days in 2014 . A total of 12,434 million shares were traded on the continuous market in this period, representing 201% of the share capital. Thus, the average daily volume of traded shares has been 49 million or 0.8% of the total number of shares making up the share capital and a daily average of €437m.

BBVA is listed on the main stock market and sustainability indices

Lastly, BBVA shares are included in the key indices Ibex 35 and Euro Stoxx 50, with a 10.11% weighting in the former and 2.44% in the latter, as well as in several banking industry indices, most notably the Stoxx Banks, with a weighting of 4.93%, and the Euro Stoxx Banks, with a weighting of 10.11%. In addition, BBVA's presence on the main sustainability or ESG (environmental, social and governance) indices, which evaluate the performance of companies in this matter, is increasingly significant. Its continued presence and score on these sustainability indices depends on demonstrating constant progress in the area of sustainability. In 2014, BBVA has renewed its place on the main sustainability indices at an international level, such as the Dow Jones Sustainability Index, the MSCI ESG, the FTSE4Good, the Euronext and the STOXX. In addition, this year, BBVA has been incorporated into the investor universe of Triodos Investment Management, the Triodos Group subsidiary that manages socially responsible mutual funds. It is the only Spanish Bank on this list.

Main sustainability indices with BBVA presence

(Data as of 31-12-2014)

	Weighting (%)
DJSI World	0.66
DJSI Europe	1.55
DJSI Eurozone	3.30
MSCI World ESG	0.35
MSCI EX USA ESG	0.81
MSCI AC Europe ESG	1.38
FTSE4Good Global	0.33
FTSE4Good Global 100	0.48
FTSE4Good Europe	0.90
FTSE4Good Europe 50	1.58
Euronext-Vigeo Europe 120	0.67
Euronext-Vigeo Eurozone 120	0.70
STOXX Global ESG Environmental Leaders	0.42
STOXX Global ESG Social Leaders	0.42
EURO STOXX ESG Leaders 50	2.01
STOXX Europe ESG Leaders 50	1.99
STOXX Global ESG Leaders	0.28

The team

BBVA's **corporate culture** can be summed up in the vision "we work for a better future for people", thanks to the commitment of a team that establishes lasting relationships with customers and adds value to society. This can only be done with the most talented professionals to face the future challenges of the financial industry and, in particular, its digital transformation.

It is essential to have the most talented professionals to face the future challenges of the financial industry and its digital transformation

After extensive research, BBVA has defined what it means to belong to this team, through a creative concept: "Tú&BBVA" (You&BBVA)

In order to improve our ability to attract and retain talent, and following extensive research that has included, among others, focus groups and in-depth interviews with a wide range of employees with different duties, in different levels, areas and countries, we have defined what it means to belong to the BBVA team. The results have been summed up in four core elements and one creative idea: **Tú&BBVA.**

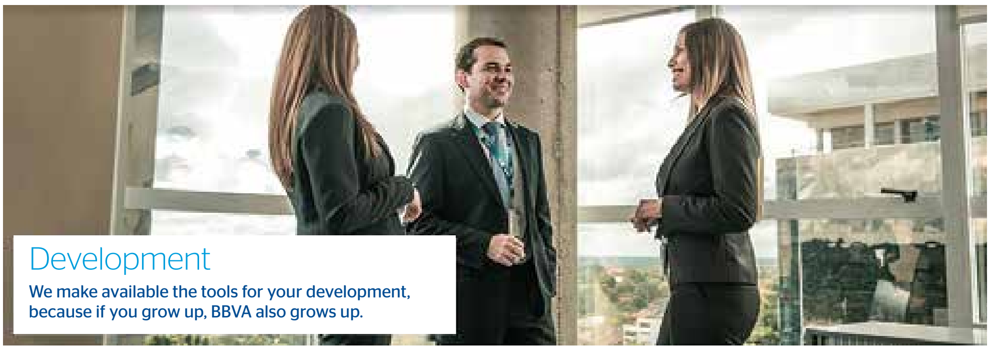
Tú&BBVA

What do I offer?	What do I demand?
Development Professional opportunities, promotions, training, mobility, objectivity...	**Results-driven** Productivity, achievements, efficiency, performance...
Quality employment Working environment, competitive remuneration, good atmosphere, management style...	**BBVA attitude** Our way of banking

Tú&BBVA crecemos juntos

The main actions launched in **2014** as part of this concept are:

Development



BBVA has maintained its investment effort in training in 2014 and has launched the new digital platform BBVA Campus

Training is a key element for the development of BBVA's professionals and the attainment of its business objectives. The Bank has maintained its investment effort, with a budget of €40m for training, or an average of 52.1 hours of training per employee, 59.9% through e-learning and 40.1% through on-site training. Maintaining the commitment to self-development and digital channels, this year has seen the launch of the digital BBVA Campus, a training platform that offers a single catalog for the whole team, it incorporates multiple functionalities and facilitates interactivity. All this responds to the demand for quality training, which requires constant updating, to make it easier to adapt to new environments and challenges. By the end of the year, the platform was already handling the training of all BBVA professionals as well as giving access to interns and members of companies which collaborate temporally with us.

The Self-Development Plan is a clear commitment to the individual growth of each employee belonging to the BBVA team

After its launch last year, it was decided to strengthen the **Self-Development Plan**, as it represents a commitment to individual growth. This tool allows each professional to hone the skills and knowledge that he or she has to improve. From the time of its creation to December 31, 2014, 31,027 plans have been programmed with an average completion rate of 20%.

English language instruction is essential in a global and diversified financial group. For this reason, a new model of training has been launched to boost proficiency in English. This model is based on personalized plans for all the professionals. It focuses the investment effort on those who need it most and is supported by a revamped digital platform. It also provides multi-device training resources (accessible by different kind of devices: Tablets, cell-phone, etc.) and uses the latest technologies to promote collective learning. As of December 31, 2014, 4,237 people have enrolled in an English study plan.

The "Becarios 3.000" (Interns 3,000) program has been launched under the umbrella of the Responsible Business Plan, with the aim of making it easier for young people to enter the labor market

At the same time, the **Responsible Business Plan** has continued to receive support as a key element in the development of our professionals. Its goal is to make all of them aware of environmental and social governance and transmit the Group's community involvement through responsible banking. In 2014, it was launched the Responsible Business e-learning program, in which 10,000 have enrolled. One of the initiatives in this plan is to make it easier for young people to enter the labor market. A total of €13m has been invested on the two-year "Becarios 3.000" program, whereby all the students are given a specific training pathway according to their academic qualifications and a tutor to guide them during the scholarship. In the first year of this program, 1,423 young people benefited from the project and 916 scholarships were completed out of the 1,644 launched.

BBVA is committed to transparency, objectivity and equal opportunities in professional development. To this end, the Group has a **mobility policy** which, among other initiatives, gives priority to internal rather than external recruitment. Over the year, 4,569 vacancies have been published in apúntate+, the Group's job-posting platform, and over 11,895 professionals have participated in the various processes.

Lastly, 126 **coaching** and 1,397 **mentoring** programs have been run, aimed at achieving objectives through the development of the styles of leadership and the swift adaptation of the new employees to the Bank's working methods.

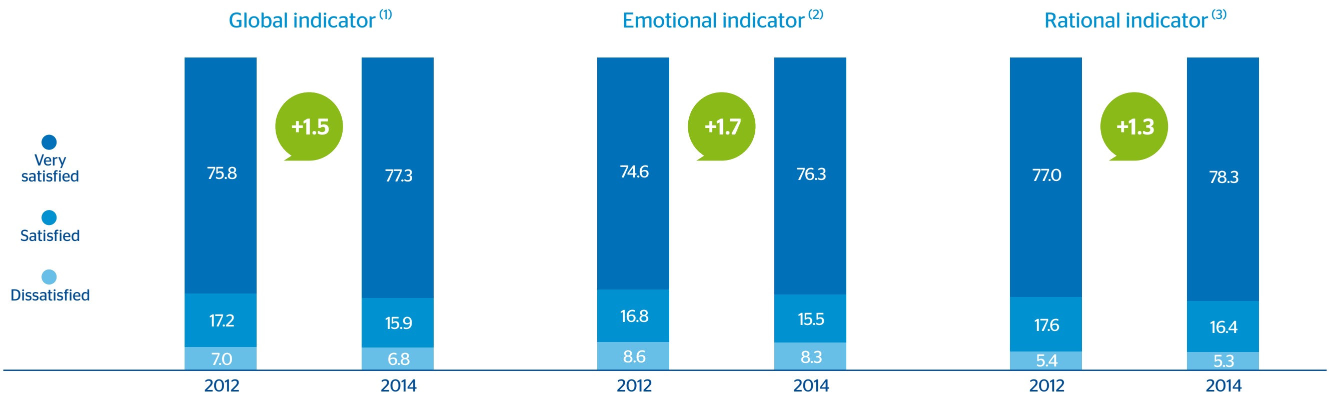
Quality employment

La Encuesta de Satisfacción de 2014 mejora en 1,5 puntos el resultado global de la realizada en 2012

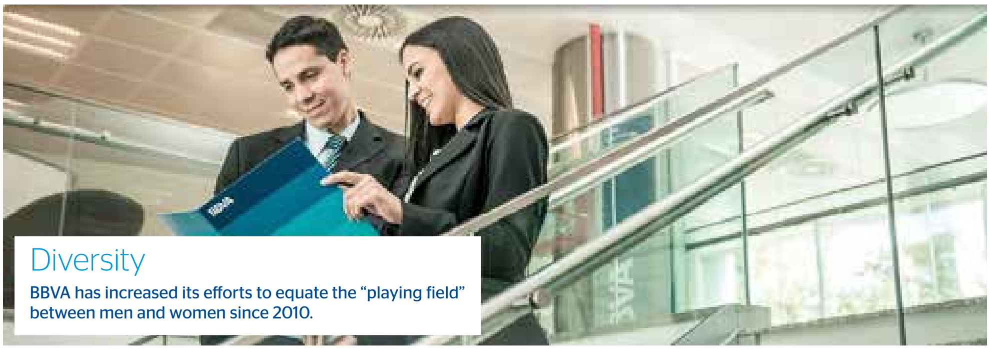
The **Satisfaction Survey** was launched in the last quarter of the year to discover the opinion of our professionals, their concerns and the areas for improvement on which we consider we should work in the future. The results show a rise of 1.5 points in the global satisfaction index with respect to those obtained in the previous survey, conducted in 2012. This rise makes clear the effectiveness of the more than 400 action plans implemented as a result of the previous survey.

Overall employee satisfaction index

(Percentage)



(1) Global indicator calculated as the average of the emotional indicator and rational indicator.
(2) Aspects related to how the employee feels at work.
(3) Aspects related to the employee's perception of the company's working conditions in a broad sense.



Diversity

BBVA has increased its efforts to equate the "playing field" between men and women since 2010.

Gender diversity continues to be one of the crucial issues in BBVA for improving labor quality

Another issue to which BBVA is clearly committed is **gender diversity**. Ten new corporate initiatives were approved in 2014 within the three main lines of action of the Global Gender Diversity Plan:

- **Maternity**, where a register has been created including several measures to support parents in their care for children.
- Six projects have been started this year in **promotion**. They include the "Plan Equilibra", establishing career and succession plans for women, and the preparation of an index, the speed index, that measures the pace at which diversity is achieved by area or country.
- The Group has three new initiatives designed to raise **awareness**: the creation of specific workshops on diversity and flexibility; the communication of success stories about women; and the promotion of meetings on professional development between female professionals who stand out in their positions and the heads of the business areas.

In addition, BBVA makes the **Genera**! platform available to all its employees. It provides information on real experiences in BBVA, the events and the internal policies relating to diversity. It also serves as a forum for debate on subjects related to gender diversity, while internally disseminating all the plans that have been developed in the Group and in the different geographical areas.

BBVA is also committed to boosting volunteer work, where education continues to be the key element

This year we wanted to go further in **volunteer work** by encouraging our teams to demonstrate their solidarity and commitment to their communities. A corporate volunteering policy has been created to make it possible for the professionals who work at BBVA to carry out volunteering actions within the framework established at any given time by the Group, in which education is the key element.

Another initiative this year has been the digital **Business Traveller** portal, which answers questions, provides behavioral guidelines and makes business relations easier for our professionals when they have to travel to other countries. The portal contains useful information on the most common habits and customs in the different countries where the Group operates. It currently offers information about Spain, Mexico, China, Turkey and the United States. Since its launch, in March 2014, it has received more than 4,000 visits.

Another hallmark of BBVA's identity is the creation of **workspaces and environments** that reflect the corporate culture and help create an awareness of how we operate and understand the business. In the new corporate headquarter, "Ciudad BBVA", as of December 31, 2014, approximately 1,500 people develop their professional activity.

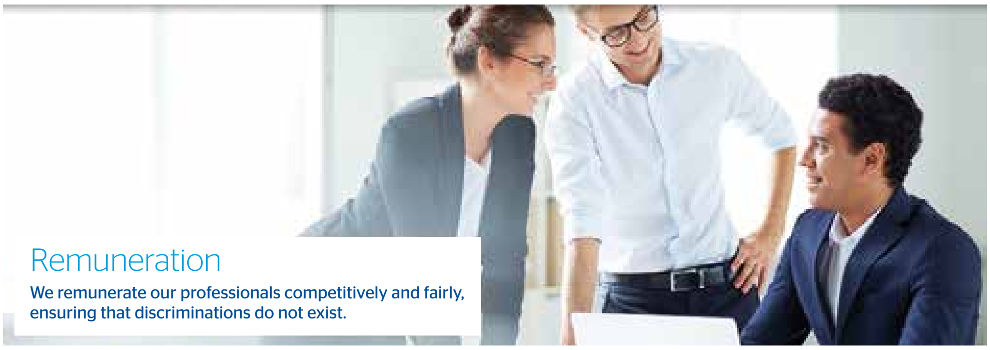
Lastly, within the area of **health**, the BeWell digital space has been introduced to publicize all BBVA's programs designed to improve the quality of life of its professionals and their families.

B-Well

Bwell is a place in which you can find out all BBVA programs, and it will help you improve the quality of life for you and for your family. We show you all the initiatives grouped in two main areas:

Health and well-being
Care yourself more

Results-driven mindset



Remuneration

We remunerate our professionals competitively and fairly, ensuring that discriminations do not exist.

A key element in BBVA's results-orientation is its **variable remuneration model**, which is aligned with the market's best practices and recommendations. Variable remuneration is designed to be the end result of the objectives achieved at both the Group and individual levels. In other words, it can be considered a measure designed to quantify efforts, successes, contributions and the achievement of the targets set at the start of the year. A digital leaflet was published in 2014 providing simple and transparent explanations of the system and explaining to each professional how his or her bonus payment is calculated.

BBVA attitude

Our way of banking is a feature that clearly sets us apart. As well as obtaining results, we act and work in a very specific way that can be summed up in: team work, simplicity, customer-centric approach and responsible business. The importance we place on these four elements can be seen in their forming part of our variable remuneration scheme, and they have a 10% impact on it. In addition, we want to recognize the professionals who best exemplify these four attitudes, which is why we hold the ***Premios Pasión*** **BBVA** (BBVA Passion Awards) every year. Over 1,000 employees were nominated this year.

BBVA wants to recognize the professionals who best exemplify its attitudes through the *Premios Pasión* BBVA (BBVA Passion Awards)

Lastly, the attention given to talent management and gender diversity has been recognized at an international level, with the following **awards**:

- Talent Mobility 2014, for the ability to deploy talent, thanks to the apúntate+ tool, granted by Lee Hatch Harrison (LHH).
- Women Leadership Management & Talent (WLMT) award for the Genera! website, for its innovation in the management of diversity. Granted by the Intrama consultancy, it has the institutional support of the Autonomous Region of Madrid and Madrid Excelente.

Society

BBVA wants to contribute to the development of the communities in which it is present and improve social welfare

Two of the most important **commitments** of BBVA's corporate social responsibility policy (updated in 2014) are to maximize the creation of sustainable and shared value for society as a whole in those countries where the Group operates, and identify, prevent and mitigate possible negative impacts.

The **Bank's role in society** is simple: to attract the savings from families, companies and other agents with the aim of preserving them and making them grow, and to lend them rigorously and prudently to third parties. The difference between what the Bank pays for deposits and the interest it receives from loans, i.e. the net interest income, is its main source of revenue. This income allows the Bank to pay its everyday expenses, such as employee wages or supplier bills, and to make a profit. The role it plays therefore has a positive impact on society.

With respect to BBVA's **social balance**, the main positive impacts of its financial business on society are:

- Contribution to the development of the communities where we are present through financial activity and our support for the productive sector and financial inclusion.
- Improvement of the social welfare of the people who receive loans for buying a home or durable consumer goods.
- Generation of wealth for stakeholders, such as that resulting from the payment of dividends to shareholders, payments made to suppliers, wages earned by employees, taxes accrued and paid, etc. and job creation.
- Direct contribution to society through social programs.

At the same time, BBVA strives to minimize the **social costs** related to the environment and relieve the negative effects originated by default and home losses, through refinancing or financial assistance for families.

We make a direct contribution to society through a variety of **social initiatives** that are always focused on education, and with direct investment that benefits different groups and generates a major direct and indirect social impact of large scale.

A number of key indicators have been developed to measure the impact of the Group's financial activity on society

At BBVA we conduct our financial activity thinking in people. That is why we have designed simple and easy-to-understand **indicators** of traditional financial activity to measure the Entity's impact on society and put people at the center of its activity.

Performance in 2014

BBVA Group earns 2,618 million euros in 2014, up 17.5% more than in 2013

2014: a good year

Growth of revenue

Cost control

Improvement in provisions

Net attributable profit

2,618
million euros

+17.5%
year-on-year

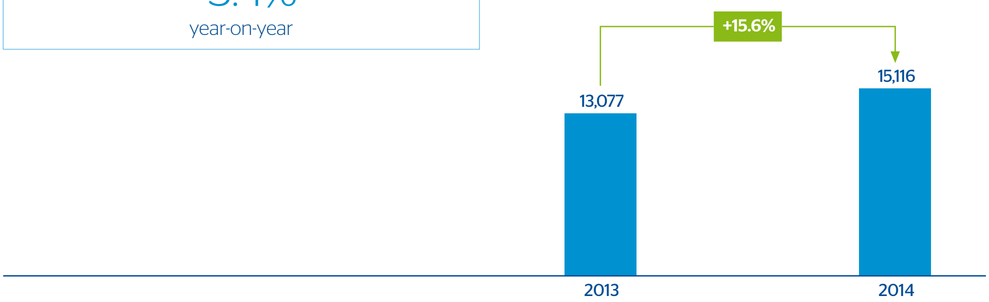
BBVA Group. Net interest income evolution

(Million euros)

Net interest income

+3.4%
year-on-year

Excluding foreign exchange effect

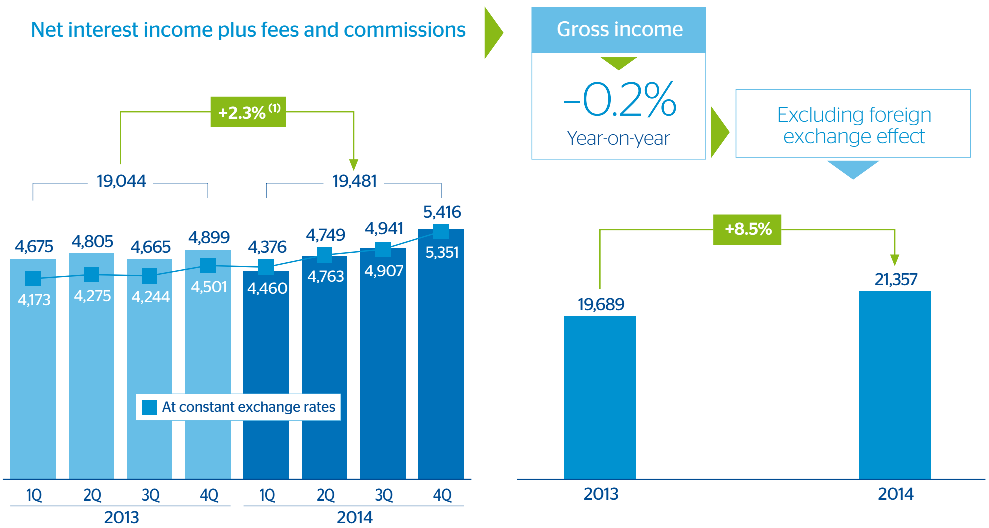


Strong growth in net interest income

Upward trend in recurring revenue

BBVA Group. Net interest income plus fees and commissions evolution

(Million euros)



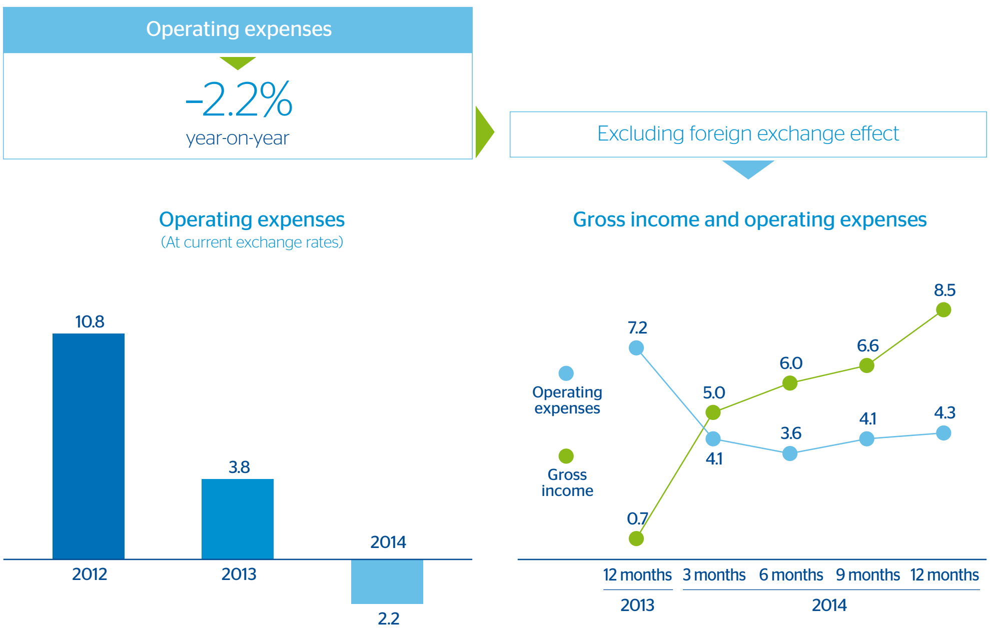
(1) At constant exchange rates: +13.3%.

Lower NTI contribution

The year-on-year change of expenses is less than that of revenue

BBVA Group. Operating expenses compared to gross income evolution

(Year-on-year changes, percentage)

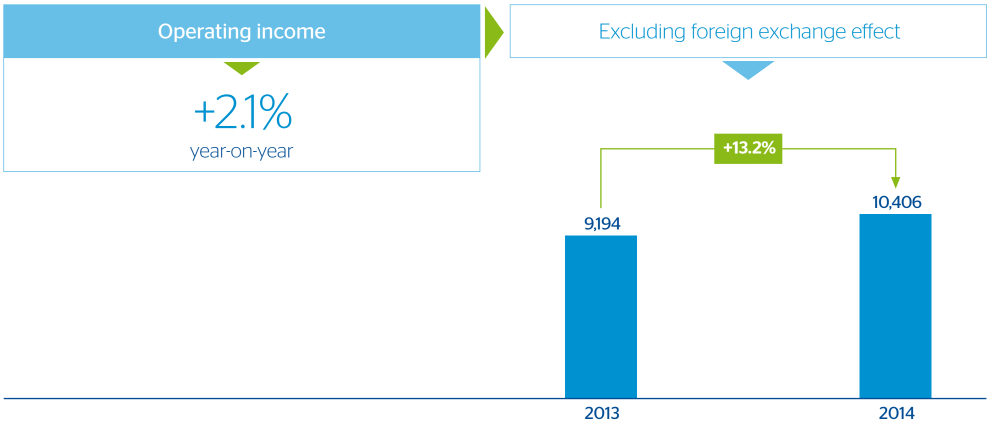


Excellent cost management

Achieving annual savings: 340 million euros (Spain and Corporate Center)

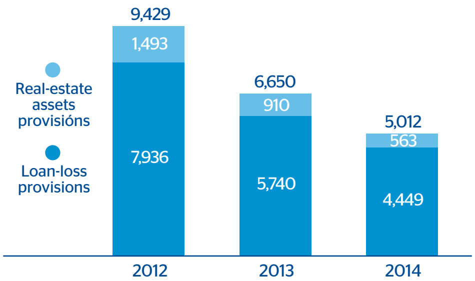
BBVA Group. Operating income evolution

(Million euros)

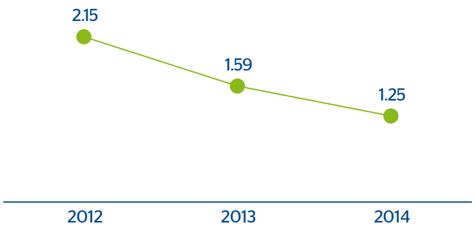


Strong and resilient operating income

BBVA Group. Loan-loss plus real-estate provisions (Million euros)



BBVA Group. Accumulated cost of risk (Percentage)



Earnings main growth driver

Reduction of loan-loss and real-estate provisions

BBVA Group. Income statement

(Million euros)

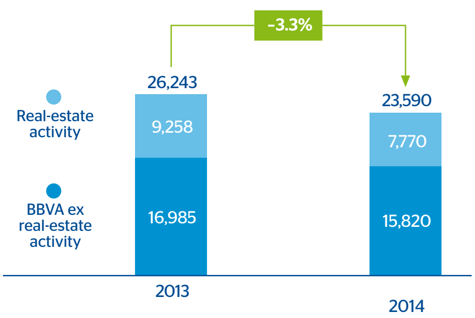
	Acumulated	Year-on-year change 2014-2013		
	2014	Absolute	∆% at current exchange rates	∆% at constant exchange rates
Net interest income	15,116	503	3.4	15.6
Gross income	21,357	(40)	(0.2)	8.5
Operating income	10,406	210	2.1	13.2
Income before tax	4,063	1,312	47.7	97.9
Net income from ongoing operations	3,082	924	42.8	92.1
Results from corporate operations	-	(823)	-	-
Net attributable profit	2,618	390	17.5	42.5

In short, growth across all the items in the account

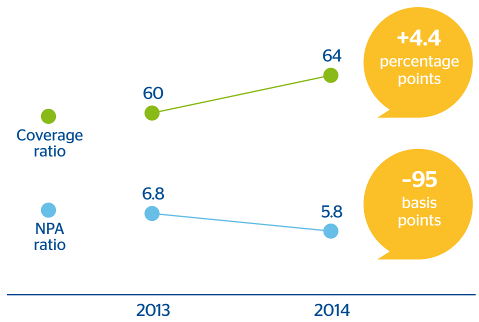
Asset quality improvement

Risk indicators show a positive trend

Non-performing assets
(Million euros)



Coverage and NPA ratios
(Percentage)



Good capital position

Sound and solid regulatory ratios

BBVA easily passes the ECB's comprehensive assessment

CET1 fully-loaded
2016 adverse scenario

8.2%
Ranking: **3**
Peer group average: **7.3%**

Resilience
CET1 2016 adverse *versus* 2016 base

-164 basis points
Ranking: **1**
Peer group average: **-333 b.p.**

Profit generation
Cumulative 2014-2016 in adverse scenario

71 basis points
Ranking: **2**
Peer group average: **-100 b.p.**

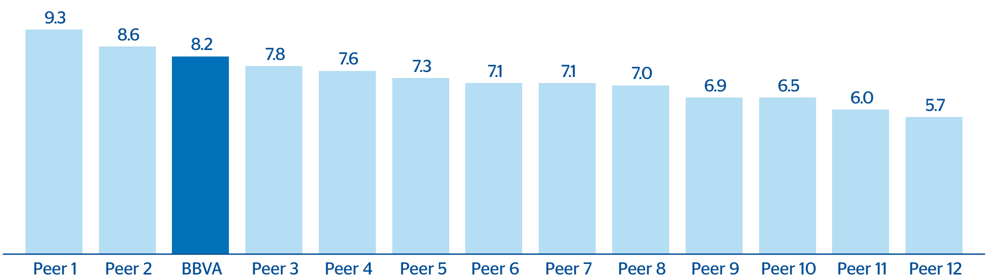
Excess NPL coverage
AQR total exposure

+1.8%
Ranking: **1**
Peer group average: **-2.5%**

Leverage ratio
2013 phased-in

6.1%
Ranking: **2**
Peer group average: **4.2%**

CET1 fully-loaded 2016 adverse escenario
(Percentage)



A shared regulatory framework

Peer Group includes: BARCL, BNPP, CASA, CMZ, DB, ISP, HSBC, LBG, RBS, SAN, SG and UCI. Leverage ratio and Excess NPL Coverage exclude United Kingdom banks.

BBVA Group. Regulatory ratios

Core capital CRD IV		Leverage ratio
11.9% (Phased-in)	10.4% (Fully-loaded)	5.9% (Fully-loaded)

Several issues carried out successfully

First quarter	Second quarter	Fourth quarter
• An issue of contingent convertible securities, eligible as additional Tier I.	• A subordinaded bond issue, eligible as Tier II.	• ABO: capital increase through an accelerated bookbuilt offering targeted at institutional investors.

Active management to fund future growth

Relevant events

2014: a good year

2014 has been generally favorable for BBVA across our global footprint despite the negative impact of exchange rates of most currencies against the euro (the negative impact has been moderating further during the second half of the year).

1. From the point of view of **earnings**, it has been very positive, with net income from ongoing operations growing 42.8% on the previous year (92.1% at constant exchange rates). The excellent performance of gross income, strongly supported by recurring revenue, largely explains this trend, although moderate cost growth and the decrease of impairment on financial assets (net) have also been a positive influence. However, the figure for provisions (net) is more negative, mainly as a result of the increased restructuring costs announced throughout 2014 quarters. Nevertheless, net attributable profit in 2014 stands at €2,618m, up 17.5% year-on-year (42.5% at constant exchange rates), despite the fact that a positive figure of €823m was registered in 2013 from corporate operations.

2. With respect to **business activity**, the level of production of new loans was very positive in practically all the geographical areas in which BBVA operates. This is particularly notable in Spain, especially in the second part of the year, and has limited the decline in the balance of loans managed by the area.

3. As regards **liquidity**, it is worth of note the favorable situation of the wholesale funding markets as well as the continued access to the market of BBVA and its franchises. In addition, the (TLTRO) programs, announced by ECB in September and December, and the increased proportion of retail deposits continue to strengthen the Group's liquidity position and improve its funding structure.

4. In **solvency**, BBVA has increased its phased-in and fully-loaded capital ratios, thanks to the organic generation of earnings and the capital increases completed during the year (three of them to implement the "dividend-option" system in April, October and December, and the other through an accelerated bookbuilt offering of shares among qualified investors in November). As a result, BBVA continues to maintain its capital levels well above the minimum regulatory requirements. The leverage ratio (fully-loaded) stands at 5.9%, a percentage that compares very favorably with its peer group.

5. The main **risk indicators** have continued to improve, with a 95 basis-point reduction in the Group's NPA ratio over the last twelve months to 5.8%. This is due to a decline in the non-performing portfolio and the increase in total risks. The coverage ratio has also improved to 64%, as has the cost of risk, which for the year to December 2014 fell 34 basis points in year-on-year terms and stands at 1.25%.

Earnings

As a result of the adoption of the IFRIC 21 Interpretation on levies issued by the IFRS Interpretation Committee, the accounting policy related to the contributions made to the Deposit Guarantee Fund in Spain was amended in 2014. This change entails that levies are booked when the payment obligation is produced, regardless of when the actual payment is done. In accordance with the International Accounting Standards, this change has been applied retroactively, and therefore certain amounts from previous years have been re-expressed, exclusively for comparison purposes. The main effect of this amendment is for the year 2013. This means, with respect to the previously published income statements, that the amount of the "other operating income and expenses" heading has been modified and, consequently, changes have also been made to the "gross income", "operating income", "income before tax", "net income from ongoing operations", "net income" and the Group's "net attributable profit" headings. In 2013, "net attributable profit" would be €2,084m, instead of the €2,228m published under the previous regulation. Additionally, the Group's total equity in 2013 would change from €44,850m published with the previous regulation to €44,565m. However, in the explanations contained in this quarterly information, the 2013 figures has been maintained as presented previously, in order to isolate the effect of the aforementioned modification on the year-on-year variations in the various income headings. The section on BBVA Group highlights in this document presents a reconciliation between the Group's financial statements presented in this annual information and the audited financial statements.

The Group's earnings in **2014** have been very favorable. Their most relevant features are summarized below:

Growth of revenue plus costs under control plus reduction of loan-loss provisions equals growth across all the items in the account

1. Good performance in **more recurring revenue**, thanks to growth in net interest income and high income from fees and commissions.

2. Decline in **NTI**, compared with a very high figure in 2013.

3. Accounting for the **dividend** from Telefónica (second and fourth quarters) and CNCB (second quarter).

4. Under the **other operating income and expenses** heading, a very negative adjustment for hyperinflation in Venezuela in the year and accounting for the Tax on Deposits in Financial Institutions (IDEC) in Spain. Both charges are partially offset by the positive performance of insurance activities.

5. Outstanding management of **operating expenses**, adapted to the needs of each franchise. In particular, they have been kept firmly in check in Spain and the Corporate Center.

6. **Impairment losses on financial assets** clearly below 2013 figures, which were mainly influenced by the classification of refinanced loans in Spain.

7. **Provisions (net)** have been more negative, due mainly to higher restructuring costs, in line with what was announced throughout the year.

8. Improved performance of **other gains (losses)**, mainly due to the reduced need for provisions on real-estate and foreclosed or acquired assets in Spain.

9. Overall, net income **from ongoing operations** amounted to €3,082m, well above the €2,158m reported in 2013.

As regards **profitability**, measured in terms of average total assets (ATA) over the main items of the

Consolidated income statement [1]

(Million euros)

	2014	Δ%	Δ% at constant exchange rates	2013	2012
Net interest income	**15,116**	**3.4**	**15.6**	**14,613**	**15,122**
Net fees and commissions	4,365	(1.5)	6.1	4,431	4,353
Net trading income	2,135	(15.5)	(7.0)	2,527	1,767
Dividend income	531	45.5	46.7	365	527
Income by the equity method	35	(51.9)	(48.1)	72	41
Other operating income and expenses	(826)	34.8	260.3	(612)	82
Gross income	**21,357**	**(0.2)**	**8.5**	**21,397**	**21,892**
Operating expenses	(10,951)	(2.2)	4.3	(11,201)	(10,786)
Personnel expenses	(5,609)	(3.1)	2.7	(5,788)	(5,662)
General and administrative expenses	(4,161)	(2.8)	5.1	(4,280)	(4,106)
Depreciation and amortization	(1,180)	4.2	9.9	(1,133)	(1,018)
Operating income	**10,406**	**2.1**	**13.2**	**10,196**	**11,106**
Impairment on financial assets (net)	(4,486)	(22.3)	(19.2)	(5,776)	(7,980)
Provisions (net)	(1,155)	83.4	108.4	(630)	(652)
Other gains (losses)	(701)	(32.5)	(32.1)	(1,040)	(1,726)
Income before tax	**4,063**	**47.7**	**97.9**	**2,750**	**749**
Income tax	(981)	65.5	118.8	(593)	276
Net income from ongoing operations	**3,082**	**42.8**	**92.1**	**2,158**	**1,024**
Results from corporate operations	(0)	n.m.	n.m.	823	1,303
Net income	**3,082**	**3.4**	**27.6**	**2,981**	**2,327**
Non-controlling interests	(464)	(38.4)	(19.8)	(753)	(651)
Net attributable profit	**2,618**	**17.5**	**42.5**	**2,228**	**1,676**
Net attributable profit (excluding results from corporate operations) [2]	**2,618**	**86.4**	**155.1**	**1,405**	**373**
Basic earnings per share (euros)	**0.44**			**0.38**	**0.30**
Basic earnings per share (excluding results from corporate operations) (euros) [2]	**0.44**			**0.24**	**0.08**

(1) Pro forma financial statements with the revenues and expenses of the Garanti Group consolidated in proportion to the percentage of the Group's stake.

(2) In 2013 and 2012 the figures include the results from the pension business in Latin America, including the capital gains from their sale (in 2013); the capital gains from the sale of BBVA Panama (in 2013); the capital gains generated by the reinsurance operation on the individual life and accident insurance portfolio in Spain (in 2013); the equity-accounted earnings from CNCB (excluding dividends), together with the effect of the mark-to-market valuation of BBVA's stake in CNCB following the agreement concluded with the CITIC group, which included the sale of 5.1% of CNCB (in 2013); the losses generated from the sale of BBVA Puerto Rico (in 2012); and Unnim badwill (in 2012).

Consolidated income statement: quarterly evolution (1)

(Million euros)

	2014				2013			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	**4,248**	**3,830**	**3,647**	**3,391**	**3,760**	**3,551**	**3,679**	**3,623**
Net fees and commissions	1,168	1,111	1,101	985	1,139	1,114	1,126	1,052
Net trading income	514	444	426	751	609	569	630	719
Dividend income	119	42	342	29	114	56	176	19
Income by the equity method	3	31	16	(14)	53	9	11	(1)
Other operating income and expenses	(287)	(234)	(215)	(90)	(353)	(113)	(153)	7
Gross income	**5,765**	**5,223**	**5,317**	**5,051**	**5,321**	**5,186**	**5,470**	**5,419**
Operating expenses	(2,905)	(2,770)	(2,662)	(2,613)	(2,852)	(2,777)	(2,814)	(2,758)
Personnel expenses	(1,438)	(1,438)	(1,359)	(1,375)	(1,423)	(1,452)	(1,454)	(1,458)
General and administrative expenses	(1,147)	(1,037)	(1,017)	(959)	(1,134)	(1,042)	(1,080)	(1,025)
Depreciation and amortization	(320)	(296)	(286)	(279)	(295)	(283)	(279)	(276)
Operating income	**2,860**	**2,453**	**2,655**	**2,438**	**2,469**	**2,410**	**2,656**	**2,661**
Impairment on financial assets (net)	(1,168)	(1,142)	(1,073)	(1,103)	(1,210)	(1,854)	(1,336)	(1,376)
Provisions (net)	(513)	(199)	(298)	(144)	(196)	(137)	(130)	(167)
Other gains (losses)	(201)	(136)	(191)	(173)	(382)	(198)	(172)	(287)
Income before tax	**978**	**976**	**1,092**	**1,017**	**682**	**221**	**1,017**	**831**
Income tax	(173)	(243)	(292)	(273)	(114)	(13)	(261)	(205)
Net income from ongoing operations	**805**	**733**	**800**	**744**	**568**	**208**	**756**	**626**
Results from corporate operations	-	-	-	-	(1,245)	160	593	1,315
Net income	**805**	**733**	**800**	**744**	**(677)**	**368**	**1,349**	**1,941**
Non-controlling interests	(116)	(132)	(95)	(120)	(172)	(172)	(202)	(206)
Net attributable profit	**689**	**601**	**704**	**624**	**(849)**	**195**	**1,147**	**1,734**
Net attributable profit (excluding results from corporate operations) (2)	**689**	**601**	**704**	**624**	**396**	**35**	**554**	**420**
Basic earnings per share (euros)	**0.11**	**0.10**	**0.12**	**0.10**	**(0.14)**	**0.03**	**0.19**	**0.29**
Basic earnings per share (excluding results from corporate operations) (euros) (2)	**0.11**	**0.10**	**0.12**	**0.10**	**0.07**	**0.01**	**0.09**	**0.07**

(1) Pro forma financial statements with the revenues and expenses of the Garanti Group consolidated in proportion to the percentage of the Group's stake.
(2) In 2013 and 2012 the figures include the results from the pension business in Latin America, including the capital gains from their sale (in 2013); the capital gains from the sale of BBVA Panama (in 2013); the capital gains generated by the reinsurance operation on the individual life and accident insurance portfolio in Spain (in 2013); the equity-accounted earnings from CNCB (excluding dividends), together with the effect of the mark-to-market valuation of BBVA's stake in CNCB following the agreement concluded with the CITIC group, which included the sale of 5.1% of CNCB (in 2013); the losses generated from the sale of BBVA Puerto Rico (in 2012); and Unnim badwill (in 2012).

income statement, the messages remain the same:

- Resilient gross income, which as a percentage of ATA has remained practically stable in recent years, strongly supported by the good performance of more recurring revenue, with a reduction of barely -1 basis point on the 2013 figure and –6 basis points compared with 2012.
- Because operating expenses have been kept in check, operating income over ATA has risen by 3 basis points on the 2013 figure (down -10 basis points compared with the figure for 2012).
- As a result of this, and combined with the reduction in impairment losses on financial assets, net income from ongoing operations over ATA has increased by 15 basis points compared with the 2013 figure and 33 basis points on the 2012 figure; while the Group's net attributable profit has risen by 6 basis points on 2013 and 15 basis points on 2012.

Consolidated income statements: percentage over ATA [(1)]

	2014	2013	2012
Net interest income	**2.44**	**2.36**	**2.42**
Net fees and commissions	0.71	0.72	0.70
Net trading income	0.35	0.41	0.28
Other operating income and expenses	(0.04)	(0.03)	0.10
Gross Income	**3.45**	**3.46**	**3.51**
Operating expenses	(1.77)	(1.81)	(1.73)
Personnel expenses	(0.91)	(0.94)	(0.91)
General and administrative expenses	(0.67)	(0.69)	(0.66)
Depreciation and amortization	(0.19)	(0.18)	(0.16)
Operating Income	**1.68**	**1.65**	**1.78**
Impairment on financial assets (net)	(0.73)	(0.93)	(1.28)
Provisions (net) and other gains (losses)	(0.30)	(0.27)	(0.38)
Income before tax	**0.66**	**0.45**	**0.12**
Income tax	(0.16)	(0.10)	0.04
Net income from ongoing operations	**0.50**	**0.35**	**0.16**
Net income from discontinued operations	n.m.	0.13	0.21
Net income (ROA)	**0.50**	**0.48**	**0.37**
Net income adjusted (excluding results from corporate operations) (ROA excluding results from corporate operations) [(2)]	**0.50**	**0.35**	**0.16**
Non-controlling interests	(0.07)	(0.12)	(0.10)
Net attributable profit	**0.42**	**0.36**	**0.27**
Net attributable profit (excluding results from corporate operations) [(2)]	**0.42**	**0.23**	**0.06**
Memorandum item:			
Average total assets (million euros)	618,425	618,035	623,747

(1) Pro forma financial statements with the revenues and expenses of the Garanti Group consolidated in proportion to the percentage of the Group's stake.
(2) In 2013 and 2012 the figures include the results from the pension business in Latin America, including the capital gains from their sale (in 2013); the capital gains from the sale of BBVA Panama (in 2013); the capital gains generated by the reinsurance operation on the individual life and accident insurance portfolio in Spain (in 2013); the equity-accounted earnings from CNCB (excluding dividends), together with the effect of the mark-to-market valuation of BBVA's stake in CNCB following the agreement concluded with the CITIC group, which included the sale of 5.1% of CNCB (in 2013); the losses generated from the sale of BBVA Puerto Rico (in 2012); and Unnim badwill (in 2012).

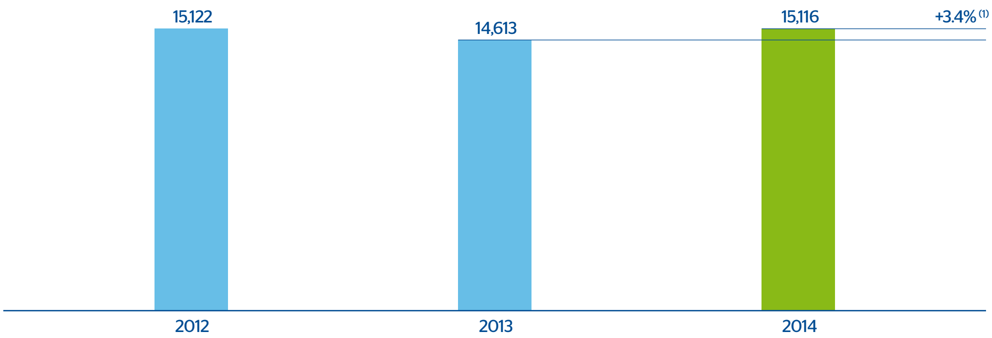
Gross income

Strong growth in net interest income

As mentioned above, one of the most notable elements in the year has been the increase in **net interest** income across practically all BBVA's global footprint. In Spain, the figure was very similar to that for 2013, despite the negative effect of the elimination of the so-called "floor clauses" in residential mortgage loans granted to consumers, the year-on-year reduction in the stock of loans and the current environment of all-time low interest rates. The unfavorable impact of these three elements has been offset by good price management of customer funds, which is allowing customer spreads to improve. In Turkey and Mexico, the key has been the growth in activity and the increased contribution from the securities portfolio. In the United States, there has also been a positive effect from the strength of business activity, in a year where spreads have improved steadily. Lastly, in South America, the increase is supported by growing business volumes and the appropriate management of spreads. As a result of the above factors, net interest income stands at €15,116m, up 3.4% on the figure for 2013, or +15.6% excluding the negative impact of exchange rates.

BBVA Group. Net interest income

(Million euros)



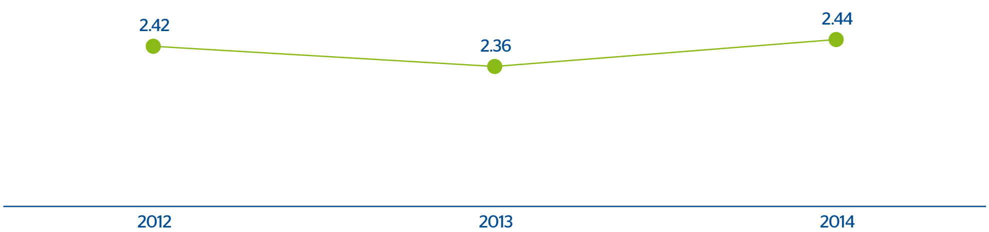
(1) At constant exchange rates : +15.6%.

Breakdown of yields and costs

	2014		2013		2012	
	% s/ATA	% yield/Cost	% s/ATA	% yield/Cost	% s/ATA	% yield/Cost
Cash and balances with central banks	4.3	0.49	4.6	0.92	4.2	0.99
Financial assets and derivatives	28.6	2.69	27.0	2.82	26.8	2.87
Loans and advances to credit institutions	4.2	1.20	4.4	1.59	4.2	1.79
Loans and advances to customers	55.0	5.55	56.2	5.57	57.5	5.72
Euros	30.5	2.57	33.3	2.84	34.8	3.34
Foreign currencies	24.5	9.26	22.9	9.55	22.7	9.39
Other assets	7.8	0.48	7.8	0.28	7.3	0.44
Total assets	**100.0**	**3.94**	**100.0**	**4.02**	**100.0**	**4.21**
Deposits from central banks and credit institutions	13.9	1.76	14.7	1.90	17.3	2.14
Deposits from customers	51.4	1.51	48.7	1.67	45.4	1.84
Euros	26.3	1.07	25.2	1.26	23.5	1.34
Foreign currencies	25.1	1.97	23.7	2.01	21.9	2.38
Debt certificates and subordinated liabilities	13.3	2.31	15.5	2.74	16.7	2.71
Other liabilities	13.7	1.18	13.5	1.06	13.8	0.94
Equity	7.6	-	7.6	-	6.9	-
Total liabilities and equity	**100.0**	**1.49**	**100.0**	**1.66**	**100.0**	**1.79**
Net interest income/Average total assets (ATA)		**2.44**		**2.36**		**2.42**

BBVA Group. Net interest income/ATA

(Percentage)



The trend in income from **fees and commissions** has also been positive, thanks to the growth of those from asset management and wholesale banking operations (developed markets), a positive performance in Garanti and strong activity in the rest of the emerging geographical areas and the United States. As a result, the cumulative income from fees and commissions increased by 1.5% in 2014. This is below the figure for the previous year, but excluding the negative currency effect, the rise is 6.1%. It should be noted that this growth has been affected by certain regulatory constraints. In the case of Spain, they include regulations limiting revenue from credit cards and pension fund management.

Net fees and commissions

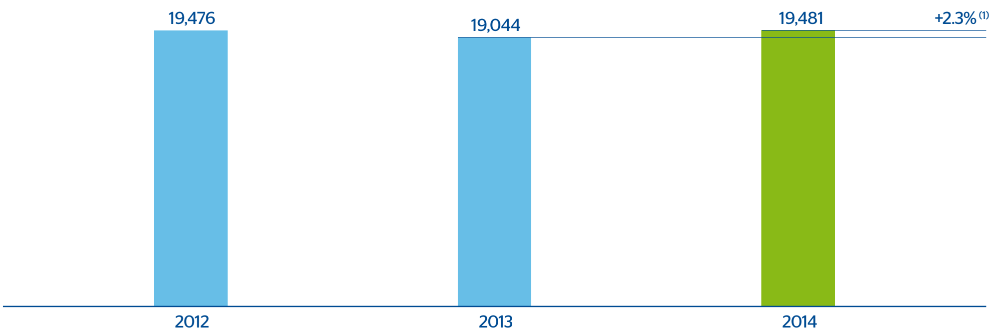
(Million euros)

	2014	Δ%	2013	2012
Mutual funds, pension funds and customer portfolios	845	12.5	751	680
Banking services	3,520	(4.3)	3,680	3,674
Maintenance, collection and payment services	1,048	(6.8)	1,124	1,137
Credit and debit cards	1,254	1.8	1,232	1,157
Securities	521	2.1	510	526
Contingent liabilities	282	(8.1)	307	322
Insurance	191	(9.8)	211	199
Other fees and commissions	225	(24.1)	296	334
Net fees and commissions	4,365	(1.5)	4,431	4,353

Overall, **more recurring revenue** has performed very well, with an increase of 2.3% year-on-year (13.3% at constant exchange rates).

BBVA Group. Net interest income plus fees and commissions

(Million euros)



(1) At constant exchange rates: +13.3%.

At €2,135m, **NTI** for the year are below the figure for 2013, when they were exceptionally high due to the increased capital gains from portfolio rotation.

The figure for **dividends** includes those from the Group's stake in Telefónica (second and fourth quarters) and CNCB. It should be recalled that Telefónica suspended its dividend in 2013 until November, which has led to a significant increase in this line in 2014.

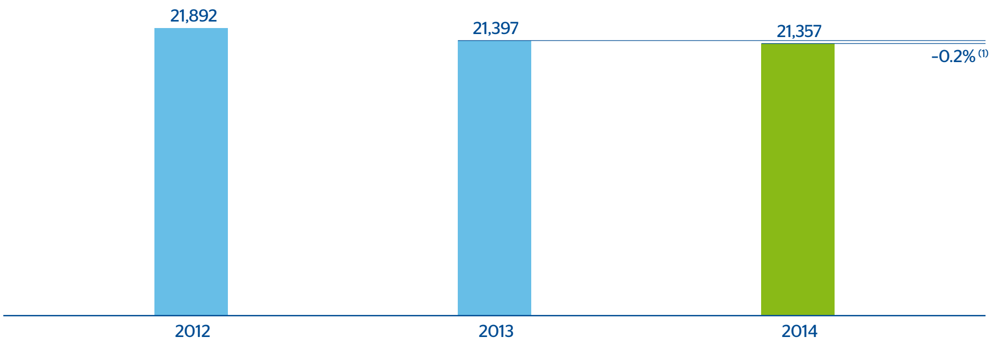
Income by the equity method basically includes income from the Group's stake in the Chinese entity CIFH until the month of November.

Lastly, **other operating income and expenses** includes an adjustment for hyperinflation in Venezuela that is more negative than in previous periods, as well as the aforementioned charge for payment of the IDEC deposit tax in Spain. It is important to remember that in the fourth quarter of 2013 this heading included the extraordinary payment to the Deposit Guarantee Fund in Spain in compliance with Royal Decree-Law 6/2013.

In short, BBVA generated **gross income** for the year of €21,357m, a similar amount to 2013 at current exchange rates, but 8.5% higher at constant exchange rates.

BBVA Group. Gross income

(Million euros)



(1) At constant exchange rates: +8.5%.

Operating income

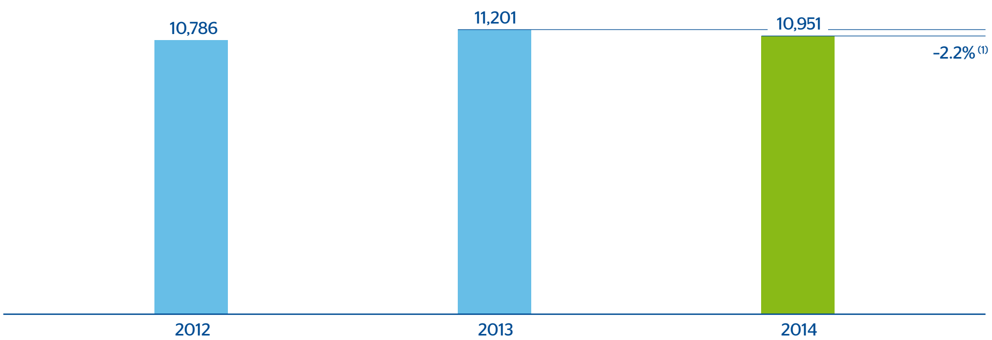
Operating expenses for 2014 stand at €10,951m, 2.2% below the figure for 2013 (although up 4.3% at constant exchange rates), despite the effect of high inflation in some countries (Venezuela and Argentina) and the digital transformation plans being implemented by the Group. This trend is the result of efficient fund management tailored to the needs of each geographical area: applying rigorous policies of moderation in Eurasia, Spain and the United States (where this item is influenced by the incorporation of Simple and the costs derived from regulatory requirements), and undertaking expansion plans in South America and Mexico. Investment in these countries is focused on three core areas:

The year-on-year change of expenses is less than that of revenue

- Implementation of a segmented and specialized management with the aim of improving customer insight.
- Extension and modernization of the distribution network and a boost to digital channels.
- An ongoing transformation process to make procedures more speedy, secure and reliable through digitization and automation.

BBVA Group. Operating expenses

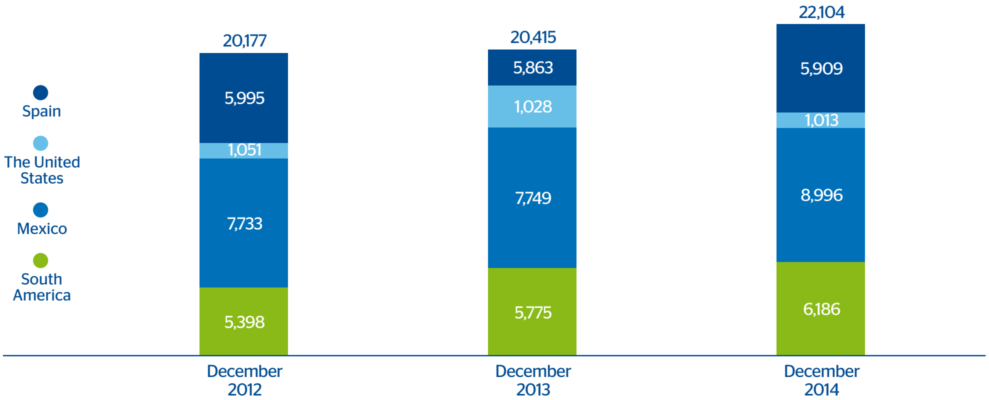
(Million euros)



(1) At constant exchange rates: +4.3%.

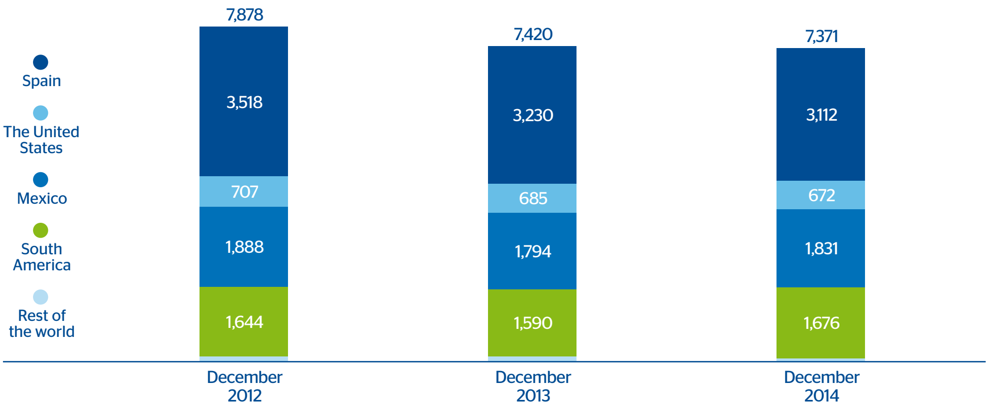
The number of **ATMs** continues to grow in practically all the geographical areas. In contrast, the number of **branch offices** has fallen, as a result of the boost to alternative channels.

BBVA Group. Number of ATMs [1]



(1) Excluding Garanti.

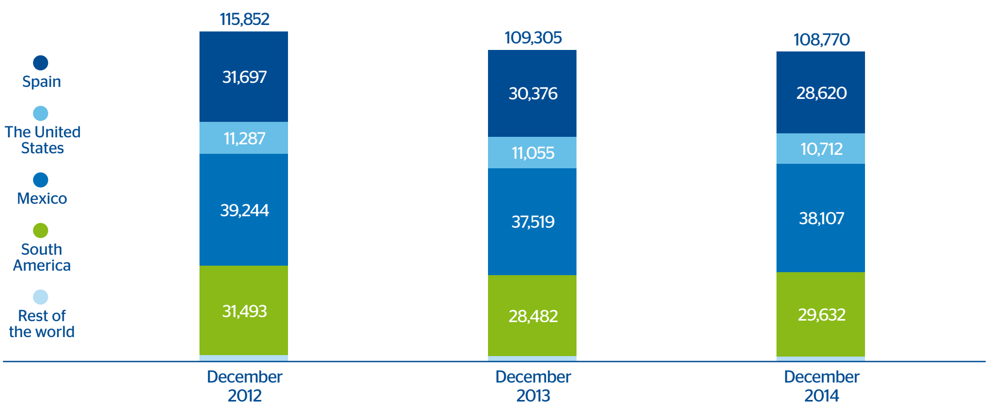
BBVA Group. Number of branches [1]



(1) Excluding Garanti.

With respect to the **workforce**, the number of employees in the Group stood at 108,770 as of 31-Dec-2014. This figure is 0.5% below the figure for the close of 2013. By geographical area, the numbers continued to fall in Spain and in the United States, while there were new hirings in the rest of the areas.

BBVA Group. Number of employees [1]



(1) Excluding Garanti.

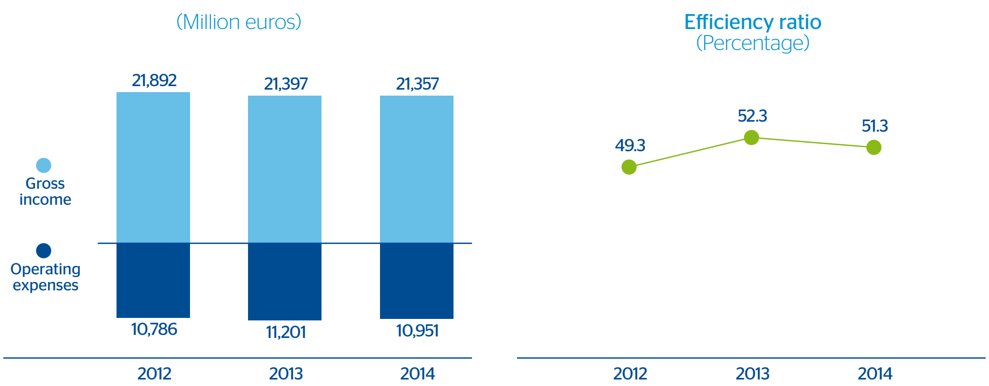
For 2014 as a whole, the year-on-year increase in expenses (at constant exchange rates) has been below that of gross income (also at constant exchange rates), thus improving the efficiency ratio to 51.3% from the figure of 52.3% in 2013, and boosting **operating income** to €10,406m, a year-on-year increase of 2.1%, or 13.2% excluding the impact of exchange rates.

Breakdown of operating expenses and efficiency calculation

(Million euros)

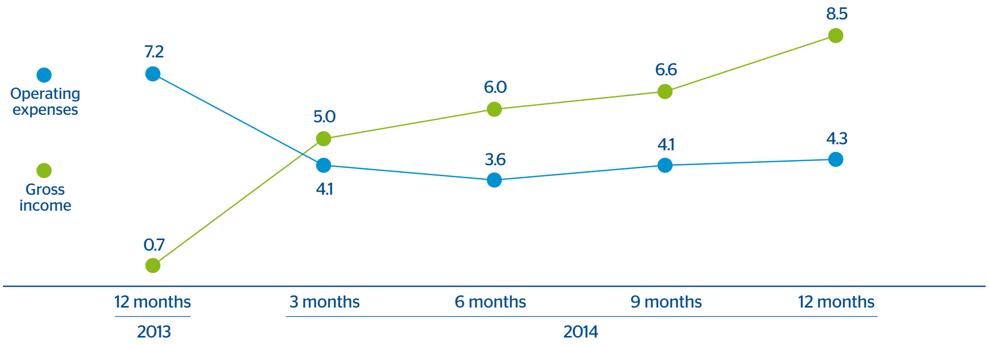
	2014	Δ%	2013	2012
Personnel expenses	**5,609**	**(3.1)**	**5,788**	**5,662**
Wages and salaries	4,268	(2.8)	4,392	4,348
Employee welfare expenses	826	(4.6)	866	819
Training expenses and other	515	(2.7)	530	495
General and administrative expenses	**4,161**	**(2.8)**	**4,280**	**4,106**
Premises	963	(0.4)	966	916
IT	831	3.8	801	745
Communications	288	(8.0)	313	330
Advertising and publicity	346	(11.3)	391	378
Corporate expenses	103	(2.6)	106	102
Other expenses	1,194	(5.8)	1,268	1,201
Levies and taxes	437	0.1	437	433
Administration expenses	**9,771**	**(3.0)**	**10,068**	**9,768**
Depreciation and amortization	**1,180**	**4.2**	**1,133**	**1,018**
Operating expenses	**10,951**	**(2.2)**	**11,201**	**10,786**
Gross income	**21,357**	**(0.2)**	**21,397**	**21,892**
Efficiency ratio (Operating expenses/gross income, in %)	**51.3**		**52.3**	**49.3**

BBVA Group. Efficiency



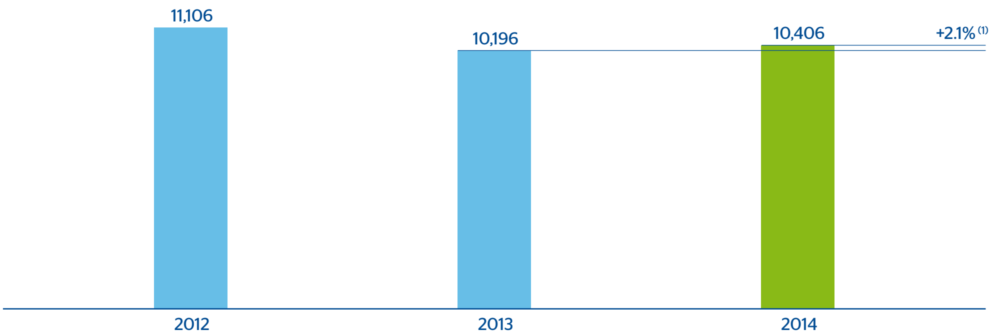
BBVA Group. Gross income and operating expenses

(Year-on-year changes at constant exchange rates. Percentage)



BBVA Group. Operating income

(Million euros)



(1) At constant exchange rates: +13.2%.

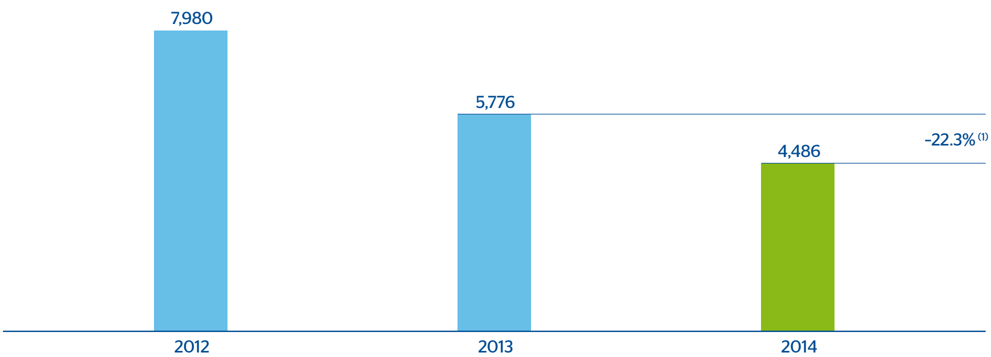
Provisions and others

Reduction in loan-loss and real-estate provisions

Impairment losses on financial assets stood at €4,486m in 2014. This figure represents a year-on-year decline of 22.3% (down 19.2% at constant exchange rates), due largely to its steady return to normal in Spain (where the 2013 figure was mainly due to the classification of refinanced loans). The Group's cumulative cost of risk in 2014 closed at 1.25%, compared with 1.59% the previous year.

BBVA Group. Impairment losses on financial assets

(Million euros)



(1) At constant exchange rates: -19.2%.

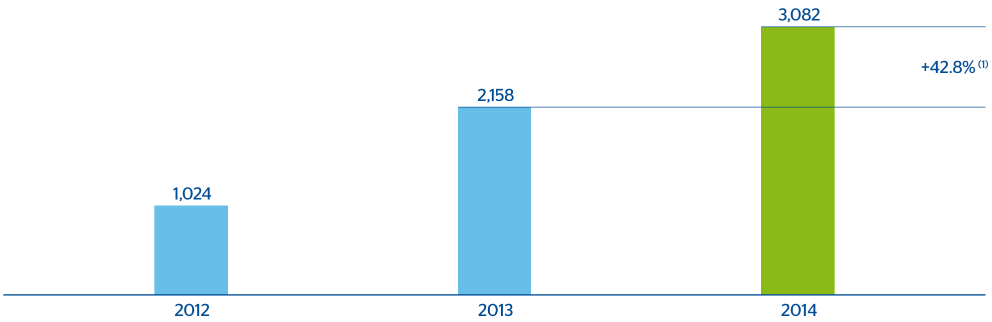
Provisions include items such as restructuring costs, provisions for contingent liabilities and contributions to pension funds. In 2014, this heading includes a greater volume of restructuring costs associated with the digitization and transformation process underway in the Group, in line with what has already been announced.

The main component of **other gains (losses)** is the provisions for real-estate and foreclosed or acquired assets in Spain, which in 2014 have declined year-on-year by 32.5% (down 32.1% at constant exchange rates).

As a result of the above, **net income from ongoing operations** in the year grew year-on-year by 42.8% (up 92.1% at constant exchange rates).

BBVA Group. Net income from ongoing operations

(Million euros)



(1) At constant exchange rates: +92.1%.

Lastly, no transaction has been recorded in 2014 under the **results from corporate operations** heading, unlike the case in 2013, when it included the following items: the reinsurance operation on the individual life-risk insurance portfolio in Spain (first quarter); the earnings from the Group's pension business in Latin America (including the capital gains from the sale of the Afore pension manager in Mexico in the first quarter, the pension fund administrators in Colombia and Peru in the second quarter and the pension fund administrator in Chile in the fourth quarter); the capital gains from the sale of BBVA Panama (fourth quarter); and, lastly, the effect of the signing of the agreement with CITIC Limited (fourth quarter), which involved the disposal of 5.1% of CNCB, valuing BBVA's entire stake in CNCB at mark-to-market (fourth quarter). The equity-accounted income (excluding dividends) of CNCB had been included in the first, second and third quarters of 2013.

Net attributable profit

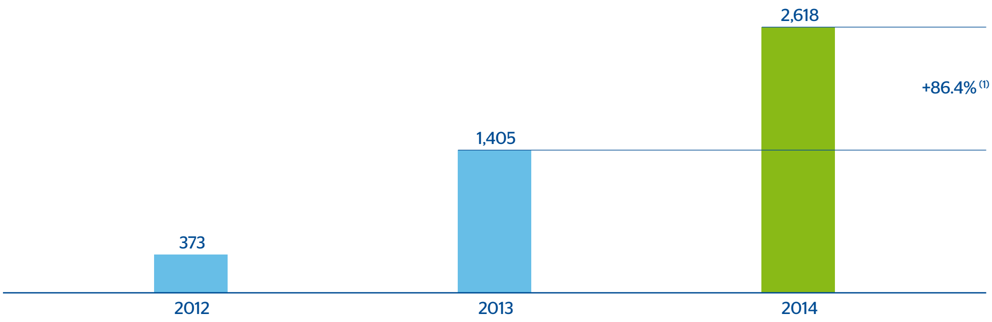
BBVA's **net attributable profit** in 2014 stands at €2,618m, up 17.5% on the figure for 2013 (up 42.5% at constant exchange rates), despite the fact that in 2013 earnings for an amount of €823m were registered from the corporate operations mentioned in the above paragraph.

By **business areas**, banking activity in Spain has contributed €1,028m, real-estate activity in Spain generated a loss of €876m, while the United States contributed €428m, Eurasia €565m, Mexico €1,915m and South America €1,001m.

In short, growth across all the items in the account

BBVA Group. Net attributable profit

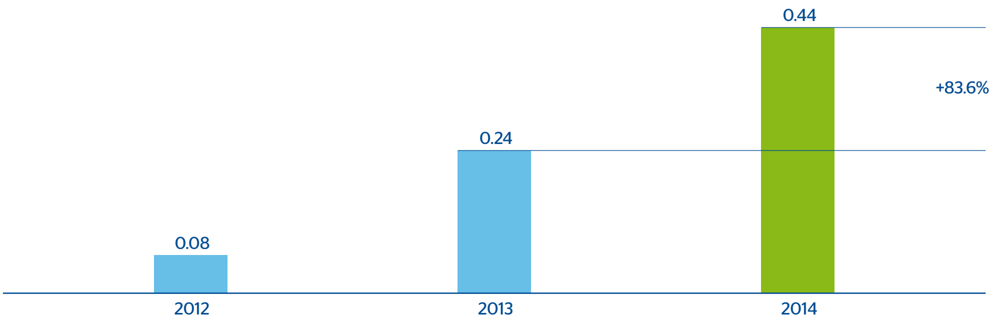
(Excluding results from corporate operations. Million euros)



(1) At constant exchange rat: +155.1%.

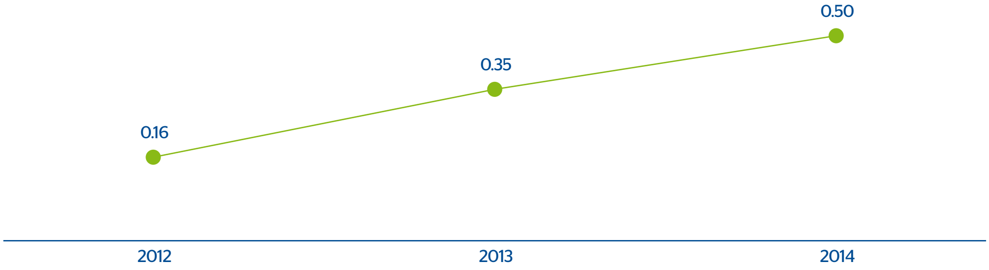
BBVA Group. Earnings per share

(Excluding results from corporate operations. Euros)



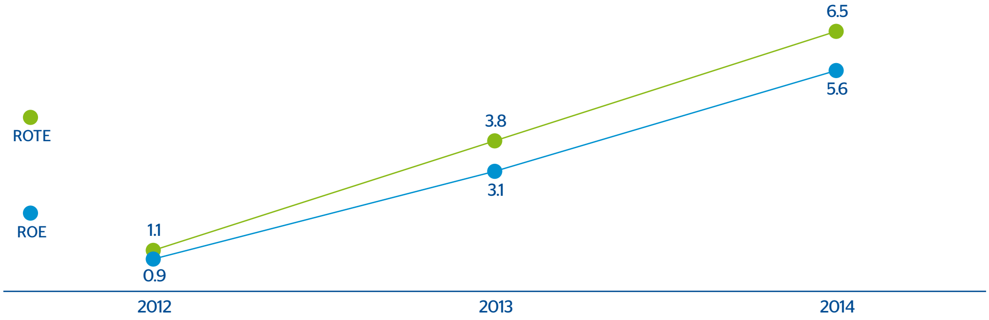
BBVA Group. ROA

(Excluding results from corporate operations. Percentage)



BBVA Group. ROE and ROTE

(Excluding results from corporate operations. Percentage)



Balance sheet and business activity

Consolidated balance sheet [1]

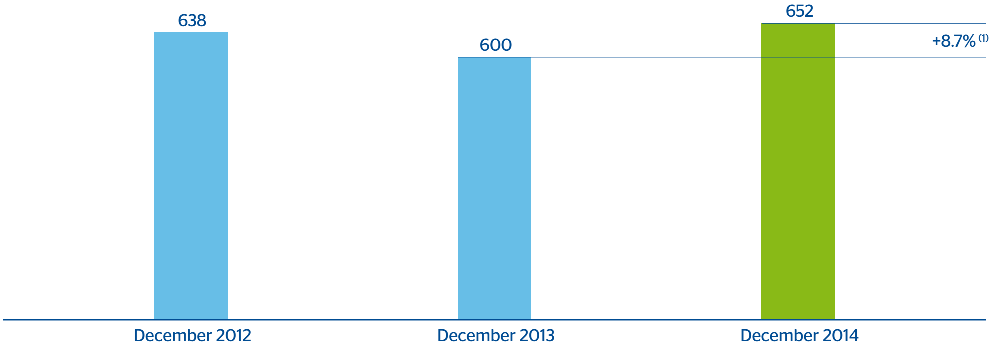
(Million euros)

	31-12-14	∆%	31-12-13	31-12-12
Cash and balances with central banks	33,908	(8.5)	37,064	37,434
Financial assets held for trading	83,427	15.4	72,301	79,954
Other financial assets designated at fair value	3,236	18.3	2,734	2,853
Available-for-sale financial assets	98,734	22.1	80,848	71,500
Loans and receivables	386,839	6.4	363,575	383,410
Loans and advances to credit institutions	28,254	16.7	24,203	26,522
Loans and advances to customers	351,755	5.1	334,744	352,931
Debt securities	6,831	47.6	4,628	3,957
Held-to-maturity investments	-	-	-	10,162
Investments in entities accounted for using the equity method	661	(55.8)	1,497	6,795
Tangible assets	8,014	3.8	7,723	7,785
Intangible assets	8,840	8.3	8,165	8,912
Other assets	27,851	8.7	25,611	28,980
Total assets	**651,511**	**8.7**	**599,517**	**637,785**
Financial liabilities held for trading	56,990	24.5	45,782	55,927
Other financial liabilities at fair value	3,590	29.5	2,772	2,516
Financial liabilities at amortized cost	509,974	6.2	480,307	506,487
Deposits from central banks and credit institutions	97,735	11.4	87,746	106,511
Deposits from customers	330,686	6.6	310,176	292,716
Debt certificates	59,393	(9.3)	65,497	87,212
Subordinated liabilities	14,118	33.5	10,579	11,831
Other financial liabilities	8,042	27.5	6,309	8,216
Liabilities under insurance contracts	10,471	6.4	9,844	9,032
Other liabilities	18,877	18.3	15,962	20,020
Total liabilities	**599,902**	**8.2**	**554,667**	**593,982**
Non-controlling interests	2,511	5.9	2,371	2,373
Valuation adjustments	(348)	(90.9)	(3,831)	(2,184)
Shareholders' funds	49,446	6.8	46,310	43,614
Total equity	**51,609**	**15.1**	**44,850**	**43,802**
Total equity and liabilities	**651,511**	**8.7**	**599,517**	**637,785**
Memorandum item:		-	-	
Contingent liabilities	37,070	1.7	36,437	39,540

(1) Pro forma financial statements with the revenues and expenses of the Garanti Group consolidated in proportion to the percentage of the Group's stake.

BBVA Group. Total assets

(Billion euros)



(1) At constant exchange rates: +9.0%.

The Group's balance sheet and business activity in **2014** was marked by:

- Growth in **loans and advances to customers (gross)**. As regards performance by areas, the deleveraging process has slowed in Spain, thanks to the recovery of the production of new loans, while in the United States, Mexico, Turkey and South America the loan book has grown at double-digit year-on-year growth rates.
- **Non-performing loans** have fallen since the close of 2013, influenced by the decline in new additions to NPA, above all in Spain.
- The trend in **customer deposits** is positive in the non-domestic sector. In the domestic sector it is down in the public-sector segment and in time deposits, as a result of the reduction in the cost of time deposits, which has led to a transfer of money to current and savings accounts and to mutual and pension funds.
- Lastly, **off-balance sheet customer funds** continue to perform very favorably.

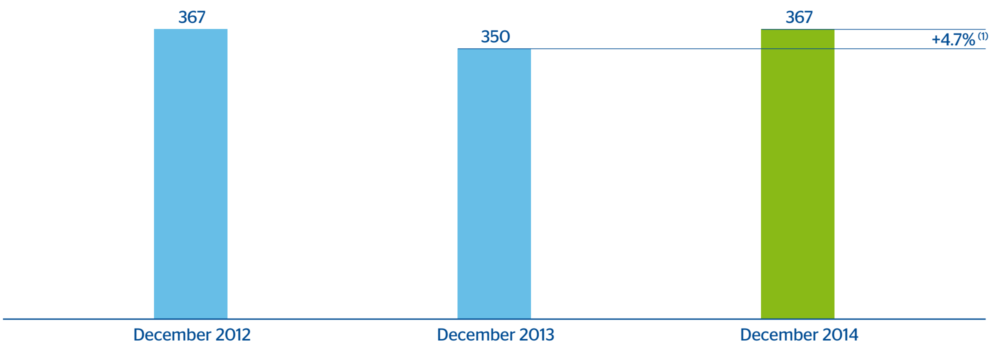
Loans and advances to customers

Production of new loans was positive across practically the whole of BBVA's footprint, without worsening asset quality

Loans and advances to customers ended December 2014 with a year-on-year rise of 4.7% at current exchange rates, strongly supported by a rise in the non-domestic sector.

BBVA Group. Loans and advances to customers (gross)

(Billion euros)



(1) At constant exchange rates: +4.5%.

Loans and advances to customers

(Million euros)

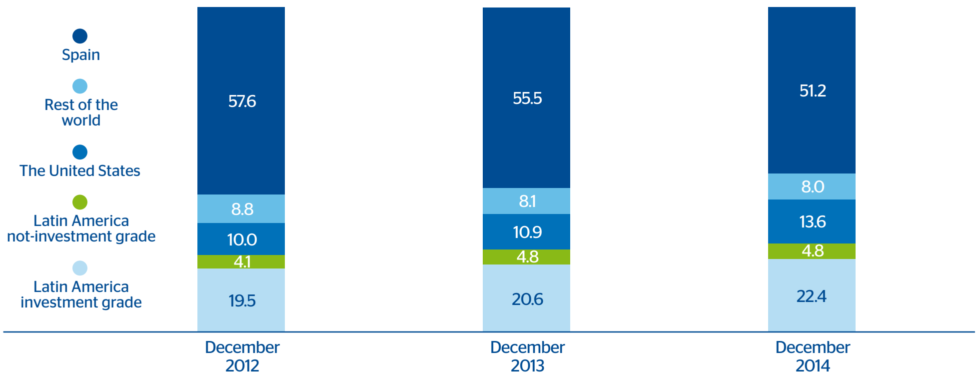
	31-12-14	Δ%	31-12-13	31-12-12
Domestic sector	**162,652**	**(3.0)**	**167,670**	**190,817**
Public sector	23,362	5.6	22,128	25,399
Other domestic sectors	139,290	(4.3)	145,542	165,417
Secured loans	87,371	(6.5)	93,446	105,664
Other loans	51,920	(0.3)	52,095	59,753
Non-domestic sector	**180,719**	**15.4**	**156,615**	**156,312**
Secured loans	107,883	14.5	94,214	61,811
Other loans	107,883	14.5	94,214	94,500
Non-performing loans	**23,164**	**(10.3)**	**25,826**	**20,287**
Domestic sector	18,563	(11.5)	20,985	15,159
Non-domestic sector	4,601	(5.0)	4,841	5,128
Loans and advances to customers (gross)	**366,536**	**4.7**	**350,110**	**367,415**
Loan-loss provisions	(14,781)	(3.8)	(15,366)	(14,484)
Loans and advances to customers	**351,755**	**5.1**	**334,744**	**352,931**

The **domestic sector** has fallen back 3.0% as a result of the deleveraging process underway in recent quarters. However, this process began to slow during 2014. Other loans to other domestic sectors, which include finance to SMEs and consumer lending, ended the year with a very similar balance to December 2013, as a result of the increased production of new loans. In short, there has been an increased demand for loans in 2014, although this rise still does not offset the maturities in the current stock.

The **non-domestic sector** posted double-digit growth in practically all the headings, thanks to the strength of activity in the United States, Turkey, Mexico and South America.

BBVA Group. Geographical breakdown of loans and advances to customer (gross)

(Percentage)



Lastly, **non-performing loans** have continued to decline throughout the year (down by 10.3% since the end of 2013), although at a faster pace in the second half. The steepest declines have been registered in Spain.

Customer funds

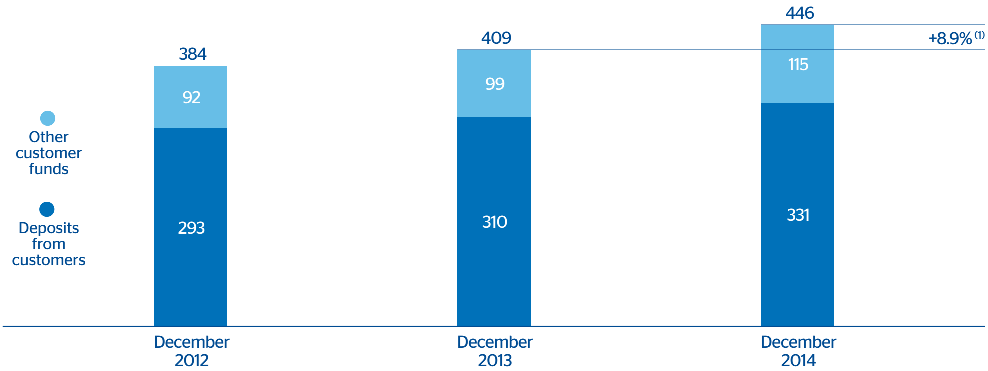
Good performance of customer funds, strongly leveraged on lower-cost deposits and off-balance-sheet funds

Customer funds also performed well, with a year-on-year rise of 8.9% as of 31-Dec-2014.

Customer funds
(Million euros)

	31-12-14	∆%	31-12-13	31-12-12
Deposits from customers	**330,686**	**6.6**	**310,176**	**292,716**
Domestic sector	**145,251**	**(3.9)**	**151,070**	**141,169**
Public sector	10,651	(26.2)	14,435	21,807
Other domestic sectors	134,600	(1.5)	136,635	119,362
Current and savings accounts	59,509	11.1	53,558	48,208
Time deposits	60,783	(13.1)	69,977	61,973
Assets sold under repurchase agreement and other	14,308	9.2	13,100	9,181
Non-domestic sector	**185,435**	**16.5**	**159,106**	**151,547**
Current and savings accounts	113,795	12.1	101,515	98,169
Time deposits	62,705	27.3	49,266	48,691
Assets sold under repurchase agreement and other	8,935	7.3	8,325	4,688
Other customer funds	**115,274**	**16.2**	**99,213**	**91,776**
Spain	**69,943**	**17.6**	**59,490**	**52,179**
Mutual funds	28,695	28.7	22,298	19,116
Pension funds	21,880	7.1	20,428	18,577
Customer portfolios	19,368	15.5	16,763	14,486
Rest of the world	**45,332**	**14.1**	**39,723**	**39,598**
Mutual funds and investment companies	24,087	13.7	21,180	22,255
Pension funds	5,484	29.5	4,234	3,691
Customer portfolios	15,761	10.1	14,309	13,652
Total customer funds	**445,960**	**8.9**	**409,389**	**384,493**

BBVA Group. Customer funds
(Billion euros)



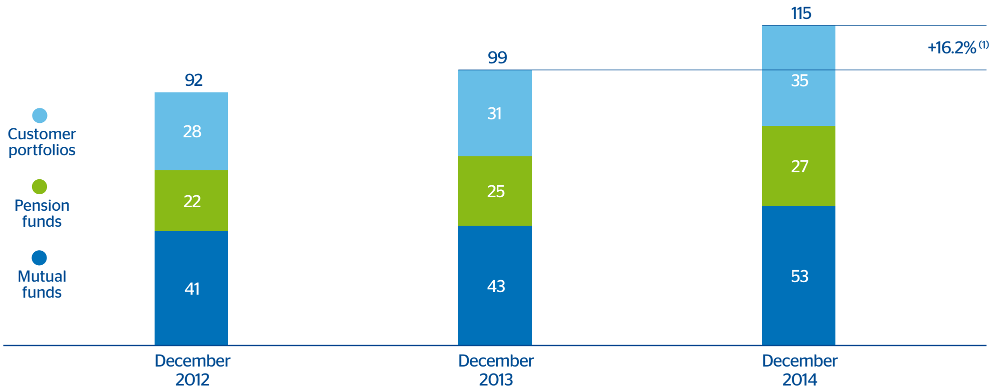
(1) At constant exchange rates: +9.3%.

Customer deposits increased over the last 12 months by 6.6%. This increase is supported by the significant 16.2% rise in the non-domestic sector. The reduction in the cost of time deposits in Spain has led to a transfer of money to current and savings accounts and to mutual and pension funds. This is the reason for the year-on-year fall of 3.9% in the balance of the domestic sector.

Off-balance-sheet customer funds have performed very favorably, above all in Spain (up 17.6% in year-on-year terms), due to the aforementioned transfer of funds; in addition, their performance has also been positive in the rest of the geographical areas (up 14.1% year-on-year at current exchange rates).

BBVA Group. Other customer funds

(Billion euros)



(1) At constant exchange rates: +14.5%.

Other balance sheet headings

Financial assets held for trading closed as of 31-Dec-2014 at €83 billion, of which €44 billion correspond to derivatives positions, slightly below the figure for derivatives positions included in financial liabilities held for trading. As a result, the net position in the trading portfolio as of 31-Dec-2014 (assets minus liabilities) was €26 billion, practically the same as the figure of €27 billion the previous year (down 0.3%).

Lastly, BBVA's **total equity** as of 31-Dec-2014 amounted to €52 billion, a rise of 15.1% on the figure as of 31-Dec-2013. This increase is basically due to the generation of earnings (after dividend payments), the implementation of the flexible remuneration system called the "dividend-option" and the capital increase carried out in November.

The November capital increase has raised the Group's total equity

Solvency

Capital base

Good capital position. Sound and solid regulatory ratios

The most relevant aspects for **2014** about this subject have been the coming into force of the new European legislation CRD IV and the comprehensive assessment conducted by the ECB over the European banking sector.

The new European legislation CRD IV entered into force on January 1, 2014 as a result of the **Basel III** accords. This involves including new criteria to calculate the capital base. One effect is increased capital requirements requiring higher quality. Another is modifications in the form of measuring the risks associated with certain assets. A new ratio has also been introduced to try to limit excessive leveraging by financial institutions. This ratio will in the future be accompanied by two further ratios related to liquidity levels: the liquidity coverage ratio (LCR) starting in 2015, and the net stable funding ratio (NSFR), starting in 2019, which will be used as a basis for maintaining adequate liquidity levels in the short and long term. The implementation of the new legislation will be phased-in so that it is fully loaded at the start of 2019.

Then, the results of the **comprehensive assessment** of European banks conducted by the ECB were published on October 26. This assessment mainly involved an asset quality review (AQR) and a stress test. The aim was to quantify any possible capital shortfall prior to the implementation of the Single Supervisory Mechanism (SSM), under which the main European banks will be supervised directly by the ECB.

As regards the Group, **BBVA** has continued to carry out in 2014 active capital management, as demonstrated by the following elements:

Active capital management to fund future growth

- Two successful debt issues that strengthen and optimize the Group's capital base under CRD IV:
  - An issue of contingent convertible securities, eligible as additional Tier I, for €1.5 billion.
  - A subordinated bond issue, eligible as Tier II, also for €1.5 billion.
- In April, October and December three capital increases against reserves were completed to implement the shareholder remuneration system called "dividend-option"
- As regards the results of the comprehensive assessment of European banks, they showed that by December 2016 BBVA would reach a CET1 capital level of 9.0% in the adverse scenario and 10.6% in the base scenario, both percentages higher than the minimum required (the thresholds stand at 8.0% and 5.5%, respectively). In addition, BBVA is one of the few banks in its European peer group whose fully-loaded CET1 level by 2016 under the adverse scenario stands above 8.0% (8.2%). Such results meant that the test was surpassed with an excess of €13,223m in the said adverse scenario. In short, BBVA once more demonstrated its high solvency after easily passing three stress tests in the last four years. This also shows that the Bank is very well positioned to deal with the new financial environment in Europe.
- Lastly, a capital increase was completed last November for €2,000m through an accelerated bookbuilt offering targeted at institutional investors, which has strengthened the Group's capital adequacy ratios by 58 basis points at the date of its execution.

The latter factors together with the year-on-year increase in risk-weighted assets -RWA- (due to the lower level of deleveraging in Spain and increased activity in the United States and emerging countries) and combined with the other factors impacting the capital base (organic growth, variation due to exchange rates and increase in some deductions), make the phased-in **core capital** ratio as of 31-Dec-2014 stand at 11.9% (10.4% fully-loaded).

As regards **Tier II** ratio (also phased-in), it stands at 3.1% as of 31-Dec-2014. The main effect comes from the subordinated bond issue for €1.5 billion completed in April.

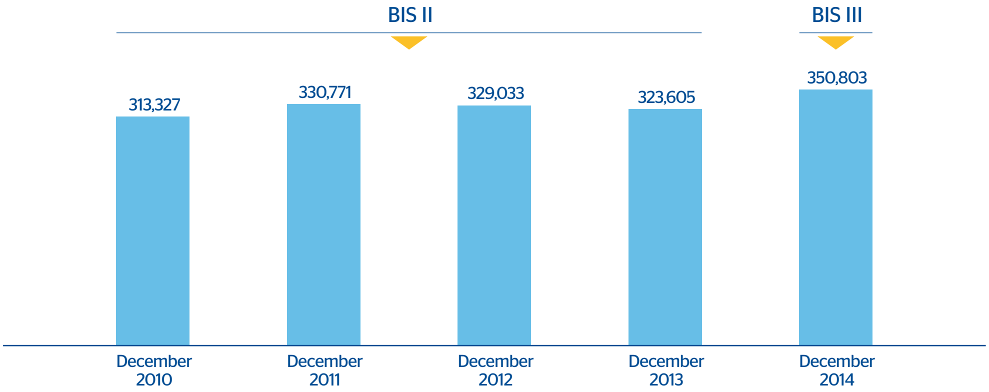
As a result of what has been mentioned above, the phased-in **BIS III** ratio closed the year at 15.1% and the fully-loaded ratio at 14.2%, both well above current regulatory requirements (8.0%).

It is also worth noting that BBVA Compass passed in the first quarter of 2014 the stress tests carried out in the United States and thus its capital plans have been approved by the Fed with no objections.

In conclusion, BBVA Group continues to manage its solvency ratios appropriately and has a strong capital position that is clearly above regulatory requirements.

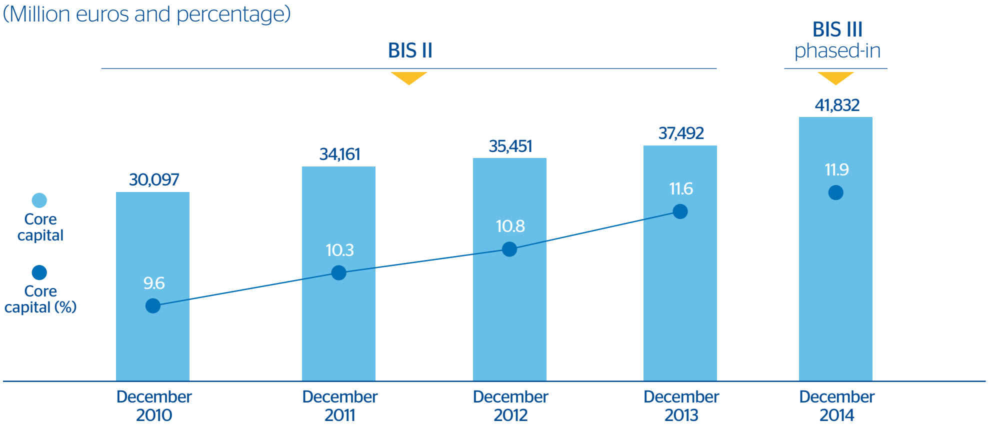
BBVA Group. RWA evolution

(Million euros)



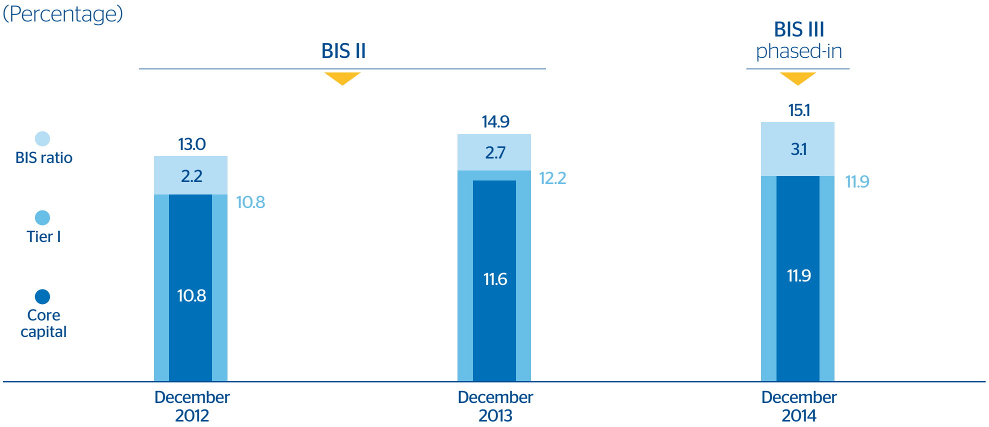
BBVA Group. Core capital evolution

(Million euros and percentage)



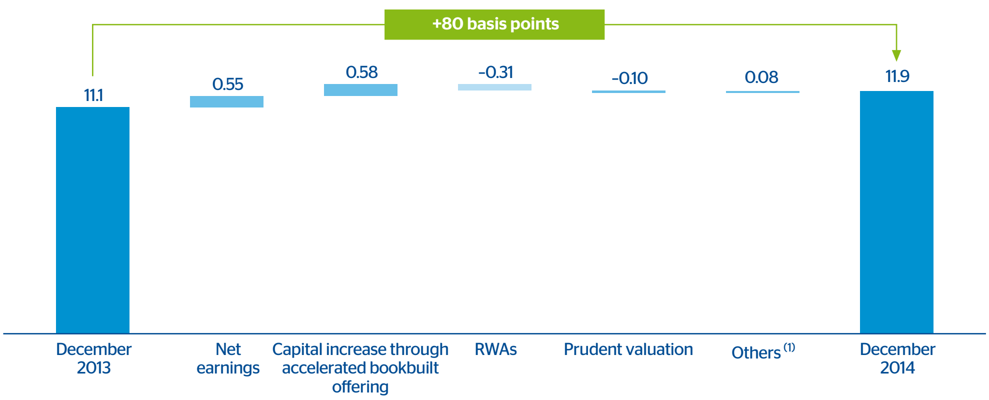
BBVA Group. Capital Base

(Percentage)



BBVA Group. Core capital phased-in evolution in 2014 (CRDIV BIS III regulation)

(Percentage)



(1) Others: including mainly the effect of AT1 issuance that reduce the excess of deduction in core capital.

Capital base (BIS II Regulation)

(Million euros)

	BIS III phased-in	BIS II	
	31-12-14	31-12-13	31-12-12
Core capital	41,832	37,492	35,451
Capital (Tier I)	41,832	39,611	35,451
Other eligible capital (Tier II)	10,986	8,695	7,386
Capital base	52,818	48,306	42,836
Risk-weighted assets	350,803	323,605	329,033
BIS ratio (%)	15.1	14.9	13.0
Core capital (%)	11.9	11.6	10.8
Tier I (%)	11.9	12.2	10.8
Tier II (%)	3.1	2.7	2.2

Ratings

In February 2014, **Moody's** upgraded its long-term rating outlook for BBVA from negative to stable. A month later it announced a rating upgrade of one notch to Baa2, changed the outlook to positive, and upgraded the short-term rating from Prime -3 to Prime -2. This upgrade by Moody's, the first in more than seven years, was a result of the strength of BBVA's fundamentals, as well as an improvement in the Kingdom of Spain's sovereign rating.

In the same quarter, the rating agency **Scope Ratings** published BBVA's rating for the first time, giving it an A with a stable outlook. This is the first agency whose methodology takes into account the new European resolution and recovery regime, therefore its rating decisions are based on the intrinsic value of the entities rather than on potential sovereign support.

Following Moody's lead, in May 2014 **Fitch** announced to upgrade BBVA's rating by one notch to A–, maintaining a stable outlook. In this case, the decision was also due to the upgrading of Spain's rating to BBB+ and to the Group's geographical diversification, which places BBVA one notch above the sovereign rating.

In June, **Standard & Poors** (S&P) upgraded BBVA's rating from BBB– to BBB, also maintaining a stable outlook, as a result of the upgrading of Spain's sovereign rating in May to BBB. It also upgraded BBVA's short-term rating from A-3 to A-2.

In addition, during this period, **DBRS** confirmed BBVA's rating at A and in 2015 it changed the outlook from negative to stable.

In short, in the first half of 2014, Moody's, Fitch and S&P all upgraded BBVA's rating for the first time since the start of the crisis.

Following the announcement of the acquisition of Catalunya Banc, the main agencies have confirmed BBVA's ratings. They all agree that risk is limited due to the volume of assets purchased, the high level of provisions in the loan portfolio and the guarantees agreed with the FROB (Fund for Orderly Bank Restructuring). Moreover, following the announcement of the acquisition of the additional 14.89% in Garanti Bank, in November 2014 the main agencies once more confirmed BBVA's rating. In other words, the upgrades in the Bank's ratings in the first half of 2014 have been confirmed.

In the first half of 2014, Moody's, Fitch and S&P improved BBVA's credit ratings, which did not occur since the start of the crisis

Rating agencies have confirmed the improvement in BBVA's credit ratings following the announcements of the acquisition of Catalunya Banc and the increase in the stake in Garanti

Ratings

	Long term	Short term	Outlook
DBRS	A	R-1 (low)	Negative
Fitch	A–	F-2	Stable
Moody´s	Baa2	P-2	Positive
Scope Ratings	A	S-1	Stable
Standard & Poor's	BBB	A-2	Stable

92 BBVA Group's risk management function. General risk management and control model

102 Credit risk

114 Market risk

- **114** Market risk in trading book
- **122** Structural risks

128 Liquidity and funding risk

130 Operational risk

134 Social, environmental and reputational risks

Global Risk Management

BBVA Group's risk management function. General risk management and control model

The risk management function's aim: to preserve solvency and ensure sustainable business development

BBVA Group's risk management function aims to preserve the Bank's solvency by supporting the definition of its strategy and ensuring sustainable business development. It is a unique, independent and global function whose general **principles** are:

- The risks assumed must be compatible with the target solvency level and must be identified, measured and assessed. Monitoring and management procedures and sound control and mitigation systems must likewise be in place.
- All risks must be managed in an integrated way during their life cycle. They must be treated differently depending on their type and with active portfolio management based on a common variable: economic capital.
- The risk infrastructure must be adequate in terms of human resources, tools, databases, information systems and procedures, so that there is a clear definition of roles and responsibilities, to ensure efficient allocation of resources between the corporate area and the risk units in the geographical and/or business areas.
- It is each business area's responsibility to propose and maintain its own risk profile both independently and within the corporate action framework, using a risk infrastructure appropriate to the established model.

BBVA has a risk management and control model in place that is applied comprehensively throughout the Group

BBVA has a general risk management and control **model** (hereinafter "the model") that is appropriate to its business model, its organization and the geographical areas in which it operates. This enables it to carry out its activity within the framework of the risk management and control strategy and policy defined by the Bank's corporate bodies and adapting itself to a changing economic and regulatory environment, addressing management both globally and adapted to the circumstances at any given time.

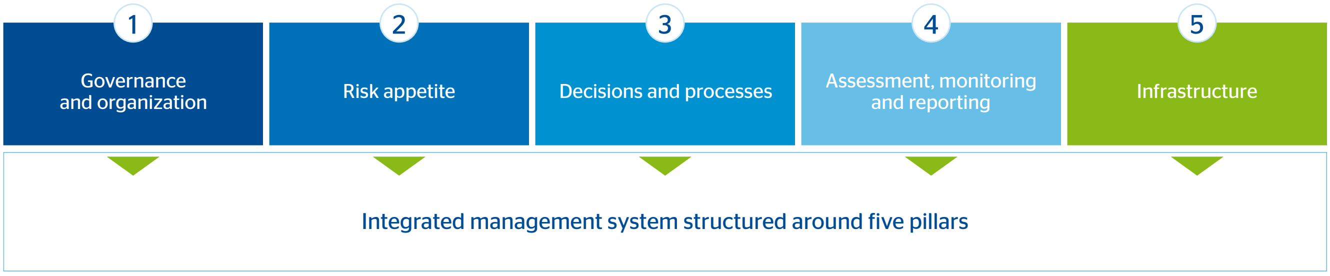
This model is applied comprehensively throughout the Group and consists of the basic elements listed below:

- Governance system and organization.
- Risk appetite.
- Decisions and processes.
- Evaluation, monitoring and reporting.
- Infrastructure.

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

BBVA Group. Risks function management framework

Goal: To preserve Group's solvency, supporting its strategy and ensuring a sustainable business growth



Governance system 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.

The corporate bodies therefore approve the risk strategy and the corporate policies for the different types of risks, and the risk management function is in charge of its implementation and development, reporting to the corporate bodies.

The responsibility for the day-to-day management of risks lies with the businesses, whose activity is carried out in accordance with the policies, rules, procedures, infrastructures and controls. The latters are defined by the risk management function (Global Risk Management or GRM), based on the framework set by the corporate bodies.

To adequately carry out this task, BBVA Group's risk management function has been configured as a single and global function independent of the business areas.

BBVA's risk governance system is characterized by a special involvement of its corporate bodies

1. Corporate governance scheme

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

The Bank's **Board of Directors** (hereinafter also referred to as "the Board") is the body responsible for approving the risk strategy and supervising the internal information and control systems. Specifically, the strategy that the Board is responsible for approving will include, at least, the Group's Risk Appetite Statement, the fundamental metrics and the basic structure of limits by geographical areas, types of risk and classes of assets, as well as the bases of the risk management and control model. The Board will ensure that the budget is in line with the approved risk appetite.

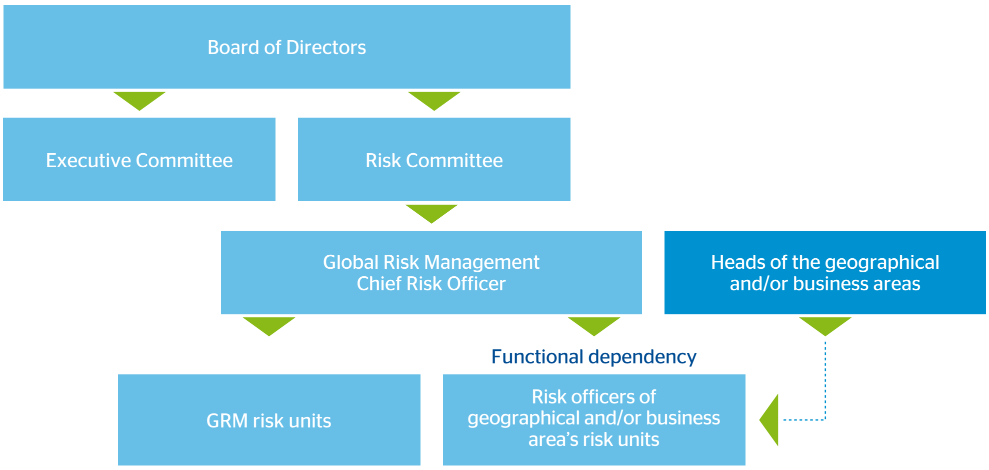
On the basis established by the Board of Directors, the **Executive Committee** (EC) approves specific corporate policies for each type of risk. It also approves and monitors the Group's risk limits, and is kept informed of any limits that have been exceeded and of any relevant corrective measures established.

Lastly, the Board of Directors has set up a Board Committee specializing in risks, the **Risk Committee**, made up entirely of non-executive directors (at least one third of whom, including its Chairman, are independent directors) and with the necessary knowledge, skills and experience. This Committee is responsible for regular analysis and monitoring of risks within the remit of the corporate bodies. It assists the Board and the Executive Committee in determining and monitoring the risk strategy and the corporate policies, respectively. It also carries out another task of special relevance which is a 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 corporate bodies.

The head of the risk management function, with executive powers, is the **Group's Chief Risk Officer** (CRO), who performs his duties with the required independence, authority, rank and resources. This Officer is appointed by the Bank's Board of Directors, as a member of its senior management, and has direct access to the corporate bodies (Board of Directors, EC and RC), to which it reports on a regular basis on the situation of the risks in the Group.

To better perform his duties, 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 one is headed by a **Risk Officer for the geographical and/or business area** who, within his/her field of competence, applies the corporate policies and rules approved by the Group in a consistent manner, adapting them if necessary to the 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 Chief Risk Officer and to the head of their geographical and/or business area. This dual reporting system has a twofold purpose: first, to ensure the independence of the local risk management function from the operating functions; and second, to enable its alignment with the Group's corporate policies and goals.

Corporate governance scheme and organizational structure



The organizational scheme that has been designed ensures the integration and standardized application of the risk strategy throughout the Group, benefits from the knowledge and proximity to the customer, and internally transmits the corporate culture with respect to risks

2. Organizational structure and committees

As mentioned earlier, the risk management function consists of risk units from the corporate area and risk units from the geographical and/or business areas.

The **risk units from the corporate area**, which report directly or through the CRO to the Bank's corporate bodies, develop, propose (and ensure the application) of the Group's risk appetite, the corporate policies, the rules and the global procedures and infrastructures, within the action framework approved by the corporate bodies.

The **risk units in the geographical and/or business units** develop and present to the Risk Officer of the geographical and/or business area the risk appetite proposal that applies in each geographical and/or business area, independently and always within the Group's risk appetite. They also ensure that the corporate policies and rules are applied, adapting them if necessary to local requirements;

they are provided with appropriate infrastructures for managing and controlling their risks; and they report to their corporate bodies and/or to the Group's senior management, as appropriate.

In this way, the risk units of the corporate area work with the local risk units in order to adapt to the Group's risk strategy and obtain all the information necessary to monitor the development of their risks.

The risk management function has an adequate decision-making process underpinned by a **structure of committees**, where the Global Risk Management Committee (GRMC) acts as the highest executive body. 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 risks facing the Group in its businesses, as well as the admission of the most relevant risk operations. The members of this Committee are the Group's Chief Risk Officer and the heads of the risk units of the corporate area and of the most representative geographical and/or business areas. The GRMC relies on a number of support committees. The chart below summarizes this committee structure.

Global Risk Management Committee support committees

	Function
Global Technical Operations Committee	Decision-making relating to wholesale credit risk admission in certain customer segments.
Monitoring, Assessment & Reporting Committee	It guarantees the existence and appropriate development of aspects related to risks identification, assessment, monitoring and reporting, with an integrated and cross-cutting vision.
Asset Allocation Committee	Analysis and decision-making on all matters about credit risk, which are related to the processes aimed at obtaining a balance between risk and return, in accordance with the Group risk appetite.
Technology and Methodologies Committee	It determines the need for new models and infrastructures and channels the decision-making related to the development and implementation of the tools needed for managing all the risks to which the Group is exposed.
Corporate Technological Risks and Operational Control Committee	It approves the frameworks for managing technological risks and operational control. It is also in charge of monitoring the metrics, the risk profiles and loss operative events.
Global Market Risk Unit Committee	Defining, supervising and comunicating the trading-desk risk monitoring across the Global Markets business units.
Corporate Operational Risk Admission and Outsourcing Committee	Identification and assessment of the operational risks in new businesses, products and services as well as outsourcing initiatives.

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

With this organizational scheme, the risk management function ensures the integration and application across the Group of the risk strategy, the regulatory framework, and standardized risk infrastructures and controls, while it benefits from the knowledge and proximity to the customer of each geographical and/or business area, and transmits the corporate culture with respect to risks to the Bank's different levels.

BBVA has a system of internal control that is inspired in the best practices and that extends to all the areas of the Organization

3. Internal Risk Control and Internal Validation

The Group has a specific **Internal Risk Control** unit whose main function 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), as well as to control their application and operation, and ensure that the risk strategy is integrated into the Group's management. The Internal Risk Control unit is independent of the units that develop the risk models, manage the processes and execute the controls. Its scope of action is global both from the geographical point of view and as regards the types of risks.

The Group's Head of Internal Risk Control is responsible for the function and reports his/her activities and informs on his/her work plans to CRO and RC, and also assists the latter in any matters where requested.

For this purpose, the Risks area (Global Risk Management, or GRM) has a **Technical Secretariat**, also independent of the units that develop the risk models, manage the processes and execute the controls, which provides RC with the necessary technical support to better perform its functions. To carry out its function, 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.

In addition, the Group has an **Internal Validation** unit, which is also independent of the units that develop the risk models, manage the processes and execute the controls. Its scope of action is global both from the geographical point of view and as regards the types of risks. Among other functions, Internal Validation is responsible for the review and independent validation, at internal level, of the models used for the control and management of the Group's risks.

BBVA Group's internal control system is inspired in the best practices developed in the Enterprise Risk Management - Integrated Framework of COSO (Committee of Sponsoring Organizations of the Treadway Commission), and in the Framework for Internal Control Systems in Banking Organizations developed by the Bank for International Settlements (BIS) in Basel. The control **model** has a system of three lines of defense:

- The first line is made up by the Group's business areas, which are responsible for control within the scope of their activities and for the execution of the measures set by higher authorities.

- The second line is made up of specialist control units (Regulatory Compliance, the department of Internal Financial Control of the Global Accounting & Information Management area, Internal Risk Control or IT Risk Fraud & Security, Operational Control and Production Divisions of the support units, such as Human Resources, Legal Services, etc.). This line supervises the control of the different units within their cross-cutting specialty, defines the mitigating and and the required improvement measures and promotes their proper implementation. In addition, the Corporate Operational Risk Management unit is part of this line. It promotes a common methodology and management tools.

- The third line is made up of the Internal Audit unit, which carries out an independent review of the model, checking compliance and effectiveness of corporate policies, and providing independent information on the control model.

Risk appetite

The Group's risk appetite, approved by the Board of Directors, determines the risks and their level that the Bank is willing to assume to achieve its business targets, expressed in terms of capital, liquidity, profitability, recurrent earnings, cost of risk or other metrics. The definition of this appetite has the following **goals**:

- To express the Bank's strategy and 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 action guidelines and a management framework in the medium and long term that prevent actions (at both Group and geographical and/or business area level) that could compromise the future viability of the Organization.

- To determine a framework for relations with the geographical and/or business areas that, while preserving their decision-making autonomy, ensures their consistency, avoiding inconsistent behavior.

- To implement a common language throughout the Organization and develop an enforcement-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.

In turn, 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.

- Fundamental metrics: they reflect, in quantitative terms, the principles and the target risk profile set out in the Risk Appetite Statement.

- Limits: they establish the risk appetite at geographical and/or business area level.

Each geographical and/or business area must have its own risk strategy in place, consisting of its local risk appetite statement, fundamental metrics and limits, which must be consistent with those set for the Group, but adapted to their own reality. These limits are approved by the corresponding corporate bodies of each entity. The corporate risk area works with the various geographical and/or business areas to define their risk appetite, so that it is coordinated and integrated into the Group's risk appetite, making sure that its profile is in line with the one defined.

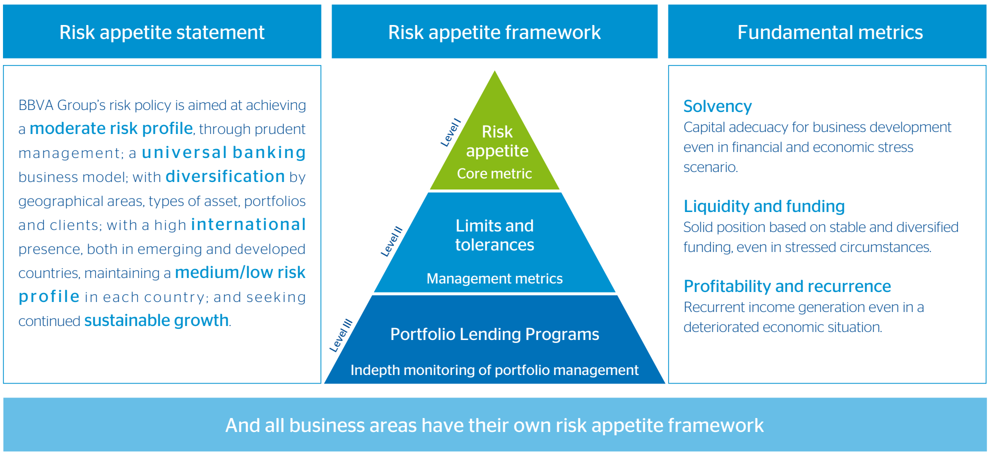
1. Risk Appetite Statement

BBVA Group assumes a certain degree of risk to be able to provide financial services and offer products to its customers and, at the same time, obtain attractive returns for its shareholders. This is why the Bank needs to understand, manage and control the risks it incurs. In short, the goal is not to eliminate all risks, but rather to assume a prudent level of risks to enable the Organization to generate recurrent returns and profits, while maintaining acceptable levels of capital and funding.

BBVA's risk appetite 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 stress situations. Specifically, BBVA Group's risk policy is aimed at achieving a moderate risk profile through prudent management; a universal banking business model; with diversification by geographical areas, types of assets, portfolios and customers; with a high international presence, both in emerging and developed countries, maintaining a medium/low risk profile in each country; and seeking continued sustainable growth.

BBVA's risk appetite 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 stress situations

The elements of risk appetite



2. Fundamental metrics

Those metrics that characterize the Bank's target behavior (as defined in the statement), enabling the expression of the risk culture at all levels in a systematized and understandable way. They summarize the Organization's goals, and are therefore useful to communicate to the stakeholders. The fundamental metrics are strategic in nature, they are disseminated throughout the Group, understandable and easy to calculate, objectifiable at geographical and/or business area level, and may be subjected to future projections.

3. Limits

The limits are metrics that determine the Bank's strategic positioning for the different types of risk: credit, market, liquidity and funding, operational, etc. They differ from the fundamental metrics in a number of aspects:

- They are levers, not a result, i.e. management tools related to a strategic positioning that must be geared toward ensuring compliance with the fundamental metrics, even in adverse scenarios.
- They are risk metrics, i.e. they require a higher level of specialization and do not necessarily have to be disseminated across the Group.
- They are independent of the cycle, meaning that they can include metrics with little correlation with the economic cycle, and therefore they enable comparability isolated from the specific macro situation.

Thus, they are levers for remaining within the thresholds defined in the fundamental metrics and are used for day-to-day risk management. They include tolerance limits, sub-limits and alerts established at the level of geographical and/or business areas, portfolios, products, etc.

Decisions and processes

Regulatory implementation in BBVA has to be well structured, simple, harmonized and accessible

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

- A harmonized regulatory body.
- Risk planning.
- Integrated management of risks over their life cycle.

1. Harmonized regulatory body

The corporate GRM area is responsible for proposing the definition and development of the regulatory body, for the purposes of establishing the Group's risk management framework. The process of creating, standardizing and integrating corporate regulations into management is called regulatory implementation. This process aims for the following **objectives**:

- Hierarchy and structure: well-structured information through a clear and simple hierarchy that clearly relates documents that depend on each other.
- Simplicity: an appropriate and sufficient number of documents.
- Harmonization: a harmonized document name and content.
- Accessibility: search for, and easy access to documentation through a corporate risk management library.

The approval of the corporate policies for all types of risks corresponds to the Bank's corporate bodies, while the corporate area approves the rest of regulations.

The risk units of the geographical and/or business areas are responsible for applying this regulatory body in each geographical area, and for adapting it where necessary to the reality of each case. If such adaptation is necessary, the local risk area must inform the corporate GRM area, which must ensure the consistency of the regulatory body at the level of the whole Group, and thus must give its approval prior to any modifications proposed by these areas.

2. Risk planning

Planning must guarantee the alignment, consistency, supervision and the limits verification with risk appetite

Risk planning ensures that risk appetite is integrated into management, through a process in cascade for establishing limits, in which the function of the risk units of the corporate area and of the geographical and/or business areas is to guarantee the alignment, consistency, supervision and checking of this process against the Group's risk appetite. It has tools in place that allow risk appetite defined at aggregate level to be assigned and monitored by the business areas, legal entities, types of risk, concentrations and any other level considered necessary.

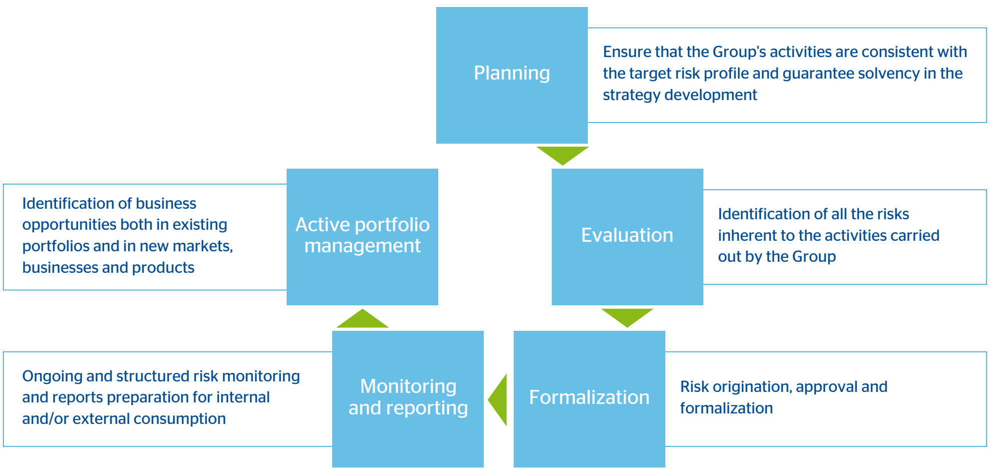
3. Daily risk management

Day-to-day risk management must be integrated, differentiated and based on a common variable: economic capital

All risks must be managed in an integrated way during their life cycle. They must be treated differently depending on their nature and with active portfolio management based on a common variable: economic capital (EC).

The **risk management** cycle is composed of five elements: planning, evaluation, formalization, monitoring and reporting and active portfolio management.

Risk management life cycle



Evaluation, monitoring and reporting

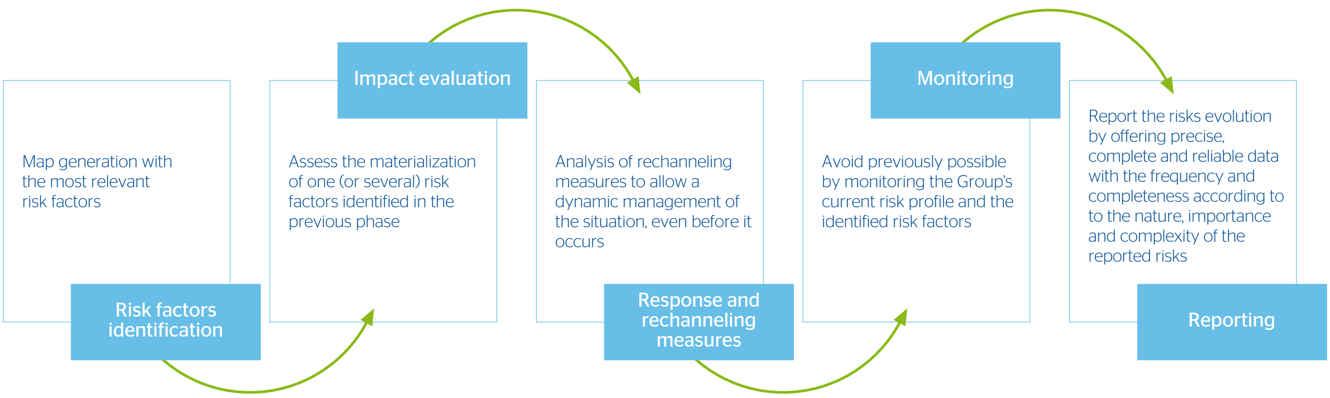
Evaluation, monitoring and reporting as a cross-cutting element that makes BBVA's risk management and control model dynamic and proactive

Evaluation, 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 approved by the corporate bodies, even in unfavorable scenarios. This process covers all the categories of material risks and has the following **objectives**:

- Evaluate compliance with risk appetite at the present time, through monitoring of the fundamental management metrics and limits.
- Evaluate compliance with risk appetite in the future in baseline and stress scenarios, through the projection of the risk appetite variables into the future, in both a baseline scenario determined by the budget and a risk scenario resulting from the stress tests.
- Identify and value the risk factors and scenarios that could compromise compliance with the risk appetite.
- Act to mitigate the impact on the Group of the identified risk factors and scenarios, ensuring this impact remains within the target risk profile.
- Monitor the key variables that are not a direct part of the risk appetite, but that condition its compliance. These can be either external (e.g. changes in exchange rates) or internal (changes in additions to NPA in a specific portfolio).

The following chart shows the phases in which the process of evaluation, monitoring and reporting is carried out in BBVA Group.

Phases of the evaluation, monitoring and reporting process



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 included in the Group's risk and to reach the targets set.

With respect to **human resources**, the Group's risk function must have an adequate workforce to achieve these objectives, in terms of number, capacity and experience.

With respect to **technology**, the Group ensures the integrity of information systems management and the provision of necessary infrastructure to support risk management in accordance with the needs arising from the different types of risk to which it is subject. This system includes the tools for risk admission, management, valuation and monitoring. These tools are used to carry out the risk policies. The principles that govern the technological plan are:

- Homogeneity: the criteria are consistent across the Group, thus ensuring a homogenous handling of risk 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.
- Adaptation: supply of adequate information at the right time.

Through the **Risk Analytics** function, the Group has a corporate framework of models for the different types of risk (credit, market, operational, etc.), as well as for its different purposes: economic and regulatory capital, provisions, stress models, etc.

The infrastructure of the risk management and control model in BBVA basically consists of a set of tools, methodology and risk culture

Risk culture

BBVA considers the **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 and promoted through elements including the following:

- Communication, which disseminates the model, and in particular the principles that must govern risk management in the Group through the most appropriate channels for it.
- Training, with the main aim of spreading and establishing the model of prudent risk management across the Organization, ensuring standards in skills and knowledge of the different persons involved in risk management processes.
- Motivation, so the incentives of the risk function teams support the strategy for managing those teams and the function's values and culture at all levels.

These elements are very important for the dissemination of the risk culture across the Organization, although they are not the only ones. The model itself constitutes a key component in the development of the GRM culture and is fundamental as an element that binds the different elements together. The dissemination of the risk culture is part of the day-to-day work of all the agents involved in its management.

Credit risk

Introduction

The credit risk has its **origin** in the probability that one of the parties to a contract may breach its obligations for reasons of insolvency or inability to pay, causing a financial loss to the other party. It is the most important risk for the Group and includes counterparty risk management, issuer risk, settlement risk and country risk.

The **principles** supporting credit risk management in BBVA are as follow:

- Availability of basic information for the study and proposal of risk, and of supporting documentation for approval, including the required conditions.

- 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 for when the first has failed.

Credit risk **management** in the Group has an integrated structure of 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. They are responsible 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 framework for action of each business area. The changes in weighting and variables of these tools must be validated by the corporate GRM area.

  - Wholesale risks: in this case the decisions are formalized by each business area within its general framework for action, which incorporates the delegation rule and the Group's corporate policies.

The methodologies of its quantification and the evolution of the main variables and indicators in BBVA Group during 2014 are outlined below.

Credit risk quantification methodologies

The risk measurement and management models used by BBVA have made it a leader in best practices in the market and in compliance with Basel III guidelines.

The Bank quantifies its credit risk using two main metrics: **expected loss** (**EL**) and risk **economic capital** (**REC**). The expected loss reflects the average value of the estimated losses and is considered the cost of the business, while economic capital is the amount of capital needed to cover unexpected losses (i.e. if actual losses are higher than expected losses).

These risk metrics are combined with information on profitability in the **value-based management** framework, incorporating the profitability-risk binomial into the decision-making process, from the definition of business strategy to the approval of individual loans, price setting, assessment of non-performing portfolios, incentives to the different areas in the Group, etc.

There are three risk **parameters** that are essential in the process of calculating the EL and REC measurements: the probability of default (PD), loss given default (LGD) and exposure at default (EAD). They are generally estimated using the available historical information and are assigned to transactions and customers according to their particular characteristics.

The expected loss and the economic capital are the two main metrics to quantify the credit risk in BBVA, which are calculated from three parameters: PD, LGD and EAD

Probability of default (PD)

PD is a measure of credit rating that is assigned internally to a customer or a contract with the aim of estimating the probability of non-compliance within a year. It is obtained through a process using **scoring** and **rating** tools.

The internal tools used for the calculation of PD are scoring and rating

1. Scoring

These tools are statistical instruments designed to estimate the probability of default according to features of the contract-customer binomial. They are focused on management of retail credit: consumer finance, mortgages, credit cards of individuals, SME's, etc. There are different types of scoring: reactive, behavioral, proactive and bureau.

The main aim of **reactive scoring** is to assess the credit quality of loan applications submitted. It attempts to predict the applicant's probability of default if the application were accepted (applicants may or may not be BBVA customers at the time of application).

The level of sophistication of the scoring model and its capacity to adapt to the economic context produce more accurate customer profiles and improve the Bank's capacity to identify different levels of creditworthiness within specific groups (young people, customers, etc.). The result is a significant improvement in the discrimination capacity of tools in groups of particular interest to the business.

A distinguishing feature of reactive scorings is that the default rates of the various segments tend to converge over time. In BBVA, this loss of screening capacity is mitigated by combining reactive with behavioral and proactive scorings.

Scoring is used for the retail segment. There are different types of scoring: reactive, behavioral, proactive and bureau

Behavioral scoring is used to review contracts that have already been formalized by incorporating information on customer behavior and on the contract itself. Unlike reactive scoring, it is an *a posteriori* analysis, i.e. once the contract has been granted. It is used to review credit card limits, monitor risk, etc., and takes into account variables directly linked to the transaction and the customer that are available internally: the behavior of a particular product in the past (delays in payments, default, etc.) and the customer's general behavior with the Entity (average balance on accounts, direct debit bills, etc.).

Proactive scoring tools take into account the same variables as behavioral scorings, but they have a different purpose, as they provide an overall ranking of the customer, rather than of a specific transaction. This customer perspective is supplemented by adjustments that depend on the type of product. The availability of proactive scorings has enabled the Group to monitor customers' credit risk more precisely, to improve risk screening processes and to manage the portfolio more actively by offering credit facilities adapted to each customer's risk profile.

The so-called **bureau scoring** models, widely used in the Americas, are also of great importance. This kind of tool is similar to the scorings explained above, except that while the former are based on the Bank's internal information, bureau scoring requires credit information from other credit institutions or banks (on default events or customer behavior). In countries with positive bureau information, existing external and internal information is combined. This information is provided by specialized agencies that compile data from other entities. Not all banks collaborate in supplying this information, and usually only participating entities have access to it. In Spain, the Bank of Spain's Risk Information Center (CIRBE) makes such information available. Bureau scorings are used for the same purpose as the other scorings: i.e. authorizing transactions, setting risk limits and monitoring risk.

An adequate management of the reactive, behavioral, proactive and bureau tools by the Group means that updated risk parameters can be obtained and are adapted to economic reality. This results in precise knowledge of the credit health of transactions and/or customers. This task is particularly relevant in the current economic situation, as it makes it possible to identify the contracts or customers that are in difficulties, and thus take the necessary measures to manage risks that have already been assumed.

2. Ratings

Rating is used for the wholesale segment in which default events are predicted at the customer level rather than at the contract level

These tools focus on wholesale customers: companies, corporations, SMEs, the public sector, etc. In such cases, default events are predicted at the customer level rather than at the contract level.

The risk assumed by BBVA in the wholesale customer portfolio is classified in a standardized way by using a single **master scale** in economic terms for the whole Group that is available in two versions: a reduced one with 22 degrees and an extended one with 34. The master scale allows discrimination amongst credit quality levels, taking into account geographical diversity and the different types of risk in the different wholesale portfolios in the countries where the Group operates.

The information provided by the rating tools is used when deciding on accepting transactions and reviewing limits.

Some of the wholesale portfolios managed by BBVA are low default portfolios, in which the number of default events is low (sovereign risks, corporations, etc.). To obtain PD estimates in these portfolios, the internal information is supplemented by external data, mainly from external rating agencies and the databases of external suppliers.

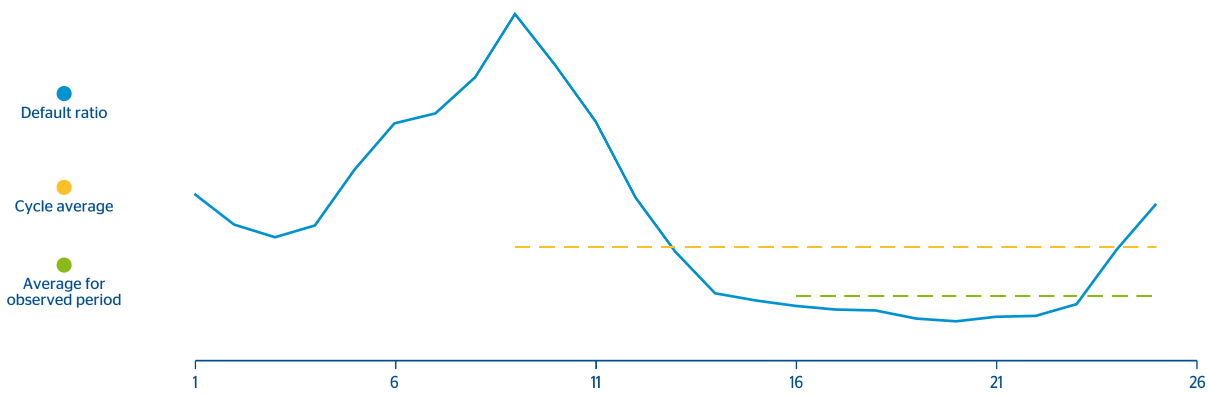
3. The economic cycle in PD

The current economic crisis has revealed the importance of a proper anticipation in risk management. In this context, excess cyclicality of risk measurements has been identified as one of the causes of the instability of the metrics of financial institutions. BBVA has always been committed to estimating average cycle parameters that mitigate the effects of economic-financial turbulence in credit risk measurement.

The probability of default varies according to the cycle: it is greater during recessions and lower during expansions. In general, financial institutions do not have internal information on defaults covering a sufficiently long period of time to serve as an observation of the behavior of portfolios over a complete cycle. That is why adjustments have to be made to the internal data. The adjustment process to translate the default rates observed empirically into average default rates is known as **cycle adjustment**. The cycle adjustment uses sufficiently long economic series related to the default of portfolios, and their behavior is compared with that of the default events in the Entity's portfolios. Any differences between past and future economic cycles may also be taken into account, thus resulting in a certain prospective approach.

The chart below illustrates how the cycle adjustment mechanism works. It shows the hypothetical evolution of a series of default events over a sufficiently long period of time to be considered to include at least one economic cycle. The cycle adjustment model used by BBVA extrapolates the performance of this series of default events to internal data, based on the relationship between the series over one entire cycle and the observation period.

Cycle adjustment mechanism



Loss given default (LGD)

Loss given default (LGD) is a key metric in quantitative risk analysis. It also has other internal management purposes. For example, for a correct price discrimination

Loss given default (LGD) is another of the key metrics used in quantitative risk analysis. It is defined as the percentage exposure at risk that is not expected to be recovered in the event of default.

BBVA basically uses two **approaches** to estimate LGD. The most common one is known as "workout LGD", in which estimates are based on the historical information observed by the entity, by discounting the flows observed throughout the recovery process of the contracts that have been in default at some point. In portfolios with a low rate of default (low default portfolio, or LDP), there is insufficient historical experience to make a robust estimate using the workout LGD method, so external sources of information have to be combined with internal data to obtain a representative rate of loss given default.

LGD **estimates** are carried out by segmenting operations according to different factors that are relevant for its calculation, such as the default period, seasoning, the loan-to-value ratio, type of customer, score, etc. The factors considered may be different according to the portfolio being analyzed.

Progress in building LGD scorings and ratings is becoming increasingly important in order to adapt LGD estimates to social changes and the economic situation. These estimates allow new factors to be included without losing the robustness of the information and make it possible to obtain models that are more sensitive to improvements or deterioration in the portfolio.

In the BBVA Group, different LGDs are attributed to the outstanding portfolio (default and non-default), according to combinations of all the significant factors, depending on the features of each product and/or customer.

Lastly, it is important to note that LGD varies with the **economic cycle**. Hence, two concepts can be defined: long-run LGD (LRLGD) and LGD at the worst moment in the cycle, or downturn LGD (DLGD).

LRLGD represents the average long-term LGD corresponding to an acyclical scenario that is independent of the time of estimation. DLGD represents the LGD at the worst time of the economic cycle, so it should be used to calculate economic capital, because the aim of EC is to cover possible losses incurred over and above those expected.

Every estimate of loss given default (LGD, LRLGD and DLGD) is performed for each portfolio, taking into account all the aforementioned factors. However, no LRLGD or DLGD estimates are made in portfolios in which the loss given default is not significantly sensitive to the cycle, as they are recovery processes that cover extended periods of time in which the isolated situations of the economic cycle are mitigated.

In addition to being a basic input for quantifying losses (both expected and capital losses), LGD estimates have other internal management purposes. For example, LGD is an essential factor to discriminate prices, in the same way that it can determine the approximate value of a defaulted portfolio in the hypothetical event of outsourcing recoveries or defining which potential recovery actions have the highest priority.

Exposure at default (EAD)

The EAD is adding the risk already drawn to a percentage of undrawn risk, called CCF

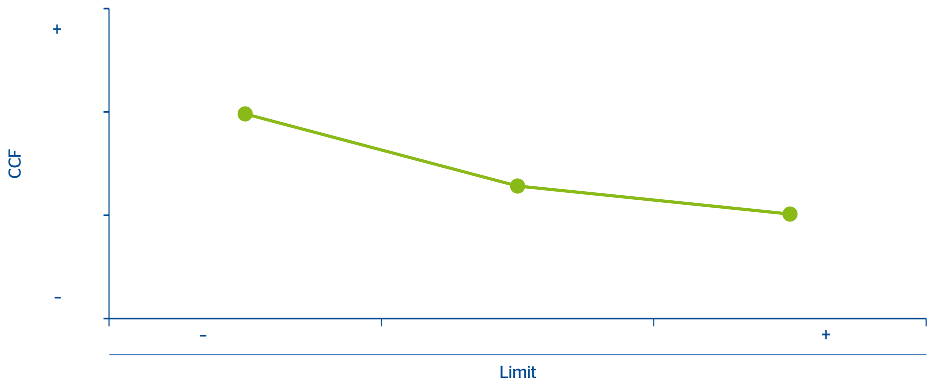
Exposure at default (EAD) is another of the inputs required to calculate expected loss and capital. It is defined as the outstanding debt at the time of default.

The **exposure** of a contract tends to be the same as its balance, although for products with explicit limits, such as cards or credit lines, exposure should include the potential increase in the outstanding balance from a reference date to the time of default. The EAD is therefore obtained by adding the risk already drawn on the transaction to a percentage of undrawn risk. This percentage of the undrawn balance that is expected to be used before default occurs is known as the credit conversion factor (CCF). Thus, the EAD is estimated simply by calculating this conversion factor.

In addition, the relevance of adding to EAD the possibility of using an additional percentage of the limit for transactions that exceed it on a reference date is assessed, according to the risk policy for each product.

The **estimate** of these conversion factors also includes distinguishing factors that depend on the characteristics of the transaction. For example, in the case of BBVA in Spain company credit cards, the conversion factor is estimated based on card activity, the amount of its limit, and the initial usage percentage, which is defined as the ratio between current risk and limit. The chart below shows the CCF for active company credit cards based on their limit, in such a way that a reverse relationship can be seen between the limit and the conversion factor.

CCFs for company credit cards of BBVA in Spain (active cards for SMEs by limit)



In order to obtain CCF estimates for low-default portfolios, the LDPs, external studies and internal data are combined, or behavior similar to other portfolios is assumed and their CCFs are assigned in this way.

1. The portfolio model and concentration and diversification effects

Credit risk for the global portfolio of the BBVA Group is measured through a **portfolio model** where the effects of concentration and diversification are considered. Its purpose is to study the entire loan book as a whole, by analyzing and capturing the effect of interrelations between the various portfolios.

In addition to enabling a more comprehensive calculation of capital needs, this model is a key tool for credit risk management, as it establishes loan limits based on the contribution of each unit to total risk in a global, diversified setting.

The portfolio model considers that risk comes from various sources (it is a multi-factor model). This feature implies that economic capital is increasingly sensitive to geographic diversification, a crucial aspect in a global entity like BBVA. These effects have become more apparent against the current backdrop in which, despite the stress undergone by the markets and the different rates of recovery in the countries where the Group operates, they have contributed to lessening the impact of this situation on BBVA.

The tool is also sensitive to the **concentration** that may exist in certain credit exposures, such as the Institution's large customers. Apart from geography, industry factors are now key to business concentration analyses.

Credit risk in 2014

Favorable and outstanding trend in the main risk indicators

At the close of **2014**, the main variables related to the Group's credit risk management have been positive and compare favorably with those of most of its competitors:

- The **NPA ratio** has declined, closing December at 5.8% (including real-estate activity), down from 6.8% at the close of 2013. This favorable performance cuts across all geographical areas and is due to the declining trend in non-performing assets, combined with an increase in the balance of the loan book.

- The **coverage ratio** has increased by 4.4 percentage points over the last twelve months to 64%, also across practically all the geographical areas.

- The cumulative **cost of risk** stands at 1.25% (1.59% in 2013).

BBVA's **exposure** to credit risk stood at €663,611m at the close of December 2014, with a year-on-year increase of 5.8%. Credit risks with customers (including contingent liabilities), which account for 60.8%, rose by 4.5% over the same period. This change has been influenced by the strength of lending in the Americas and Turkey, as well as the recovery in new production in Spain. Although this recovery is still insufficient to offset the maturities of the current stock of credit, the lending trend is stabilizing. Potential exposure to credit risk in market activities (with a weight of 24.0%), including potential exposure to derivatives (once netting and collateral agreements are considered) and undrawn facilities (15.1% of the total), remains stable compared with the closing of the previous year.

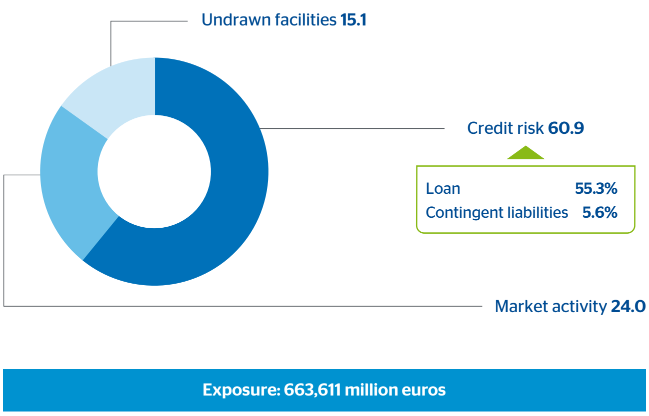
BBVA Group. Exposure to credit risk

(Million euros)

	31-12-14								31-12-13	31-12-12
	Banking activity in Spain	Real-estate activity in Spain	The United States	Eurasia	Mexico	South America	Corporate Center	Total Group	Total Group	Total Group
Gross credit risk (drawn)	**189,300**	**14,023**	**53,140**	**40,563**	**47,703**	**58,894**	**10**	**403,633**	**386,401**	**407,126**
Customer lending	174,196	13,636	49,794	29,430	46,798	52,920	(112)	366,663	350,218	367,719
Contingent liabilities	15,103	386	3,346	11,133	905	5,974	122	36,970	36,183	39,407
Market activity	**77,333**	**4**	**10,203**	**26,765**	**27,407**	**15,475**	**2,369**	**159,556**	**149,935**	**154,689**
Credit entities	19,244	4	903	1,779	2,259	2,296	1,768	28,254	24,203	26,522
Fixed income	53,608	-	8,816	18,264	23,622	10,797	601	115,708	109,913	110,505
Derivatives	4,481	-	484	6,722	1,525	2,382	-	15,594	15,820	17,662
Undrawn facilities	**34,454**	**205**	**29,654**	**16,262**	**19,620**	**6,812**	**(6,584)**	**100,422**	**90,937**	**86,223**
Exposure to credit risk	**301,087**	**14,231**	**92,997**	**83,590**	**94,730**	**81,181**	**(4,205)**	**663,611**	**627,273**	**648,039**

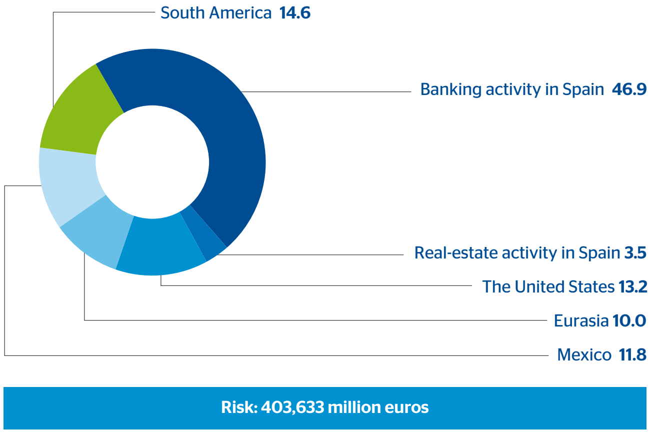
BBVA Group. Exposure to credit risk Breakdown by types of risk

(Percentage as of 31- Dec-2014)

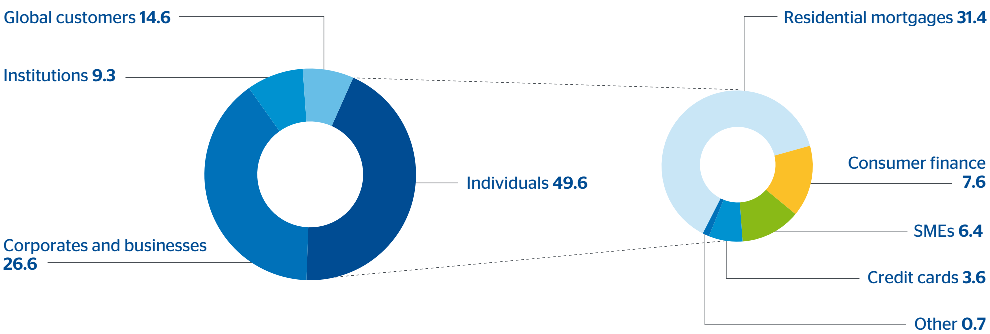


BBVA Group. Exposure to credit risk (gross) Breakdown by business areas

(Percentage as of 31-Dec-2014)



BBVA Group. Exposure to loans and advances to customers (gross). Breakdown by portfolios (Percentage as of 31-Dec-2014)



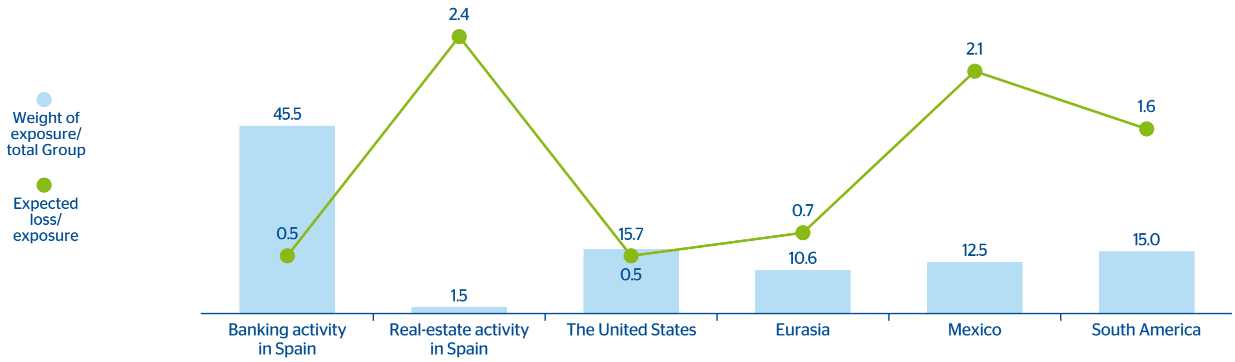
Expected losses

Expected losses not attributed in the performing portfolio, adjusted to the economic cycle average, stood at €3,453m as of the close of December 2014, a year-on-year increase of 4.5% using comparable data. In attributable terms, and not including the non-performing portfolio, the expected loss as of December 2014 stood at €3,156m, 2.6% higher than the previous year, using comparable data.

The chart below shows expected losses by business areas as of the close of December 2014. Banking activity in Spain, with an attributed exposure which accounts for 45.5% of the total, has an expected loss-to-exposure ratio of 0.5%; the real-estate activity accounts for 1.5% of total exposure, with a ratio of 2.4%. The United States has a weight of 15.7% and expected losses of 0.5%. Eurasia accounted for 10.6% of the exposure, with a ratio of 0.7%. Mexico has a weight of 12.5% and a ratio of 2.1%, and South America a weight of 15.0% and a ratio of 1.6%.

BBVA Group. Attributable expected losses (balances not in default) by business areas

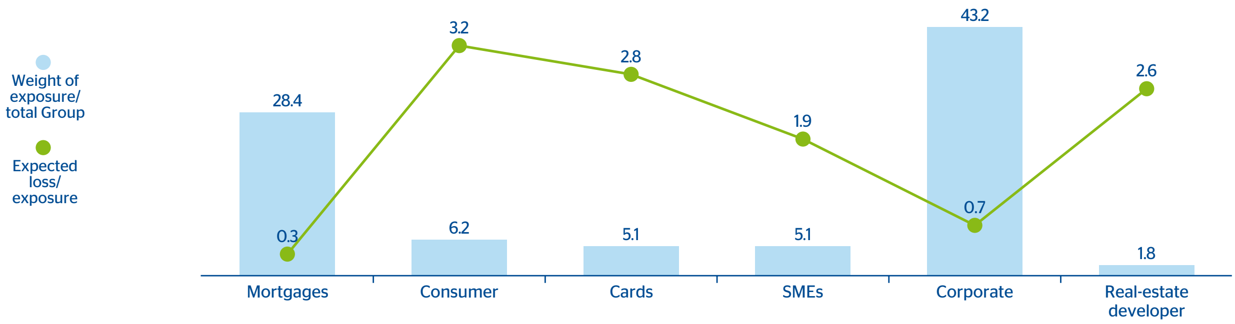
(Percentage over exposure as of 31-Dec-2014)



The expected losses of the Group's main portfolios at the close of December 2014 are also shown below. Retail portfolios, specifically mortgages, consumer finance, credit cards and SMEs, have an expected loss-to-exposure ratio of 0.3%, 3.2%, 2.8% and 1.9%, respectively. Within wholesale portfolios, the corporate portfolio has an expected loss ratio of 0.7% and the construction real-estate portfolio of 2.6%.

BBVA Group. Attributable expected losses (balances not in default) by portfolio

(Percentage over exposure as of 31-Dec-2014)



Concentration

BBVA has established the measurement, monitoring and reporting criteria for analyzing large credit exposures that may pose a risk of concentration. The goal is to guarantee that they are aligned with the risk appetite defined in the Group.

In particular, measurement and monitoring methods are established for large exposures at the level of individual concentrations, retail portfolio and wholesale concentrations, and geographical concentrations.

A quarterly measurement and monitoring process has been established for reviewing concentration risks.

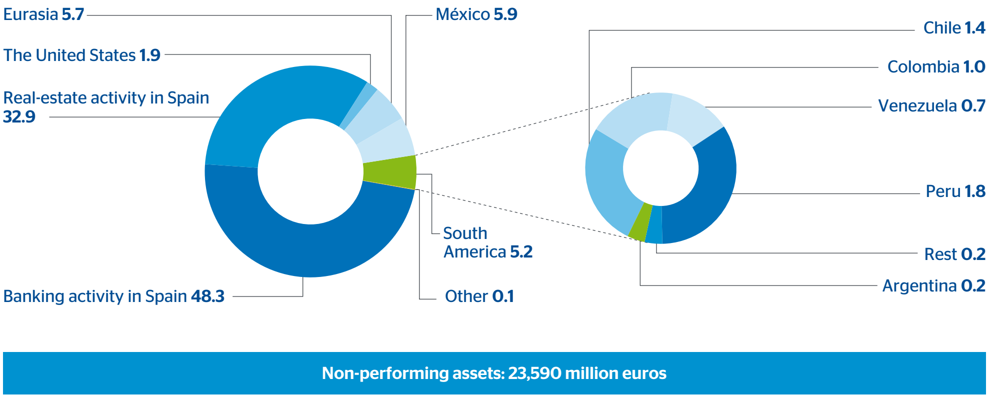
Non-performing assets and cost of risk

The **non-performing assets** figure has declined by €2,653m over the last twelve months to €23,590m, thanks to the good performance of net additions to NPA in Spain and improved asset quality in the United States and Mexico. In terms of variation in NPA, gross entries to NPA declined over the year to below the level of 2013 while stability in recoveries over the same period. As a result, the ratio of recoveries to gross additions to NPA was 80.1% in 2014, a significant improvement on the figure of 43.5% for the previous year.

Positive trend in non-performing assets, strongly supported by the good performance of additions to NPA in Spain

BBVA Group. Non-performing assets. Breakdown by business areas

(Percentage as of 31-Dec-2014)



The following tables show the changes in the period from January 1 to December 31, 2014 for impaired loans and non-performing contingent liabilities, both for BBVA Group and for each business area.

BBVA Group. Evolution in non-performing assets

(Million euros)

	2014	2013	2012
Beginning balance	**26,243**	**20,603**	**15,866**
Entries	9,074	18,027	14,525
Recoveries	(7,265)	(7,840)	(8,291)
Net variation	**1,809**	**10,187**	**6,234**
Write-offs	(4,754)	(3,856)	(4,395)
Exchange rate differences and other	291	(691)	2,899
Period-end balance	**23,590**	**26,243**	**20,603**

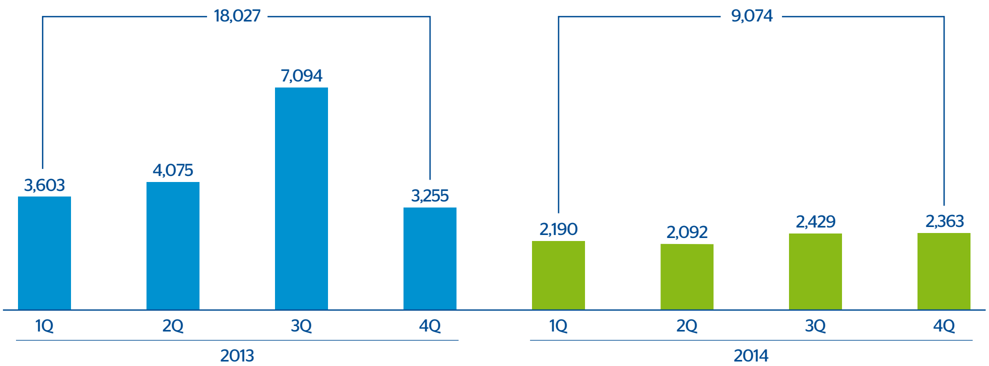
BBVA Group. Evolution in non-performing assets by business areas

(Million euros)

	Banking activity in Spain		Real-estate activity in Spain		The United States		Eurasia		Mexico		South America	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Beginning balance	**12,480**	8,552	**9,259**	7,229	**513**	978	**1,349**	1,160	**1,469**	1,489	**1,108**	1,122
Entries	**514**	5,453	**(661)**	2,397	**32**	(41)	**118**	305	**1,418**	1,395	**591**	680
Write-offs	**(1,546)**	(1,255)	**(975)**	(673)	**(139)**	(213)	**(102)**	(60)	**(1,549)**	(1,190)	**(407)**	(451)
Exchange rate differences and other	**(63)**	(269)	**148**	307	**54**	(211)	**(19)**	(56)	**47**	(226)	**(72)**	(243)
Period-end balance	**11,385**	12,480	**7,770**	9,259	**459**	513	**1,346**	1,349	**1,385**	1,469	**1,220**	1,108

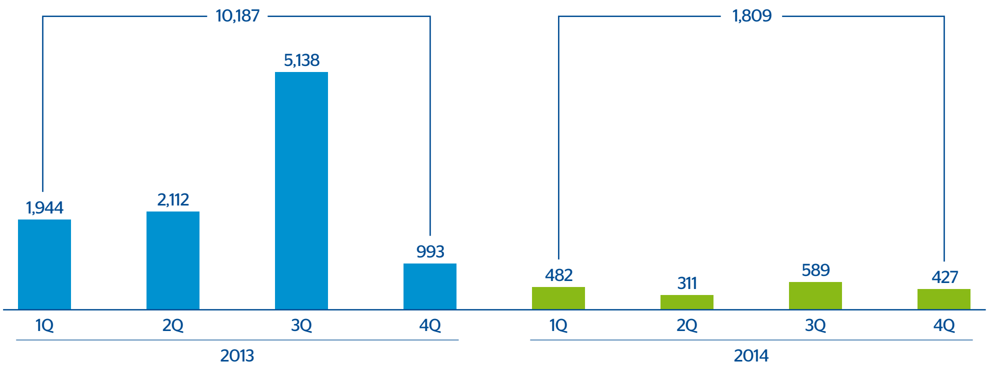
BBVA Group. Gross additions to NPA

(Million euros)



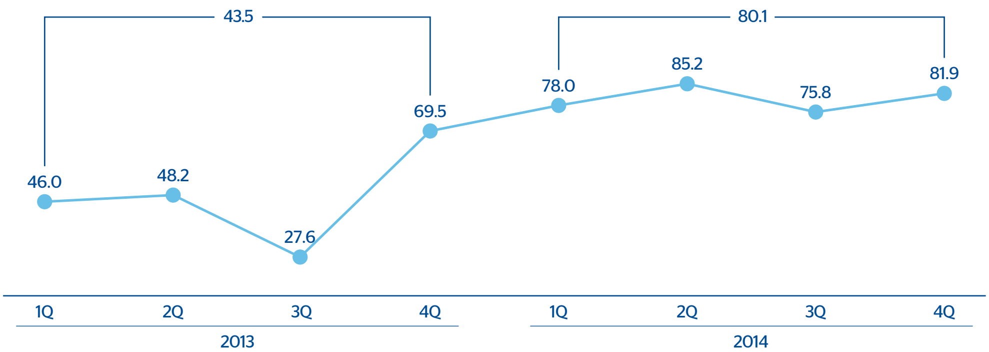
BBVA Group. Net additions to NPA

(Million euros)



BBVA Group. NPA Recoveries

(Percentage)



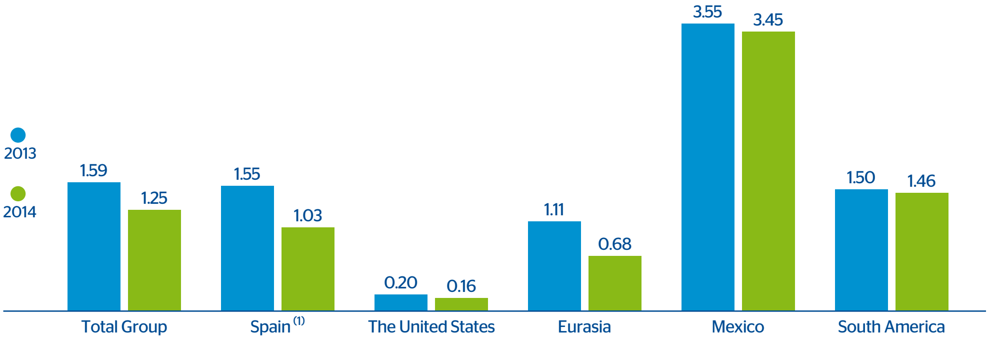
The Group's **NPA ratio** closed December 2014 at 5.8% (4.1% excluding real-estate activity in Spain), down 95 basis points over the year. This was due to the aforementioned decline in the non-performing portfolio and the increase in the Group's total risks. By areas, the ratio in the banking activity in Spain stands at 6.0%, with a fall of 42 basis points since the end of 2013; in real-estate activity in Spain it stands at 55.4% (55.5% as of 31-Dec-2013); in Mexico, the United States and Eurasia this ratio has improved to 2.9%, 0.9% and 3.3, respectively (3.6% for Mexico, 1.2% for the United States and 3.4% for Eurasia, with data as of the close of the previous year); and in South America it remains at 2.1%.

The Group's **cost of risk**, which measures the charge against the income statement made for net loan-loss provisioning per lending unit, decreased by 34 basis points in 2014 to 1.25%. By geographical areas, the cost of risk in Spain (including real-estate activity) decreased by 52 basis points to 1.03%, in Eurasia it declined by 43 basis points to 0.68%, in Mexico it stands at 3.45% (3.55% as of 31-Dec-2013) and in South America at 1.46% (1.50% one year before), while in the United States it remains stable at 0.16% (0.20% at the end of 2013).

Lastly, the **provisions** for customer risk amounted to €15,157m as of 31-Dec-2014, a decline of 3.5% over the last twelve months. Despite this, and given the aforementioned reduction in the non-performing balances, the Group's coverage ratio has increased by 4.4 percentage points to 64%. By business areas, there has been an increase in the coverage ratio in practically all the geographical areas: in Spain it increased to 52% (45% in banking activity and 63% in the real-estate activity); in the United States it closed the year at 167% (134% in December 2013); in Eurasia it increased from 87% to 92%; in Mexico it rose to 114% (110% at the close of 2013); and in South America it stands at 138% (down from 141% as of 31-Dec-2013).

BBVA Group. Cost of risk by business areas

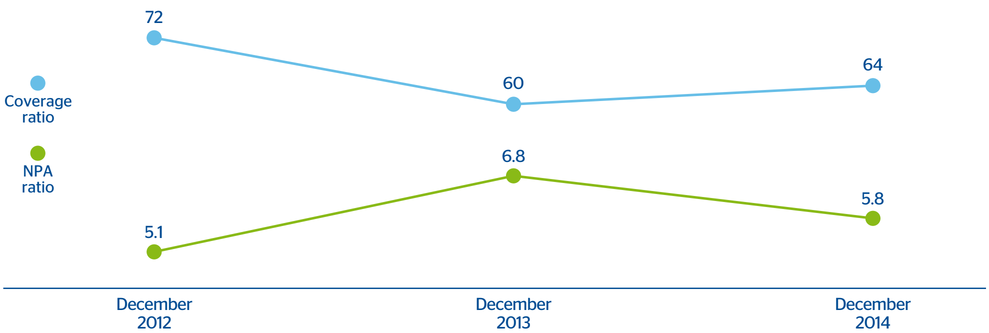
(Percentage)



(1) Includes real-estate activity.

BBVA Group. NPA and coverage ratio

(Percentage)



Market risk

Market risk in trading book

Introduction

This type of risk arises from the probability that there may be losses in the value of positions in financial instruments due to changes in their market prices. BBVA manages this risk as VaR (Value at Risk) probability.

Market risks in the business units that carry out trading activities must be correctly identified, measured and assessed, as in the case of other risks. They must also have specific procedures implemented for their control and mitigation. The BBVA Global Market Risk Unit is responsible for these functions, and is integrated into the Group's corporate risk area, GRM.

Market risk may be of various kinds: interest-rate, equity, exchange-rate, credit spread and volatility risk

Market risk originates, as just mentioned, 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 the movement of the different interest-rate curves involved in trading. Although the typical products that generate sensitivity to these movements are those in the money market (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 have exposure to interest-rate movements due to the effect that such movements have on their valuation through the financial discount.

- **Equity** risk. This arises due to changes in share prices. This risk is generated in spot positions in shares, as well as any derivative products whose underlying is a share or an equity index. Associated with this type of risk is the dividend, as being an input for any equity option, its variation may affect the valuation of positions and it is a factor that generates risk.

- **Exchange-rate** risk. Produced by the variation of exchange rates of the different currencies in which the position is held. As in the case of equity, this risk is generated in cash currency positions, and in any derivative product whose underlying is an exchange rate. In addition, the *quanto* effect (operations in which the underlying and the nominal are denominated in different currencies) means certain transactions in which the underlying is not a currency generating an exchange-rate risk that has to be measured and monitored.

- **Credit spread** risk. Credit spread is an indicator of an issuer's asset quality. This risk occurs due to variations in the levels of asset quality of both corporate and government issues, and affects both the positions in bonds and credit derivatives.

- **Volatility** risk. It is generated due to changes in the levels of implied volatility of the prices of the different markets instruments in which derivatives are traded. This risk, unlike the others, is exclusively a component of trading in derivatives.

Methodologies of quantification

The **metrics** developed to control and monitor market risk in BBVA Group are aligned with best practices and are implemented consistently in 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.

The standard metric used to measure market risk is **Value at Risk** (VaR), which indicates the maximum losses that may be incurred by trading portfolios at a given confidence level (99%) and in a one-day time horizon. This statistic is used generally in the market and has the advantage of summing up in a single metric the risks inherent to trading activity, taking into account existing relations between all of them and providing a prediction of the losses that the trading book could suffer as a result of fluctuations in equity prices, interest rates, foreign exchange rates and commodity prices. For some positions, other risks also need to be considered, such as credit spread risk, basis risk, volatility risk and correlation risk.

At BBVA, VaR is the standard metric for measuring market risk and the internal model is used to calculate the capital of 80-90% of its trading book

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 accounts for 80-90% of the Group's trading-book market risk. For the rest of the geographical areas (basically South America and the United States) the standard model is used for the calculation.

The current **management structure** includes the monitoring of:

- Market risk limits, consisting of a scheme of limits based on VaR, economic capital (calculated based on VaR measurements) and VaR sub-limits.

- Stop-loss orders (i.e. orders to cease or limit losses) for each of the Group's business areas.

The global limits are approved annually by the Executive Committee at the proposal of the market risk unit, following presentation to the GRMC and in the Board of Directors' Risk Committee. This limits structure is developed by identifying specific risks by type, trading activity and trading desk. The market risk unit maintains consistency between the limits. This control structure is supplemented by limits on loss and a system of alert signals to anticipate the effects of adverse situations in terms of risk and/or result.

The model used calculates VaR in accordance with the "historical simulation" **methodology**, which consists of 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 certain confidence level. This model has the advantage of reflecting precisely the historical distribution of the market variables and does not require any assumed distribution of a specific probability. The historical period used in this model is two years. The VaR figures are estimated using 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 in order to monitor and control risk limits.

- VaR with smoothing, which weighs more recent market information more heavily. This is a metric that supplements the previous one.

VaR with smoothing adapts itself more swiftly to 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 market uncertainty. In the case of South America 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 **additional metrics** to VaR with the aim of satisfying the Bank of Spain's regulatory requirements with respect to the calculation of capital needs for the trading book. Specifically, the new measures incorporated in the Group since December 2011 (stipulated by Basel II) are:

- VaR. In regulatory terms, the stressed VaR charge is incorporated into the VaR charge, and the sum of the two (VaR and stressed VaR) is calculated. This quantifies the loss associated with movements of risk factors inherent to market operations (interest-rate, exchange-rate, equity, credit risk, etc.). Both VaR and stressed VaR are re-scaled by a regulatory multiplication factor, set at 3 and by the square root of 10, to calculate the capital charge.

- Specific risk with an IRC (incremental risk charge) model: quantification of the risks of default and rating downgrade of the bond and credit derivative positions in the trading book. The specific rick capital with IRC is a charge exclusively for those geographical areas with an approved internal model (BBVA S.A. and Bancomer). The capital charge is calculated according to associated losses (at 99.9% in a one-year horizon, under the constant risk hypothesis) as a result of the rating migration and/or default status of the asset's issuer. Also included is the price risk in sovereign debt positions according to the indicated concepts.

- Specific risk in securitizations and correlation portfolios: capital charge for securitizations and for the correlation portfolio to include the potential losses associated with the rating level of a given credit structure. In both cases they are calculated by the standard method.

Validity test on the measurement models are very important for monitoring that the models operate correctly

Validity tests are performed periodically on the risk measurement models used by the Group. They estimate the maximum loss that could have been incurred in the positions assessed with a given level of probability (backtesting), as well as measurements of the impact of extreme market events on the risk positions held (stress testing). Backtesting is also performed as an additional control measure at the level of trading desks in order to provide a more specific monitoring of the validity of the measurement models.

Market risk in 2014

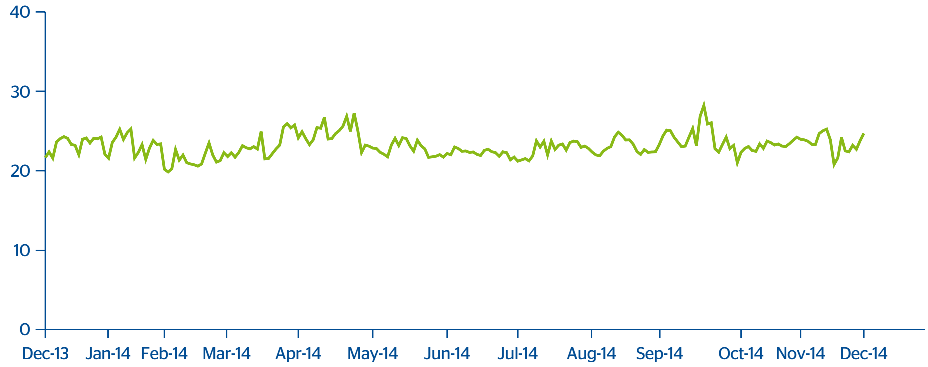
The year **2014** has been characterized by an incipient change in the evolution of the economic crisis in Spain, reflected in some improvement in the financial markets thanks to a reduction in the risk premium, with a decline in the main credit spreads, including the spread between Spanish and German government bond. In the last part of the year, the markets have been influenced by the significant fall in oil prices and the increase in exchange-rate volatility. In this context, the function of risk control in market activities has a special importance.

Market risk in BBVA continues relatively low

The Group's market risk remains at low levels compared with the aggregates of risks managed by BBVA, particularly in terms of credit risk. This is due to the nature of the business and the Group's policy of minimal proprietary trading. In 2014, the market risk of the Group's trading book has increased slightly *versus* the previous year, in terms of VaR, by €25 million at the close of the period. The average VaR was €23 million, the same as the figure registered in 2013, with a maximum level for the year on day 16 of October, at €28.

BBVA Group. Market risk evolution in 2014

(VaR in million euros)



By type, the main **risk factor** in the Group continues to be linked to interest rates, with a weight of 67% of the total (this figure includes spread risk), it has increased its relative weight compared with the close of 2013 (55%). Foreign-exchange risk accounts for 12% and has increased its proportion compared with same date last year (10%), while equity risk and volatility and correlation risk reduce, which have a weight of 5% and 16% respectively at the close of 2014 (*versus* 8% and 27% at the close of 2013).

BBVA Group. Market risk by risk factors in 2014

(Million euros)

VaR by risk factors	Interest/spread risk	Interest-rate risk	Equity risk	Vega/ Correlation risk	Diversification effect [1]	Total
2014						
VaR medio del período						23
VaR máximo del período	31	6	4	10	(22)	28
VaR mínimo del período	24	4	3	11	(23)	20
VaR al final del período	**30**	**5**	**2**	**7**	**(20)**	**25**

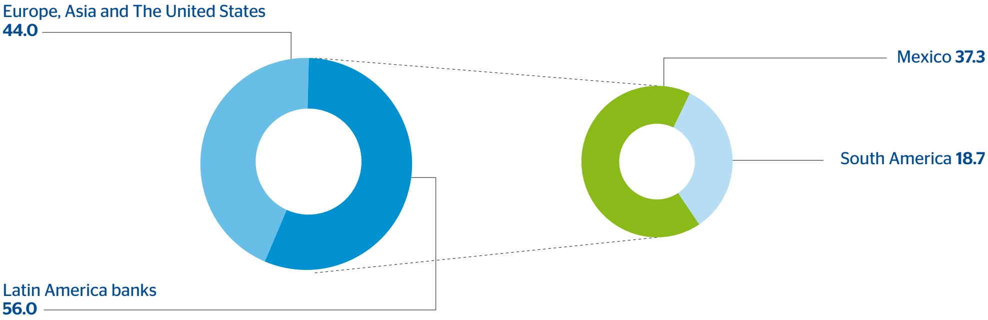
(1) The diversification effect is the difference between the agregation of each risk factor, individually measured, and the total VaR figure which reflects the implicit correlation among all the variables and scenarios used in the measurement.

By **geographical areas**, 44.0% of the market risk corresponds to the trading floors of the Global Markets units in Europe, New York, Asia and BBVA Compass, and 56.0% to the Group's banks in Latin America, of which 37.3% is in Mexico.

The change in average daily VaR over 2014 compared with 2013 is basically due to Global Markets Mexico and Global Markets South America which have reduced their average risk in 7% and 16%, respectively. This decrease is compensated by the rise in the Global Markets' units in Europe, New York and Asia (13%).

BBVA Group. Market risk by geographical area

(Average 2014. Percentage)



The backtesting shows the internal BBVA model is adequate and accurate

Validation of the model

The internal market risk model is validated regularly through **backtesting**, both at BBVA, S.A. and BBVA Bancomer.

The **aim** of these tests is to check the quality and accuracy of the internal model used by BBVA Group to estimate the maximum daily loss of a portfolio, at a 99% level of confidence and a time horizon of 250 days, through a comparison of the Group's results and the risk measurements generated by the model. These tests have shown that the internal market risk model of both BBVA, S.A. and BBVA Bancomer is adequate and precise.

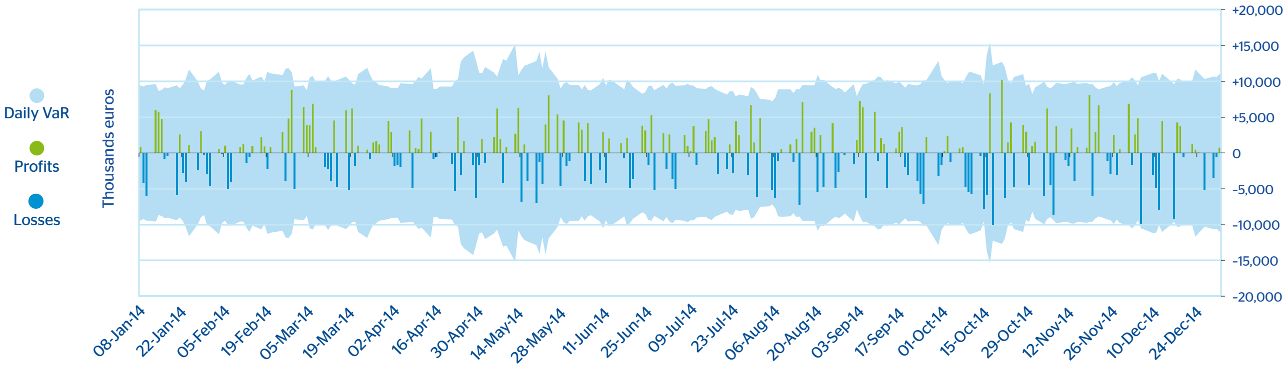
Two types of backtesting were performed in **2014**:

- "Hypothetical" backtesting: the daily VaR is compared with the results obtained without taking into account either the intraday results or 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 total results, including the intraday operations, but discounting the possible charges or fees generated. This type of backtesting thus incorporates the intraday risk in the portfolios.

In addition, each of these two types of backtesting has been carried out at the risk factor or business type level, thus making a deeper comparison of the results obtained and the risk measurements. In 2014, a backtesting of the internal calculation model of VaR was carried out in Bancomer, comparing the daily results obtained with the daily risk level estimated by the VaR calculation model. At the end of the year the comparison showed the model had worked properly, and remain within the "green" area (0-4 exceptions), thus validating the model, as has occurred each year since the internal market risk model was approved in the Group. Backtesting in BBVA, S.A. did not reveal any exception in 2014. Credit spreads for Spanish sovereign and corporate debt continued to narrow during the year and equity markets have in general shown an upward trend. To sum up, the backtesting carried out in 2014 at BBVA S.A. at both aggregate level and the level of risk factor, did not detect any type of anomaly in the VaR calculation model. In the case of BBVA Bancomer, portfolio losses only exceeded the daily VaR on one occasion, thus also validating the correct operation of the model in accordance with the Basel criteria.

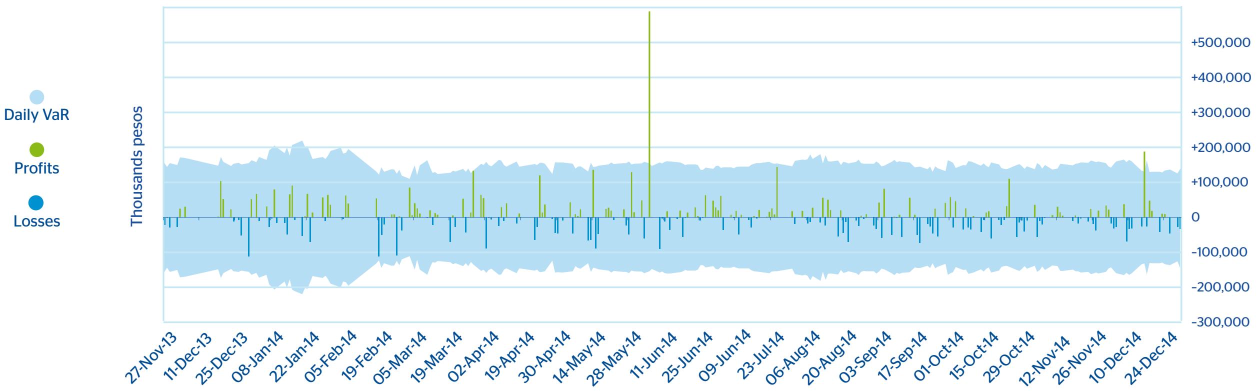
Hipotetical internal backtesting model measuring the market risk for BBVA, S.A. in 2014

(Estimated VaR without smoothing *versus* daily results)



Hipotetical internal backtesting model measuring the market risk for BBVA Bancomer, S.A. in 2014

(Estimated VaR without smoothing *versus* daily results)



Stress-test analysis

Several different stress-test exercises are performed on BBVA Group's trading portfolios. First, global and local historical scenarios are used to replicate the behavior of an extreme past event, such as the Lehman Brothers collapse or the "tequilazo" crisis. These stress tests are supplemented by simulations in which the aim is to generate scenarios that have a significant impact on different portfolios, but without being restricted to any specific historical scenario. Finally, fixed stress tests are performed for certain portfolios or positions that significantly affect the market variables involved in these positions.

1. Historical scenarios

The benchmark historical stress scenario for BBVA Group is the **Lehman Brothers** bankruptcy in September 2008, which had a significant impact on the behavior of the financial markets at global level. The following are the most relevant effects of this historical scenario:

- Credit shock: reflected mainly in the increase in credit spreads and downgrades of credit ratings.

- Increased volatility in most financial markets (giving rise to much variation in the prices of different assets (currency, equity, debt).

- Liquidity shock in the financial systems, reflected by a major fluctuation in interbank curves, particularly in the shortest sections of the euro and dollar curves.

Grupo BBVA. Impact on results of the Lehman scenario

(1-day loss. Millon euros)

	2014	2013	2012
Global Markets Europe, New York and Asia	(29)	(23)	(9)
Global Markets Mexico	(50)	(67)	(82)
Global Markets Argentina	(2)	(5)	(1)
Global Markets Chile	(5)	(6)	(8)
Global Markets Colombia	(2)	(2)	(2)
Global Markets Peru	(13)	(7)	(8)
Global Markets Venezuela	(3)	(3)	(4)

2. Simulated scenarios

Unlike the historical scenarios, which are fixed and thus do not adapt to the composition of portfolio risks at any particular time, the scenario used to carry out the economic stress tests is based on a resampling methodology. This methodology uses dynamic scenarios that are recalculated regularly according to the main risks held in the trading portfolios. A simulation exercise is carried out in a data window that is sufficiently extensive to include different periods of stress (data are taken from January 1, 2008 until today), using a resampling of the historical observations. This generates a distribution of losses and gains that allows an analysis of the most extreme events occurring within the selected historical window. The advantage of this methodology is that the stress period is not pre-established, but rather a function of the portfolio held at any given time. As it constructs a large number of simulations (10,000) it can also analyze the expected shortfall with greater richness of information than that available in the scenarios included in the VaR calculation.

The main **characteristics** of this methodology are as follow:

- The simulations generated respect the data correlation structure.

- Flexibility in the inclusion of new risk factors.

- It enables a great deal of variability to be introduced in the simulations (desirable when considering extreme events).

Stress test impact by simulated scenarios (expected shortfall at 95% of confidence and up to 20 days) (Million euros as of 31-Dec-2014)

Europe	(63)
Mexico	(40)
Peru	(30)
Venezuela	(9)
Argentina	(1)
Colombia	(8)
Chile	(11)

Credit risk in trading book

The credit risk assessment in OTC financial instruments is made by means of a **Monte Carlo simulation**, which calculates not only the current exposure of the counterparties, but also their possible future exposure to fluctuations in market variables.

The model combines different credit risk factors to produce distributions of future credit losses and thus allows a calculation of the portfolio effect; in other words, it incorporates the term effect (the exposure of the various transactions presents potential maximum values at different points in time) and the correlation effect (the relationship between exposures, risk factors, etc. is normally different from 1). It also uses credit risk mitigation techniques such as legal netting and collateral agreements.

The **maximum** credit risk **exposure** in derivatives with counterparties in the Group as of 31-Dec-2014 stood at €47,248 million, which means an increase on 2013 year-end figure.. Excluding contractual arrangements of netting and collateral, the net exposure in derivatives stands at €15,594 million as of 31-12-2014, which supposes a reduction against the same figure of last year.

Maximum exposure to credit risk in derivatives at BBVA, S.A. is estimated at €39,185 million (compared with the more than €37,000 in the previous year). BBVA S.A.'s overall reduction in terms of exposure due to netting and collateral agreements is €27,982 million.

Therefore, the net risk in derivatives at BBVA, S.A. as of December 31, 2014 is €11,203 million (compared with the €12.591 million of the previous year).

Net counterparty risk by type of product and sector. Maximum exposure at BBVA, S.A. (excluding intra-group counterparties) (Million euros)

Units	Derivates	Deposits	Repos	Other	Total
Financial sector	4,406	60	471	(130)	4,808
Corporate	3,947	2	-	-	3,948
Branches	2,377	1	-	-	2,378
Sovereign	473	59	9	-	541
Total	**11,203**	**121**	**481**	**(130)**	**11,675**

The above table shows the **distribution by sectors and by products** of the amounts of the maximum credit risk exposure in financial instruments in BBVA, S.A. Exposure continues to be mainly concentrated in financial institutions (41%).

The table below shows the **distribution by maturities** of the maximum exposure amounts in financial instruments. Maturity index is 3.6 years.

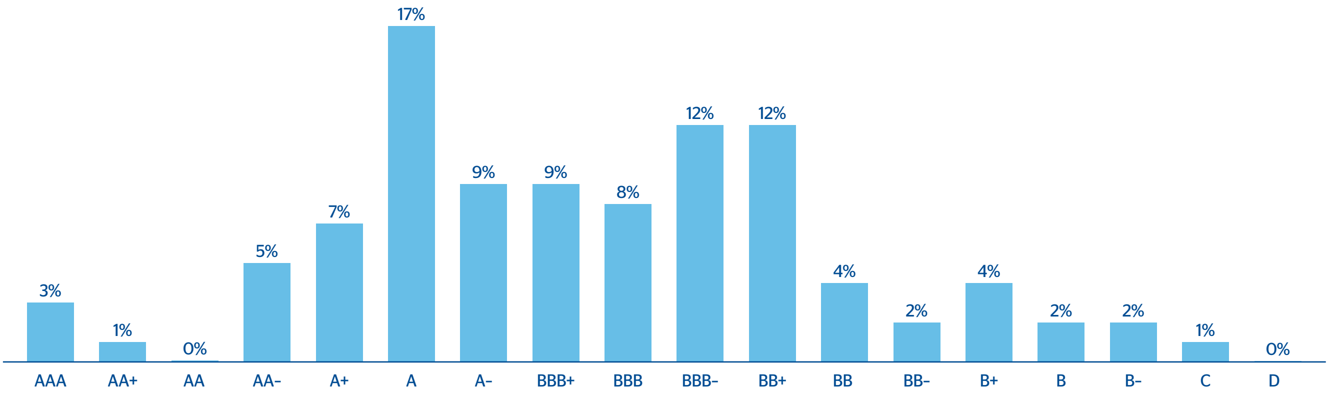
Maturity vector by rating and tranches at BBVA, S.A. (excluding intra-group counterparties)

(Million euros as of 31-Dec-2014)

	Up to 3 months	Up tp 12 months	Up to 3 years	Up to 5 years	Up to10 years	More than 10 years
AAA	-	-	48	54	99	79
AA	283	83	62	68	90	131
A	363	909	599	424	610	494
BBB	93	366	440	393	878	734
Non investment grade	5	648	659	569	769	269
NR	1	1	2	1	-	-
D	3	28	19	16	28	16
TOTAL	**749**	**2,035**	**1,828**	**1,525**	**2,474**	**1,723**

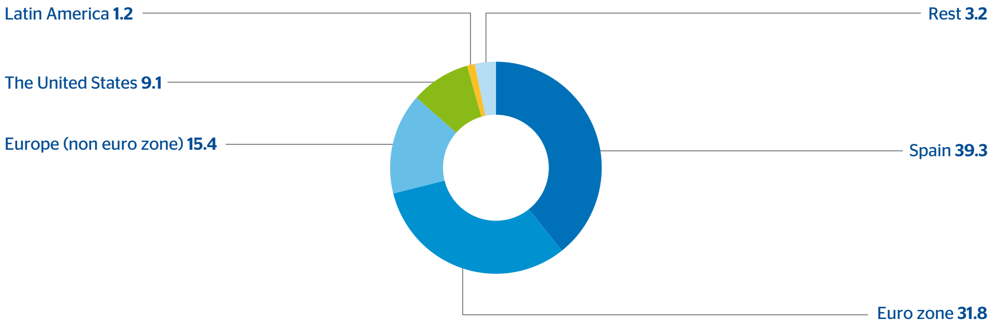
The **counterparty risk** assumed in this activity involves entities with a high credit rating (A- or higher in 41% of cases).

Distribution of maximum exposure by ratings at BBVA, S.A. (excluding intra-group counterparties)



By **geographical areas**, the maximum exposure of BBVA, S.A. is in counterparties in Europe (86%) and the United States (9%), which together account for 96% of the total.

Geographical distribution of maximum exposure at BBVA, S.A (Excluding intra-group counterparties) (Percentage)



Structural risks

Introduction

Structural risks (SR) in BBVA include the risks managed on the Group's balance sheet that arise from the Bank's structural exposure to various market risk factors and conditions in the financial environment. This generic classification includes the risks related to asset and liability management and, in addition, the structural exchange-rate risk and structural equity risk, i.e.:

- Structural **interest-rate** risk, whose management aims to maintain BBVA Group's exposure to market interest-rate fluctuations at levels consistent with its strategy and risk profile. This risk follows the Group's decentralized management model. The balance sheet management unit, through the Assets and Liabilities Committee (ALCO), designs and executes the defined strategies, respecting the tolerances established within the risk appetite framework.

- Structural **exchange-rate** risk, which originates basically through exposure to changes in exchange rates in BBVA Group's companies abroad and in the funding of foreign subsidiaries in a currency other than that of the investment. Managing this risk is based on a simulation model of scenarios to quantify the changes in value that can be produced with a given confidence level and a predetermined time horizon. The balance sheet management unit, through the Assets and Liabilities Committee (ALCO), designs and executes the strategies to carry out, being supported by the internal risk metrics according to the corporative model. It also realizes hedging operations with the goal of minimizing the impact on capital of changes in exchange rates, according to their projected trend.

- Structural **equity** risk, which originates from the possible negative impact derived from the loss of value of investments in industrial and financial companies with medium and long-term investment horizons. The corporate GRM area is responsible for the measurement and effective monitoring of structural equity risk by estimating the sensitivity and the capital necessary to cover possible unexpected losses due to variations in the value of the companies comprising the Group's investment portfolio, at a confidence level that corresponds to the Institution's target rating, and taking into account the liquidity positions and the statistical behavior of the assets under consideration.

BBVA's structural risks level in 2014 has remained at similar proportion to previous years in terms of economic capital

The main aspects of structural risk **management** in BBVA Group in terms of purpose, governance and management are described below.

Structural risk management	Structural interest-rate risk	Structural exchange-rate risk	Structural equity risk
Purpose	To preserve net interest income, contributing to the generation of recurrent earnings, and optimize the Bank's economic value in the face of variations in market interest rates.	To minimize potential negative impacts of fluctuations in exchange rates on the Group's equity, solvency and earnings in relation to its strategic international investments.	To optimize the planned profitability according to the assigned tolerance, in each structural portfolio with positions in non-strategic industrial and financial companies, with medium and long-term investment horizons.
Governance	The Executive Committee approves the system of limits and alerts, following review by the Global Risk Management Committee and the Risk Committee. This approval transposes the tolerances approved by the Board of Directors into the management metrics of each risk. GRM prepares the proposal for the system of limits and alerts as well as performing structural risks' control and monitoring. Its functions include designing the measurement models and systems, developing the policies on corporate management, information and control, and preparing the risk measurements that underpin the Group's management. GRM reports regularly the management metrics to both the management and administration bodies: ALCO, Management Committee, Risk Committee and Executive Committee.		
Responsible for management	ALCO is the body that evaluates the implementation of the actions according to the proposals of the balance sheet management unit belonging to the Strategy and Finance area. It designs and executes the strategies to be implemented, in accordance with the tolerances set out in the risk appetite framework.		Strategy and Finance units implement strategies, managing their exposure in accordance with the limits set for the management metrics.
Control and management variables	Deviations from the budgeted net interest income (going concern dynamic model) and deviations from economic value (economic capital).	Solvency ratio, earnings and equity (economic capital).	Economic capital, exposure and earnings.
Management model	Decentralized and independent in each balance sheet management / liquidity management unit associated with the different geographical areas.	Consolidated for BBVA Group.	At management portfolio level of holding companies.

The elements shown in the above table are regulated by the relevant corporate management policies approved by the Executive Committee for each risk. Moreover, procedures are in place based on and developing these policies, guaranteeing that the processes in all management aspects are consistent with the established principles. With the implementation of a decentralized model structural interest-rate risks, each of the eleven balance sheet management units (BSMUs) are managed on an individual basis, in accordance with the corporate policy, and with specific control mechanisms.

The **contribution** of structural risks to the Group's map of capital at risk has remained stable from the previous year. It is worth noting that the risk arising from equity exposures lost weight in 2014, while the weight of structural interest-rate risk has increased.

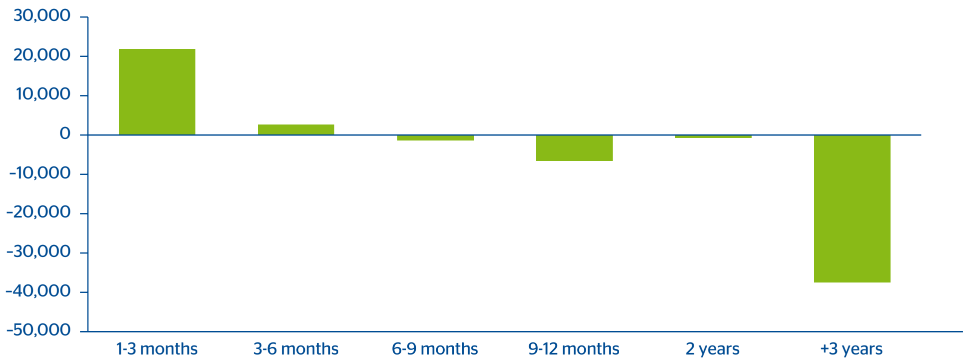
Structural interest-rate risk

Appropriate balance sheet management has kept BBVA's exposure to interest-rate fluctuations at moderate levels, consistent with the Group's target risk profile

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). The accompanying chart shows the gaps in BBVA's structural balance sheet in euros, i.e. the risk that arises from different maturities or repricing of the assets and liabilities in the banking book.

Maturity and repricing gaps of BBVA's structural balance sheet in euros

(Million euros)



BBVA's structural interest-rate risk management procedure is based on a set of **metrics and tools** that enable the Entity's risk profile to be monitored properly. 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 non-instant 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. This is done in a differentiated manner for each currency to which the Group is exposed, considering later the diversification effect between currencies and business units.

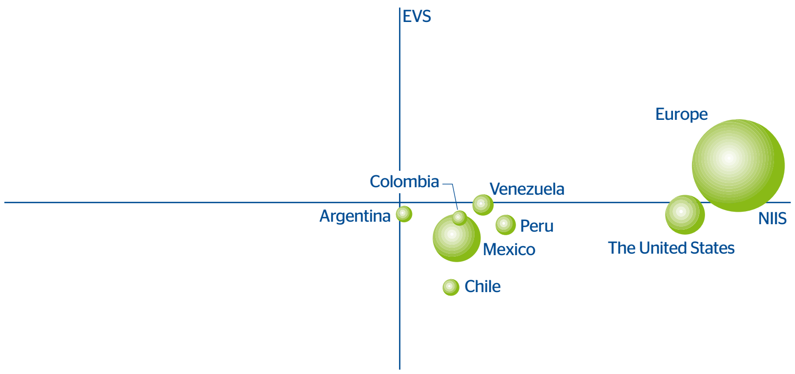
In order to guarantee its effectiveness, the model is subjected to regular internal validation, which includes **backtesting**. In addition, interest-rate risk measurements are subjected to stress testing in order to reveal balance sheet vulnerabilities under extreme scenarios. This testing includes 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 within 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 adapted regularly to evidence of changes in behavior, kept properly documented and reviewed on a regular basis in the internal validation processes.

The impacts on the **metrics** are assessed both from a point of view of economic value (gone concern) and from the perspective of net interest income, for which a dynamic model (going concern) consistent with the corporate assumptions of earnings forecasts is used.
The chart below shows the profile of sensitivities to net interest income and value of the main entities in BBVA Group.

BBVA Group. Structural interest-rate risk profile



NIIS: Net interest income sensitivity (in percentage) of the franchise to +100 basis points.
EVS: Economic value sensitivity (in percentage) of the franchise to +100 basis points.
Size: Core capital to each franchise.

In **2014**, stagnating growth in advanced economies has resulted in the continuation of accommodative monetary policies with the aim of boosting demand and investment, with interest rates in Europe and in the United States remaining at all-time lows. In Latin America, the slowdown in growth and the deterioration in external financial conditions have prompted the central banks to cut monetary policy rates.

BBVA Group's positioning in terms of its BSMUs as a whole has a positive sensitivity in its net interest income to interest rate hikes, while in terms of economic value the sensitivity is negative to interest rate increases, except for the euro balance sheet. Mature markets, both Europe and the United States, show greater sensitivity in terms of their projected net interest income against a parallel shock of interest rate. However, in 2014 this negative sensitivity to cuts has been confined by the limited downward trend in interest rates. In this interest-rate environment, appropriate management of the balance sheet has maintained BBVA's exposure at moderate levels, in accordance with the Group's target risk profile.

Structural exchange-rate risk

Structural exchange-rate risk in BBVA has been moderate in 2014 thanks to a management focused on the main currencies that have an impact on the Group's financial statements

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.

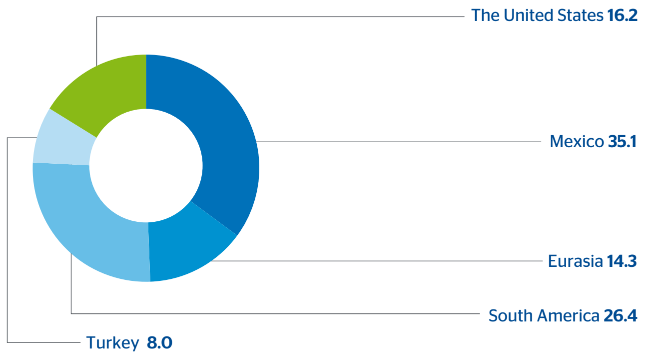
The corporate **Balance Sheet Management** unit, through ALCO, designs and executes the hedging strategies with the main purpose of controlling the potential negative effect of exchange-rate fluctuations on capital ratios and on the equivalent value in euros of the foreign-currency earnings of the different subsidiaries, considering the 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 capital, CET1 ratio, and net attributable profit. The probabilistic metrics make it possible to estimate the joint impact of the exposure to different currencies taking into account the different variability in currency rates and their correlations.

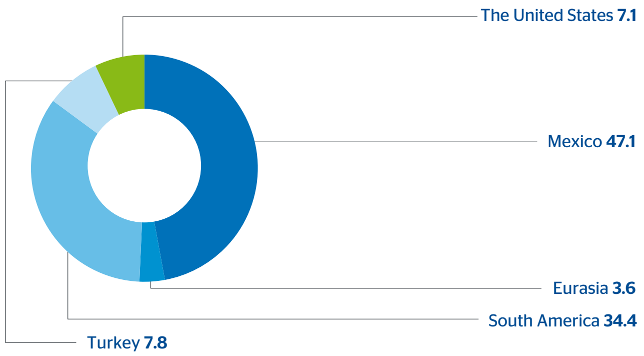
The suitability of these risk assessment metrics is reviewed on a regular basis through **backtesting** exercises. Structural exchange-rate risk control is completed with the analysis of scenarios and stress with the aim of identifying in advance possible threats to future compliance with the tolerance levels set, so that any preventive management actions necessary 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.

In **2014**, the most notable aspect in the foreign-exchange markets has been the strength of the United States dollar, which has led to the appreciation against the euro of the currencies in which the Group's exposure is concentrated, in particular the Mexican peso and the Turkish lira. However, this trend has slowed, basically in the last quarter of the year, due to the slump in oil prices, which has affected the currencies of the economies more dependent on this resource, mainly in South America and Mexico. This has led to an upturn in volatility in the foreign-exchange markets. Also worth mentioning is the more unfavorable performance of the Argentinean peso and the Venezuelan bolivar fuerte, affected by the imbalances in both economies. Thus, appropriate management focused on the main exposures has kept the Group's structural exchange-rate risk at moderate levels in 2014. The risk mitigation level of the book value of BBVA Group's foreign-currency holdings remained on average at 40%.

BBVA Group. Structural exchange-risk contribution to equity exposure
(Percentage)



BBVA Group. Structural exchange-risk contribution to Group's earnings (12 months)
(Percentage)



Structural equity risk

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.

2014 has been characterized by strong stock market performance in all the geographical areas. The Spanish stock markets performed particularly well against the European indices, above all the telecommunications sector, where a large part of BBVA's exposure is concentrated. This performance has boosted the returns on these investments and the levels of capital gains accumulated in the Group's equity portfolios.

Structural equity risk, measured in terms of economic capital, has remained at moderate levels thanks to active management of positions. As part of this management, the exposures are modulated through positions in derivatives of underlying assets of the same kind in order to limit portfolio sensitivity to potential falls in prices.

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.

BBVA's structural equity risk has also remained at moderate levels, thanks to active positions management

Liquidity and funding risk

The Strategy and Finance area, through the Balance Sheet Management unit, manages BBVA Group's liquidity and funding, planning and executing the funding of the long-term structural gap of each liquidity management unit (LMU) and proposing to ALCO the actions to adopt in this regard in accordance with the policies and limits established by the Executive Committee.

The main aspects of this risk in BBVA Group in terms of purpose, governance and management are described below.

Three core elements: to achieve an adequate volume of stable customer funds; proper diversification of the wholesale funding structure; and availability of sufficient collateral to address the risk of wholesale markets closing

Management	Liquidity risk	Funding risk
Purpose	In the short term, to meet the payment commitments on time and in an appropriate manner, without having to resort to funding under burdensome terms or under conditions that may damage the Institution's reputation.	In the medium and long term, to ensure that the Group's funding structure is appropriate and that its evolution is suitable regarding the economic situation, the markets and the regulatory changes, in accordance with the established risk appetite.
Governance	The Executive Committee approves the system of limits and alerts, following review by the Global Risk Management Committee and the Risk Committee. This approval transposes the tolerances approved by the Board of Directors into the management metrics of each risk. GRM prepares the proposal for the system of limits and alerts and performs structural risks control and monitoring. Among its functions, they include designing the measurement models and systems, developing the policies on corporate management, information and control, and preparing the risk measurements that underpin the Group's management. GRM reports regularly the management metrics to both the management and administration bodies: ALCO, Management Committee, Risk Committee and Executive Committee.	
Responsible for management	ALCO is the body that makes the decisions to act according to the proposals of the balance sheet management unit belonging to the Strategy and Finance area, which designs and executes the strategies to be implemented, in accordance with the tolerances set out in the risk appetite framework.	
Control and management variables	Availability of collateral to hedge against the risk of wholesale markets closing (basic capacity).	Funding of the loan portfolio through stable customer funds (loan-to-stable customer deposits ratio) and reliance on short-term funding.
Management model	Decentralized and independent in each balance sheet management unit/ liquidity management unit (LMU) associated with the different geographical areas.	

The Entity's **target behavior**, in terms of liquidity and funding risk, is measured through the loan-to-stable customer deposits (LtSCD) ratio, which shows the relationship between net loans and advances to customers and stable customer 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.

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, the corporate Structural Risks unit of GRM identifies and assesses the economic and financial variables that condition the funding structures in the various geographical areas.

The second core element in liquidity and funding risk management is achievement of proper **diversification** of the wholesale funding structure, avoiding excessive reliance on short-term funding and establishing a maximum level of short-term wholesale borrowing.

The third element promotes the short-term resilience of the liquidity risk profile, making sure that each LMU has sufficient **collateral** available 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.

The above metrics are completed with a series of **indicators** and thresholds that aim to avoid the concentration of wholesale funding by product, counterparty, market and term, as well as to promote diversification by geographical area. In addition, reference thresholds are established on a series of advance indicators that make it possible to anticipate stress situations in the markets and adopt preventive actions if necessary.

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. They also play a key role in the design of the Liquidity Contingency Plan and in defining the specific measures designed to realign the risk profile. For each of the scenarios, it is determined whether the Entity has a sufficient stock of liquid assets to ensure it can meet the liquidity commitments/outflows in the different 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, sources of funding and customer behavior, impact of rating downgrades, market values of liquid assets and collateral, and the interaction between liquidity requirements and changes in 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 face the estimated liquidity outflows in a scenario such as a combination of a systemic crisis and an unexpected internal crisis with a major downgrade in the Bank's rating (up to three notches).

In **2014**, both long and short-term wholesale funding markets continued stable thanks to the positive trend in sovereign risk premiums and the setting of negative rates by the ECB for the marginal deposit facility, in an environment marked by greater uncertainty with respect to growth in the Eurozone, which has led to new measures by the ECB. At its meeting on June 5, 2014 the ECB announced non-standard measures aimed at increasing inflation and boosting credit while improving the financial conditions for the European economy as a whole. The first two TLTRO (targeted longer-term refinancing operations) auctions were held in September and December 2014. BBVA took €2,600m at each one. BBVA continues to maintain an adequate funding structure in the short, medium and long term, diversified by products. Issuances for €8,613m have been completed over the year and the position *vis-à-vis* the ECB has been reduced significantly, with early repayment of the total long-term refinancing operations (LTRO). In 2014, the improvement in the Bank's liquidity and funding profile has made it possible to increase the survival period in each of the stress scenarios analyzed.

BBVA continues to maintain an adequate funding structure in the short, medium and long term, diversified by products

The situation in the rest of the LMUs outside Europe has also been very positive, as the liquidity position has once again been reinforced in all the geographical areas in which the Group operates. Of particular note is the senior debt issue by BBVA Compass, which after seven years away from the markets has placed a total of US$ 1 billion at 3 and 5-year maturities with an excellent uptake by investors.

In this context of improved access to the markets, BBVA has maintained its objective of strengthening the funding structure of the different Group franchises on the basis of increasing 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 for dealing with stress situations in the markets. The exposure to liquidity risk has been kept within the risk appetite and the limits approved by the Board of Directors.

Operational risk

Introduction

Operational risk arises from the possibility of human error, inadequate or faulty internal processes, system failures and/or as a result of external events. This definition includes legal risk, but excludes strategic and/or business risk and reputational risk.

Operational risk is inherent in all banking activities, products, systems and processes. Its origins are diverse (processes, internal and external fraud, technology, human resources, commercial practices, disasters, providers).

Operational risk management framework

Advanced measurement approach or AMA, the base for the operational risk management in BBVA

Operational risk management, which is integrated into the global risk management structure of BBVA Group, is based on the following levers of value generated by the **advanced measurement approach** (AMA):

- 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.

Operational risk management principles

Operational risk management in BBVA Group should:

- Be aligned with the risk appetite statement set out by the Board of Directors of BBVA.
- Anticipate the potential operational risks to which the Group would be exposed as a result of new or modified products, activities, processes or 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.

The events caused by operational risk have an ultimate cause that needs to be identified and managed to reduce their impact

- 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. 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 in order to ensure their mitigation.

- 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.

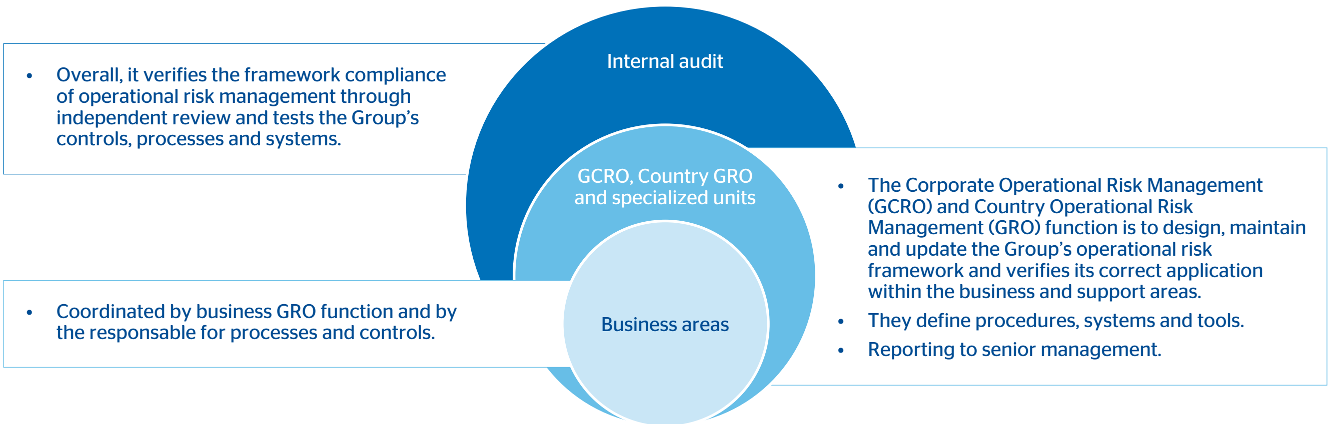
These **principles** reflect BBVA Group's vision of operational risk. They are based on the idea that the events resulting from operational risk have an ultimate cause that should always be identified, and by controlling that cause the impact of the events is reduced significantly.

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.

Three lines of defense in operational risk management

Operational risk **management** in BBVA is designed and coordinated by the Corporate Operational Risk Management (GCRO) unit, which is part of GRM, and by the Operational Risk Management (GRO) units, located in the risks departments of the different countries (Country GRO). The business or support areas, in turn, have operational risk managers (Business GRO) who report to the Country GRO and are responsible for implementing the model in the day-to-day activities of the areas. This gives the Group a view of risks at the process level, where risks are identified and prioritized and mitigation decisions are made. By aggregation, this system provides an overall view at a variety of levels.

Lines of defense in operational risk management



Finally, the **control** of operational risk management is reinforced by an internal audit process that independently verifies compliance and tests the Group's controls, processes and systems.

Committee structure

Each business and support unit has one or more **GRO committees** that meet on a quarterly basis. These committees analyze operational risks and take the appropriate mitigation decisions.

In addition, a system called Corporate Assurance has been designed as one of the components of the Group's internal control model. It undertakes a general monitoring of the main control weaknesses submitted to the **Corporate Assurance Operating Committee** (COCA) at country level, and to the **Global Corporate Assurance Committee** (CGCA) at holding level.

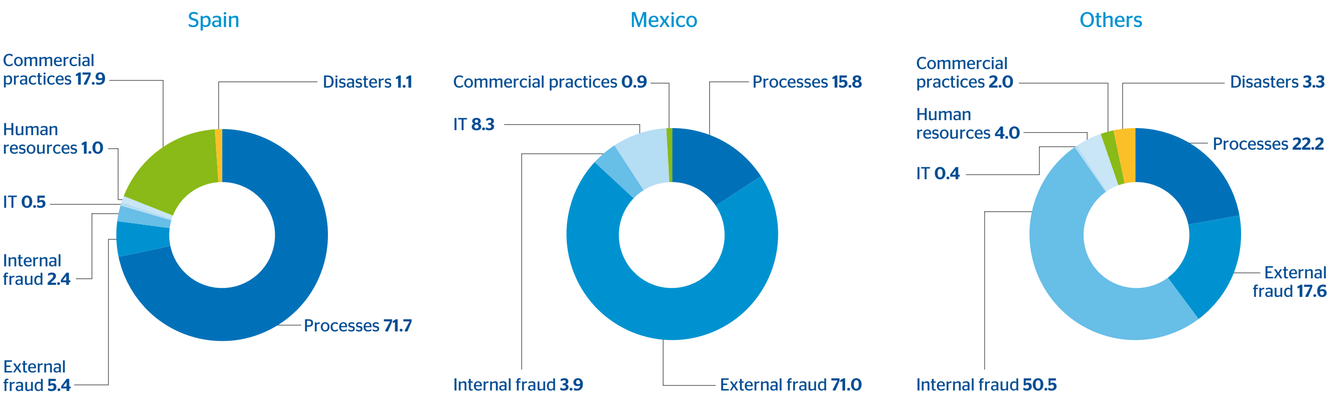
Committee structure

The Group's operational risk profile

The charts below provide a historical distribution of operational risk losses in the different geographical areas where BBVA operates, classified by type of risk.

Historical distribution of losses by types of risk

(Percentage)



Operational risk capital in 2014

The **methodology** used by BBVA to calculate capital using advanced internal models (AMA) is the so-called loss distribution approach (LDA), considered the most robust from a statistical point of view among those permitted by the Basel Committee. This methodology is fed by three data sources: the Group's internal operational loss database, events occurring in the domestic and international financial sector (external database), and simulated events (also called scenarios). BBVA's application of AMA models has been approved for Spain and Mexico.

The **capital** resulting from the application of the advanced models is corrected by factors related to the country environment and by internal control factors, based on the variation of metrics on changes in operational risks.

Economic capital by operational risk

(Million euros)

Risk class	Capital	Method
Spain	694	AMA
Mexico	375	AMA
Others	942	Standard
Total	**2,011**	

Social, environmental and reputational risks

In the risk analysis and decision-making processes, BBVA assesses and takes into consideration not only financial aspects, but also social, environmental and reputational factors

Financial and non-financial factors, such as those of a social, environmental and reputational nature, can affect the credit profile of the borrowers and of the projects financed by the Bank and, therefore, the quality of the risk taken. Thus, they need to be taken into account in the risk analysis and decision-making processes.

These factors are integrated in accordance with the principle of prudence that governs BBVA's activity, through a number of lines of action.

In 2014, BBVA set up a Reputational Risk Operating **Committee** to drive the management of this type of risk in the Group. It includes the areas of Operational Risk and Control, Regulatory Compliance, Corporate Communication and Corporate Responsibility and Reputation, with the last acting as secretary. The Committee meets both at global level and in the various geographical areas. The Committee is responsible for designing the reputational risk management model, promoting its adequate implementation in BBVA Group and reporting to the Planning Committee.

BBVA has incorporated the best practices in responsible granting of consumer loans and credits and has **policies and procedures** in place that improve the transparency of the banking services and responsibility when granting loans. Specifically, the Corporate Retail Credit Risk Policy (approved by the Executive Committee of the Bank's Board of Directors on April 3, 2013) and the Specific Rules that derive from it set out the policies, methods and procedures in relation to the responsible granting of loans to consumers, which can be summed up as:

- The need to adapt the payment plans to the sources of income generation.
- The requirements for assessing the ability to pay.
- The need to take into account the foreseeable level of income once the borrower has retired.
- The need to take into consideration the payment of existing financial obligations.
- In cases where appropriate for commercial reasons or because of the type of interest rate or currency, borrowers are offered the inclusion of contractual clauses or financial products to hedge against the interest-rate and exchange-rate risks.
- When collateral exists, the need to establish a prudent relationship between the amount of the loan and any potential increase to it, and the value of the collateral, without taking into account the revaluations of the latter.
- The need to be very prudent when using appraisal values in credit transactions with real-estate assets as collateral in addition to the borrower's personal security.
- Regular review of the value of the collateral accepted to cover loans granted.
- A set of management elements designed to ensure independence in the activity of appraisal companies.
- The need to inform the customer of the potential consequences of default in terms of cost, interest on arrears and other expenses.
- The debt renegotiation criteria (refinancing and restructuring).
- The minimum documentation required for granting the transactions and during their term.

BBVA has the following mechanisms in place to **control** the appropriate compliance with the aforementioned policies:

- Computer controls and validations incorporated into the transaction analysis, decision-making and contracting workflows.

- Alignment between the specifications of the product catalog and the responsible lending policies.
- Different types of penalties that ensure decisions are checked at an appropriate level, based on the complexity of the transactions.
- A reporting scheme to monitor proper application of the responsible lending policies.

BBVA applies, since 2004, the **Equator Principles** (EP), a benchmark in the financial sector for the assessment and management of the environmental and social risks of the projects it finances. And it does so with a broader scope than the standard, reviewing all the transactions under the EPs, irrespective of their amount. It also applies them to projects at the operational stage and those financed with other financial products (project bonds, assignment of credit claims and project-linked guarantees).

BBVA is committed to providing finance and guidance for **renewable energy** operations, a sector in which it is a leader.

In addition, the Bank uses the "**Ecorating**" tool to value the risk portfolio of companies from an environmental point of view. Each customer is assigned a credit risk rating according to a combination of various factors such as its location or polluting emissions.

As regards **training** on these matters, in 2014 work continued on the virtual training program on Environmental and Social Risks Analysis given by UNEP FI (the United Nations Environment Program Financial Initiative). Over the year, eleven BBVA risk analysts from ten countries have received the online training (30 hours of courses).

Since 2005, BBVA has a **defense policy** in place, applicable to all of its geographical and business areas worldwide, that complies with current legislation and has been subject to an ongoing review in order to adapt it to the most stringent criteria. A more in-depth review was conducted in 2011 to extend its scope, increase its clarity and simplicity, and ensure compliance therewith, in line with the needs revealed by the internal audit carried out the previous year. A working group was set up for this purpose, made up of all the areas involved, and advice was provided by a renowned external consultant (Sustainalytics). There has also been ongoing dialog with NGOs and relevant stakeholders in this sector. The application of the policy rules, which came into force in February 2012, is based on exclusion lists of companies and countries which are updated on a quarterly basis by our adviser Sustainalytics. Under these rules, BBVA does not finance, invest in or provide any financial service to companies related to the manufacture, development, maintenance or trade in controversial armaments, meaning anti-personnel mines, cluster bombs or biological and chemical weapons. Nor does BBVA participate in armament-related operations that originate in or are targeted at countries where there is a high risk of human rights violation. In 2013, these rules and the internal procedure defined for their application were adapted and implemented within the corporate framework across the entire Group. A new process for reviewing the rules was opened in April 2014, also with the participation of all the areas involved and the advice of Sustainalytics. It ended in June with the approval by the Global Risk Management Committee of a new version that incorporates improvements in the identification of armament-related companies and in the processing of wealth management. The lists of companies related to controversial armaments, countries under arms embargoes and countries with a high risk of violating human rights are updated on a quarterly basis. The adaptation of the rules to the Group's different areas is also monitored on a quarterly basis.

In 2014, BBVA joined the **Green Bond Principles**, which establish standards to guide issuers on the key components of issuance, project assessment and fund management; to ensure that information is available to investors; and to facilitate market transactions for underwriters.

It is also worth noting that BBVA has signed the **Global Investor Statement on Climate Change** this year. This statement, which has been signed by nearly 350 investors and with more than USD 24 trillion in assets, recognizes the role played by investors in funding clean energy projects, the need for a global agreement on climate, and the fact that significant capital will be required to finance the transition to a low-carbon economy.

By joining these initiatives and principles, BBVA has taken a further step in the context of responsible banking, in line with its business model based on the principles of integrity, transparency and prudence.

141 Banking activity in Spain
158 Real-estate activity in Spain
166 The United States
175 Eurasia
189 Mexico
202 South America
215 Corporate Center
220 Other information: Corporate & Investment Banking

Business areas

Business areas

This chapter presents and analyzes the most relevant aspects of the Group's different areas. Specifically, it shows the income statement, the balance sheet, the business activity and the most significant ratios in each of them: loan book, customer deposits under management, mutual funds and pension funds, efficiency ratio, NPA ratio, coverage ratio and cost of risk.

In 2014, the **reporting structure** of the BBVA Group's business areas is basically the same as that reported in 2013:

- **Banking activity in Spain**, which as in previous years includes: The Retail Network, with the segments of individual customers, private banking and small businesses; Corporate and Business Banking (CBB), which handles the SMEs, corporations and institutions in the country; Corporate & Investment Banking (CIB), which includes business with large corporations and multinational groups and the trading floor and distribution business in the same geographical area; and other units, among them BBVA Seguros and Asset Management (management of mutual and pension funds in Spain). It also includes the portfolios, finance and structural interest-rate positions of the euro balance sheet.

- **Real-estate activity in Spain**. This area basically covers lending to real-estate developers and foreclosed real-estate assets in the country.

- **The United States** encompasses the Group's businesses in the United States.

- **Eurasia**, which includes the business carried out in the rest of Europe and Asia, i.e. the Group's retail and wholesale businesses in the area. It also includes BBVA's stakes in the Turkish bank Garanti and the Chinese banks CNCB and CIFH (a sell agreement on the later stake was signed in December 2014 and its execution is subject to the pertinent authorizations). However, the equity-accounted income of CNCB (excluding the dividends) from its acquisition until the conclusion of the new agreement with the CITIC Group in the fourth quarter of 2013 (which included the sale of 5.1% of the stake in CNCB) has been reclassified in the Corporate Center under the heading "Results from corporate operations".

- **Mexico** includes the banking and insurance businesses in the country.

- **South America** includes the banking and insurance businesses that BBVA carries out in the region. In the first quarter of 2014, the historical series in this area has been reconstructed to exclude the business in Panama, which was sold in the fourth quarter of 2013, and include it in the Corporate Center.

In addition to the above, all the areas include a remainder made up of other businesses and of 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 groups together the costs of the head offices that have a corporate function; management of structural exchange-rate positions, carried out by BBVA's Strategy and Finance area; 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 pensioners; goodwill and other intangibles. It also comprises the result from certain corporate operations carried out over the previous years, such as the earnings and capital gains from the pension business disposals in Latin America during 2013; those from BBVA Panama taking into consideration the capital gain from its disposal (in the fourth quarter); and the effect of the repricing of the stake in CNCB to market value following the signing in the fourth quarter of 2013 of the agreement with the CITIC group, which included the sale of 5.1% of the stake in CNCB. It also includes the equity-accounted earnings from CNCB (excluding the dividends) for the years 2013 and 2012. Lastly, the data for 2012 includes BBVA Puerto Rico's financial statements until its sale completed in December 2012.

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). This aggregate business is considered relevant to better understand the BBVA 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 and Eurasia (basically Garanti), the results of applying constant exchange rates are given in addition to the year-on-year variations at current exchange rates.

The Group compiles information by areas based on units at the same level, and all the accounting data related to the business they manage are recorded in full. These basic units are then aggregated in accordance with the organizational structure established by the Group for higher-level units and, finally, the business areas themselves. Similarly, all the companies making up the Group are also assigned to the different units according to the geographical area of their activity.

Once the composition of each business area has been defined, certain management criteria are applied, of which the following are particularly important:

- Capital. Capital is allocated to each business according to economic risk capital (ERC) criteria. This 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 (financial assets held for trading and structural balance-sheet), 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, with economic criteria taking precedence over regulatory ones.

  ERC is risk-sensitive and thus linked to the management policies of the businesses themselves. It standardizes capital allocation between them in accordance with the risks incurred. In other words, it is calculated in a way that is standard and integrated for all kinds of risks and for each operation, balance or risk position, allowing its risk-adjusted return to be assessed and an aggregate to be calculated for profitability by client, product, segment, unit or business area.

- Internal transfer prices. Within each geographical area, internal transfer rates are applied to calculate the net interest income of its businesses, under both the asset and liability headings. These rates are composed of a market rate that depends on the operation's revision period, and a liquidity premium that aims to reflect the conditions and outlook for the financial markets in each area. Earnings are distributed across revenue-generating and distribution units (e.g., in asset management products) at market prices.

- 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, consolidation adjustments are required to eliminate shadow accounting entries in the earnings of two or more units as a result of cross-selling incentives.

Mayor income statements items by business areas

(Million euros)

	BBVA Group [1]	Business areas: Banking activity in Spain	Real-estate activity in Spain	The United States	Eurasia [1]	Mexico	South America	∑ Business Areas	Corporate Center
2014									
Net interest income	15,116	3,830	(38)	1,443	924	4,910	4,699	15,767	(651)
Gross income	21,357	6,622	(132)	2,137	1,680	6,522	5,191	22,020	(664)
Operating income	10,406	3,777	(291)	640	942	4,115	2,875	12,058	(1,653)
Income before tax	4,063	1,463	(1,225)	561	713	2,519	1,951	5,983	(1,920)
Net attributable profit	**2,618**	**1,028**	**(876)**	**428**	**565**	**1,915**	**1,001**	**4,062**	**(1,444)**
2013									
Net interest income	14,613	3,838	(3)	1,402	909	4,478	4,660	15,284	(671)
Gross income	21,397	6,103	(38)	2,047	1,717	6,194	5,583	21,607	(210)
Operating income	10,196	3,088	(188)	618	981	3,865	3,208	11,573	(1,378)
Income before tax	2,750	230	(1,838)	534	586	2,358	2,354	4,225	(1,474)
Net attributable profit	**2,228**	**589**	**(1,252)**	**390**	**449**	**1,802**	**1,224**	**3,201**	**(973)**
2012									
Net interest income	15,122	4,729	(21)	1,550	851	4,174	4,236	15,519	(397)
Gross income	21,892	6,659	(79)	2,198	1,665	5,751	5,308	21,501	391
Operating income	11,106	3,776	(209)	722	886	3,590	3,023	11,787	(681)
Income before tax	749	1,651	(5,705)	620	508	2,223	2,234	1,532	(783)
Net attributable profit	**1,676**	**1,186**	**(4,068)**	**445**	**404**	**1,687**	**1,172**	**826**	**850**

(1) Pro forma financial statements with the revenues and expenses of the Garanti Group consolidated in proportion to the percentage of the Group's stake.

Recurrent economic profit by business areas

(January-December 2014. Million euros)

	Net attributable profit	Economic profit (EP)
Banking activity in Spain	1,054	269
Real-estate activity in Spain	12	(69)
The United States	291	68
Eurasia	500	61
Mexico	2,129	1,562
South America	722	287
Corporate Center	(812)	(869)
Total Group	**3,897**	**1,308**

Banking activity in Spain

Highlights in 2014

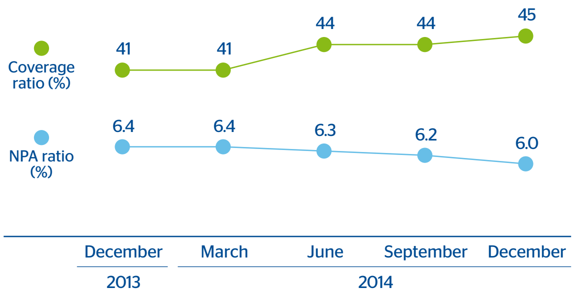
- Customer spread improvement.
- Lower costs due to transformation and efficiency plans.
- Improvement in cost of risk and asset quality.

Activity [1]

Year-on-year changes, balances as of 31-12-2014

-1.3%	+1.7%
Loans	Customer funds

Risks



Results

2014. Million euros

Net interest income	3,830	-0.2%
Gross income	6,622	+8.5% [2]
Operating income	3,777	+22.3% [2]
Net attributable profit	1,028	+74.7% [2]

(1) Loans under management (including funding for segments managed by CBB through fixed-income) and customer deposits under management (excluding repos).
(2) Figures without the restatement following the change in the accounting policy relating to contributions to the Deposit Guarantee Fund in Spain.

Income statement

(Million euros)

	Banking activity in Spain			
	2014	Δ% [1]	2013 [1]	2012
Net interest income	**3,830**	**(0.2)**	**3,838**	**4,729**
Net fees and commissions	1,454	5.7	1,376	1,363
Net trading income	1,149	42.4	807	254
Other income/expenses	189	129.6	82	313
Gross income	**6,622**	**8.5**	**6,103**	**6,659**
Operating expenses	(2,845)	(5.6)	(3,014)	(2,883)
Personnel expenses	(1,707)	(7.8)	(1,851)	(1,794)
General and administrative expenses	(1,034)	(1.8)	(1,052)	(991)
Depreciation and amortization	(105)	(5.3)	(111)	(99)
Operating income	**3,777**	**22.3**	**3,088**	**3,776**
Impairment on financial assets (net)	(1,690)	(34.4)	(2,577)	(1,853)
Provisions (net) and other gains (losses)	(623)	121.3	(282)	(272)
Income before tax	**1,463**	**n.m.**	**230**	**1,651**
Income tax	(432)	n.m.	(62)	(462)
Net income from ongoing operations	**1,032**	**n.m.**	**168**	**1,189**
Results from corporate operations	-	-	440	-
Net income	**1,032**	**69.7**	**608**	**1,189**
Non-controlling interests	(4)	(81.8)	(20)	(3)
Net attributable profit	**1,028**	**74.7**	**589**	**1,186**
Net attributable profit (excluding the results from corporate operations)	**1,028**	**n.m.**	**149**	**1,186**

(1) Figures without the restatement following the change in the accounting policy relating to contributions to the Deposit Guarantee Fund in Spain.

Balance sheet

(Million euros)

	Banking activity in Spain			
	31-12-14	Δ% [1]	31-12-13 [1]	31-12-12
Cash and balances with central banks	7,876	(30.8)	11,389	10,736
Financial assets	116,016	16.4	99,712	108,197
Loans and receivables	191,273	0.8	189,734	205,454
Loans and advances to customers	169,211	(2.3)	173,249	189,288
Loans and advances to credit institutions and others	22,062	33.8	16,484	16,166
Inter-area positions	173	(98.6)	12,699	18,621
Tangible assets	700	(10.4)	781	826
Other assets	2,315	293.3	589	1,687
Total assets/Liabilities and equity	**318,353**	**1.1**	**314,902**	**345,521**
Deposits from central banks and credit institutions	64,765	12.5	57,562	65,608
Deposits from customers	154,261	(1.8)	157,124	146,008
Debt certificates	41,689	(15.1)	49,105	68,782
Subordinated liabilities	2,077	(13.9)	2,411	3,531
Inter-area positions	-	-	-	-
Financial liabilities held for trading	43,977	14.4	38,435	48,377
Other liabilities	3,426	n,s,	673	1,381
Economic capital allocated	8,158	(14.9)	9,592	11,834

(1) Figures without the restatement following the change in the accounting policy relating to contributions to the Deposit Guarantee Fund in Spain.

Relevant business indicators

(Million euros and percentage)

	Banking activity in Spain		
	31-12-14	31-12-13	31-12-12
Performing loans [1]	166,446	168,594	184,902
Customer deposits under management [2]	138,647	136,295	119,703
Mutual funds	28,695	22,298	19,116
Pension funds	21,880	20,428	18,577
Efficiency ratio (%)	43.0	49.4	43.3
NPA ratio (%)	6.0	6.4	4.1
NPA coverage ratio (%)	45	41	48
Cost of risk (%)	0.95	1.36	0.95

(1) Includes funding for segments managed by CBB through fixed-income.
(2) Excluding repos.

Definition of the area

This area includes the banking business of BBVA Group in the country, including the insurance and fund management activities. It also includes the portfolios, funding and structural interest-rate positions of the euro balance sheet managed by ALCO.

Banking activity in Spain serves 9.8 million customers. It has a distribution network, with 3,112 branches and 5,909 ATMs.

Macro and industry trends

The latest activity data for the Spanish **economy** confirms the path toward recovery. Improved domestic demand (mainly private) has been based on temporary factors (reduction in uncertainty), greater support from fiscal and monetary policies, and on structural factors such as the progress made in correcting internal imbalances and on some of the reforms carried out over recent years. Against this backdrop, GDP increased 1.4% in 2014. There are several reasons behind this improvement in the backdrop.

The economy is on the path toward recovery

- First, a reduction in financial tension, which consolidated the trend observed in 2013 and, to a certain extent, is due to the policy decisions made in both Europe and Spain.

- Moreover, exports continued to grow despite the stagnation in the Eurozone. This has demonstrated the increase in competitiveness and the diversification of the exports' destinations, which in turn has led to a standout performance of Spanish companies' sales abroad.

- On the other hand, the reduced uncertainty has led to lower household precautionary savings and a boost to the growth of private consumption. This has been the result of the observed increase in financial wealth, the trend toward stabilization in the price of housing and, above all, the turning point in the labor market, where job creation has already begun.

- In addition, domestic demand has benefited from a less contractive fiscal policy; some stimuli have even been implemented, while the cyclical improvement of revenue and expenditure, together with the reduction in interest rates, have made it possible to meet the fiscal targets.

- Lastly, monetary policy has begun to adapt to the situation of the Spanish economy, as the flows of new credit and the cost of funding have started to support household and small business demand.

However, it is worth noting that the imbalances facing the Spanish economy are still significant. For example, at the end of third quarter of 2014 the unemployment rate stands at 23.7% and public and net foreign debt stands at 96.4% of GDP. Reducing these imbalances requires higher growth rates, and the implementation of reforms to improve the operation of the goods and services markets is therefore essential.

Of note with respect to the **financial sector** is the end of the financial assistance program, which officially expired on January 22. In line with the planned timetable, Spain implemented all the restructuring measures agreed with the "Troika" (the European Commission, ECB and International Monetary Fund). Since then, progress has been made in restructuring the system, with the disposal of government stakes in entities that required public money and the privatization of Catalunya Banc.

As regards **structural reforms**, Royal Decree-Law 4/2014 reforming the insolvency law has streamlined the processes and made them more flexible for reaching refinancing agreements and eliminating rigidities in the insolvency and pre-insolvency regulations. This law will help restructure the debt of operationally viable companies.

Incipient recovery in demand for loans

The **deleveraging** process continues, although the flow of new credit operations to households and small companies for under one million euros to the retail segment continues to improve on the previous year. In November 2014, the decline in the stock of loans to the private sector stood at 5.8% in year-on-year terms. Moreover, the total figure for non-performing loans has fallen for the tenth month in a row, and the NPA ratio stood at 12.75% at the close of November (compared with 14.0% in early 2014).

The **liquidity** situation in the banking system and its funding structure have improved since the start of the year, and net funding obtained from the ECB has fallen.

The publication of the results of the comprehensive assessment of the European banking system demonstrated the robustness of the Spanish banking system

Solvency ratios have also improved as a result of the internal generation of earnings, the deleveraging process and capital increases. In this regard, the publication of the results of the comprehensive assessment of the European banking system in October 2014 demonstrated the robustness of the Spanish banking system. The asset quality review (AQR) identified a reduced volume of adjustments required (€2.2 billion, i.e. 14 basis points of CET1 capital, the lowest in Europe) and the resilience of the banks' capital to the stress tests was very high. In the adverse scenario, the Spanish banks had the second smallest fall in the capital ratio after Estonia. Only one Spanish bank showed a capital shortfall, which was already addressed in 2014 with a capital increase.

Management priorities

BBVA has demonstrated and will continue to demonstrate its leadership and focus on increasing the customer base and loyalty

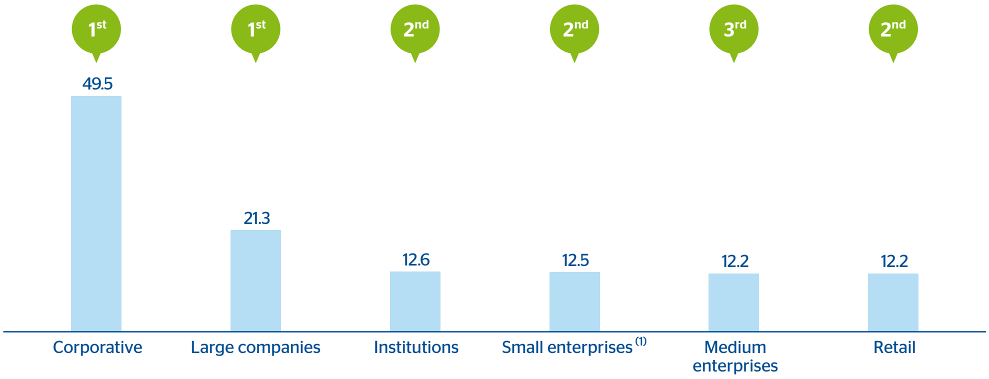
In **2014**, the area's commercial activity has taken place in a more normal competitive environment. However, strong pressure on profit margins has persisted, mainly as a result of an environment of all-time low interest rates, greater regulation, continued low levels of demand for loans and much more demanding customers. Against this complicated backdrop, BBVA once more demonstrated its position of leadership:

- Quarter-on-quarter improvement in more recurring revenue, with two main drivers: good management of prices and the contribution from fees and commissions related to liability products.

- Maintenance of the same rate of growth in customer share as in the years of crisis. Proof of this is that the Bank's customer market share as main finance provider has risen by 40 basis points to 12.2% over the last 12 months according to FRS (data as of June 2014, the latest available).

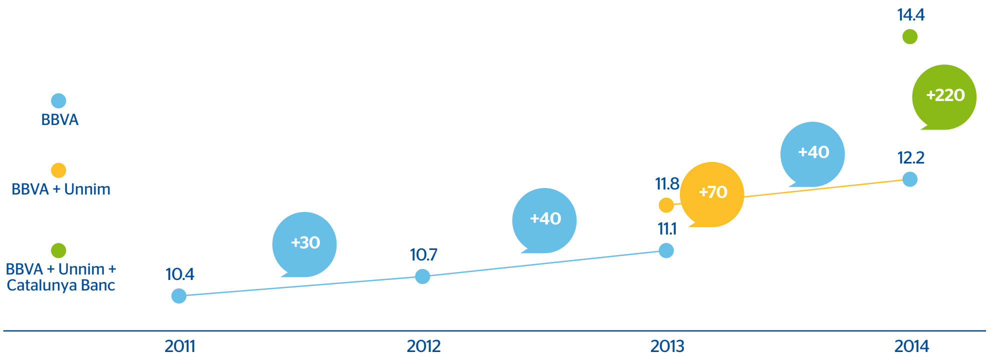
Banking activity in Spain. Main financial services provider market share

(Percentage and ranking)



(1) Includes business professionals.
Source: FRS with figures as of 31-Dec-2014.

Banking activity in Spain. Customers market share evolution of FRS main finance provider (Percentage and basis points as of June 2014)



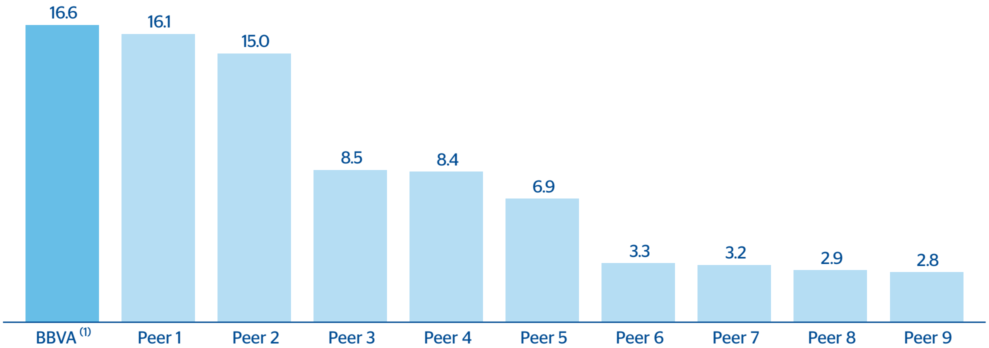
- The cost of risk returning to normal.
- And the awarding of Catalunya Banc in the auction process conducted by the Fund for Orderly Bank Restructuring (FOBR). With this operation, BBVA doubles its market share in Catalonia, an economically dynamic and attractive region, adds 1.5 million customers, and is now the sector's leading player in Spain.

Highlights of the Catalunya Banc acquisition

- Acquisition of a clean-up institution with a solid **customer franchise**.
- **Doubling market share in Catalonia** and improving market share in Spain.
- Attractive returns with manageable capital impacts.

Banking activity in Spain. Market share by business volume and ranking

(Percentage and ranking)



(1) Includes Catalunya Banc.
Peer group: includes Bankia, Bankinter, Caixabank, Ibercaja, Kutxa Bank, Popular, Sabadell, Santander y Unicaja.
Source: AEB and CECA. Loans and deposits from customers, figures as of June 2014.

Looking ahead to the **future**, BBVA will continue to demonstrate its position of leadership with a clear roadmap focused on increasing the customer base and its loyalty. The area will continue to make progress in its transformation process, which will enable it to anticipate the rules of the game of banking in the future, improve its efficiency and, above all, provide a better experience for its customers.

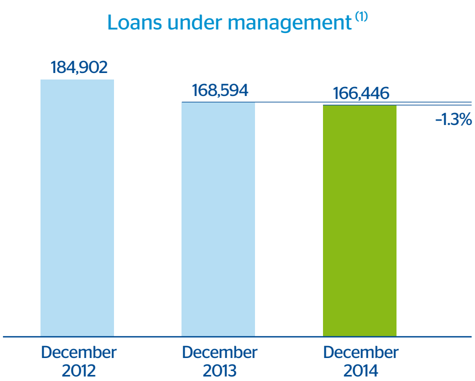
Activity analysis

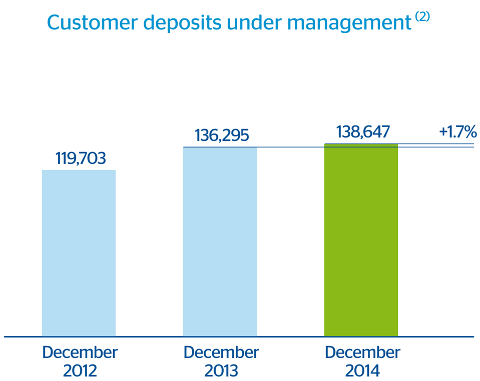
More positive performance of demand for loans, improvement in risk indicators and favorable trend in customer funds

The increase in new loan production seen over the year is the result of increased demand for finance, although the higher production still does not offset the maturities of the current stock. Thus, the volume of **loans** under management by the area continues to decline, although at a much slower pace than in previous periods (down 1.3% year-on-year) in practically all the portfolios. In the last quarter of the year, consumer finance has grown quarter-on-quarter (up 1.4%, including credit cards). This improvement in demand for finance is expected to consolidate further in 2015, underpinned by stronger economic activity in the country.

Banking activity in Spain. Key activity data

(Million euros)

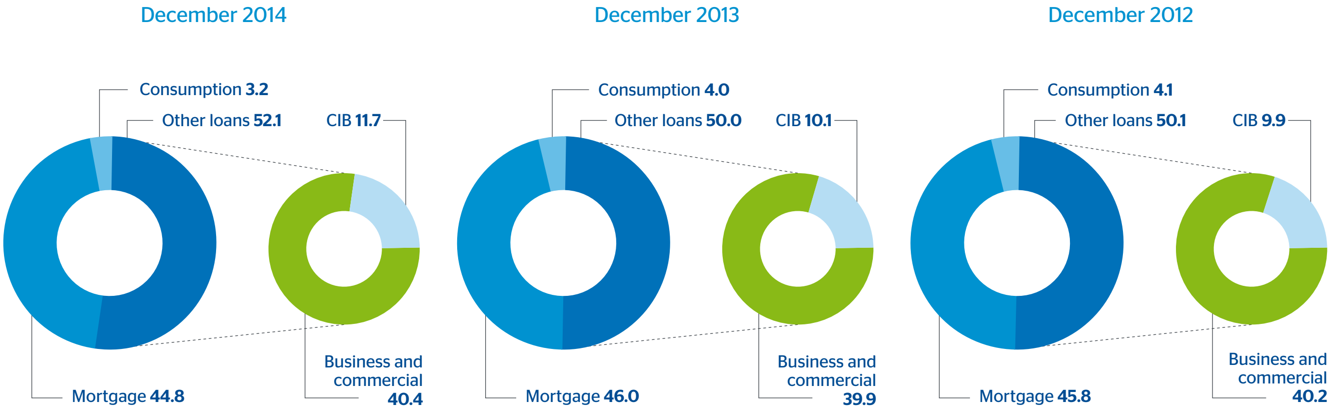




(1) Includes funding for segments managed by CBB through fixed-income.
(2) Excluding repos.

Banking activity in Spain. Loans under management breakdown

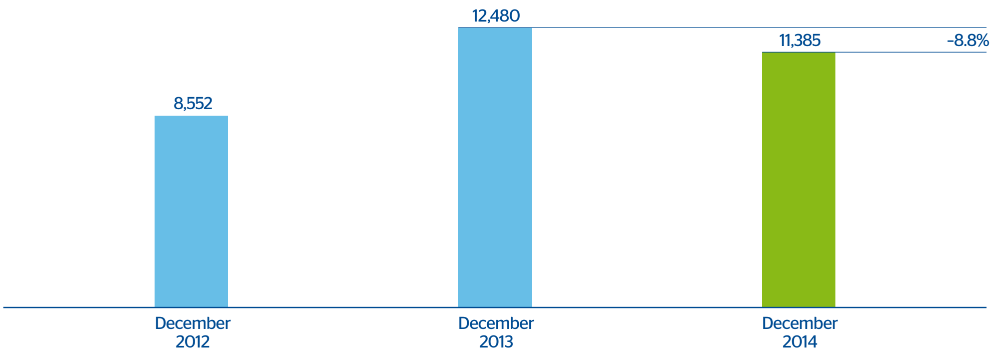
(Percentage)



Asset quality continues to improve, thanks to the excellent trend in net additions to NPA, which left the NPA ratio at the close of the year at 6.0%. This figure represents a fall of 42 basis points over the last 12 months. The coverage ratio increased to 45% (41% as of 31-Dec-2013).

Banking activity in Spain. Non-performing assets

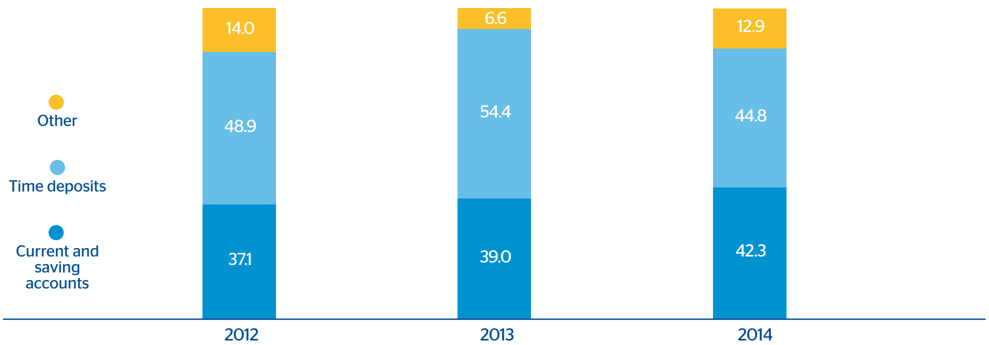
(Million euros)



The trend in customer **deposits** under management is also favorable, but varies between products. The reduction in the remuneration paid for time deposits has led to funds being shifted toward saving accounts and mutual funds. This downward correction to the cost of time deposits and the greater weight of transactional products in the fund mix are generating a positive effect on the net interest income in the area.

Banking activity in Spain. Breakdown of customer deposits under management

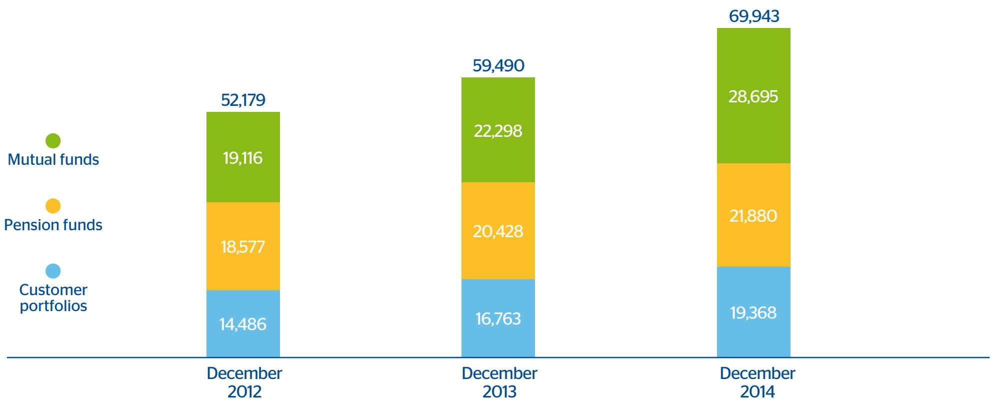
(Percentage)



Lastly, **off-balance-sheet** funds continue to grow, with a year-on-year increase of 17.6% at the close of 2014, largely due to the improvement in mutual funds (up 28.7% since the close of 2013). As a result, the Group has maintained its leading position as a fund manager in Spain.

Banking activity in Spain. Other customer funds

(Million euros)



Earnings analysis

The year-on-year comparison of earnings in the area is strongly influenced by the following factors from the previous year:

- Elimination of the “floor clauses” in residential mortgage loans for consumers in May 2013, which were in place throughout practically the entire first half of 2013 and had a positive effect on net interest income for that period.

- The capital gain generated in the first quarter of 2013 by the reinsurance operation on the individual life and accident insurance portfolio.

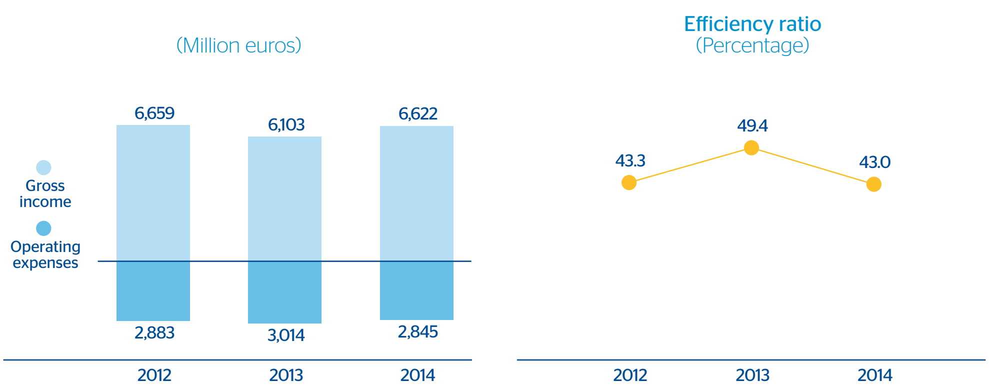
In 2014, the net interest income figure has been practically the same as in the previous year, despite the aforementioned negative effect of the elimination of the “floor clauses”, the reduction in the stock of loans and the current environment of all-time low interest rates. This is because the impact of these three elements is being offset by good price management of customer funds, which is allowing customer spreads to improve. Income from fees and commissions has performed very well, above all in the last quarter of 2014, despite the coming into force in that same period of regulatory limitations that affect the revenue from credit cards and pension fund management. Overall, the **more recurring revenue** has grown at a year-on-year rate of 1.4%.

NTI closed a very positive year (up 42.4% year-on-year), thanks to the good performance of Global Markets and the appropriate management of structural risks on the balance sheet. The other income/expenses heading also rose in cumulative terms by 129.6% on the previous year, due to the good performance of insurance activity, the dividends received in the Global Markets area and the fact that in 2013 there had been an extraordinary payment to the Deposit Guarantee Fund to comply with Royal Decree-Law 6/2013. However, it should be noted that the last quarter of 2014 includes the charge for the IDEC, for €54m. As a result, banking activity in Spain has registered good **gross income** figures for 2014, with a year-on-year rise of 8.5%.

The transformation and digitization process implemented by the Group has had a clear effect on operating expenses, whose cumulative figure in 2014 has fallen year-on-year by 5.6%, with reductions in all the expense lines.

Favorable trend in recurring revenue, cost control and improvement in the cost of risk

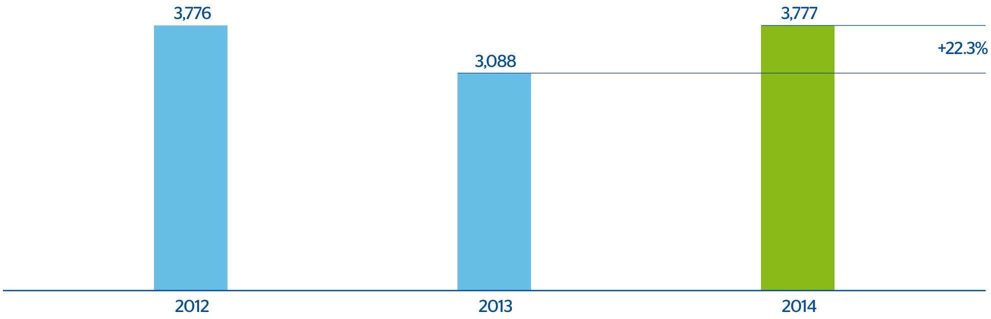
Banking activity in Spain. Efficiency



As a result of the above, **operating income** has increased year-on-year by double-digit figures (22.3%) to €3,777m for the year as a whole.

Banking activity in Spain. Operating income

(Million euros)



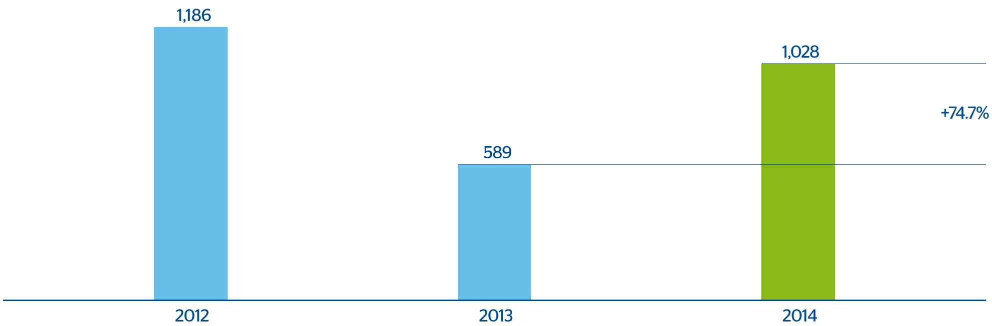
In addition, the improvement in asset quality has led to provision requirements for impairment losses on financial assets that are clearly below those registered in 2013 (that year they were influenced by the refinanced loans). This explains the year-on-year decline of 34.4% in this heading, and the reduction of the cumulative cost of risk over the year to 0.95%.

Lastly, there has been a year-on-year increase of 121.3% in provisions (net) and other gains (losses), basically due to the restructuring costs derived from the aforementioned digitization and transformation process being implemented by the Group.

To sum up, and given the absence this year of one-off earnings, the **net attributable profit** generated in 2014 by banking activity in Spain is €1,028m. This compares with a figure of €589m in 2013, which included €440m of earnings from corporate operations (capital gains from the reinsurance operation on the life-individual accident insurance portfolio).

Banking activity in Spain. Net attributable profit

(Million euros)



Retail Network

This unit includes the business with the following **segments**: individual customers, private banking, SMEs and small businesses.

BBVA offers each customer segment what it needs and demands, simply and transparently

The Retail Network closed the year with a balance of **loans** under management of €91,039m (down 4.1% year-on-year), and on and off-balance-sheet customer **funds** under management of €142,408m, a rise of 3.3% on the figure for 31-Dec-2013.

BBVA aims to continue to strengthen its leading position in Spain in all the segments by attracting customers and increasing their levels of loyalty. The launch of the **"Quiero" (I want) campaign** sums up the way it aims to achieve this goal. BBVA wants to offer each customer what they need and demand, simply and transparently. This has guided the commercial actions carried out in 2014.

Worth mentioning in **financing** is the "Buenas noticias" (Good News) campaign conducted in the first quarter of the year, with which BBVA wanted to demonstrate in a clear and decisive way its commitment to economic recovery and finance. The following products and services have been launched under this initiative:

- In consumer finance one highlight is the One-Click Loan product or Immediate Loan, a pre-authorized product that has enabled more than 2 million customers to obtain finance through a variety of different channels (10% of such loans have been arranged through channels other than branches).

- Also notable is the new "Prestamo coche" (car loan), with a competitive interest rate.

- In an environment of improving economic expectations and reactivation of the real-estate market, BBVA has launched the "Quiero" Mortgage, with a special rate that is targeted at customers who meet certain minimum requirements of solvency, profitability and loyalty. The campaign is proving very successful.

In **savings**, in an environment of all-time low interest rates, BBVA continues committed to responsible management of the balance sheet and an offering tailored to each customer.

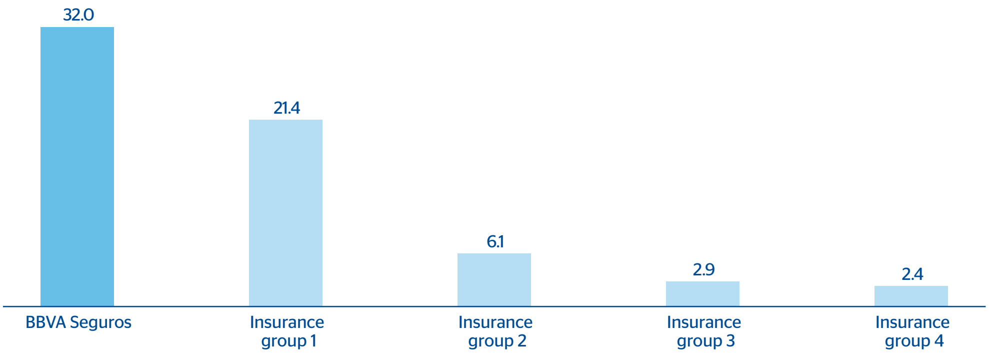
- First, time deposits continue to be sold with the aim of winning new customers and increasing their level of loyalty, such as the BBVA "Tranquilidad" (Peace of Mind) and "Creciente" (Growing) deposits.

- The sales of mutual funds have been boosted for those customers with the right risk profile. This product is strongly underpinned by bonuses for transferring funds from other institutions.

- Saving for retirement has gained importance following the Government's announcement of its Social Security reforms. In October, BBVA launched the "Acuérdate de tu futuro" (Remember your future) campaign, whose main goal is to make people aware of the importance of planning their saving for retirement and to help them make decisions in advance. BBVA's commercial offering includes a wide range of pension plans and insured pension plans tailored to the risk profile of customers and to their retirement time horizon. This year, the commercial offering has been accompanied by information initiatives, such as simulators of contributions to pension plans and future total estimated pensions, and promotional activity, such as the payment of up to 4% toward pension fund contributions and transfers and the daily prize draw of €6,000 for customers using the simulations.

- In the insured savings business, at the close of the third quarter of 2014 (latest available figures; source: ICEA), BBVA was the leader in written premiums for the PIAS (individual scheduled savings plans), with a market share of 32% of premiums amounting to €557m through September.

Market shares in PIAS as of September 2014. BBVA Seguros and main competitors (Percentage)



Source: ICEA.

In 2014, the risk **insurance** business performed strongly, as a result of the transformation of the range toward more competitive and modular products (which are customized and tailored to the customer's needs) and increased commercial activity in the network, with highly focused campaigns, including:

- Launch of the new Home Insurance, which clearly improves the current offering existing on the market.
- Implementation of different measures to make buying over-the-counter insurance more attractive. Of note are the promotions, such as credits of up to 150 euros for buying insurance, or a free tablet for buying health insurance.

To complete the commercial offering, this year has seen the launch of a very important **Quality Plan** across the network. Called "Banco 10", it seeks to involve the workforce in order to become the most recommended company in 2015 for providing to customers an excellent service. It entails the deployment of a working methodology that promotes dialog with customers, who are informed of the explicit commitment of the Bank and of the managers themselves to service quality.

These measures have contributed to increase commercial vitality and have enabled the rate of growth in attracting new customers to be maintained, as demonstrated by the positive trend in the FRS market share as main provider shown in the "Management priorities" section.

A new service model was implemented in the **business unit** in mid-2014. Under this new scheme, SMEs (businesses with a turnover of less than 5 million euros) are now served by the retail network with the aim of giving priority to proximity, accessibility and the quality of customer service. This has entailed a redefinition of the model for attracting, serving and managing customers, as well as of the value offer made available to them. The goal is to be the "SME bank", win market share and improve positioning within this segment. Since the implementation of this plan, the target set for attracting new customers has been comfortably exceeded, with over 36,000 new SMEs. Moreover, the commercial actions carried out have been aimed at boosting credit, with a particular focus on internationalization plans. Of particular note has been the launch of "Credipyme", a tool to determine the risk profile and capacity for indebtedness of SMEs and estimate what finance can be provided for them. In addition, the second edition of the "Plan + Negocio" plan has been launched. It allows BBVA to boost the management of finance for companies and help attract and build the loyalty of new customers.

Corporate and Business Banking (CBB)

The CBB unit handles the business of large companies, corporates and institutions and manages a **loan book** of €53,485m (down 2.3% year-on-year, though the performance was flat in the fourth quarter of 2014) and total customer **funds** of €22,142m (down 3.5% year-on-year).

In an environment marked by growing competition, financing becomes a clear priority for all the segments managed by CBB

Since the aforementioned restructuring of the business segment, service through the Business Banking network is limited to customers which are groups with a turnover or a total balance in excess of 5 million euros. This has strengthened the ability to the segment's specialized sales force to deal with customers and provide better advice, supported by the more than 150 product specialists. In an environment marked by growing competition, financing becomes a clear priority.

The following initiatives stand out in the **large companies** segment:

- The launch of the "Plan + Negocio" plan, focused on boosting commercial activity with certain groups with a high growth potential. This has improved the market share over the indebtedness stock.
- Large companies banking's commitment to granting finance is demonstrated by the cumulative figures of ICO funds: in the 24th half-month of 2014, 18,784 operations were granted, compared with 7,743 in 2013, i.e. a growth of 104%.
- Also of note is the finance granted to 506 companies under the umbrella agreement with the European Investment Bank (EIB) in May for €400m.
- Lastly, SME Banking has participated in various business meetings to explain its support for the internationalization processes of companies, both in Spain and in other countries in which BBVA is present.

It is worth noting that the improvement in economic situation has also reduced net addition to NPA by 50%.

In the **Corporate Banking** segment, lending has also been strong, notably with:

- Participation in almost of all major market operations of Spanish corporations, with a coordination role in most of them.
- Major one-off transactions with European parent companies of customers in the segment.
- Participation in several "Schuldschein" transactions (a type of debt under German legislation).
- Operations within the Cross-Border Plan carried out by customers abroad, above all in the United States, Mexico, Peru and Colombia.

In 2014, **Institutional Banking** has maintained its position of leadership in lending, with a market share of nearly 26%. The following actions are particularly noteworthy:

- The Plan for the Replacement of the Supplier Payment Fund, whereby the Ministry of Finance has enabled local authorities to refinance the operations arranged with central government through the market. The award ratio has been 50% of the amounts authorized by the area's Risk department.
- The award of the ICO's treasury account, with an average balance of €300m, which will be maintained for one year under market conditions.

Insurance

Buoyant activity

The Insurance unit comprises several companies with the strategic goal of becoming the benchmark in the insurance business among the different BBVA customer segments. It manages an extensive range of insurance products through direct insurance and brokerage, using various networks.

In **activity**, the premiums written by BBVA insurance companies in Spain and Portugal amounted to €2,106m. Combined with the robustness of the business concluded and the growing contribution of risk insurance, the result has been a positive generation of earnings in the area. The contribution by risk insurance activity in 2014, both life and non-life, amounted to €566m in direct insurance premiums (up 8.3% year-on-year). Of the €273m in premiums contributed by the life business (up 10% year-on-year), there has been widespread growth in all the lines of activity. Life has grown by 9.4% year-on-year, life/payment protection is up 7.8% and life/group risk has increased by 30%. In the non-life business, the premiums written have amounted to €293m (up 6.8% year-on-year), with notable increases in automobile (up 25%) and health (up 40%) insurance.

Thanks to this strong activity, the Insurance unit had more than 3.4 million policyholders at the close of 2014 (up 5% year-on-year).

Banking activity in Spain. Insurance unit. Policyholder breakdown as of December 2014 by main products

- **962,000 life-credit** policyholders **protect** the principal of their **mortgages and loans with us**.
- **545,000 policyholders** in personal **life and accident** insurance.
- We protect **848,000 homes** of our customers with our multi-risk home and fire insurance.
- **137,000 vehicles** insured with our car and motorcycle insurance.
- We have **79,000 customers who look after their health** with our healthcare products.
- **738,000 policyholders save and prepare for retirement** with our individual and collective business pension products.

Multi-channel strategy

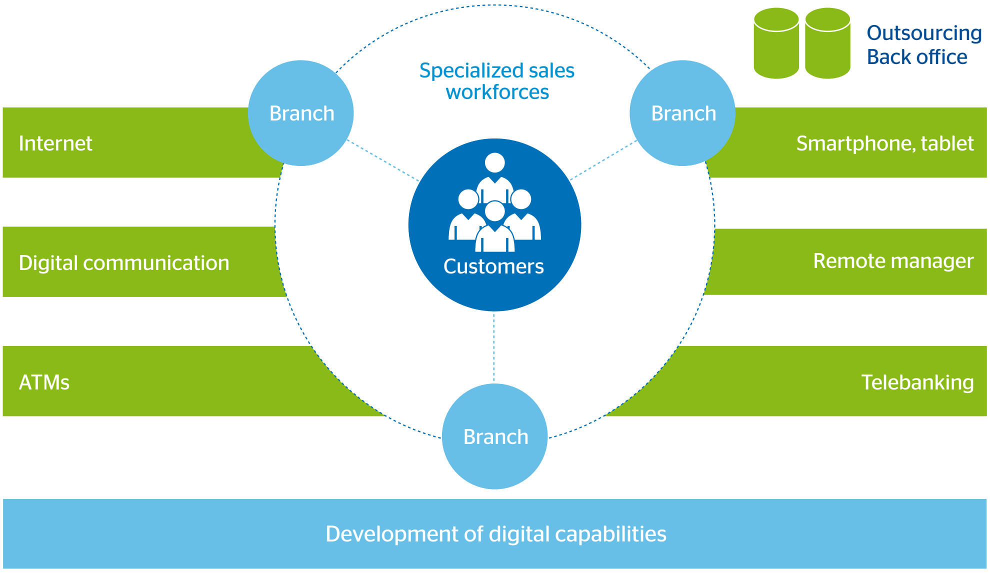
The Group aims to allow customers to manage the whole relationship with the Bank through digital and/or remote channels

Technological changes and customer behavior call for the development of new forms of relationship. In the future, leading this transformation will offer a clear competitive advantage in terms of efficiency and customer experience. The Group aims to allow customers to manage the whole relationship with the Bank through digital and/or remote channels and boosting the digital sale of products. In this regard, the progress made in **2014** has been as follows:

- Improvements in ATMs and self-service terminals, including access using the bbva.es username and password.
- Progress in the commercial capabilities of the website, above all in the dividend reinvestment operations, the inclusion of online contracting of the One-Click Loan product (Immediate Loan) and the launch of mortgage and pension plan campaigns.
- Launch of the new version of cell-phone app that allows adjustment of transfers, activation of cards, changing the card PIN number, payment of bills without direct debit, checking sicavs, etc.

- Regarding this matter, BBVA has developed BBVA Wallet. With more than 400,000 downloads at the end of 2014, it is the most commonly and widely used mobile payment banking app in Spain and the first on a global scale to integrate HCE [1] technology for native payments with cell-phones using NFC (Near Field Communication). The app's ease of use and convenience have led that more than 70,000 customers already purchase with their cell-phone, 20,000 with their NFC cell-phone and more than 50,000 with their NFC sticker. In addition to customer recognition, this mobile payment solution has won a Contactless & Mobile Award 2014 (CMA 2014).

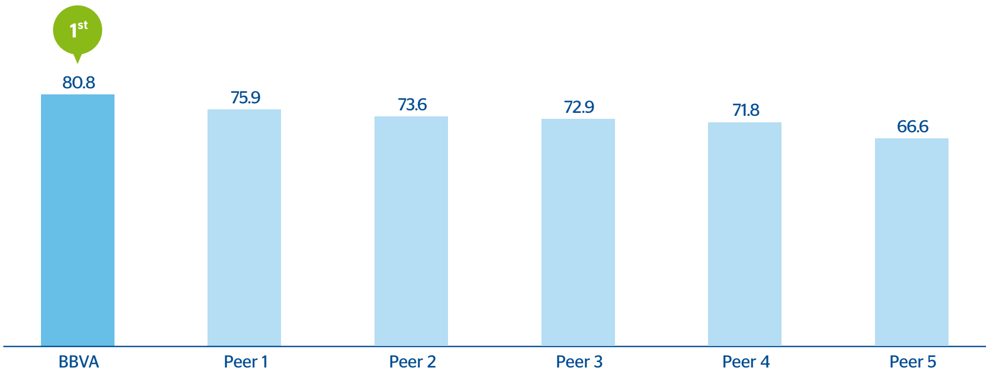
Development of a "non-flat" network with a larger remote and digital contact surface



As a result of this progress, the FRS 2014 survey shows that BBVA's website in Spain and the Entity's mobile app are the leaders in satisfaction in their category, ahead of their main competitors. The process of improvement and gradual incorporation of commercial capabilities will continue in the coming months.

Level of satisfaction of the main online banking customers

(Percentage)

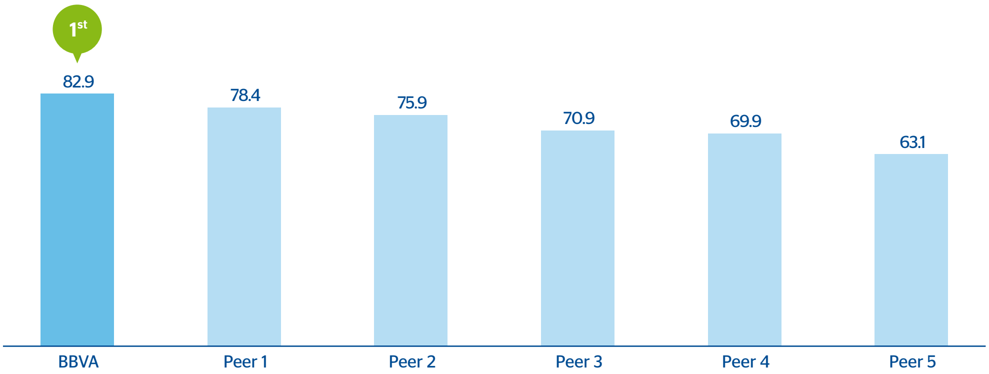


Peer group: includes Bankia, Caixabank, Popular, Sabadell and Santander.
Source: FRS 2014.

(1) HCE (Host Card Emulation) technology enables users of Android cell-phones with NFC technology to immediately start making purchases at contactless POS terminals with their phones by simply downloading the app, without the need for any additional element (SIM, sticker, etc.).

Level of satisfaction of the main mobile banking customers

(Percentage)



Peer group: includes Bankia, Caixabank, Popular, Sabadell and Santander.
Source: FRS 2014.

Apart from developing new channels, progress has been made in early 2015 in the process of **transformation** of the retail distribution network, with respect to the reorganization of the "head branches". This has reduced the number of "head branches" by 90, without any cut in the total number of branches in the commercial network. The new "head branches" are bigger, with more dependent branches and include remote managers to speed up customer service. The aim is to boost advice, specialization and remote service, without losing network capillarity, in order to achieve a more specialized, productive and efficient.

Responsible banking

BBVA maintains its commitment to the communities where it operates with various initiatives

BBVA in Spain has developed various initiatives in 2014 in line with the three strategic priorities of the Responsible Business Plan:

Firstly, product leaflets with **Transparent, Clear and Responsible communication** (TCR) criteria have been fully implemented in the branches network. Secondly, progress has been made in "Programma Banco 10", a project with the aim of receiving a 10 in customer service. Finally, the first contracts with TCR criteria have been written and tested.

As regards **financial literacy**, the educational program "Valores de Futuro" (Future Values) has been carried out, in which 796,300 students and 600 BBVA volunteers have participated in the 2013-2014 edition. Its aim is to deal with money as part of education and boost the values of prudence, responsibility and solidarity.

Regarding **products with a high social impact**, within the framework of responsible business policies, the Group has defined a social housing policy in supporting individuals with special needs. This goes beyond the legally established criteria and enables it to offer solutions to all families who are finding it difficult to repay their mortgage loans and guarantee that any family which is a BBVA mortgage customer and is at risk of exclusion can have a roof over their heads and cannot be evicted. In this regard, customers who find it difficult to pay their mortgage loans are offered, among other initiatives, a free employment plan with the Adecco Foundation. The program is combined with a training and job search plan lasting nine months for either the customer or one of the customer's family members. In 2014, 1,150 customers benefited from the BBVA Adecco Foundation Plan and 30% of them found a job at some point during the program.

"Yo Soy Empleo" (I am Employment) is a program that provides financial support to SMEs and the self-employed so they can hire unemployed people. This initiative has received an award from the SERES Foundation for integrating social responsibility into the company's strategy. Its achievements include:

- It has helped 4,614 businesses and self-employed workers create 7,427 jobs, nearly 70% with permanent employment contracts. On average, those hired had been unemployed for 14 months and 40% were under the age of 30.

- More than 2,630 businesses have benefited from the training modules for growth, within the framework of the program.

- This initiative is backed by more than 100 public and private institutions, including the Federation of the Self-Employed (ATA).

As mentioned in the "Team" chapter, BBVA has launched a program for 3,000 **scholarships** in Spain over the next two years, aimed at university students, graduates and postgraduates. It is designed to complete their education by working in a global financial institution like the Group, and improve their future employability. The young people will receive work-experience training for six months in various departments in the Bank, in both corporate areas and the branch network. They will be supervised by the Entity's professionals, who will act as their mentors. The program's budget is €13m.

The **Momentum Project** initiative has chosen the 10 finalist companies for its 4th edition. Most of them are committed to innovation. Among the projects are those dealing with improvements to the environment, the quality of life and/or the health of people and social and labor inclusion.

The 6th **Integra Prize** was awarded to the AMIAB group, an organization that promotes the labor and social integration of disabled people in Albacete. The prize is worth €200,000. A special mention worth €100,000 was granted to the Cantabrian organization AMICA and another four additional recognitions for €50,000 each were also granted. The 7th edition of the Integra Prize was launched in December 2014. On this occasion there will be two categories: one for €150,000 and one for innovative programs, with a €25,000 prize. In addition, all the winners will become participants in Momentum Project.

The third edition of **"Territorios Solidarios"** has also been launched. This is an initiative through which BBVA employees in Spain propose and vote for social projects they believe the Bank should support financially. In this third edition, 175 projects were chosen with the votes of 14,201 employees and they have received a total of €1,650,000.

The BBVA Foundation, together with the Spanish Ministry of Education, Culture and Sports, have granted the 29th "Premios Francisco Giner de los Ríos a la Mejora de la Calidad Educativa" (Francisco Giner de los Ríos Awards for Educational Quality). These awards recognize the work of teachers who innovate in the area of teaching methodology. There are eight categories in all, covering the different educational levels, with total prize money of 129,000 euros.

Other prizes and awards

BBVA's achievements in Spain in different areas, apart from those mentioned above, have been recognized with various prizes:

- BBVA Private Banking has been named the best private bank in Spain for the fifth year in a row at the 2014 The Global Private Banking Awards. These awards are granted annually by the prestigious magazines *The Banker* and the Financial Times Group journal *PWM*, specializing in international banking.

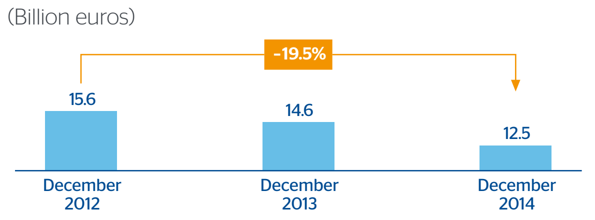
- BBVA Asset Management has received a FUNDCLASS award for best Spanish manager in the 26 to 40 rated funds category from the European Funds Trophy 2014. The award recognizes the consistency in management and the manager's ability to offer a range of funds with outstanding performance for a seven-year period.

Real-estate activity in Spain

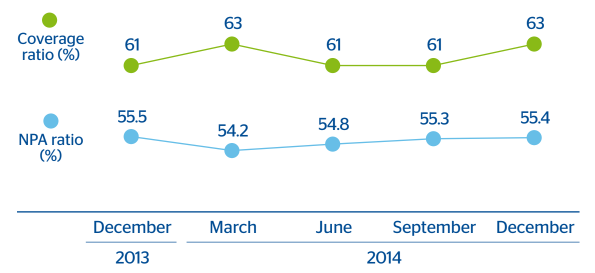
Highlights in 2014

- Improvement in indicators related to demand for residential housing and positive evolution in price adjustments.
- Reduction in BBVA's net exposure to the real-estate sector, combined with an improvement in asset quality.
- Lower provisions in 2014 than in previous periods.

Net exposure (1)



Risks



Results

2014. Million euros

Net interest income	-38	n.m.
Gross income	-132	+248.3%
Operating income	-291	+55.2%
Net attributable profit	-876	-30.0%

(1) Transparency scope according to Bank of Spain Circular 5/2011. The figures include Unnim but exclude the stake in Metrovacesa.

Income statement

(Million euros)

	Real-estate activity in Spain			
	2014	Δ%	2013	2012
Net interest income	**(38)**	**n.m.**	**(3)**	**(21)**
Net fees and commissions	4	(56.8)	9	19
Net trading income	72	7.4	67	(29)
Other income/expenses	(170)	52.9	(111)	(48)
Gross income	**(132)**	**248.3**	**(38)**	**(79)**
Operating expenses	(159)	6.3	(150)	(130)
Personnel expenses	(86)	2.2	(84)	(60)
General and administrative expenses	(50)	16.6	(43)	(46)
Depreciation and amortization	(23)	1.8	(23)	(24)
Operating income	**(291)**	**55.2**	**(188)**	**(209)**
Impairment on financial assets (net)	(305)	(52.6)	(643)	(3,799)
Provisions (net) and other gains (losses)	(629)	(37.6)	(1,008)	(1,696)
Income before tax	**(1,225)**	**(33.4)**	**(1,838)**	**(5,705)**
Income tax	351	(40.9)	595	1,634
Net income	**(873)**	**(29.8)**	**(1,243)**	**(4,071)**
Non-controlling interests	(3)	(65.8)	(9)	3
Net attributable profit	**(876)**	**(30.0)**	**(1,252)**	**(4,068)**

Balance sheet

(Million euros)

	Real-estate activity in Spain			
	31-12-14	Δ%	31-12-13	31-12-12
Cash and balances with central banks	6	(7.4)	6	4
Financial assets	646	(44.3)	1,159	1,215
Loans and receivables	8,819	(16.5)	10,559	12,461
Loans and advances to customers	8,819	(16.5)	10,559	12,461
Loans and advances to credit institutions and others	-	-	-	-
Inter-area positions	-	-	-	-
Tangible assets	1,373	(17.3)	1,661	1,848
Other assets	7,090	(1.5)	7,196	6,584
Total assets/Liabilities and equity	**17,934**	**(12.9)**	**20,582**	**22,112**
Deposits from central banks and credit institutions	-	-	-	-
Deposits from customers	53	(48.7)	103	483
Debt certificates	-	-	-	-
Subordinated liabilities	922	65.9	556	651
Inter-area positions	13,250	(25.1)	17,697	17,862
Financial liabilities held for trading	-	-	-	-
Other liabilities	-	-	-	-
Economic capital allocated	3,709	66.6	2,227	3,117

Definition of the area

This area provides specialized management of the Group's real-estate assets, including foreclosed real-estate assets from both residential and developer mortgages, the developer loan business and other related assets. Management of properties for BBVA's own use is excluded from its scope.

Industry trends

Demand recovers steadily and the price adjustment stabilizes

After several years of contraction, 2014 was the year of change in the cycle of **real-estate activity**. Although it is not the first time that the sector has undergone a period of recession, the latest starting in 2007 has been the longest and most intense. Over these years, construction activity has fallen by 95%, sales have dropped by nearly 70% and housing prices have declined by around 40% in real terms from their highs.

However, since the start of 2014, **construction activity** has in general been recovering. For example, the number of housing construction permits for new starts have been growing for several quarters. According to the latest available information, between January and November 2014 they have increased by 5.1% in year-on-year terms. This improvement is also reflected in the labor market: the number of workers in the construction sector registered in the Social Security system has grown. Entrepreneurs' perception regarding the future of the sector is moving in a similar direction, as shown by the improvement in the industrial outlook indicator, even though it continues to be in negative territory. This resurgence in construction activity is taking place with a high stock of new unsold homes. Although the year ended with excess supply below 2013 levels, it will still continue to be high in some regions. However, the supply is trying to respond to the shortage of new homes in certain areas and the need to meet new demand requirements, in a market characterized by an increasing geographical diversity.

On this occasion, the sector has not anticipated economic recovery, as happened in the past. Rather, its recovery has been a response to the return to economic growth. In fact, the economy's return to growth has resulted in an improvement of the fundamentals of **residential demand** from the domestic point of view. At the same time, Spain's attraction as a holiday and retirement destination continues to spread beyond its neighboring countries, and despite external geopolitical events and the worsening growth outlook for the Eurozone, housing demand by foreigners remains strong. The latest data available for November from the General Council of Spanish Notaries reflect the positive trend in sales of real-estate assets, which have increased by 16.8% on the first eleven months of 2013. Nevertheless, the entry of new supply onto the market will remain weak over the coming years. Thus, the boost in demand will help reduce existing over-supply.

The **price** of housing is gradually stabilizing: the contraction in housing prices moderated significantly in the first quarter of the year, and this has been maintained in successive quarters. Thus, as a result of the geographical diversity mentioned above, there are regions where housing prices have already begun to grow. Data from the National Institute of Statistics (INE) for the third quarter of 2014 confirm the trend toward stability that was already reflected in data from the Ministry of Public Works. For the second quarter in a row, the INE's housing price index (IPV) shows a slight year-on-year increase. The price adjustment thus seems to have come to an end.

In short, 2014 has been a turning point in the recent history of the real-estate market. Stronger economic growth, recovery in the fundamentals of demand and continued financial stability will be key factors for the recovery in real-estate activity that begun in 2014 to continue strongly into 2015. In any event, the imbalances that still remain in the market will mean that recovery, which is starting from historically low levels, will be moderate.

Management priorities

The main management priority is the transformation of this business area into one that can contribute sustained value to the Group. To do so, the aim is to:

- Reduce the historical level of unprofitable real-estate exposure in lending and properties, while improving the mix and quality of the portfolio.
- Strengthen the structures and tools in order to improve the impact made by the effort in sales and risk management.
- Undertake new developments, transforming land into final product.
- Relaunch the residential and wealth finance business franchise, with new strategies and management models that make the most of the lessons learned from the recent real-estate crisis.

The goal is to contribute sustained value to the Group

Activity analysis

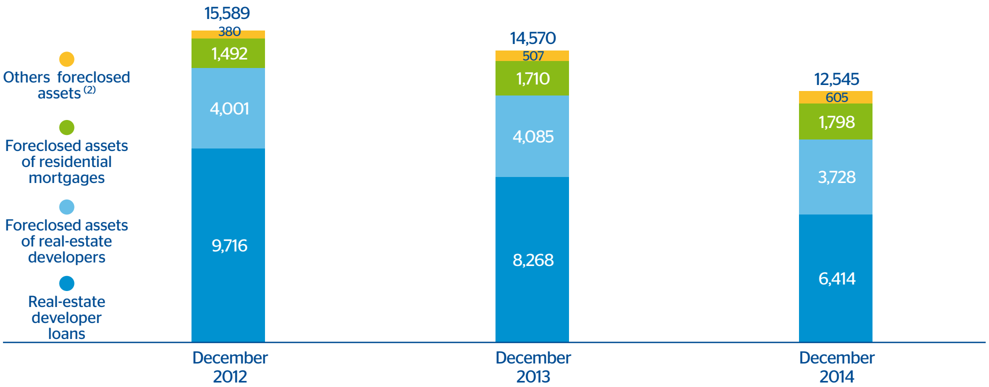
There are two very different realities for the Group within the real-estate sector. First, there is the net exposure to the developer segment (lending to developers plus the developers' foreclosed assets), which has continued to decline. Second, there are real-estate assets and retail foreclosures, i.e. those from defaulting mortgage loans, where the rate of new additions has slowed.

Overall, BBVA's **net exposure** to the real-estate sector in Spain at the close of 2014 stood at €12,545m, a year-on-year fall of 13.9%, mainly due to real-estate developer loans that continue to fall.

Reduction in net exposure, combined with an improvement in asset quality

Real-estate activity in Spain. Net exposure to real estate [1]

(Million euros)



(1) Transparency on like-for-like basis: the figures include Unnim but exclude the stake in Metrovacesa.
(2) Other foreclosed assets include foreclosed assets that do not stem from financing family home buying.

It is worth noting that, although to a lesser extent, the net exposure of the real-estate foreclosed assets is beginning to fall, though there is still a high rate of foreclosed asset entries from residential mortgage loans. These **properties** from foreclosed residential mortgages (not including the amount of provisions) have fallen by 15.8% since December 2013.

Non-performing assets continue to decline and are now 16.1% below the figure for 2013. As of 31-Dec-2014, the **coverage ratio** of non-performing and substandard loans stood at 54%, and of real-estate exposure as a whole at 48%, an improvement of 278 basis points over the year.

Coverage of real-estate exposure in Spain

(Million of euros as of 31-12-14)

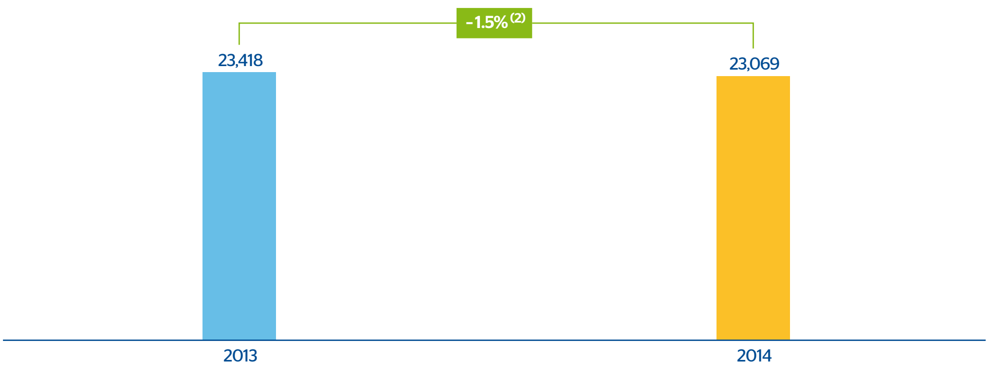
	Risk amount	Provision	% Coverage over risk
NPL + Substandard	8,399	4,572	54
NPL	7,418	4,225	57
Substandard	981	347	35
Foreclosed real estate and other assets	13,016	6,885	53
From real-estate developers	8,629	4,901	57
From dwellings	3,250	1,452	45
Other	1,137	532	47
Subtotal	**21,415**	**11,457**	**53**
Performing	2,587		
With collateral	2,401		
Finished properties	1,873		
Construction in progress	225		
Land	303		
Without collateral and other	186		
Real-estate exposure	**24,002**	**11,457**	**48**

Note: Transparency scope according to Bank of Spain Circular 5/2011 dated November 30.

The cumulative **sales** of real-estate assets for the year are somewhat lower than the previous year (down 1.5%), although they are assets of a greater gross value and average price, with a bigger impact on the reduction in the portfolio. Not including the number of wholesale portfolio sale operations carried out last year, the number of real-estate asset sales reflects a slight growth year-on-year (up 1.6%).

Real-estate activity in Spain. Sales evolution of real-estate assets [1]

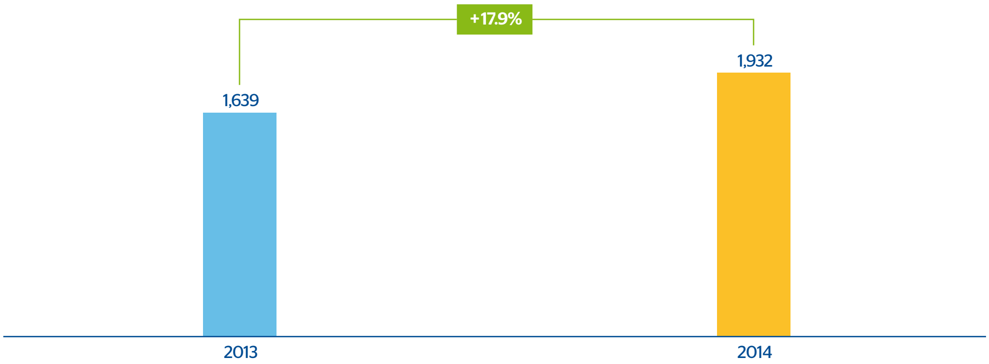
(Units)



(1) Includes sales on behalf of third parties and the promoters themselves.
(2) +1.6% excluding wholesale portfolio sale operations carried out in 2013.

Real-estate activity in Spain. Sales evolution of real-estate assets [1]

(Million euros)



(1) Includes sales on behalf of third parties and the promoters themselves.

Earnings analysis

The highlights of the area's annual earnings are the less negative impact of loan-loss provisions for developer loans and foreclosed real-estate assets, as well as the negligible effect of the sale of properties, as they are being sold at a price close to their net book value.

Thus, in 2014, BBVA's real-estate business in Spain registered a **loss** of €876m, notably less than the €1,252m loss posted in 2013, due basically to the reduced need for loan-loss provisions and less deterioration in the value of real-estate assets.

Lower loan-loss provisions in 2014 than in previous years

The United States

Highlights in 2014

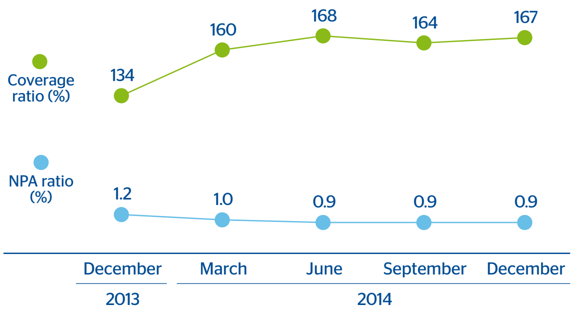
- Good macroeconomic outlook.
- Strong activity focusing on new credit operations.
- Progress in the digital transformation.

Activity [1]

Year-on-year changes at constant exchange rate
Balances as of 31-12-2014

+12.7%	+14.7%
Loans	Customer funds

Risks



Results

2014. Million euros
Year-on-year changes at constant exchange rate

Net interest income	1,443	+2.7%
Gross income	2,137	+4.0%
Operating income	640	+3.0%
Net attributable profit	428	+8.9%

(1) Loans under management and customer deposits under management (excluding repos).

Income statement

(Million euros)

	The United States				
	2014	Δ%	Δ% [1]	2013	2012
Net interest income	**1,443**	**2.9**	**2.7**	**1,402**	**1,550**
Net fees and commissions	553	9.2	8.7	507	531
Net trading income	145	3.8	2.1	139	153
Other income/expenses	(4)	265.4	224.4	(1)	(36)
Gross income	**2,137**	**4.4**	**4.0**	**2,047**	**2,198**
Operating expenses	(1,497)	4.8	4.4	(1,429)	(1,476)
Personnel expenses	(861)	5.0	4.5	(820)	(852)
General and administrative expenses	(457)	6.3	6.0	(430)	(440)
Depreciation and amortization	(179)	0.1	(0.1)	(179)	(185)
Operating income	**640**	**3.5**	**3.0**	**618**	**722**
Impairment on financial assets (net)	(68)	(8.2)	(8.1)	(74)	(66)
Provisions (net) and other gains (losses)	(10)	6.2	3.7	(10)	(36)
Income before tax	**561**	**5.1**	**4.5**	**534**	**620**
Income tax	(133)	(8.0)	(7.5)	(145)	(175)
Net income	**428**	**10.0**	**8.9**	**390**	**445**
Non-controlling interests	-	-	-	-	-
Net attributable profit	**428**	**10.0**	**8.9**	**390**	**445**

(1) At constant exchange rate.

Balance sheet

(Million euros)

	The United States				
	31-12-14	Δ%	Δ% [1]	31-12-13	31-12-12
Cash and balances with central banks	3,808	13.3	(0.3)	3,362	5,384
Financial assets	11,892	64.5	44.8	7,231	7,584
Loans and receivables	50,970	28.5	13.1	39,677	38,328
Loans and advances to customers	48,976	30.8	15.2	37,430	36,053
Loans and advances to credit institutions and others	1,994	(11.3)	(21.9)	2,247	2,275
Inter-area positions	-	-	-	-	-
Tangible assets	725	7.9	(5.0)	672	745
Other assets	1,866	(11.3)	(21.9)	2,104	1,838
Total assets/Liabilities and equity	**69,261**	**30.6**	**14.9**	**53,046**	**53,880**
Deposits from central banks and credit institutions	5,765	23.7	8.9	4,662	5,628
Deposits from customers	51,394	29.0	13.6	39,844	39,132
Debt certificates	822	n.m.	n.m.	-	-
Subordinated liabilities	742	14.0	0.4	651	848
Inter-area positions	345	(50.3)	(56.2)	693	987
Financial liabilities held for trading	2,341	n.m.	n.m.	168	352
Other liabilities	5,289	16.5	2.5	4,541	4,025
Economic capital allocated	2,563	3.0	(9.3)	2,488	2,908

(1) At constant exchange rate.

Relevant business indicators

(Million euros and percentage)

	The United States		
	31-12-14	31-12-13	31-12-12
Performing loans [1]	50,280	44,604	40,828
Customer deposits under management [1-2]	50,093	43,673	40,992
Mutual funds	-	-	-
Pension funds	-	-	-
Efficiency ratio (%)	70.1	69.8	67.2
NPA ratio (%)	0.9	1.2	2.4
NPA coverage ratio (%)	167	134	90
Cost of risk (%)	0.16	0.20	0.17

(1) Figures at constant exchange rate.
(2) Excludes repos.

Definition of the area

This area encompasses the business conducted by the Group in the United States through BBVA Compass, BBVA Ventures, as well as the assets and liabilities of the branch in New York.

BBVA Compass is a bank with 672 branches. It is the 21st largest bank in the United States in terms of deposit market share.

BBVA Ventures is a unit based in Silicon Valley, which invests in disruptive startups in the financial industry with the aim of transforming the financial services sector. This is done by being in contact with companies that are developing business models and technologies to build the best customer experience in the digital era, one of the key elements in BBVA's comprehensive transformation process. In 2014 it invested in:

- Taulia, a company specialized in digitizing traditional processes of funding to suppliers through a cloud-based platform, thus shortening the payment cycles to one day and allowing suppliers to access the liquidity they need.
- DocuSign, a San Francisco company that offers e-signature technology and digital services for transaction management.
- Personal Capital, which provides financial advice and money management services.
- In 2015 it has already invested in Coinbase, the leading platform for transactions using the virtual currency bitcoin.

The **New York branch** is specialized in transactions with large corporations.

In the first quarter of 2014, BBVA agreed the purchase of **Simple** for USD 117m, a U.S. company that has created a new model of digital banking. This transaction is part of the Group's strategy to lead the technological changes that are transforming the financial industry. At the time of the acquisition announcement, Simple had more than 100,000 clients across the country, for who it provides a set of digital tools designed to streamline their expenses and optimize their savings.

Macro and industry trends

Sustained growth

The latest **activity** data confirm that the U.S. economy is on the road to recovery. GDP growth has been stronger than expected, following a setback in the first quarter of 2014; growth in jobs has remained above 200,000 jobs per month since February; the unemployment rate has fallen to 5.8%; and private consumption is being driven by increased purchasing power. It is true that the recovery could be affected by the continued appreciation of the dollar, the uncertainty surrounding the normalization of monetary policy and downward pressure on the long-term yield of Treasury bonds. Caution and the response to warning signals as economic data is released will modulate the pace of the normalization ahead.

Monetary and fiscal policy has played a very important role in this recovery. Now that Congress has reached a two-year budget agreement and another on the debt ceiling, the risks derived from fiscal uncertainty have certainly been mitigated. At the same time, the Fed has taken center stage, continuing with the expected process of reducing its stimuli and the rise in Fed funds rate, although both conditioned by inflation evolution and improvements in the labor market. Lastly, transparency and appropriate communication will be important for the Fed's strategy in 2015 in order to avoid greater economic uncertainty.

The **Sunbelt** region continues to be a key point for growth in the United States. In fact, this is where 50% of jobs have been created over the last year in the country.

Growth in activity, improving asset quality and pressure on margins

With respect to the **financial system**, the trend of reduction in the sector's NPA ratio continues. At the end of the third quarter of 2014 it stood at under 3%, close to the minimum pre-recession levels. The exception remains for residential mortgage lending, whose NPA ratio is falling, but still at rates of nearly 7%, (compared with the 5% pre-crisis level). In terms of activity, lending continues to grow at higher rates than in 2013 (up 7.7% in year-on-year terms, according to November figures), supported basically by the growth in corporate lending and, to a lesser extent, by the increase in consumer finance. Despite the volatility seen toward the end of 2014, deposits also continue to show a positive trend. With respect to the solvency of the sector, the most notable event was the publication in March 2014 of the stress tests results carried out on the 30 largest banks in the country. This year, for the first time, the subsidiaries of foreign banks have been included. BBVA Compass has passed these tests and thus its capital plans have been accepted without any objections by the Fed. Lastly, the low levels of interest rates continue to place pressure on the system's income statements.

With regard to the **exchange rate**, the dollar gained consistently against the euro for much of the year. This has had a positive impact on the year-on-year changes in the balance sheet headings and in activity. However, the currency effect on the income statement for the whole year has been very limited, as the exchange rate impact in average exchange rates has been much lower. To provide a better understanding of the changes in the business, the percentages given below refer to constant exchange rates, unless otherwise indicated.

Management priorities

Continue to create an outstanding digital value proposition have been and will continue to be management priorities in the area

At the start of **2014**, BBVA Compass became a public filer, so since then it is required to file routine reports with the Securities and Exchange Commission.

The **expansion network** of BBVA Compass' distribution continued in 2014. In addition to the acquisition of Simple, loan production branches were opened in San Francisco and Los Angeles (California), Seattle, Washington, Charlotte and Raleigh (North Carolina) and Columbus (Ohio). The bank also expanded in Texas through an agreement that gives it brand rights in more than 300 ATMs located in the H-E-B stores, the main food store chain based in Texas.

With respect to the creation of a differential **digital value proposition**, the bank has improved its position by establishing several strategic alliances, among them with OnDeck to boost credit for SMEs. BBVA Compass will use OnDeck's innovative technology and rating system to offer quicker loans (some available in one working day) under flexible terms and conditions tailored to each customer's needs. It also reached a collaboration agreement with CareCloud, a provider of financial services and integrated technology programs for the healthcare sector. Its innovative technology will provide small-scale medical practices with access to the bank's financial products and services. This segment has been neglected by the major financial institutions, which tend to focus more on larger hospitals. In the fourth quarter, BBVA Compass announced an agreement that opens up its technological platform to the innovative payment system Dwolla, the owner of an innovative payment channels system that operates in real time. The agreement allows the bank's account holders, whether individuals or companies, to use its technological platform to make quick, secure, direct and transparent payments at a cost that cannot be matched by the traditional networks.

Lastly, BBVA Compass has also continued to develop its **brand recognition**. The Highlights section lists the most relevant events in this respect.

With the completion of the new core operating system, the United States will continue to focus on creating a differential value proposition and continuing to comply with the growing regulatory demands. In **2015**, the management priorities for the United States will therefore be focused on:

- Positioning itself as leader in the **digital revolution** that is changing the financial sector. To do so:
  - It must continue to create a range of outstanding products and services for customers.
  - Initiatives will be carried out in real time to improve the customer experience and increase effectiveness.
  - Work will continue on brand recognition and positioning.
  - We will continue to look for partners whose technology boosts our vision of banking in the digital age.
- Maintaining our excellent **reputation** and improving the levels of customer **satisfaction** and staff productivity.
- Transferring the **success** of the commercial lending branches to the new markets and increasing the level of **banking penetration** through Corporate & Investment Banking services.
- Lastly, continuing to meet the demands of the new **regulatory environment**, preserving a strong capital base above the levels required by the stress tests.
- Making progress in **transparent communication** with our stakeholders, above all customers, and creating strong links with the communities where we offer a service.

Activity analysis

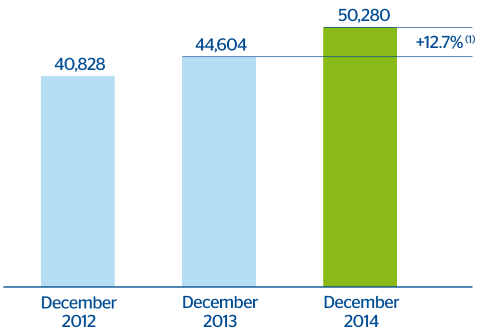
Loans under management in the area as of 31-Dec-2014 were up 12.7% over the year. This rise is general across all portfolios, particularly, in commercial lending, which grew by 15.4% since the end of 2013, residential real-estate mortgages, which increased by 9.0% and consumer finance (up 14.9% year-on-year).

The area has shown a robust performance in activity and improved asset quality

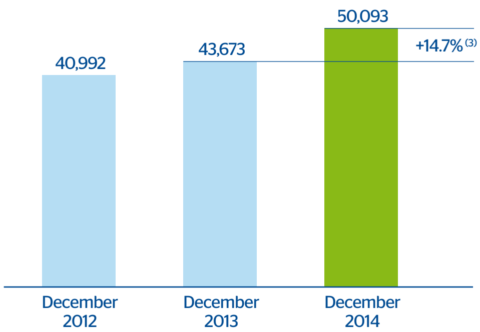
The United States. Key activity data

(Million euros at constant exchange rate)

Loans under management



Customer deposits under management (2)



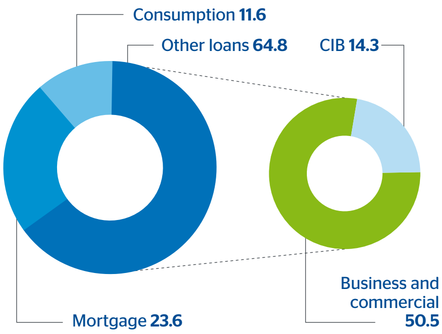
(1) At current exchange rate: +28.0%.

(2) Excludes repos.
(3) At current exchange rate: +30.3%.

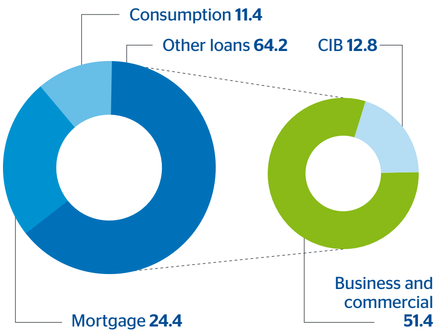
The United States. Loans under management breakdown

(Percentage)

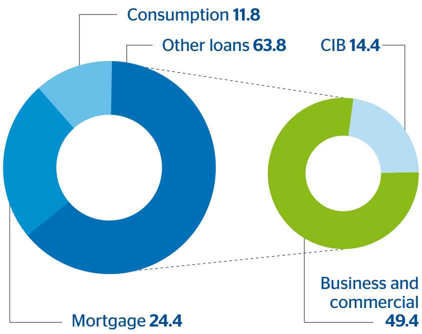
December 2014



December 2013



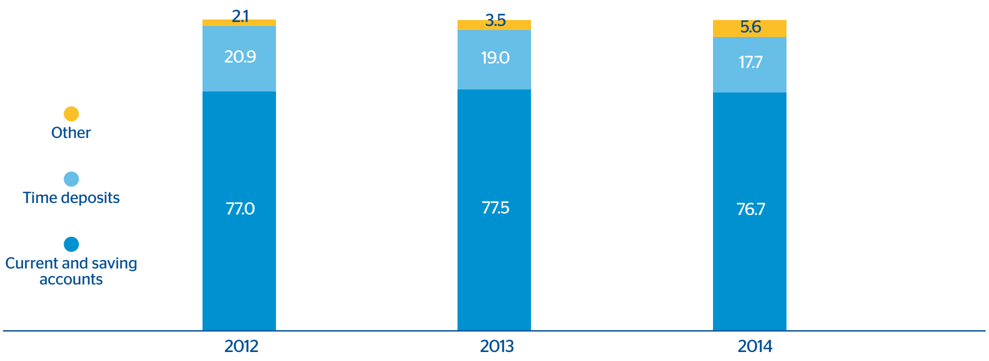
December 2012



The main indicators of the area's **asset quality** and risk management clearly improved over the year, with an NPA ratio of 0.9% and a coverage ratio of 167% as of 31-Dec-2014, compared with 1.2% and 134%, respectively, on same date the previous year.

Customer **deposits** under management increased by 14.7% over the last 12 months. These positive figures are due to the good performance of lower-cost deposits, namely current and savings accounts, which are up 13.6% since December 31, 2013.

The United States. Breakdown of customer deposits under management
(Percentage)



Earnings analysis

Positive revenue figures, costs under control and a decline in loan-loss provisions

The variation in the key headings of the income statement is due to the following factors:

- The **recurring revenue** has performed well over the year, thanks mainly to the strong activity. Net interest income for 2014 has increased by 2.7% over the year (with growing quarterly evolution and narrowing of spreads increasingly more limited). Income from fees and commissions has improved significantly (up 8.7% year-on-year) largely as a result of strong activity in the franchise's wholesale businesses.

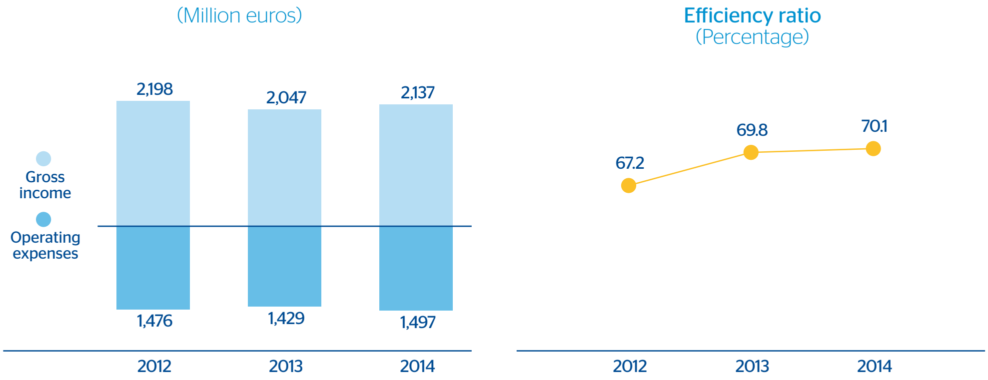
- There was also a positive performance in other headings, making up **gross income**, which totals €2,137m in the year (up 4.0% year-on-year).

- **Operating expenses** have grown moderately, by 4.4% over the year, despite the impact of the incorporation of Simple and the higher costs derived from regulatory requirements.

- **Impairment losses on financial assets** continue to decline and the cost of risk has improved to a cumulative 0.16% for the year.

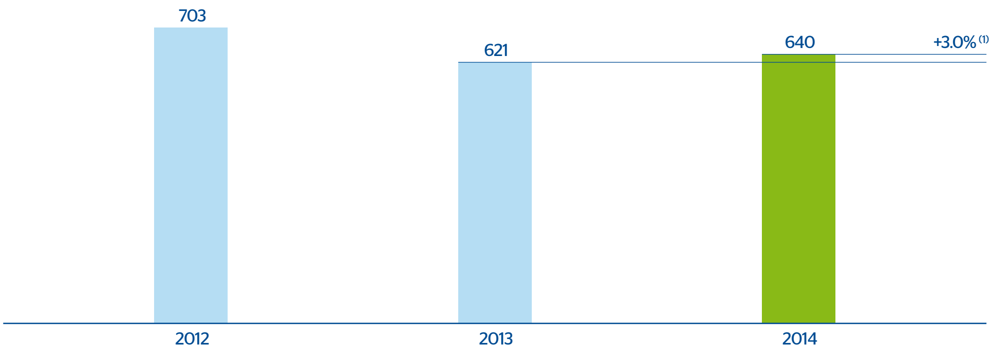
As a result of the above, in 2014 the area has generated a **net attributable profit** of €428m, up 8.9% compared with the figure for 2013.

The United States. Efficiency



The United States. Operating income

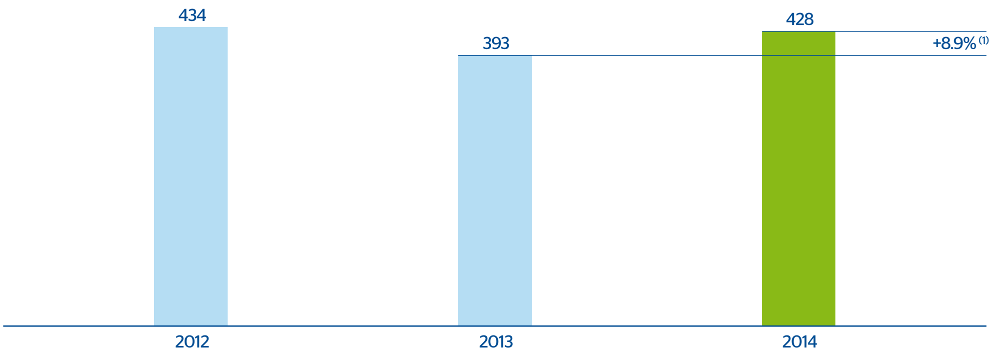
(Million euros at constant exchange rate)



(1) At current exchange rate: +3.5%.

The United States. Net attributable profit

(Million euros at constant exchange rate)



(1) At current exchange rate: +10.0%.

Commercial Banking

Strong activity thanks to new branches and specialized services

This unit, which manages the SME segment, has once more posted year-on-year growth in loans and deposits. The new loan production branches opened over the last two years have been a key driver of this increase. The specialized services, mainly in the healthcare sector, together with the commitment to the provision of services with international coverage and of Corporate & Investment Banking, have also contributed to this increase. A new business unit has been set up specializing in the transport world to serve customers in sectors related to logistics and maritime, rail and air transport. In digital services, Compass e-Access Mobile has been launched in 2014. This is a new cash management application that simplifies tasks such as management of accounts and transfers.

Corporate & Investment Banking (CIB)

Expansion of the range of products and services and special attention to larger customers

The expansion of the product and service offering of Corporate & Investment Banking (CIB) to cover current and potential BBVA Compass customers in the Sunbelt region has had satisfactory results in 2014. Working very closely with the Commercial Banking unit, CIB has increased its loan book and at the same time offers sophisticated services such as currency exchange, derivatives and various cash management products, as well as financial advice. The CIB unit has also extended its customer base in the banking sector and reached out to larger U.S. companies and multinationals that it did not serve before. The capacity to act as a lead bank, bookrunner and service bank has led to greater diversification and growth of revenue of the BBVA franchise in the United States through items such as fees and commissions, and to stronger customer relations.

Retail Banking & Wealth Management

Strong results and focus on a differential digital value proposition

The strength shown both by loans and customer funds, in particular residential mortgages and low-cost deposits, have allowed the Retail Banking & Wealth Management unit to register strong annual earnings. The generation of revenue from fees and commissions has also been positive, due basically to increases resulting from asset management, the sale of insurance and processing services for businesses.

Retail Banking & Wealth Management is focused on the creation of a differential digital value proposition for its customers through the use of innovative and interactive technology. This provides them with simpler and more efficient ways of managing their finances. Over the year, it launched the BBVA Compass Payroll Service to help small businesses and SMEs manage their payrolls through online banking. This service includes automation of payroll payments, tax management and various tools that offer customized reports. The unit has also launched Secure Send, a new digital service through which BBVA Compass customers can send money to 20 countries at any time thanks to the advantages offered by online and mobile banking. Bancomer Transfer Services (BTS) has signed an agreement with Wal-Mart in Mexico and Central America to allow people to collect the remittances sent by the bank's customers from the United States in more than 1,100 retail outlets in the region.

Over the year, BBVA Compass has also begun to replace its customers' credit cards with new ones with EMV chips that encrypt the card data and make forgery more difficult. The bank began in 2013 to provide customers in the small business and SME segment with the tools they need to accept BBVA Compass with EMV chips.

Lastly, the new complaints management system designed to resolve customer incidents quicker and avoid repeating them in the future has entered its final phase. This system aims to standardize and monitor practices with the aim of resolving any complaints and improving customer experience.

Main highlights

On March 28, 2014 the Fed published the results of its comprehensive **capital** analysis and review (CCAR) of the main financial groups in the country. BBVA Compass was included on the list and received unqualified approval for its capital plan. In addition, the Fed has revealed that the bank complies with the minimum regulatory capital requirements in the hypothetical case of a severely adverse scenario, as determined by the regulator. The above demonstrates the solvency of BBVA's subsidiary in the country and recognizes the soundness of the capital management policies and procedures of BBVA Compass. In addition, in September the results of the mid-year company-run stress test under the Dodd-Frank Act were made public. The test was carried out in the second quarter, and with the figures as of the close of March 2014, the BBVA franchise in the United States has shown sound levels of capital, far higher than those required, even in a hypothetically extremely adverse scenario.

BBVA Compass has received unqualified approval for its capital plans

In **liquidity** management, for the first time in seven years, the U.S. franchise has issued senior debt for USD 1 billion in two tranches, one for USD 400 million at 3 years and the other for USD 600 million at 5 years. This issue has been well received by the market, with a total demand of USD 2.5 billion. The issue aims to diversify the sources of funding.

For the first time in 7 years, BBVA Compass has successfully accessed the wholesale markets with the aim of diversifying its sources of funding

The most notable aspect with respect to **brand recognition** is that BBVA Compass earned top spot in *American Banker's* Annual Reputation Survey, which measures the reputation of the 25 biggest retail banks in the United States. Its score of 78.9 is 12 points higher than last year. The survey rates seven categories: governance, products and services, performance, innovation, working environment, leadership and the impact on local communities. BBVA Compass is the only banking institution that scores within the top five in all the categories. It has also been named one of the best regional banks by NerdWallet, a website that compares financial products, due to the characteristics of its products and services that are considered key for consumers: high-yield savings, lack of fees for many of the services offered, service quality, and customer service (easy mobile access or through ATMs). In addition, products such as the ClearConnect Checking account and mobile banking applications have proved very popular and are highly ranked in NerdWallet's first Consumer Banking Index for the fall of 2013.

BBVA Compass has achieved the second-highest score in a report by WalletHub on the level of transparency in banking information for customers, called the 2014 Checking Account Fee Transparency Report. The achievement is largely the result of the implementation of the Global Plan for Transparent, Clear and Responsible Communication (TCR Communication) in the country.

Other aspects in this area have been:

- BBVA Compass became the official sponsor of the Houston Dash, the newest member of the National Women's Soccer League. BBVA Compass and Dash have also undertaken to work together on several community initiatives in Houston.

- The renewal of the agreement making BBVA Compass the official bank of the NBA for the next three years has been announced. A digital campaign has been run to celebrate this announcement starring the players Kevin Durant and James Harden.

- BBVA Compass will continue to maintain its role as partner of the BBVA Compass Rising Star Challenge, an exhibition game that is played during NBA All-Star weekend between first and second-year players.

As regards **prizes and awards**, apart from those mentioned below for responsible banking, *Money Magazine* chose BBVA Compass as one of the best banks in the United States in a ranking of 70 of the country's largest banks (including online banking competitors). This magazine has also chosen it as the best mid-sized bank in the South of the United States and one of the leading banks for small businesses. Lastly, the magazine selected the BBVA Compass ClearConnect account for companies as one of the best for its features (for example, the possibility of performing unlimited free digital transactions). In addition, BBVA Compass has obtained a position in the ranking of the Best Banks in America prepared by the magazine *Money*. It has been named best medium-sized bank in the south of the country and one of the best banks for small businesses. In addition, the bank ranked 12th nationally by the United States Small Business Administration (SBA) in terms of SBA loan volume in fiscal year 2014 . BBVA Compass has also been chosen Rising Star in El Paso and Texas, the seventh biggest credit institution by volume in Houston and the credit institution of the year by the SBA for express loans in Alabama.

In responsible banking, BBVA Compass has received several awards for its work in 2014

Lastly, in **responsible banking**, the highlights in the quarter are as follows:

- BBVA Compass was among the four companies cited for high-quality sustainability reporting in the *Corporate Citizen*, Boston College's Carroll School of Management magazine.
- BBVA Compass has been recognized by Americans for the Arts as one of the ten companies in the country that provide most support for the arts, thanks to the bank's commitment through scholarships, local collaboration, volunteer programs and sponsorship.
- One Week Challenge: Build a Better Community has been a success among BBVA employees in the United States, with participating volunteers putting in more than 4,000 hours. Over the week, over 1,000 employees gave financial literacy classes or provided local community support for organizations.
- BBVA Compass and NBA Cares have successfully completed a year of financial literacy classes for 25,000 students in 400 schools. This training has been closely based on the EverFi's program, whose classes include a complete range of financial solutions for today's generation, which is much more digitally minded.
- For the third time, BBVA Compass was among the 23 financial institutions recognized by the Financial Services Roundtable at the Corporate Social Responsibility Leadership Awards ceremony. This major recognition is a result of the bank's firm and proven commitment to the local communities in which it operates.
- BBVA Compass's efforts to provide its customers with a clear and transparent banking service have been recognized with second place in the 2014 Checking Account Transparency Report of the WalletHub comparison website. It has also obtained the highest scores in a study by The Pew Charitable Trusts that evaluates the practices of the leading U.S. banks in checking accounts.
- The bank has made a donation to the Museum of Fine Arts of Houston to contribute to its remodeling.
- Lastly, in November 2014, BBVA Compass announced one of the most important initiatives, a program of loans, investments and services aimed at helping people and neighborhoods with low-middle income. The bank is also planning to present new distribution channels, products and services in 2015 for people with low incomes.

Eurasia

Highlights in 2014

- Good performance of Garanti in a complex environment.
- In Europe, lower deleveraging process and excellent performance of customer deposits.
- Active portfolio management.

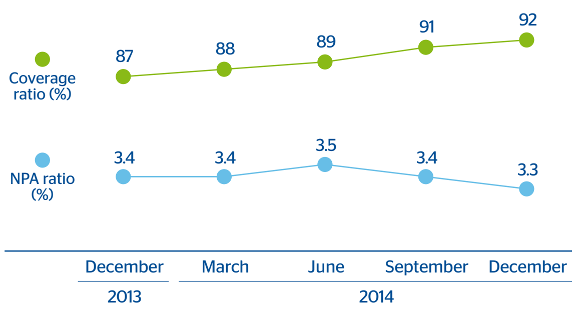
Activity [1]

Year-on-year changes at constant exchange rates
Balances as of 31-12-2014

+1.6% Loans

+24.2% Customer funds

Risks



Results

2014. Million euros
Year-on-year changes at constant exchange rates

Net interest income	924	+13.0%
Gross income	1,680	+5.1%
Operating income	942	+3.1%
Net attributable profit	565	+36.3%

(1) Loans under management and customer deposits under management (excluding repos).

Income statement [1]

(Million euros)

	Eurasia				
	2014	Δ%	Δ% [2]	2013	2012
Net interest income	**924**	**1.7**	**13.0**	**909**	**851**
Net fees and commissions	378	(3.0)	3.1	390	451
Net trading income	151	(22.4)	(21.6)	195	131
Other income/expenses	227	1.5	2.7	224	232
Gross income	**1,680**	**(2.1)**	**5.1**	**1,717**	**1,665**
Operating expenses	(738)	0.2	7.8	(736)	(779)
Personnel expenses	(387)	0.9	8.0	(384)	(404)
General and administrative expenses	(304)	0.8	8.4	(301)	(320)
Depreciation and amortization	(47)	(7.7)	2.1	(51)	(54)
Operating income	**942**	**(3.9)**	**3.1**	**981**	**886**
Impairment on financial assets (net)	(203)	(38.5)	(34.4)	(330)	(328)
Provisions (net) and other gains (losses)	(27)	(57.9)	(56.2)	(65)	(49)
Income before tax	**713**	**21.5**	**31.3**	**586**	**508**
Income tax	(147)	7.0	15.1	(137)	(105)
Net income	**565**	**25.9**	**36.3**	**449**	**404**
Non-controlling interests	-	-	-	-	-
Net attributable profit	**565**	**25.9**	**36.3**	**449**	**404**

(1) Pro forma financial statements with the revenues and expenses of the Garanti Group consolidated in proportion to the percentage of the Group's stake.
(2) At constant exchange rates.

Balance sheet [1]

(Million euros)

	Eurasia				
	31-12-14	Δ%	Δ% [2]	31-12-13	31-12-12
Cash and balances with central banks	2,677	3.1	(0.9)	2,596	2,346
Financial assets	9,627	35.9	32.7	7,085	12,027
Loans and receivables	30,741	2.5	0.5	30,004	32,087
Loans and advances to customers	28,199	3.5	1.6	27,247	29,245
Loans and advances to credit institutions and others	2,542	(7.8)	(10.3)	2,757	2,842
Inter-area positions	-	-	-	-	-
Tangible assets	247	(9.6)	(12.4)	273	309
Other assets	1,375	8.6	5.3	1,267	1,554
Total assets/Liabilities and equity	**44,667**	**8.4**	**6.0**	**41,223**	**48,324**
Deposits from central banks and credit institutions	9,817	1.0	(1.1)	9,725	13,665
Deposits from customers	22,671	28.6	25.3	17,634	17,470
Debt certificates	1,298	8.1	3.4	1,201	964
Subordinated liabilities	633	10.0	9.8	575	899
Inter-area positions	1,278	(77.1)	(77.1)	5,573	5,471
Financial liabilities held for trading	408	25.0	22.7	327	414
Other liabilities	5,206	69.4	62.0	3,073	4,834
Economic capital allocated	3,357	7.7	6.3	3,115	4,607

(1) Pro forma financial statements with the revenues and expenses of the Garanti Group consolidated in proportion to the percentage of the Group's stake.
(2) At constant exchange rates.

Relevant business indicators

(Million euros and percentage)

	Eurasia		
	31-12-14	31-12-13	31-12-12
Performing loans [1]	28,481	28,027	27,621
Customer deposits under management [1-2]	20,952	16,867	14,953
Mutual funds	1,549	1,332	1,408
Pension funds	852	634	608
Efficiency ratio (%)	43.9	42.9	46.8
NPA ratio (%)	3.3	3.4	2.8
NPA coverage ratio (%)	92	87	87
Cost of risk (%)	0.68	1.11	0.97

(1) Figures at constant exchange rates.
(2) Excludes repos.

Definition of the area

This area includes the activity carried out in the rest of Europe, excluding Spain, and in Asia, i.e. the Group's retail and wholesale businesses in the area. It also includes BBVA's stakes in the Turkish bank Garanti and in the Chinese banks CNCB and CIFH (an agreement was signed in December 2014 for the sale of the stake in CIFH, whose execution is subject to obtaining the required authorizations).

Garanti is a group that provides integrated financial services for each segment in the banking sector, including retail, corporate and SME banking, payment channels, and private and investment banking. It also has its own subsidiaries in the pensions, life insurance, leasing, factoring, brokerage and asset management sectors. Garanti owns international subsidiaries located in the Netherlands, Russia and Romania. It provides service to 12.8 million customers through a workforce of 19,036 people across a network of 1,005 branches and has 4,152 ATMs, according to data available at the close of 2014. It also serves its customers through a call center and mobile banking, social media and Internet platforms built using a state-of-the-art technological infrastructure.

Macro and industry trends

Economic activity in the **Eurozone** grew at moderate levels, although with some improvement in the second half of 2014. Household consumption and exports have been slightly stronger than investment, which continues to be held back by moderate economic activity and spare capacity. While in previous years the crisis was concentrated in the economies of the periphery, in 2014 the weakness has been focused on the region's larger countries. The crisis between Ukraine and Russia and the exchange of sanctions between the European Union and Russia have affected confidence and exports, above all in Germany, where private investment remains sluggish. In France and Italy, domestic factors have weighed more heavily on economic activity, as the pace of reforms has been slower than would be expected. Meanwhile, the countries in the periphery are in some cases back on the path to growth. In Spain and Ireland, activity is improving faster than in the countries in central Europe. Overall, the Eurozone grew by 0.8% in 2014 and in 2015 it is expected to grow above 1%. Several factors support this recovery: a more favorable international environment, the euro's depreciation against the dollar, the decline in oil prices, the introduction of banking union, more accommodative monetary and fiscal policies in general and practically neutral budgets expected for 2015.

Improvement in confidence in the Eurozone, above all in the second half of 2014

Inflation remains at very low levels, far from the ECB medium-term target of price stability. As a result, the ECB has implemented a program of quantitative easing based on the purchase of additional assets, in order to increase inflation expectations among agents and avoid the risk of deflation. Thus, at the start of October, the ECB announced the main details of the asset-backed securities purchase program (ABSPP) and the third covered bond purchase program (CBPP3), which would last at least two years.

The European financial sector is moving toward banking union

As regards the area's financial system, the highlights are:

- Key progress toward banking union. The creation of the Single Resolution Fund has been agreed and it is expected to be operative since 1 January 2016. In addition, the Directive for Banking Recovery and Resolution was passed and will apply as of January 2015. Among its aspects, it covers the circumstances for triggering the resolution of an entity and the mechanisms for bail-in.

- Comprehensive assessment process for the 128 banks that at the close of 2014 had to be subject to ECB supervision, as mentioned already.

- Approval by the ECB of a broad package of measures, including: a cut in interest rates that left the basic open market transaction rate at 0.05% (after the last cut realized in September) and the deposit window rate in negative territory for the first time ever; an announcement of various targeted longer-term refinancing operations (the aforementioned TLTROs); and starting in October, the launch of a purchase program of covered bond and asset-backed securities, as mentioned already. Lastly, on September 18 and December 15, 2014, details of the first and second targeted longer-term refinancing operation (TLTRO) auctions were released. These are the first two of eight auctions planned until June 2016 to help in the transmission of monetary policy and promote lending to the private sector.

In Turkey, economic growth seems to have improved at the end of the year, due to the contribution of the foreign demand and the positive effect of the decline in oil prices

In **Turkey**, the cyclical position of the economy changed over 2014. The effects of the tightening of monetary and macroprudential policy implemented in early 2014 began to be felt at the end of the second quarter in domestic demand, which reduced its contribution almost to zero. This situation, combined with the depreciation of the exchange rate, facilitated the process of adjustment of the external imbalances. After moderating in the third quarter, economic growth seems to have improved in the last few months of the year, due largely to the contribution of the foreign demand and the positive effect of the fall in oil prices. As a result, activity in 2014 is expected to grow at rates of around 2.5%. The reduction in the cost of energy is helping moderate inflation and the current-account deficit, giving the Central Bank of Turkey (CBRT) more room for maneuver. In the year as a whole, the increase in global risk aversion and reduced investment flows to the emerging economies have accelerated the depreciation of the Turkish lira (–12.8% in average exchange rates against the euro), despite the final upturn that led to the year closing with a rate 4.5% higher than in December 2013.

Business activity in the Turkish banking sector still growing at double-digit rates, the NPA ratio remains stable and there is downward pressure on bank margins

With respect to the Turkish financial sector, the rate of growth in lending has continued to moderate (particularly in loans to individuals), though it is still increasing at double-digit rates, according to the latest figures from December 2014. This moderation is a reflection of a less expansive monetary policy by the CBRT (from May to July it cut the reference rate by 175 basis points) and the adoption of macroprudential measures. The NPA ratio in the sector remains stable at around 3%. Fund gathering in the private sector has also slowed, above all in local-currency deposits. In terms of solvency, the sector has sound levels of capitalization. Lastly, the monetary policy tightening measures and the significant hike in interest rates in the first quarter of 2014 have led to a rise in the cost of liabilities and temporary downward pressure on bank margins.

In **China**, GDP continues to slow, with forecast growth for 2015 of 7.0% compared with the expected 7.4% for 2014. As a result, demand, fiscal and, above all, monetary policies have room for responding to modulate the rate of GDP growth.

Some progress has been made as regards the liberalization of China's financial system. Of note in banking activity is the moderation in the growth of lending, which has prompted the Popular Bank of China (PBoC) to announce several measures over the year: in June, a cut in the reserve requirement ratio (RRR) of 0.5 percentage points for those banks that participate actively in granting loans to the agricultural sector and to small and medium-sized enterprises; and in September and October, a liquidity injection into the system of up to a maximum of CNY 700,000 million. The last financial stability report published by the PBoC in July 2014 mentions the slight impairment in asset quality, which nevertheless starts from very sound levels, and the slight decrease in the sector's profitability. Lastly, also of note is the growth in the off-balance-sheet activity of banks and the potential risk associated with shadow banking.

To better understand the changes in the business figures, the percentages given below refer to constant **exchange rates**, unless otherwise indicated. As can be seen, the impact from exchange rates has been negative on earnings, but positive on the balance sheet and business activity.

Management priorities

In **2014**, in terms of business in **Europe**, the Group has continued to focus its efforts on managing prices and handling the liquidity gap, prioritizing its relationship with customers and cross-selling rather than growth in business volume.

Active portfolio management

In **Turkey**, managing the relationship with Garanti has again been the main focus for BBVA. In November 2014, BBVA announced the acquisition of an additional 14.89% in Garanti Group from Doğuş, after four years of active cooperation, for a maximum consideration of 5.57 billion Turkish lira (around €1.99 billion). With this acquisition, BBVA will increase its exposure and influence in Garanti, while Doğuş will remain as a key shareholder, with 10% of the capital. The Group will thus become the largest shareholder in the largest bank in Turkey by market capitalization, with a clear position of leadership in a country with high growth potential. After this operation, BBVA's stake in Garanti will stand at 39.9% and it will have a majority of the members on the entity's board of directors. The final closing of this operation is expected to take place in the first half of 2015, subject to obtaining the required authorizations.

Garanti and BBVA have continued to share know-how and work in close collaboration to gain a better understanding of each other and increase the exchange of information. One aspect worth noting is the ongoing collaboration between BBVA Global Markets and Garanti for the distribution of Turkish assets among international institutional customers. The new Consumer Finance unit, which was set up in 2013 under the new strategy defined by BBVA Consumer Finance, continues to operate well. In addition, Garanti Payment Systems is developing BBVA Wallet in the Spanish market, along with other payment channel projects in other geographical areas in which the Group is present, for example, in BBVA Bancomer in Mexico. In digital banking, BBVA and Garanti have shared extensive knowledge. BBVA has implemented a new technological platform and developed the distribution model to align it with the multi-channel profile of customers, strongly supported by Garanti's technological platform. Garanti continues to handle many relationships with local corporate customers of BBVA CIB and several mutual funds launched in Luxembourg in 2013 that invest in Turkey under the BBVA Asset Management platform.

Garanti continues to be at the cutting edge of new technologies and committed to launching new products aimed at the integration on the social media, in order to maintain its position of leadership in these channels in Turkey.

Lastly, as regards BBVA's presence in **China**, an agreement was signed in December 2014 for the sale of 29.68% of CIFH to CNCB for €845m. This deal will have an estimated negative effect on earnings of around €25m, but will improve the Group's fully-loaded CET1 capital position. Another 4.9% of CNCB was sold in January 2015 in an operation that will generate a net capital gain of approximately €400m and will also have a positive impact on the Group's fully-loaded CET1 ratio. Both operations are expected to be closed in the first half of 2015, once the required authorizations are obtained. These transactions enable the Bank to anticipate future regulatory requirements and adequately and efficiently manage one of the scarcest resources: capital.

The management priorities for **2015** will be in line with those for 2014:

- In **Europe**, the focus in terms of lending will continue to be on selective growth in specific portfolios and customer segments. On the liabilities side, customer funds gathering will continue to be boosted. Price management will also be important, as well as promoting cross-selling and controlling costs, in order to maintain the value of the franchise.

- In **Turkey**, the efforts in the first half of the year will be aimed at closing the additional acquisition agreement mentioned above. In addition, managing the relationship between BBVA and Garanti will continue to be crucial, particularly in those areas where they have an extensive knowledge base and/or a leadership position. On the technological front, BBVA will continue to benefit from Garanti's technological platform expertise in different areas. Collaboration among the joint work teams of the various units will also continue to be encouraged.

- **Garanti** will continue to apply a strict cost policy and supervise the NPA flows in order to maintain asset quality levels. In terms of revenue, the sources of fee and commission generation will continue to be diversified to counteract the negative effect of the regulation approved in 2014. In business activity, retail consumer finance and business banking loans will be the main focus.

Activity analysis

Good performance by Garanti. In Europe, lower level of deleveraging and excellent performance of customer deposits

Loans under management in the area closed 2014 with year-on-year growth of 1.6%. The most notable aspect of this trend is:

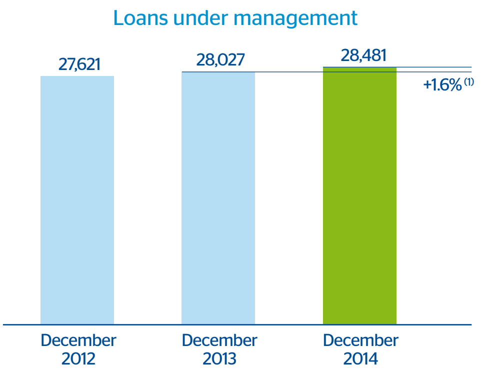
- Excluding Garanti, the deleveraging process in the business with customers in Europe and Asia continues, although at a much slower pace than in previous periods. The balance of the loan book closed 2014 at €15,308m, a year-on-year decline of 6.4% (compared with a reduction of 12.5% at the end of 2013).

- Good performance of loans under management from BBVA's stake in Garanti, which continue to grow at double-digit rates in year-on-year terms (12.8%).

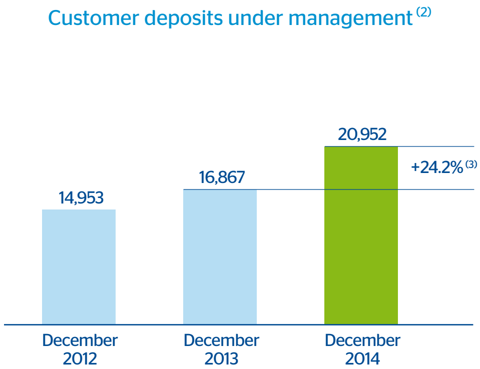
- Breaking down lending activity in the Turkish bank by portfolio, there has been a year-on-year increase in Turkish lira loans of 16.3%, strongly focused on finance to companies and retail lending. Foreign-currency loans have remained flat over the last twelve months, though demand is expected to pick up in 2015.

Eurasia. Key activity data

(Million euros at constant exchange rates)

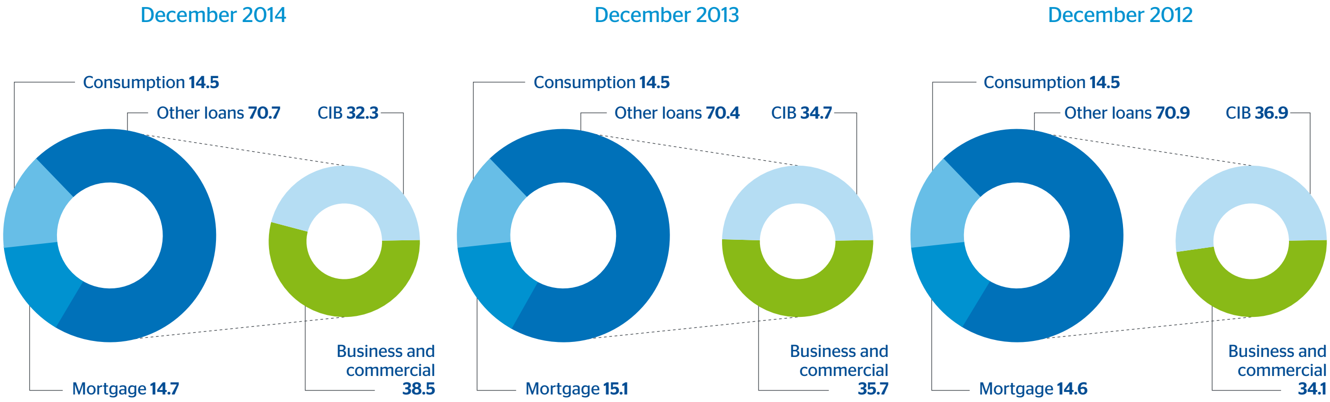


(1) At current exchange rates: +3.5%.

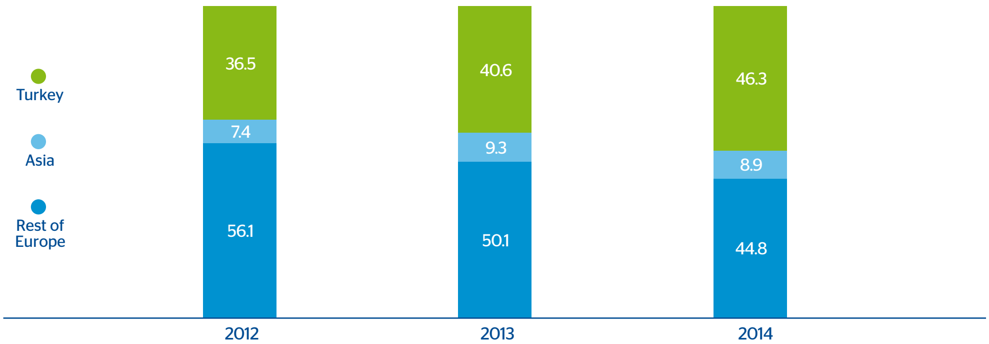


(2) Excluding repos.
(3) At current exchange rates: +27.3%.

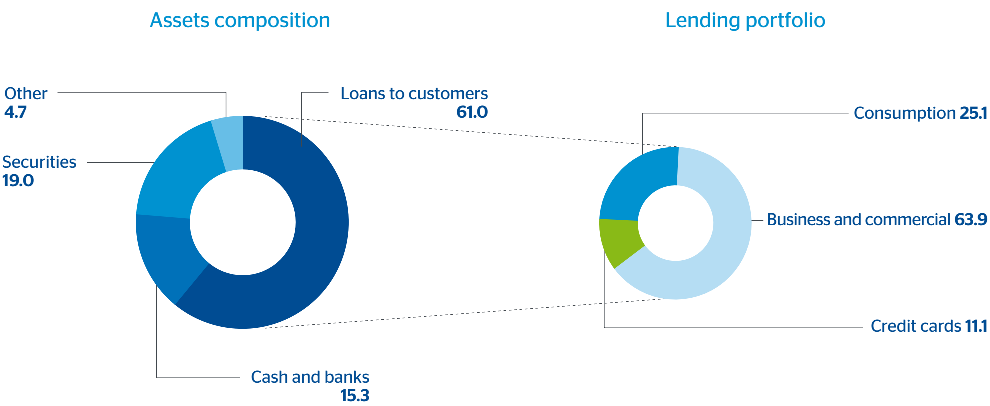
Eurasia. Loans under management breakdown
(Percentage)



Eurasia. Loans under management breakdown by geographical area
(Percentage)



Garanti. Composition of assets and lending portfolio [(1)]
(Percentage as of 31-12-2014)



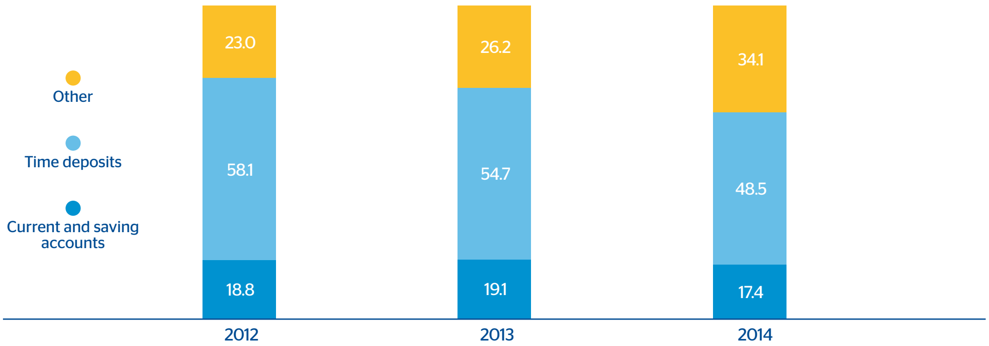
(1) BRSA figures for the Garanti Bank only.

The **asset quality** indicators in the area have improved over the year. The NPA ratio stands at 3.3% and the coverage ratio at 92%, compared with 3.4% and 87%, respectively, at the close of December 2013. In fact, the indicators of asset quality in Garanti are outstanding compared with the average for the Turkish banking system.

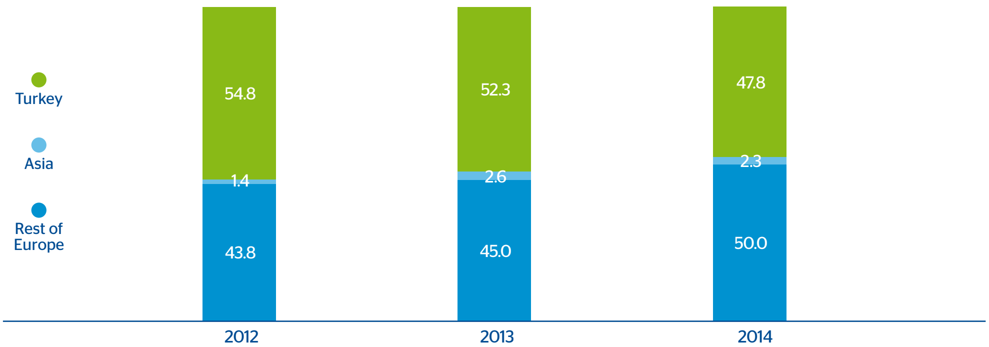
With respect to customer **funds**, there has been a very significant increase in customer deposits under management in the area (up 24.2% year-on-year), above all over the last three months of the year (up 15.2%), particularly from customer deposit gathering in the rest of Europe and Asia (up 39.2% year-on-year). In the case of Garanti, there was an upturn in local-currency deposits in the fourth quarter, in line with the rise in the sector as a whole (up 9.2% year-on-year at the end of December 2014, compared with a fall of 3.4% year-on-year in the third quarter). As for Garanti´s foreign-currency deposits, they have also accelerated their rate of growth compared with the close of the third quarter, and at above the sector average (up 15.5% year-on-year, compared with a rise of 1.1% in the sector as a whole).

Eurasia. Breakdown of customer deposits under management

(Percentage)

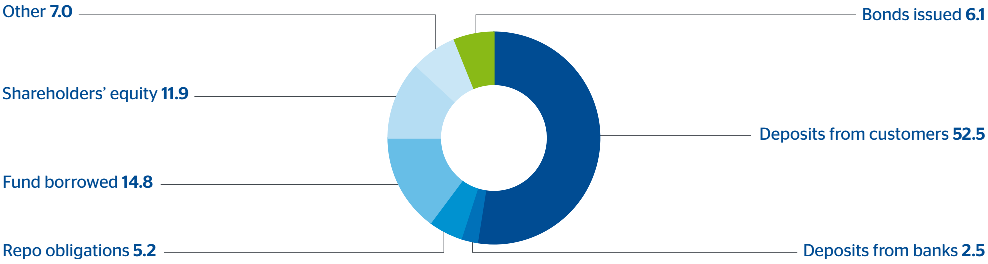


Eurasia. Breakdown of customer deposits under management by geographical area (Percentage)



Garanti. Composition of liabilities (1)

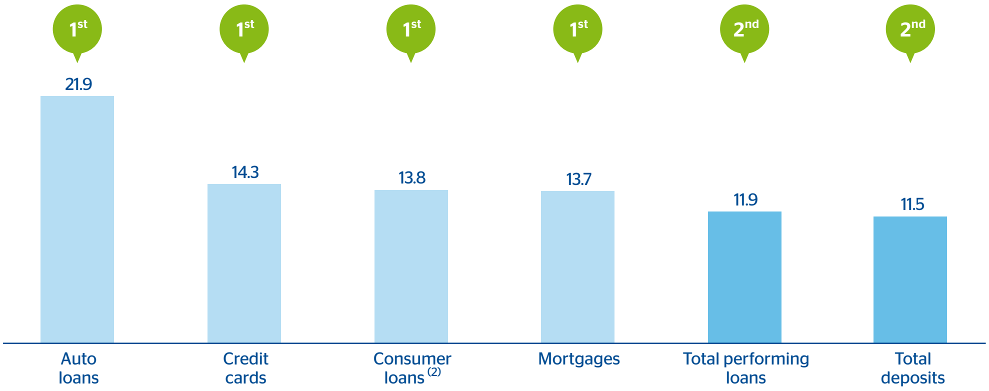
(Percentage as of 31-12-2014)



(1) BRSA figures for the Garanti Bank only.

Garanti Bank. Market shares (1)

(Percentage as of 31-12-2014)



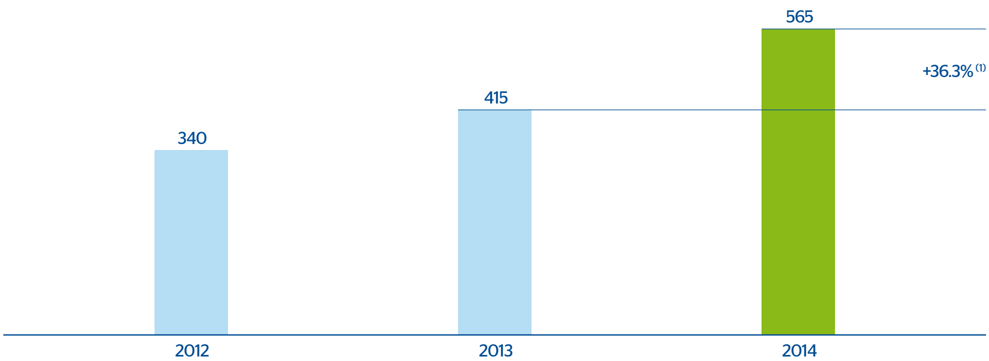
(1) Based on bank-only BRSA and figures as of December 31, 2014.
(2) Including consumer credit cards.

Earnings analysis

Eurasia generated a cumulative **net attributable profit** in 2014 of €565m, a year-on-year increase of 36.3%. This was based on:

Eurasia. Net attributable profit

(Million euros at constant exchange rates)



(1) At current exchange rates: +25.9%.

Positive performance of recurring revenue and reduction in provisions

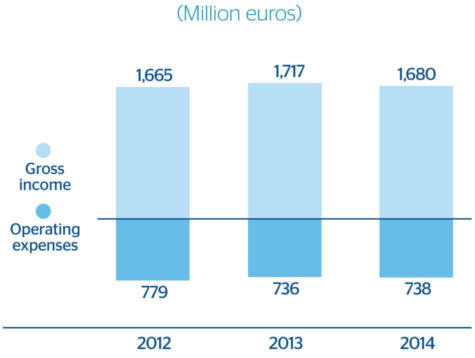
- Positive performance of **net interest income**, which picked up its rate of year-on-year growth to 13.0%, thanks to the significant rise in the last quarter (up 7.1%). The active management of customer spreads and the favorable contribution of revenue from inflation-indexed bonds, both in Garanti, are the basic reasons for this positive trend.

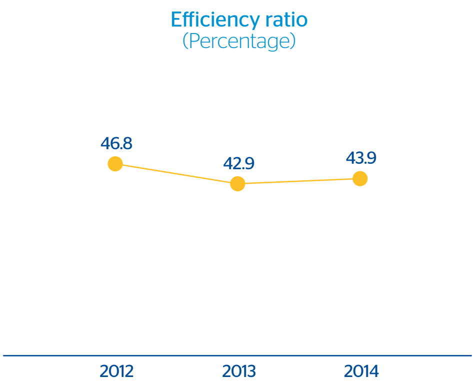
- Good performance also of **income from fees and commissions** (up 3.1% year-on-year), closely related to the increase in banking activity. More specifically, in the case of Garanti it grew by 12.8% over the last twelve months. This is a high percentage taking into account the recent regulatory changes affecting this heading. A varied and well diversified revenue base, with good performance of fees from payment systems, money transfers and insurance activities, as well as the active use of digital channels, are the main causes of this increase.

- Lower contribution from **NTI** than in 2013, which included an extraordinarily high level in the first half of the year.

- Cumulative **operating expenses** have grown at a year-on-year rate of 7.8%, strongly influenced by Garanti's commitment to strict cost discipline after the intense process of expansion carried out in 2013, in an environment of high inflation in Turkey.

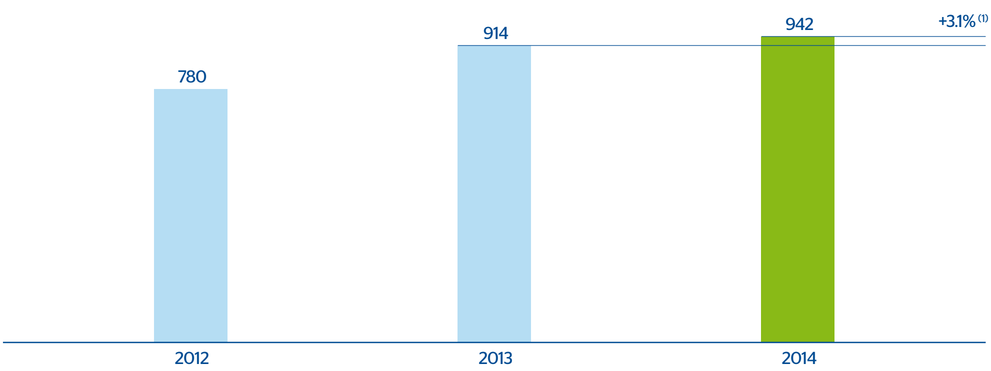
Eurasia. Efficiency





Eurasia. Operating income

(Million euros at constant exchange rates)

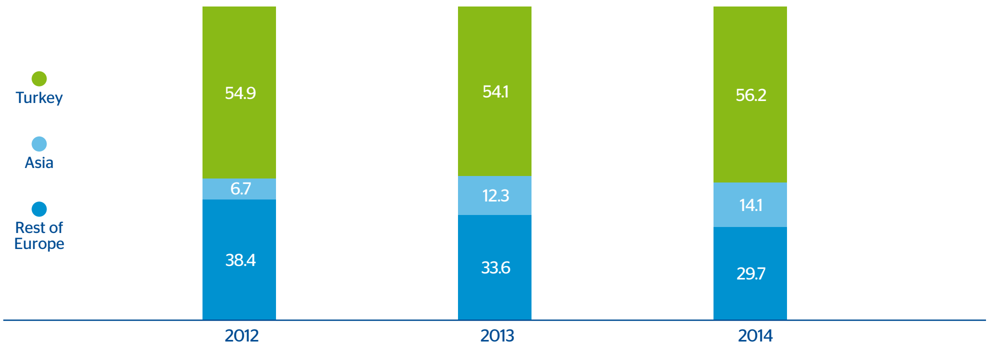


(1) At current exchange rates: -3.9%.

- Lastly, **impairment losses on financial assets** fell in year-on-year terms by 34.4%, due to the lack of any significant one-off provisions, unlike in the previous year. The cumulative cost of risk in the area as of 31-Dec-2014 stands at 0.68% (compared with 1.11% at closing of 2013).

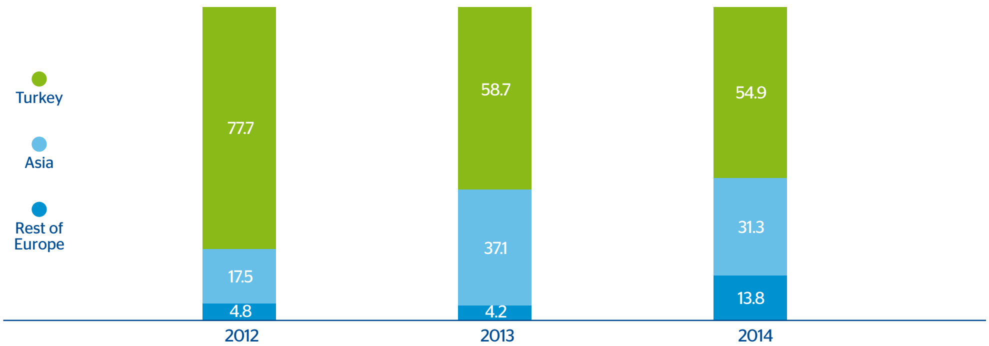
Eurasia. Gross income breakdown by geographical area

(Percentage)



Eurasia. Net atttibutable profit breakdown by geographical area

(Percentage)



The main highlights in relation to **Garanti Bank's** earnings in 2014 are summarized below:

- Sound **gross income**, which is up 9.2% year-on-year, strongly supported by the positive trend in more recurring revenue. Positive performance of net interest income (up 17.1%), thanks to good management of customer spreads (which in the fourth quarter of 2014 registered a significant improvement) and the favorable contribution of revenue from inflation-indexed bonds. Income from fees and commissions has also grown, despite being affected in the fourth quarter by the coming into force of the new regulation limiting the collection of certain types of fees (up 9%).

- **Cost** control, though the operating expenses heading has increased by 12.1% over the last twelve months, basically as a result of legally related items.

- Increase in **provisions**, strongly influenced by a one-off non-recurring item: a specific provision related to the subsidiary in Romania.

- As a result, the consolidated **net attributable profit** for 2014 stands at 3,685 million Turkish lira (around €1,268m), a year-on-year growth of 10.4%.

- The contribution of the subsidiaries to Garanti's earnings continues to increase. In 2014 they account for 13% of the consolidated net profit (15% excluding the additional provisions for its subsidiary in Romania), compared with 12% in 2013 and 8% in 2012.

Garanti. Significant data 2013 and 2014 (1)

	31-12-14	31-12-13
Financial statements (million euros at constant exchange rate)		
Attributable profit	1,101	1,034
Total assets	77,302	69,525
Loans and advances to customers	47,337	41,904
Deposits from customers	40,587	35,866
Relevant ratios (%)		
Efficiency ratio (2)	49.2	46.7
NPA ratio	2.4	2.1
Other information		
Number of employees	19,036	18,738
Number of branches	1,005	1,001
Number of ATMs	4,152	4,003

(1) BRSA data for the Garanti Bank.
(2) Normalized figure excluding the effect of regulatory and non-recurrent items.

Main highlights

Increased presence in the UAE and opening of a representative office in Indonesia

In the second quarter of 2014, with the aim of increasing the Group's presence in the **United Arab Emirates** (UAE), BBVA signed a memorandum of understanding with the National Bank of Abu Dhabi to boost its commercial and wholesale banking businesses for its customers who are already in the region or who have an interest in doing business there.

In addition, BBVA has opened a representative office in **Jakarta** (Indonesia), through which it will help Spanish companies to enter what is a market with exceptional potential. The new office, which has been in operation since the end of August, also aims to be a strategic platform for prospecting business opportunities in the country. BBVA is the only Spanish financial entity with a presence in Indonesia, where it has extensive experience in advising customers. It has also for a number of years been a leader in export credit finance.

BBVA supports Europe's entrepreneurs

In terms of **responsible banking**, BBVA has joined the two European Commission initiatives designed to boost innovation and leadership in the digital economy in Europe as founding partner. The Startup Europe Partnership has been launched with the aim of supporting entrepreneurs and their technology-based projects, while the European Digital Forum has become the think tank for entrepreneurs, politicians and lawmakers.

BBVA and Garanti Bank have headed up the financing of the STAR project to build a refinery on Turkey's west coast. This is one of the biggest project finance operations ever closed in the country. It has a very important strategic value in terms of reducing Turkey's dependence on the import of petrochemical products. The close of this operation has been the result of the joint effort and collaboration between teams including BBVA's Project Finance and Global Trade Finance, together with those of Garanti Bank.

Garanti:

- Has continued its efforts to obtain and diversify its sustainable long-term **sources of funding**, in addition to expanding and developing its investor base. The following have been completed:
  - Two Eurobond issues, one for USD 750m with a maturity of 5.5 years and a 4.75% coupon, and one for €500m with a maturity of 5 years and a 3.375% coupon.
  - The renewal of the global medium-term note (GMTN) program, issuing the equivalent to USD 980m in the medium term. This portfolio is currently valued at USD 750m, with an average maturity of 2.84 years.
  - Two DPR (diversified payment rights, a type of Turkish securitization) transactions for USD 550m with a maturity of 21 years and USD 500m with a maturity of 5 years, respectively.
  - The signing of a 6-year agreement with the EIB to provide funding for SMEs, for 218m Turkish lira.
- Garanti's **responsible banking** policy continues to be focused on improving access to financial services for the disabled, on education and on supporting entrepreneurs, especially women.
  - In the first quarter of the year, the activity carried out by the Women Entrepreneur Executive School has been extended to the city of Diyarbakir, in the east of the country.
  - The Turkish bank has also signed agreements with various institutions, including the Bosphorus University Business Angels Network and the Entrepreneurship Foundation, to support entrepreneurs and make it easier for students to access knowledge related to entrepreneurship.
  - Garanti has been the first bank in the region to adopt the Women's Empowerment Principles developed by the United Nations' Global Compact and UN Women.
- Under the **prizes and awards** heading:
  - Garanti's Investor Relations team has received a number of awards, including for its annual report (Bronze Stevie Award, Gold at the Vision Awards Annual Report Competition and Silver at the ARC Awards) and for its website (Gold Stevie Winner for Best Investor Relations Site and Silver Galaxy Award).
  - Other prizes and awards received by Garanti include:
    - Best Trade Finance Bank in Turkey from *Global Finance*.
    - 2013 European Rising Star Award-Cross-Border Funding Acceleration, granted by MTN-i for its effective management of relations with global investors and with debt capital markets. Garanti is the only Turkish bank that has received this recognition.
    - Garanti Securities was named Best Equity House at the Europe Banking Awards 2013 organized by EMEA Finance.
    - Garanti Bank Romania was named Bank of the Year 2013 by the local publication Nine O'Clock and Garanti Fleet, in the automobile category. It also received The Outstanding Achievement award at the Interactive Media Awards (IMA) for its new sales platform.
    - In addition, Garanti received the European Power Deal of the Year award from *Euromoney* for the privatization of the Seyitömer coal-fired power station, in which the bank acted as lead arranger.
    - Garanti received the Sustainability Award - Environmental and Social Performance for its comprehensive social and environmental risk assessment system.
    - Garanti has also been recognized as Best Bank in Sustainability by the Turkish Green Building Council at the 3rd International Green Building Summit.

Garanti has completed several operations to diversify its sources of funding, in addition to various responsible banking initiatives

Garanti received several prizes and awards in 2014

- For the second time, Garanti received the Best Bank for Sustainability in Turkey award organized by *World Finance*.

- Garanti also received the Most Innovative New Solution award for its Second-Hand Car Stock Financing System, granted by the magazine *Global Finance* at the international competition that selects the World's Best Treasury and Cash Management Providers.

- Garanti has been recognized by *Global Capital*, among emerging markets, as the best medium-term note (MTN) issuer for its successful granting of loans on international fixed-income capital markets.

- It has also been named for the third time as the "Best Domestic Cash Management Bank in Turkey" for its customer-centric approach. The award was voted by customers in the 2014 Euromoney Cash Management Survey.

- As regards new technologies, Garanti's smartphone app, iGaranti, has received several prizes and awards. It obtained the highest score in 2014 in Forrester Research's European Mobile Banking Functionality Benchmark Report as The Most Functional Mobile Banking Application, with 80 points out of 100 (the average score was 61), in a functionality comparison survey conducted among the mobile banking services of 11 European banks. Other prizes and awards include: the Gold Mixx award in the Best Mobile Application category; the Silver and Bronze Mixx awards for The Most Targeted Mobile Ad for mobile banking, in the Experimental and Innovative Campaign and Mobile Campaigns categories, respectively, at the Mixx Awards Turkey; and the Best Mobile Banking Experience Award in the SmartCard & Payment category, in Dubai.

Mexico

Highlights in 2014

- Excellent performance of business activity translated to all the income statement.
- Growth of revenues higher than costs.
- Bank leader in Mexico.

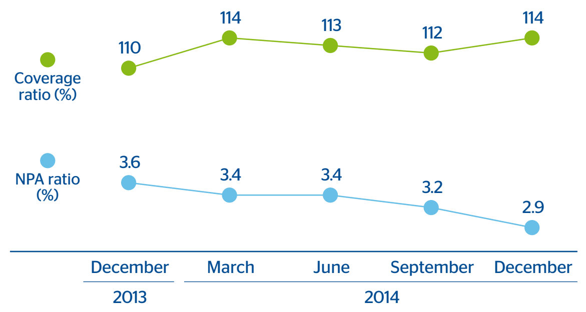
Activity[1]

Year-on-year changes at constant exchange rate
Balances as of 31-12-2014

+12.2% Loans

+7.7% Customer funds

Risks



Results

2014. Million euros
Year-on-year changes at constant exchange rate

Net interest income	4,910	+14.1%
Gross income	6,522	+9.6%
Operating income	4,115	+10.8%
Net attributable profit	1,915	+10.7%

(1) Loans under management and customer deposits under management (including all the repos).

Income statement

(Million euros)

	Mexico				
	2014	Δ%	Δ% (1)	2013	2012
Net interest income	**4,910**	**9.6**	**14.1**	**4,478**	**4,174**
Net fees and commissions	1,166	(1.4)	2.6	1,183	1,072
Net trading income	195	(6.3)	(2.4)	208	219
Other income/expenses	250	(22.9)	(19.8)	325	286
Gross income	**6,522**	**5.3**	**9.6**	**6,194**	**5,751**
Operating expenses	(2,406)	3.3	7.6	(2,329)	(2,160)
Personnel expenses	(1,020)	2.4	6.6	(996)	(907)
General and administrative expenses	(1,199)	2.5	6.7	(1,170)	(1,119)
Depreciation and amortization	(187)	15.0	19.7	(163)	(133)
Operating income	**4,115**	**6.5**	**10.8**	**3,865**	**3,590**
Impairment on financial assets (net)	(1,517)	5.1	9.4	(1,443)	(1,326)
Provisions (net) and other gains (losses)	(79)	22.2	27.2	(64)	(41)
Income before tax	**2,519**	**6.9**	**11.2**	**2,358**	**2,223**
Income tax	(604)	8.7	13.1	(555)	(536)
Net income	**1,916**	**6.3**	**10.7**	**1,802**	**1,687**
Non-controlling interests	(1)	4.4	8.7	-	-
Net attributable profit	**1,915**	**6.3**	**10.7**	**1,802**	**1,687**

(1) At constant exchange rate.

Balance sheet

(Million euros)

	Mexico				
	31-12-14	Δ%	Δ% (1)	31-12-13	31-12-12
Cash and balances with central banks	6,004	(2.8)	(3.9)	6,175	5,968
Financial assets	34,311	16.2	14.9	29,528	29,396
Loans and receivables	47,800	15.2	13.9	41,482	42,157
Loans and advances to customers	45,224	15.8	14.5	39,059	37,379
Loans and advances to credit institutions and others	2,576	6.3	5.1	2,423	4,778
Tangible assets	1,662	28.6	27.2	1,292	1,168
Other assets	3,953	18.9	17.6	3,323	4,033
Total assets/Liabilities and equity	**93,731**	**14.6**	**13.3**	**81,801**	**82,722**
Deposits from central banks and credit institutions	11,617	28.2	26.8	9,061	15,760
Deposits from customers	45,937	8.2	7.0	42,452	35,792
Debt certificates	5,033	28.5	27.0	3,917	3,952
Subordinated liabilities	4,128	13.8	12.5	3,627	4,249
Financial liabilities held for trading	7,616	31.7	30.2	5,784	5,830
Other liabilities	14,432	13.7	12.4	12,690	12,498
Economic capital allocated	4,968	16.3	15.0	4,270	4,642

(1) At constant exchange rate.

Relevant business indicators

(Million euros and percentage)

	Mexico		
	31-12-14	31-12-13	31-12-12
Performing loans [1]	43,767	39,018	35,628
Customer deposits under management [1-2]	44,437	41,268	38,079
Mutual funds	18,691	16,896	17,492
Pension funds	-	-	-
Efficiency ratio (%)	36.9	37.6	37.6
NPA ratio (%)	2.9	3.6	3.8
NPA coverage ratio (%)	114	110	114
Cost of risk (%)	3.45	3.55	3.47

(1) Figures at constant exchange rate.
(2) Including all the repos.

Definition of the area

This area comprises the banking and insurance businesses conducted in Mexico by BBVA Group (hereinafter, "BBVA Mexico").

Macro and industry trends

The downward revision of the factual **GDP** data for the first half of 2014 and the weakness in the recovery of domestic demand in the third quarter led to a steady reduction in Mexico's growth estimates for 2014. The outlook for 2015 has improved with the expansion in the United States, the country's largest trading partner, despite the persistence of some risks (the fall in oil prices and what is still a moderate increase in demand from the public sector). In this environment, Banxico can be expected to start increasing its interest rates in 2015, in line with the current Fed outlook.

Moderate economic growth

An ambitious infrastructures program is also expected to be undertaken by the Mexican government in 2015. This will have a positive impact on the country's economy, as will the foreseeable increase in exports of manufactured goods to the United States (particularly those related to the automobile sector). Starting in 2016, the effect of the structural reforms being implemented will begin to have a positive impact on growth.

With respect to inflation, after closing 2014 at 4.1%, in 2015 it is expected to fall and converge with the 3% target set by the Bank of Mexico (Banxico), supported by the favorable base effect and the credibility of monetary policy.

Solvency ratios in the **financial system** continue to be high. The total capitalization ratio stood at 15.6% in November 2014, with adequate liquidity levels and good profitability. In terms of activity, lending to the private sector registered a year-on-year growth rate of 10.6%, according to the latest available information as of December 2014 from the National Banking and Securities Commission (CNBV). Fund gathering (demand and time deposits) also shows a positive trend, with a year-on-year increase of 10.5%, according to the latest available information from the CNBV. The NPA ratio remains stable at around 3%.

The banking sector has high solvency, an adequate level of liquidity, good profitability and stable risk indicators

In the last weeks of 2014, the **exchange rate** of the Mexican peso against the U.S. dollar depreciated due to three factors: stronger economic growth in the United States, in an environment of risks of deflation in the Eurozone and slower economic growth in China, leading to greater demand for

U.S. financial assets; the decline in oil prices; and more moderate domestic economic growth. In year-on-year terms, the peso's fixing against the euro gained 1.1%. Average exchange rates show a depreciation of 3.9% over the year. This means that the impact of the exchange rate on the year-on-year changes in the income statement headings is negative, while slightly positive on the balance sheet and activity. All the comments below on rates of change will be expressed at constant exchange rates, unless expressly stated otherwise.

Management priorities

The area's management priorities continue to be strongly focused on the Transformation Plan launched in 2013

A **Transformation Plan** was launched in 2013 aimed at consolidating the franchise's leading position in the Mexican market, increasing profitability and productivity, and working in a simpler and more efficient way, with the clear goal of improving service quality. At the close of 2014, approximately USD 1,500m had been invested of the USD 3,500m planned for 2013-2016. The Transformation Plan is based on the following initiatives:

- Remodeling of the entire branch network into the new model of segmented and specialized service for each type of customer.
- Full implementation of the "Experiencia Única" (Unique Experience) model across all the business networks, which standardizes the service protocols and modifies branch management to improve the service quality. This new model also entails a change to the incentives scheme and the internal processes with the aim of increasing branch productivity, profitability and efficiency.
- Improvement of the business models with the aim of boosting commercial activity and earnings, despite the difficult economic environment. For example, some of the business models that have been reviewed include mortgages, payroll, cars, cards and personal banking.
- In line with the Group's corporate standards, integration of the new Corporate Assurance model into operational risk management.
- Launch of the new Digital Banking unit, with the aim of generating a broader digital offering, with low-cost solutions to increase the digital customer base.
- Launch of the www.bancomer.com website new image, incorporating significant improvements to make customer transactions quicker and easier and to increase their security.

Management priorities in **2015** will focus on:

- Continuing to make good progress in the execution of the 2013-2016 Transformation Plan.
- Implementing the new business models to continue to boost growth in commercial activity.
- Maturing the "Experiencia Única" project, which should boost branch sales and profitability.
- Developing digital products to increase the number of customers using digital channels.
- Maintaining positive performance in earnings, without this entailing a degradation of asset quality.
- Completing the new corporate headquarters, which will have positive effects for brand image, as well as implementing new, simpler and more efficient and flexible ways of working.

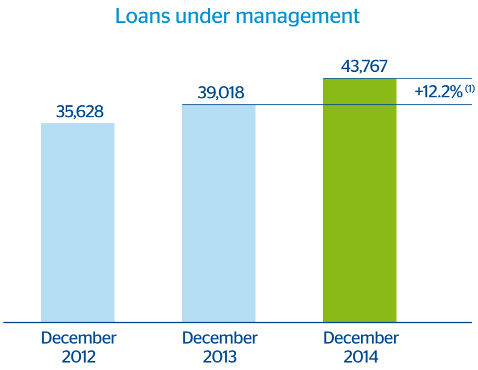
Activity analysis

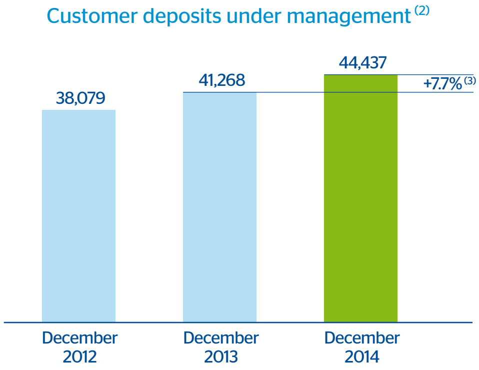
BBVA's commercial activity in Mexico throughout 2014 was positive, particularly given that economic growth has been weaker than expected. At the close of 2014, the **loan book** in the area totaled €43,767m, up 12.2% on the same date the previous year. This rise is above the average growth in the market, according to the latest local information from the CNBV.

Excellent performance of commercial activity and good risk indicators, despite the environment of still low economic growth

Mexico. Key activity data

(Million euros at constant exchange rate)



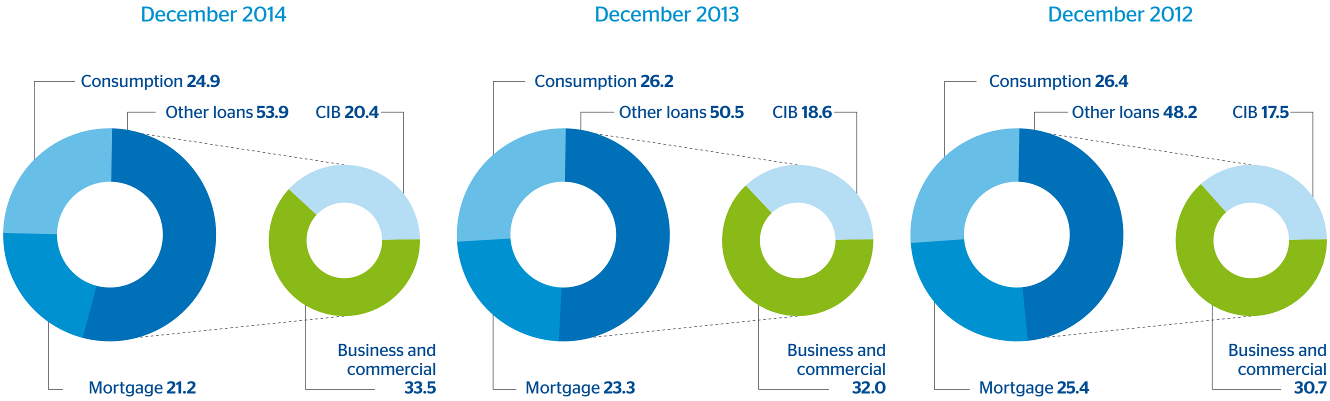


(1) At current exchange rate: +13.5%.

(2) Including all the repos.
(3) At current exchange rate: +8.9%.

Mexico. Loans under management breakdown

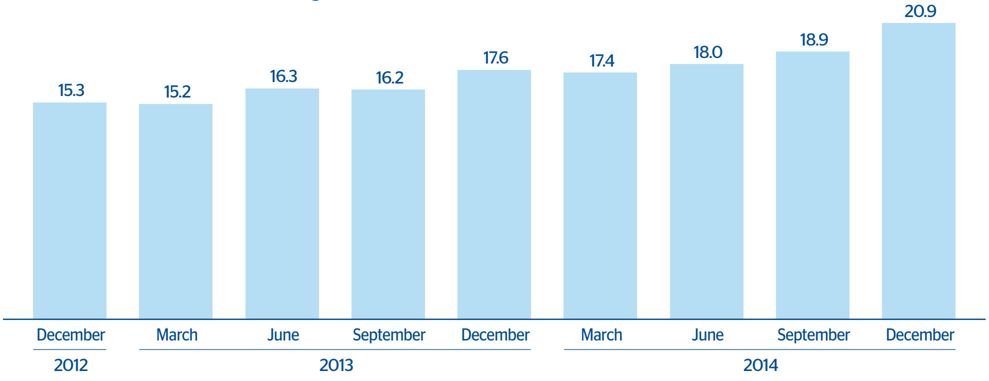
(Percentage)



The growth in loans is mainly due to the strong performance of the **wholesale banking portfolio**, which has increased its year-on-year rate of growth to 19.1%. Of particular note was the positive trend in lending to large corporations and medium-sized companies (up 23.0% and 19.5%, respectively).

Mexico. Wholesale portfolio evolution

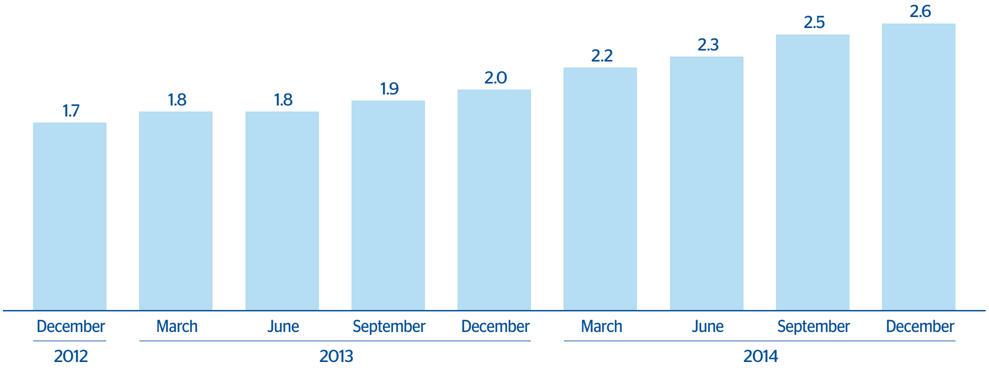
(Billion euros at constant exchange rate)



In the **retail portfolio**, the trend in loans to small businesses is also favorable, with growth over the year of 27.1%, while consumer loans (payroll and personal loans) increased at a year-on-year rate of 29.3%, while also maintaining the portfolio quality. The growth in consumer loans has been boosted by the ongoing strategy of building loyalty in the customer base. Bank credit cards are up 4.5% in the last twelve months, while the Finanzia (own brand) credit card has declined as a result of the end of the commercial agreement with Wal-Mart at the close of 2013. Lastly, of note in the residential mortgage portfolio is the significant improvement in the levels of new production, with a cumulative figure 13.6% higher than that of 2013. BBVA in Mexico now grants one of every four new mortgages in the private sector.

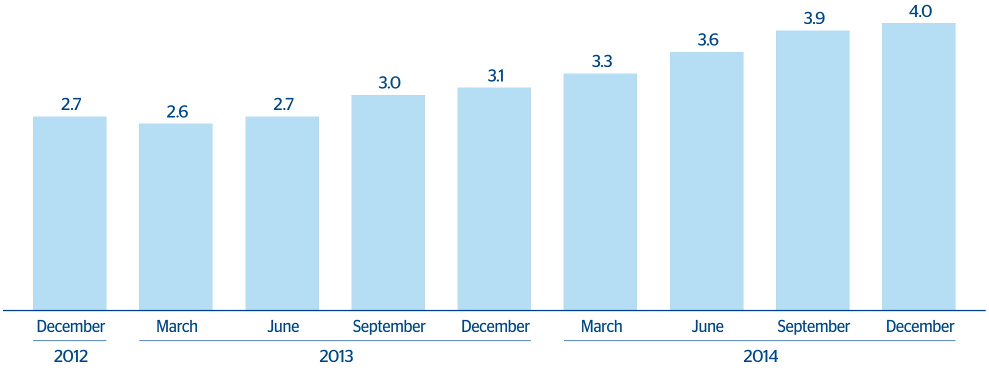
Mexico. Lending to small businesses evolution

(Billion euros at constant exchange rate)



Mexico. Consumption portfolio evolution

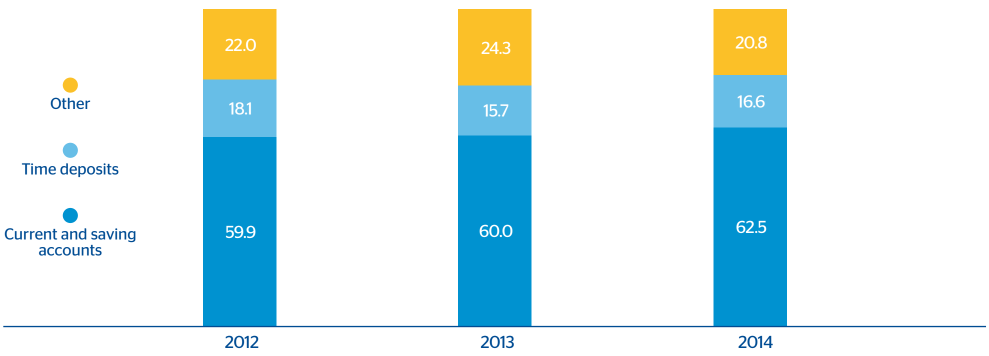
(Billion euros at constant exchange rate)



With respect to **asset quality**, the good risk management by the Mexican franchise has resulted in indicators that compare positively with those of its main competitors. Mexico has closed the year with an NPA ratio of 2.9%, 68 basis points below the figure at the close of the third quarter of 2014, and a coverage ratio of 114%, 3.5 percentage points higher than those of the end of 2013.

Customer **funds** (on-balance-sheet deposits, assets sold under repurchase agreements, mutual funds and other off-balance sheet funds) have increased at a year-on-year rate of 8.8% and totaled €66,531m as of 31-Dec-2014. The customer deposit mix is still very profitable, with a very high relative proportion of lower-cost funds: at the close of the year they accounted for 81% of deposits, with a year-on-year rise of 12.2%. The trend in time deposits remains positive (up 13.9%), and mutual funds also performed well over the year (up 9.4%).

Mexico. Breakdown of customer deposits under management
(Percentage)



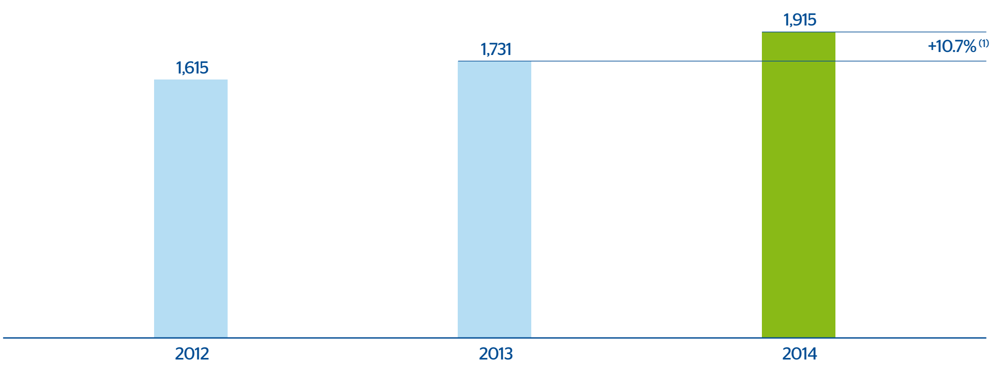
Earnings analysis

In **2014**, BBVA's income statement in Mexico showed outstanding soundness, strongly supported by a number of factors: growing generation of net interest income; adequate cost control, despite the major investment plan underway; and good risk management, reflected in the positive trend in impairment losses on financial assets and in the cumulative cost of risk (3.45% in 2014 compared with 3.55% in 2013).

Sound earnings, based on strong net interest income

As a result, the **net attributable profit** for 2014 has increased at a year-on-year rate of 10.7% to €1,915m.

Mexico. Net attributable profit
(Million euros at constant exchange rate)

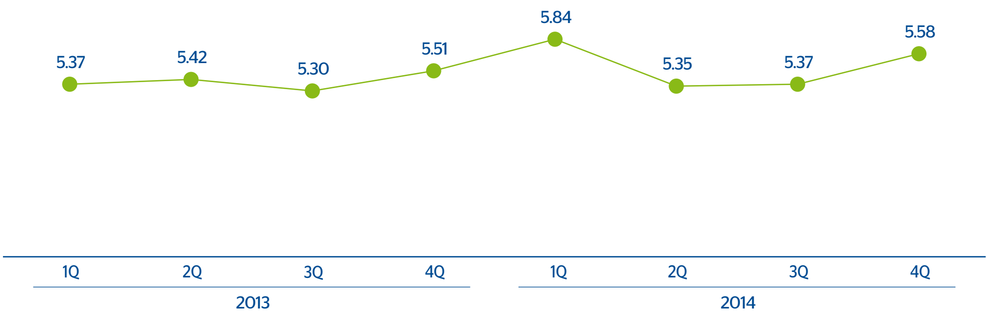


(1) At current exchange rate: +6.3%.

Net interest income stands at €4,910m, up 14.1% on the figure for 2013. Increased volumes of activity, combined with good price management, have offset the impact of falling interest rates, which are at all-time lows. The strong net interest income also allows for a favorable comparison with BBVA's main competitors in terms of net interest income over ATA, which under local criteria stands at 117 basis points above the average of its main market peers, according to their latest quarterly reports available (information as of the close of the third quarter). Income from fees and commissions has increased at a moderate rate (up 2.6% year-on-year), while NTI has declined by 2.4% due to the significant gains from portfolio sales accounted for in 2013, which has negatively affected the year-on-year comparison. The other income/expenses heading also compares unfavorably for a number of reasons, including a modest year in the insurance business. As a result of the above, **gross income** amounts to €6,522m, 9.6% above the figure for 2013.

Mexico. Net interest income/ATA evolution

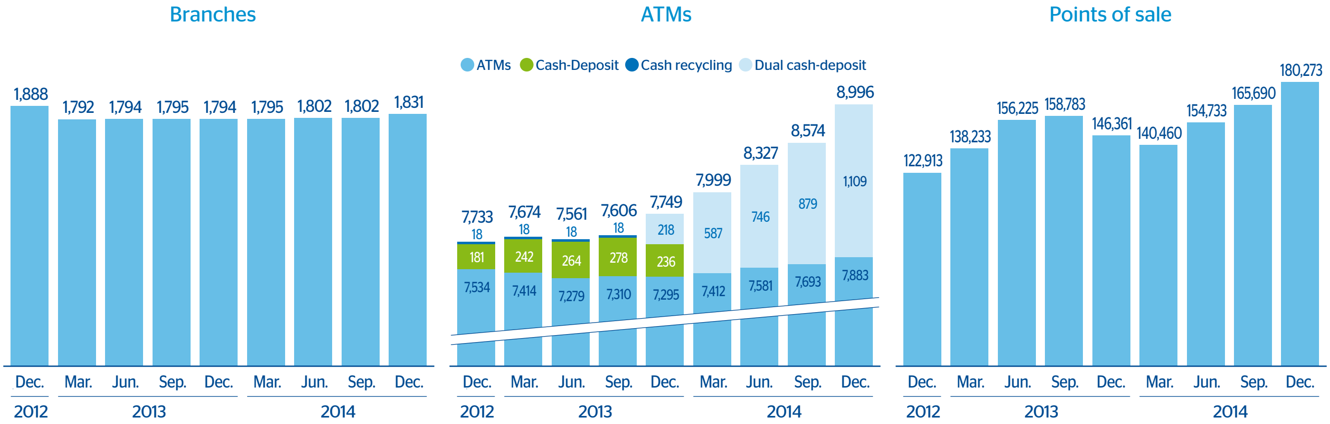
(Percentage)



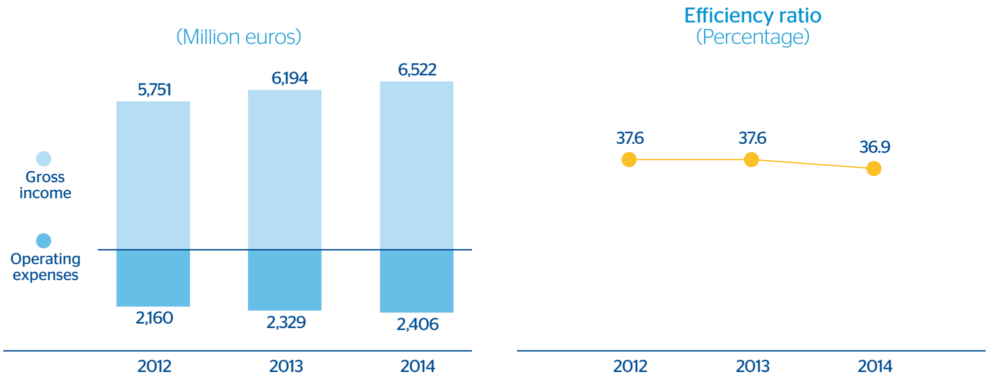
Operating expenses have increased by 7.6%, mainly due to the investment plan being implemented by the area. At the close of the year, 711 branch offices have been completely remodeled and the number of ATMs has increased by 1,247. Despite this, the percent increase of expenses is below that of gross income, so the efficiency ratio has improved to 36.9%, maintaining BBVA as one of the most efficient institutions in the Mexican banking system. **Operating income** closed the year at €4,115m, a rise of 10.8% on the 2013 figure.

Mexico. Distribution network evolution

(Branches, ATMs and and point-of-sale terminals)

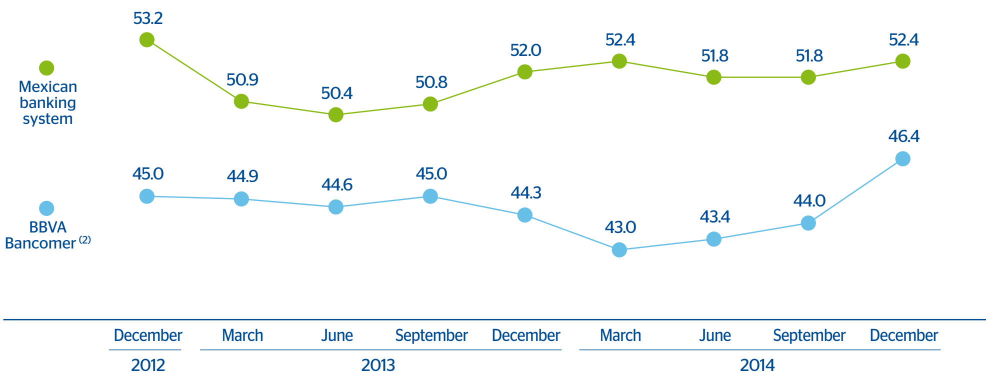


Mexico. Efficiency



Efficiency of BBVA Bancomer and the Mexican banking system [1]

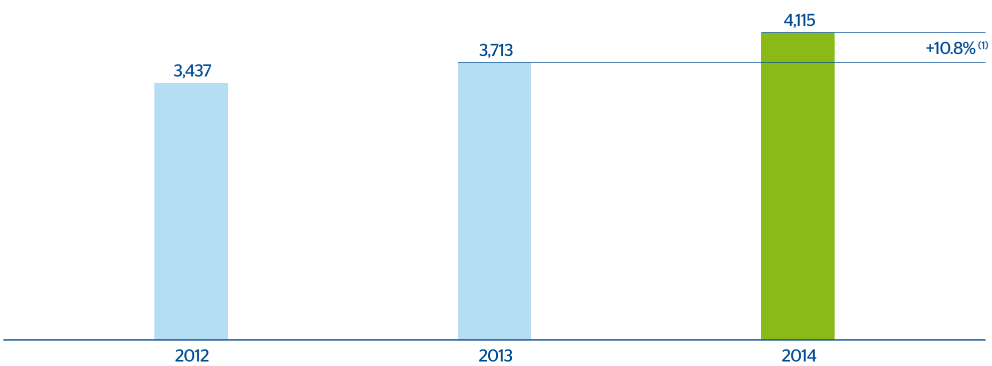
(Percentage)



(1) Mexican banking system formed by 5 banks: Banamex, Santander, Banorte-Ixe, HSBC and Scotiabank.
(2) Data collected under local accounting principles.
Source: CNBV. Data from banks without subsidiaries.

Mexico. Operating income

(Million euros at constant exchange rate)



(1) At current exchange rate: +6.5%.

Impairment losses on financial assets have risen 9.4%, slightly below the growth in activity in the area, and without special requirements in any portfolio.

Below are some of the most important aspects of the performance of the various business units in 2014.

Commercial Banking

Commercial Banking serves 80% of BBVA's customers in Mexico

Commercial Banking in Mexico is divided into two main units: the Commercial Network, which includes the entire retail distribution network; and Commercial Development and Payment Channels, which designs and develops banking products for the customer segments served by the Commercial Network.

This unit serves more than 80% of all the customers, including private and wealth management, individual and banking segments, as well as small and medium-sized enterprises (SMEs).

At the close of the year, Commercial Banking managed 48% of BBVA's total loan book in Mexico, with a balance of €21,082m, up 7.5% on the previous year. In customer funds, the amount is €43,455m, equivalent to a year-on-year increase of 9.1%.

In 2014, 711 branches have been remodeled and the number of ATMs has been increased by 1,247, the latter thanks to the fact that the self-service areas are more spacious. The number of transactions carried out at ATMs stands at 527,867 million, 8.7% more than in the previous year, as a result not only of an increase in their number, but also due to initiatives such as making pre-approved consumer loans available to customers via ATMs (with the aim of providing faster and more secure access to financial services through digital channels).

The strategy of granting pre-approved loans to customers in the individual segment has continued. This has not only allowed to grow in consumer loans while maintaining the portfolio quality, but it has also improved customer loyalty.

In new products and services, BBVA Bancomer has set up a new Ultra High Net Worth (UHN) business unit. The aim is to provide a tailored service through a specialized network to deal with the financial needs of customers in the highest wealth segment.

For SMEs, the number of specialized employees and SME business centers has been increased with the aim of strengthening coverage for this group at national level. This has been reflected in the continued growth of lending to this segment.

Government & Corporate Banking

Lending to large companies has performed strongly in 2014

Government & Corporate Banking serves the segments of medium-sized enterprises, government institutions, real-estate developers and car dealer network, as well as the financial lease business managed in Mexico. This business unit has 168 branches that provide a specialized service to companies (including real-estate developers) and the government. At the close of the year it managed a loan book of €14,365m (up 14.6% year-on-year) and €17,136m in customer funds (up 10.1%).

Corporate lending grew at double-digit rates in 2014, while financing to the public sector (including the Federal Government, State Secretariats, government bodies and cities) recovered at the end of the year.

In the developer segment, there has been some recovery in the housing construction sector. Although the portfolio of BBVA in Mexico has continued to decrease in 2014 (-12.5% year-on-year), in the last quarter it has increased slightly.

The auto financing business is managed by the Consumer Finance unit. At the close of the year, this portfolio fell by 1.6% year-on-year, mainly as a result of the end of the agreement with a major supplier in the automobile sector. Worked has continued in 2014 on the strategy of signing new commercial alliances with other suppliers and strengthening the financial lease activity through a wide range of products.

Corporate & Investment Banking (CIB) and Global Markets

CIB is specialized in the management of corporate and global customers who are offered value-added investment banking and cash management products, as well as sophisticated investment vehicles. Global Markets originates, structures, distributes and manages the risk of market products with a customer-based model that meets their investment and risk coverage needs.

Completion of several deals in 2014 and active participation in debt and capital markets

As of 31-Dec-2014, this unit managed a loan book of €8,910m and registered a balance of customer funds of €6,251m. Both figures have grown year-on-year at double-digit rates. The unit also participated actively in the debt and capital markets throughout the year.

In 2014, this unit completed several significant transactions. One example is the participation in the third follow-on offering of Fibra Uno (a vehicle for investment in real estate), with the public offering of senior trust bonds. This has been the most important placement in Fibra Uno's sector, at MXN 32,816m. There has also been a successful issue of shares in the restaurant chain Alsea for MXN 6,900m, an operation that was 4.7 times oversubscribed. BBVA Bancomer continues to top the ranking in local-currency debt placement, with a 22% share. Lastly, the Merger & Acquisitions (M&A) franchise continues to grow. Over the last two years it has become the provider with the largest number of agreements signed, totaling 7 transactions and holding a market share of 16% by number of deals.

Lastly, BBVA's outstanding participation in Mexico in corporate placements in the debt and capital markets has earned this unit recognition as Best Investment Bank in Mexico by two specialized magazines: *Euromoney* and *LatinFinance*.

Insurance business

The insurance business is conducted through the subsidiary Seguros BBVA Bancomer. It is the largest insurance company in the Mexican bancassurance market in terms of earnings, and the second largest in the insurance market.

Growth in premiums written, which is not yet reflected in earnings due to the high accident rate

In 2014, Seguros BBVA Bancomer has registered stronger growth in written premiums, which have reached €1,148m, equivalent to year-on-year growth of 19.8%. However, this positive performance has not been reflected in earnings as a result of the high accident rate and the lower NTI in the year.

Main highlights

Highly successful completion of different types of debt issues

In the first quarter of 2014, BBVA Bancomer successfully issued 10-year senior bonds for USD 750m, with an interest rate of 4.375%, a very similar figure to that of the Mexican sovereign bond. Moody's gave it an A2 rating with a stable outlook. The issue was placed on international markets and was oversubscribed four times, demonstrating the confidence of investors in both the bank and the country.

Another issue of 15-year subordinated debt of USD 200m, under Basel III requirements, with a yield of 5.35% was completed in October. The issue was extremely successful and was oversubscribed four times.

On February 12, 2014, Moody's upgraded BBVA Bancomer's international rating from Baa1 to A3 with a stable outlook and changed its financial strength outlook to positive. This was partly due to the upgrading of Mexico's rating to A3.

Prizes and awards:

- BBVA Bancomer's financial literacy program "Adelante con tu Futuro" (Forward with your Future) has received recognition for Excellence in Financial Literacy Education from the Institute for Financial Literacy, a non-governmental organization based in the United States. The institution granted the award to BBVA Bancomer in the Adult Financial Literacy Program of the Year category. This is the first time the award has been given to a Latin American institution.

- Lastly, in products with a high social impact, BBVA Bancomer has been recognized by the Inter-American Development Bank (IDB) with the Beyond Banking 2013 award in the "Socially Responsible/Impact Investment" category for its community involvement carried out through the "B+Educa" fund. The shareholders in this Mexican fund contribute 25% of returns obtained directly to the integration scholarship program "Por los que se Quedan" (For those left behind). Thus, the BBVA Bancomer Foundation received 81 million Mexican pesos (€4.8m) in 2013 from 28,202 shareholders in this fund for scholarships granted to young children of emigrants who are studying the three years of junior high school.

As regards **responsible banking**:

BBVA in Mexico has positioned itself as an institution that is highly active in the areas of education and community involvement

- The BBVA Bancomer Foundation has launched the "Por Una Generación Adelante" (For a Forward Generation) campaign for employees and customers. The aim is to increase by 375 the number of scholarships for young people with an outstanding academic performance and extend the coverage of the program from 20 to 22 states in the country in 2015.

- In addition, the "Por Los Que Se Quedan" (For Those Left Behind) and "Becas Adelante" (Adelante Scholarships) programs have benefited 10,000 new scholarship recipients at high-school level in the 2014/15 academic year. In terms of the social impact of these programs, 60% of those receiving scholarships are female and 40% male. Of the total recipients, 71% have a family member who has migrated and the scholarship accounts for an average of 25% of the household's income. The support received helps reduce child labor and the school dropout rate, while helping 97% of the students to continue with their high-school studies.

- The BBVA Bancomer Foundation has activated its support program for the population affected by disasters. It has provided the families affected by hurricane Odile with basic supplies and opened an account for donations. The bank has pledged to match the amount deposited by customers in the account.

- The BBVA Bancomer Foundation and the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) have boosted new entrepreneurship projects through educational and production centers, which have already benefited more than 53,000 people since they were started in 2009.

- Notable in the area of community education is the agreement signed by the BBVA Bancomer Foundation and the Secretariat for Public Education (SEP) designed to double the beneficiaries of the "Becas Adelante" scholarships. Specifically, they envisage a joint investment of MXN 48m, which will be used to increase the number of students supported by the program from 2,000 to 4,000. As a result of these and other initiatives, BBVA in Mexico has positioned itself as an institution that is highly active in the areas of education and community involvement.

- In addition, at the close of the year, the first generation of 180 students graduated from the BBVA Bancomer University, which currently has over 1,100 students enrolled.

South America

Highlights in 2014

- Solid growth rates in business activity.
- Adequate management of spreads and excellent risk management.
- Andean region: strategic focus. Managing uncertainties in Venezuela.

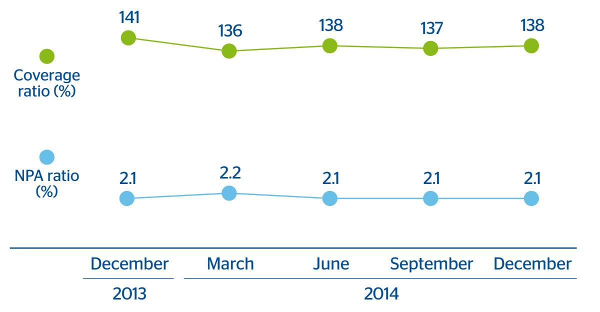
Activity [(1)]

Year-on-year changes at constant exchange rates
Balances as of 31-12-2014

+21.6% Loans

+24.2% Customer funds

Risks



Results

2014. Million euros
Year-on-year changes at constant exchange rates

Net interest income	4,699	+38.7%
Gross income	5,191	+22.5%
Operating income	2,875	+18.6%
Net attributable profit	1,001	+6.3%

(1) Loans under management and customer deposits under management (excluding repos and including specific marketable debt securities).

Income statement
(Million euros)

	South America				
	2014	Δ%	Δ% (1)	2013	2012
Net interest income	**4,699**	**0.8**	**38.7**	**4,660**	**4,236**
Net fees and commissions	901	(7.1)	24.9	970	911
Net trading income	482	(36.8)	(10.8)	763	442
Other income/expenses	(890)	9.9	115.1	(810)	(281)
Gross income	**5,191**	**(7.0)**	**22.5**	**5,583**	**5,308**
Operating expenses	(2,316)	(2.5)	27.8	(2,375)	(2,285)
Personnel expenses	(1,099)	(6.4)	20.9	(1,174)	(1,138)
General and administrative expenses	(1,038)	0.8	33.2	(1,030)	(975)
Depreciation and amortization	(179)	4.7	43.8	(171)	(172)
Operating income	**2,875**	**(10.4)**	**18.6**	**3,208**	**3,023**
Impairment on financial assets (net)	(706)	1.2	27.4	(698)	(589)
Provisions (net) and other gains (losses)	(219)	40.2	178.3	(156)	(201)
Income before tax	**1,951**	**(17.1)**	**8.9**	**2,354**	**2,234**
Income tax	(490)	(6.3)	19.1	(523)	(484)
Net income	**1,461**	**(20.2)**	**5.9**	**1,831**	**1,750**
Non-controlling interests	(460)	(24.3)	5.1	(607)	(578)
Net attributable profit	**1,001**	**(18.2)**	**6.3**	**1,224**	**1,172**

(1) At constant exchange rates.

Balance sheet
(Million euros)

	South America				
	31-12-14	Δ%	Δ% (1)	31-12-13	31-12-12
Cash and balances with central banks	13,523	0.1	28.7	13,507	12,882
Financial assets	10,671	9.3	26.4	9,765	10,106
Loans and receivables	57,212	10.3	24.8	51,881	50,137
Loans and advances to customers	51,302	9.2	22.3	46,962	46,057
Loans and advances to credit institutions and others	5,910	20.1	52.6	4,919	4,081
Tangible assets	1,062	12.6	34.2	943	875
Other assets	1,896	6.7	18.8	1,777	1,877
Total assets/Liabilities and equity	**84,364**	**8.3**	**25.6**	**77,874**	**75,877**
Deposits from central banks and credit institutions	5,770	25.7	27.0	4,589	5,756
Deposits from customers	56,370	2.2	22.1	55,167	52,759
Debt certificates	4,677	31.5	30.0	3,556	3,242
Subordinated liabilities	1,658	32.4	33.6	1,252	1,196
Financial liabilities held for trading	2,648	147.6	151.3	1,069	955
Other liabilities	9,834	8.8	26.4	9,036	8,863
Economic capital allocated	3,408	6.3	21.9	3,205	3,106

(1) At constant exchange rates.

Relevant business indicators
(Million euros and percentage)

	South America		
	31-12-14	31-12-13	31-12-12
Performing loans [1]	52.009	42.779	35.062
Customer deposits under management [1-2]	61.992	49.931	38.866
Mutual funds	3.848	2.952	3.355
Pension funds	4.632	3.600	3.083
Efficiency ratio (%)	44,6	42,5	43,0
NPA ratio (%)	2,1	2,1	2,1
NPA coverage ratio (%)	138	141	146
Cost of risk (%)	1,46	1,50	1,35

(1) Figures at constant exchange rates.
(2) Excluding repos and including specific marketable debt securites.

BBVA's footprint in South America
(31-12-2014)

	Bank	Insurance company	AFPs
Argentina	•		•
Bolivia		•	
Chile	•		•
Colombia	•		•
Paraguay	•		
Peru	•		
Uruguay	•		
Venezuela	•		•

Definition of the area

South America manages the Group's banking and insurance businesses in the region. The area is notably diversified and has units operating in practically every South American country.

In 2014, the historical series in this area was restated to exclude the business in Panama, which was sold in the fourth quarter of 2013, including its historical figures in the Corporate Center.

Macro and industry trends

Economic activity in the region moderates

Economic activity in the region has shown signs of moderation, particularly due to the slowdown in investment and more sluggish domestic demand, although there are notable differences between the economies in BBVA's footprint. South America is suffering from the effects of greater uncertainty regarding the future of the global economy, which is leading to a fall in commodity prices and tighter financial conditions due to the appreciation of the dollar and moderation in capital flows into the region. In this more restrictive environment, the central banks in the region have applied a looser bias to their monetary policy, except in the case of Brazil. In the coming months, this will lead to additional cuts in interest rates in Peru, Chile and Colombia.

The **financial system** in most countries in South America remains sound. It has high levels of capitalization and profitability, while the NPA ratio is in check. In addition, progress was made in 2014 toward implementing legal frameworks that are increasingly more compliant with international standards, above all in the case of Colombia, Chile and Peru. It is also worth noting the trend in the adoption of macroprudential policies designed to mitigate risks in the financial sector. The proposal made by the Central Bank of Chile in May regarding the management of bank liquidity is an example of such measures. With respect to activity, the moderation in the rates of lending growth continues in most countries, in line with economic growth in the different economies.

Lastly, the year-end **exchange rates** of the currencies of most of the countries where BBVA operates have depreciated against the euro in the last 12 months (except for the Peruvian new sol). In average exchange rates, there has been a general year-on-year depreciation. The effect of the currency on the year-on-year changes in the area's financial statements is therefore negative. All the comments below on rates of change are expressed at a constant exchange rate, unless stated otherwise.

In this context, the financial system remains sound and is making progress toward implementing legal frameworks that are increasingly compliant with international standards

Exchange rates

(Expressed in currency/euro)

	Year-end exchange rates				Average exchange rates			
	31-12-14	Δ% on 31-12-13	31-12-13	Δ% on 31-12-12	2014	Δ% on 2013	2013	Δ% on 2012
Argentinean peso	10.3830	(13.4)	8.9890	(37.6)	10.7680	(32.4)	7.2767	(45.7)
Chilean peso	736.92	(2.0)	722.54	(14.1)	756.43	(13.0)	658.33	(17.4)
Colombian peso	2,906.98	(8.5)	2,659.57	(19.8)	2.652.52	(6.5)	2,481.39	(12.9)
Peruvian new sol	3.6144	6.6	3.8535	(6.8)	3.7672	(4.7)	3.5903	(10.0)
Venezuelan bolivar fuerte	14.5692	(40.4)	8.6775	(61.1)	14.7785	(45.6)	8.0453	(62.7)

Management priorities

The **2013-2016 Strategic Plan** was launched in 2013 with the aim of improving the positioning of Group's entities in the region and boosting their digital transformation. A number of expansion programs have been executed under the plan, developing technological projects, extending the number of channels and improving the value offering. It has achieved notable progress in the goals set, such as: positioning BBVA as the customers' preferred Bank by and the biggest digital financial Group in the region. All the projects aim to increase service quality and accessibility, in line with the Group's customer-centric strategy. Thus the efforts in 2014 have been focused mainly on the following lines of action:

- Execution of expansion plans, basically in Colombia and Peru.
- Implementation of new strategic models focused on businesses that are the object of cross-cutting plans within the Group. These include new alliances with car dealers involving auto loans, as well as leasing and structured loans campaigns, and the development of global management for customers present in different geographical areas.
- Within the framework of technological projects, of particular note is the development of initiatives related to multi-channel banking and digitization: redesign of websites to improve accessibility and incorporate new functionalities, development of educational campaigns on the benefits of using digital platforms, relaunch of mobile banking and design of a new service offering. An example of the latter is BBVA Link, a pioneering product in Chile that allows users to send, request and receive money directly from Facebook quickly and easily, with total security and no maintenance fees. Also worth mentioning is the extension of the "e-Oferta" tool created in Spain to Peru, Chile, Colombia and Argentina. This is a digital solution that brings the range of BBVA products and services to small companies and institutions.

A number of initiatives are being carried out under the 2013-2016 Strategic Plan to position BBVA as the customers' preferred Bank in the region and turn it into the biggest digital financial group in the area

- In addition, the global value offering has been improved with products that manage customer transactions globally or adapt to their preferences.

For **2015**, South America will continue to prioritize its development toward a digital ecosystem, aiming not only at the sale of products but also at transaction banking and digital self-service. At the same time, the region will work on the execution of different plans and projects organized around an increasingly precise definition of the customer segments that are being managed.

First, a new boost will be given to action plans aimed at **customers**:

- Projects geared to integrated customer management that promote loyalty, as well as those that aim to obtain synergies between the Bank's different businesses, in order to offer a differential value and increase market share in the region.

- Projects launched to improve satisfaction of the customer base, such as "Forma-t", a self-training model with incentives aimed at the commercial network.

In addition, a number of new initiatives are planned for development to improve **revenues**:

- Specific management tools and models geared to optimizing fees and prices.

- The "Nómina" payroll project which has an integrated approach that optimizes customer profitability over the whole lifecycle: attraction, loyalty, optimization of income and retention.

- Plans focused on making the most of growth opportunities in SMEs, with the aim of positioning the Bank as a benchmark for this segment in the region.

- Lastly, a plan supporting commercial management in the network will be developed with various initiatives designed to increase productivity and effectiveness, optimizing resources and reviewing tools, processes, capabilities and governance.

Activity analysis

Strong activity in practically all the countries, accompanied by good risk management

In 2014 activity in South America grew faster than the market as a whole; together with good risk management, this has been reflected in the positive trend in the area's earnings. This strength has been registered in practically all the countries where BBVA operates, both with respect to the loan book and customer funds.

BBVA Group. Ranking by market share in the main South American countries in 2014 (1)

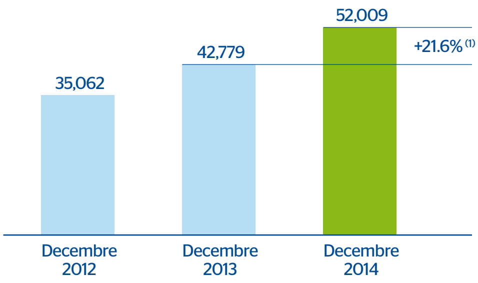
	Loans		Deposits	
Country	Ranking	Market share (%)	Ranking	Market share (%)
Argentina	3rd	7.1	3rd	7.0
Chile	4th	7.5	5th	6.2
Colombia	4th	10.2	4th	11.4
Paraguay	4th	12.6	4th	11.6
Peru	2nd	23.2	2nd	21.7
Uruguay	2nd	20.7	3rd	17.4
Venezuela	3rd	13.6	3rd	11.9

Source: own elaboration from figures of superintendencies, central banks and banking associations in each country. Figures as of November 2014.

South America. Key activity data

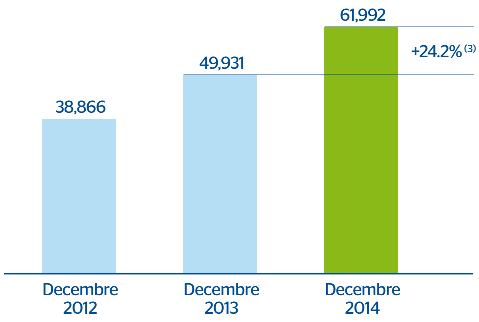
(Million euros at constant exchange rates)

Loans under management



(1) At current exchange rates: +8.7%.

Customer deposits under management (2)



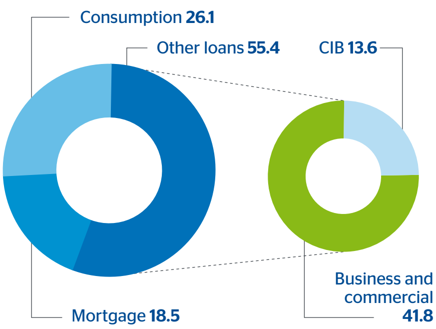
(2) Excluding repos and including specific markeatable debt securities.
(3) At current exchange rates: +5.3%.

South America closed 2014 with **loans** under management at €52,009m, a year-on-year increase of 21.6%. Of particular note is the rise in small business finance within the retail world (up 25.8% year-on-year) and lending to corporates (up 19.7%).

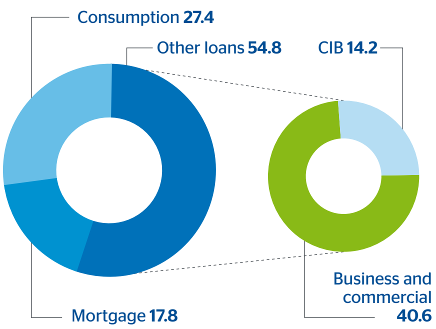
South America. Loans under management breakdown

(Percentage)

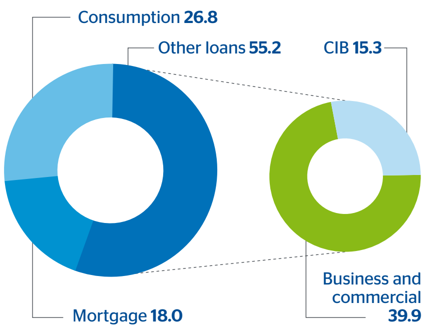
December 2014



December 2013



December 2012

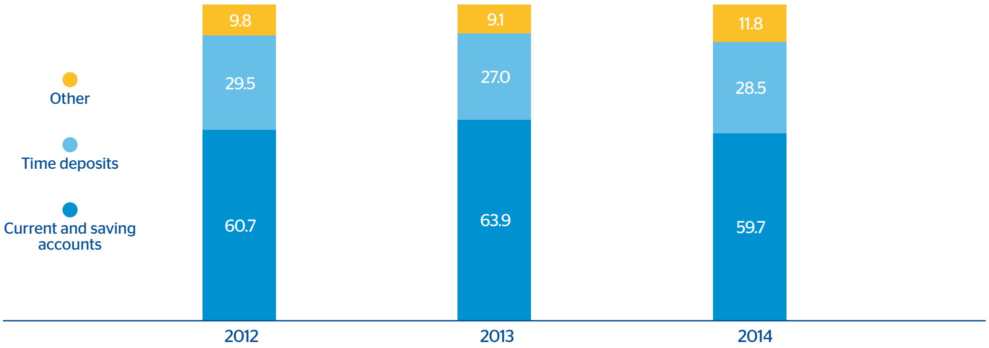


Non-performing assets have evolved closely in line with the level of lending as a whole. As a result, the NPA ratio remained stable over the year (2.1% as of 31-Dec-2014). The coverage ratio stood at 138% at the close of 2014 (compared with 141% a year earlier).

The growth of customer **deposits** under management in the last quarter of 2014 has been particularly significant, leading to a year-on-year increase of 24.2% to €61,992m. It is worth mentioning the positive performance of transactional accounts (current and savings accounts up 24.4%).

South America. Breakdown of customer deposits under management

(Percentage)



Mutual funds have also performed very well. Their balance closed 2014 at €3,848m, up 32.4% on the figure for 31-Dec-2013.

Earnings analysis

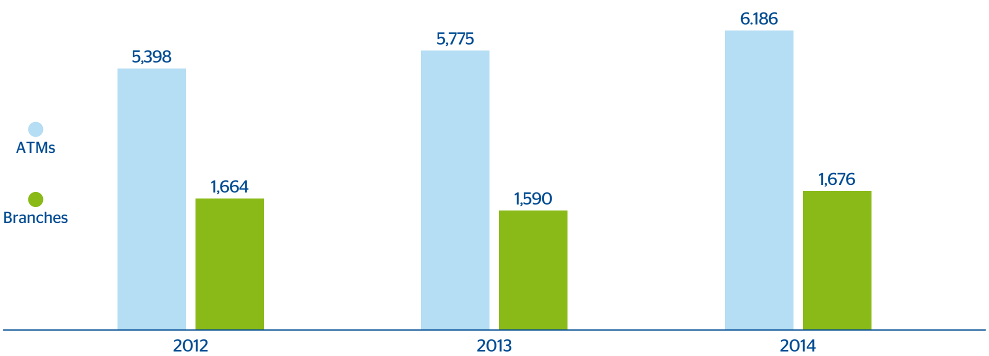
Positive performance of earnings thanks to the strength of activity, good price and risk management, and the progress made in segmentation, multi-channel banking and digitization

In what was a difficult year from the economic point of view, the area has performed very positively thanks to the significant rise in revenue and good management of costs and credit risks. BBVA's customer-centric strategy, the progress made in segmentation, multi-channel banking and digitization, as well as the notable diversification in the region, have made these positive earnings figures possible in 2014.

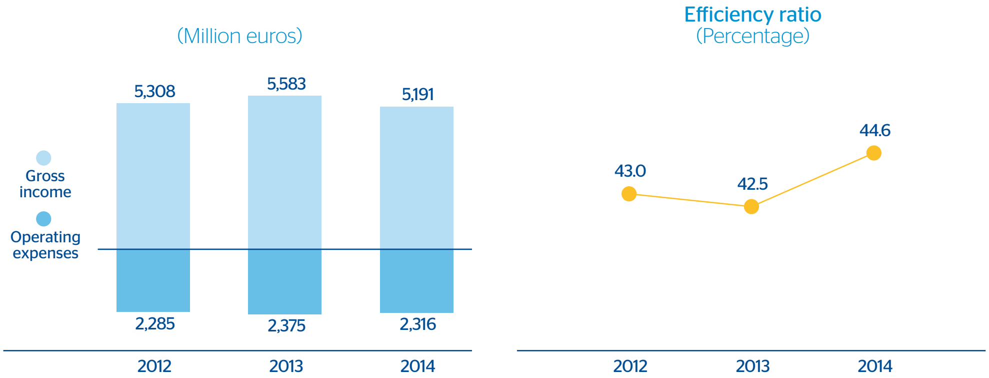
The area has posted significantly higher revenue figures, with a rise of 22.5% year-on-year, and **gross income** of €5,191m. This increase has been possible thanks to the high generation of recurring revenue resulting from strong activity and improved customer spreads.

Operating expenses have risen by 27.8%, strongly linked to the investment plans underway, and that are leading to an improvement and continuous boost to business in the region. Overall, the area's **operating income** amounts to €2,875m, a year-on-year rise of 18.6%.

South America. Evolution of branch network and ATMs

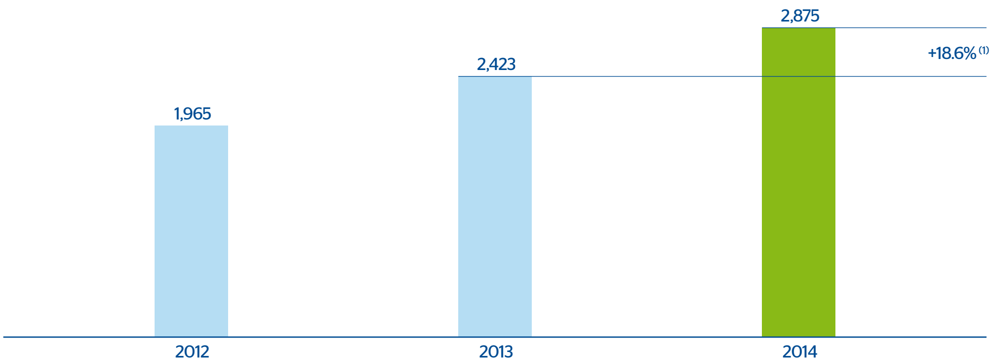


South America. Efficiency



South America. Operating income

(Million euros at constant exchange rates)



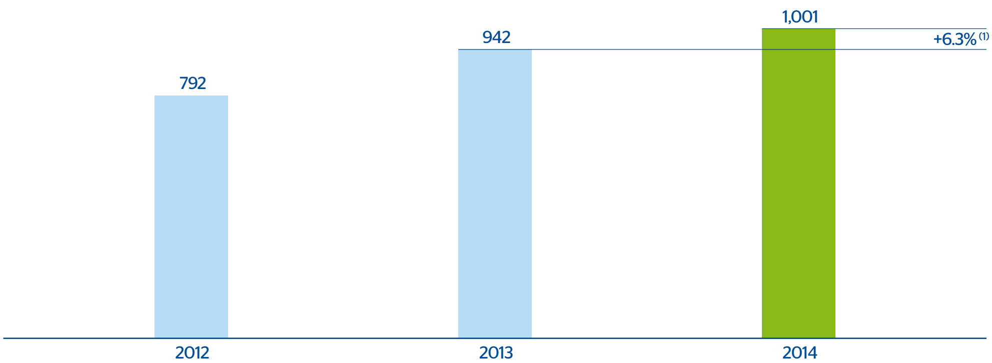
(1) At current exchange rates: -10.4%.

Lastly, impairment losses on financial assets have slowed their year-on-year growth to +27.4%. The cumulative cost of risk is now 1.46% (1.50% one year earlier).

As a result of the above, South America closed 2014 with a **net attributable profit** of €1,001m, up 6.3% on the figure registered the previous year.

South America. Net attributable profit

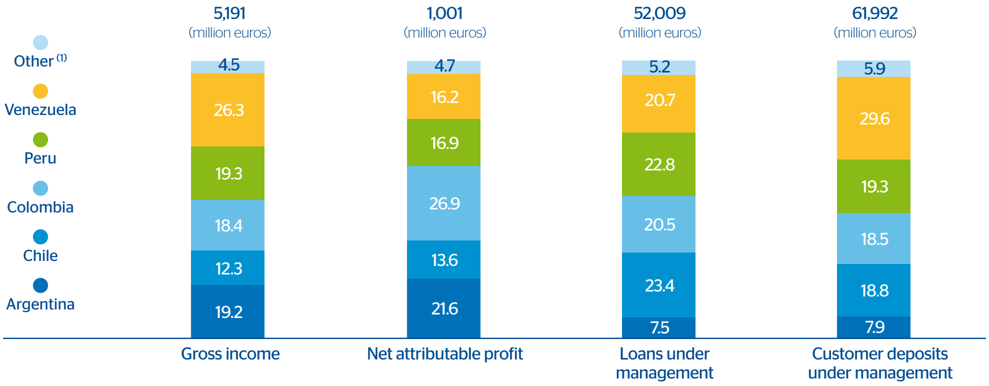
(Million euros at constant exchange rates)



(1) At current exchange rates: -18.2%.

South America. Breakdown of main business indicators by country

(Percentage as of 31-12-2014)



(1) Paraguay, Uruguay and Bolivia. Additionally, it includes eliminations and other charges.

Argentina

The deterioration of the economy and restrictive regulatory scenario for the financial system made 2014 a year of challenges for BBVA in Argentina

Economic activity in Argentina has slowed. According to the latest data available from INDEC (National Institute for Statistics and the Census) for the third quarter of 2014, GDP has dropped by eight tenths with respect to the same period in 2013. There was a notable year-on-year fall of 1.4% in private consumption, due to the decline in real wages and an incipient deterioration in the labor market. With figures of November, the Monthly Estimate of Economic Activity (EMAE) shows a relative stagnation in activity, for the third quarter of 2014.

In January 2015, the INDEC presented the new **price index** IPC NU, to replace the previous IPC GBA. It is national in coverage and registered a year-on-year growth of 23.9% as of December 2014.

The Argentinean **financial system** has in general posted good solvency and liquidity indicators. The Central Bank tightened regulations in 2014: for instance, the net global foreign-currency position of banking institutions has been limited; maximum rates have been established for consumer loans, and minimum remuneration for retail time deposits. Because monetary policy has not been expansive, as in previous years, the growth in the monetary base has slowed significantly to 20% in year-on-year terms. In addition, demand for loans in the private sector has also slowed, to a year-on-year increase of 18.7% (according to the latest information available through October 2014).

With respect to the **exchange rate**, after starting the year with a significant devaluation, the Argentinean peso closed the year at ARS 10.3830 to the euro. Also on the foreign-exchange front, the purchase of foreign currency was eased slightly for individuals and the Central Bank activated two currency swap tranches with the Popular Bank of China for USD 1.3 billion, on a program of USD 11 billion in all, with the aim of increasing the stock of international reserves, which fell by USD 4,152m in 2014.

The modest evolution of Argentina's economy and restrictive regulatory environment for the financial system made 2014 a year of challenges for **BBVA in Argentina**. Once more it demonstrated a great capacity for adapting to complex market situations. In this environment, BBVA Francés has shown flexibility, and has been capable of launching new products and services, as well as managing funds with great efficiency. It has maintained adequate levels of liquidity and solvency, and although asset quality has been affected by the economic deterioration, the indicators have continued to show better levels than in the system as a whole.

Despite the slower rate of activity growth due to the economic slowdown, BBVA's banking group in Argentina has managed to increase **loans** under management year-on-year by 18.8%, thanks to the positive trend in the auto business and in particular the growth in credit cards; the latter portfolio gained 89 basis points of market share over the last twelve months (figures as of November, the latest available). Total customer **funds** rose by 25.5% in the same period, strongly supported by the positive trend in current and savings accounts (a rise of 57 basis points in market share in current accounts) and mutual funds. The increase in lower-cost deposits is due to the development of the Transactional Plan, which aims to increase the loyalty of the customer base and BBVA Francés' position as the bank preferred by its customers.

With respect to **earnings**, BBVA Francés posted a net attributable profit of €217m in 2014, a year-on-year rise of 52.7%, supported by the boost in revenue.

As a result of the initiatives carried out under the Transactional Plan mentioned above, and the continuous improvement program for customer experience, BBVA Francés now ranks first in the Net Recommendation and Satisfaction Index (**IReNe**), and has a leading position in the market in terms of service quality.

As regards its innovation and **digitization** strategy, the bank has redesigned the website and Francés net, with a focus on user friendliness, making it more intuitive and easy to use for all customers; it has also launched a number of successful campaigns through Francés GO, a service that communicates offers and promotions via cell phones. Lastly, in 2014 BBVA Francés opened a cutting-edge branch in which technology is the core element.

Chile

Chile's **macroeconomic indicators** have shown signs of a slowdown. Year-on-year GDP growth was 0.8% in the third quarter. It was strongly affected by a sharp fall in investment and a very moderate rise in private consumption. However, the labor market has maintained most of the strength it registered in previous years. The average rate of unemployment stood at 6.4%, although job creation was strongly supported by self-employment, which is one of the most fragile and precarious of job categories.

Good performance in BBVA Chile, despite the environment of moderation in economic activity

Inflation provided an upward surprise to 4.4% for 2014, higher than the Central Bank's tolerance range. This is mainly due to the increase in prices of some products affected by the Tax Reform passed in September. Against this backdrop, the Central Bank reduced the monetary policy rate by 150 basis points during the year, and it closed at 3%.

With respect to the **financial system**, banks' earnings have been good, taking into account the situation of a slight economic slowdown. Lending grew last year by 9.5% (according to the latest available data as of October 2014), thanks to the strength of mortgage loans and corporate lending.

In **BBVA Chile, loans** under management grew at a similar rate to the system as a whole (up 9.4% year-on-year), thanks above all to the performance of the mortgage portfolio (up 15.1%), and also to credit cards (up 14.9%) and commercial lending (up 11.3% in corporates and 10.7% in small businesses). Customer **funds** have grown by 17.6%, with a notable difference between growth in lower-cost funds and time deposits.

The **net attributable profit** stands at €136m, 30.7% higher than in 2013, mainly due to increased net interest income and lower loan-loss provisions. All this despite the €52m charge derived from the penalty for joint civil liability issued in the Inverlink case.

As mentioned above, a pioneering product was developed in **digital banking**: BBVA Link. Lastly, BBVA Chile has been capable of achieving an important goal for 2014: reaching 65,000 customers on mobile channels.

South America. Financial statements of the main countries

Income statement

(Million euros)

	Argentina				Chile			
	2014	∆%	∆% (1)	2013	2014	∆%	∆% (1)	2013
Net interest income	**607**	**9.0**	**61.3**	**557**	**512**	**6.2**	**22.1**	**482**
Net fees and commissions	184	(16.6)	23.5	220	76	(17.0)	(4.7)	92
Net trading income	124	(18.8)	20.2	153	45	(25.1)	(14.0)	60
Other income/expenses	82	(1.1)	46.4	83	6	(79.2)	(76.1)	29
Gross income	**997**	**(1.6)**	**45.7**	**1,013**	**639**	**(3.5)**	**10.9**	**663**
Operating expenses	(474)	(6.6)	38.2	(507)	(302)	(7.6)	6.2	(327)
Personnel expenses	(248)	(10.4)	32.7	(277)	(163)	(7.9)	5.8	(176)
General and administrative expenses	(209)	(1.2)	46.2	(212)	(130)	(6.8)	7.1	(139)
Depreciation and amortization	(16)	(12.2)	29.9	(19)	(10)	(11.1)	2.1	(12)
Operating income	**523**	**3.5**	**53.1**	**506**	**337**	**0.4**	**15.4**	**336**
Impairment on financial assets (net)	(53)	(21.6)	16.0	(67)	(105)	(33.4)	(23.5)	(158)
Provisions (net) and other gains (losses)	(52)	219.1	n.m.	(16)	(56)	n.m.	n.m.	10
Income before tax	**418**	**(0.9)**	**46.7**	**422**	**176**	**(6.4)**	**7.5**	**188**
Income tax	(136)	(7.9)	36.3	(148)	14	n.m.	n.m.	(31)
Net income	**282**	**2.9**	**52.3**	**274**	**190**	**21.0**	**39.0**	**157**
Non-controlling interests	(65)	2.2	51.3	(64)	(55)	43.6	65.0	(38)
Net attributable profit	**217**	**3.2**	**52.7**	**210**	**136**	**13.8**	**30.7**	**119**

(1) At constant exchange rates.

Balance sheet

(Million euros)

	Argentina				Chile			
	31-12-14	∆%	∆% (1)	31-12-13	31-12-14	∆%	∆% (1)	31-12-13
Cash and balances with central banks	1,266	(11.7)	2.0	1,434	589	40.5	43.3	419
Financial assets	1,023	182.6	226.4	362	2,631	64.6	67.8	1,599
Loans and receivables	4,345	0.4	16.0	4,328	13,613	8.8	11.0	12,512
Loans and advances to customers	3,906	3.2	19.2	3,786	12,126	7.8	9.9	11,253
Loans and advances to credit institutions and others	439	(18.9)	(6.3)	542	1,488	18.2	20.6	1,258
Tangible assets	201	32.7	53.2	152	89	3.2	5.3	86
Other assets	184	12.0	29.3	165	561	14.5	16.8	490
Total assets/Liabilities and equity	**7,019**	**9.0**	**25.9**	**6,440**	**17,484**	**15.7**	**18.0**	**15,106**
Deposits from central banks and credit institutions	58	69.0	95.2	35	1,946	1.1	3.2	1,924
Deposits from customers	4,945	1.7	17.5	4,860	8,240	3.3	5.3	7,977
Debt certificates	163	129.0	164.5	71	2,608	51.9	54.9	1,717
Subordinated liabilities	-	-	-	-	580	0.6	2.6	577
Financial liabilities held for trading	-	-	-	9	1,761	104.4	108.5	862
Other liabilities	1,530	39.8	61.5	1,094	1,891	23.2	25.7	1,535
Economic capital allocated	322	(12.9)	0.6	370	457	(11.3)	(9.6)	515

(1) At constant exchange rates.

Colombia				Peru				Venezuela			
2014	Δ%	Δ% (1)	2013	2014	Δ%	Δ% (1)	2013	2014	Δ%	Δ% (1)	2013
782	7.3	14.7	729	701	3.4	8.5	678	1,925	(6.6)	71.6	2,060
90	(10.3)	(4.1)	100	189	3.9	9.0	182	303	(6.1)	72.5	323
64	13.1	20.9	57	127	(9.6)	(5.2)	140	111	(67.1)	(39.6)	336
19	(26.7)	(21.7)	26	(14)	7.6	12.9	(13)	(975)	3.9	90.8	(938)
955	4.8	12.0	911	1,002	1.6	6.6	986	1,364	(23.4)	40.7	1,781
(395)	2.4	9.4	(386)	(350)	4.4	9.5	(335)	(633)	(4.8)	74.8	(665)
(181)	2.9	10.0	(176)	(180)	2.2	7.2	(176)	(232)	(16.0)	54.3	(276)
(191)	6.8	14.2	(178)	(145)	6.7	11.9	(136)	(308)	(1.3)	81.3	(312)
(23)	(25.5)	(20.4)	(31)	(25)	7.8	13.1	(23)	(93)	20.7	121.7	(77)
560	6.5	13.9	525	652	0.1	5.1	651	731	(34.5)	20.4	1,116
(157)	24.9	33.6	(126)	(143)	(1.1)	3.8	(145)	(229)	22.5	125.0	(187)
(1)	n.m.	n.m.	17	(3)	(70.4)	(68.9)	(9)	(105)	(36.1)	17.3	(164)
402	(3.4)	3.3	416	506	1.7	6.7	497	397	(48.1)	(4.6)	764
(122)	13.4	21.2	(107)	(140)	4.9	10.1	(133)	(103)	2.1	87.6	(101)
280	(9.2)	(3.0)	309	366	0.5	5.5	364	294	(55.7)	(18.6)	663
(11)	(11.3)	(5.2)	(13)	(197)	(0.5)	4.5	(198)	(131)	(55.4)	(18.1)	(295)
269	(9.2)	(2.9)	296	169	1.7	6.7	167	162	(55.9)	(19.0)	369

Colombia				Peru				Venezuela			
31-12-14	Δ%	Δ% (1)	31-12-13	31-12-14	Δ%	Δ% (1)	31-12-13	31-12-14	Δ%	Δ% (1)	31-12-13
974	11.2	21.5	876	3,858	36.4	27.9	2,829	5,762	(20.6)	33.3	7,257
2,827	14.3	24.9	2,474	1,193	(0.7)	(6.9)	1,201	1,756	(36.2)	7.1	2,753
10,681	10.5	20.8	9,666	11,866	16.3	9.1	10,203	13,683	6.9	79.5	12,798
10,477	10.1	20.3	9,520	11,530	16.9	9.7	9,861	10,561	1.4	70.3	10,412
205	40.1	53.2	146	336	(1.6)	(7.7)	342	3,122	30.9	119.7	2,386
121	0.0	9.3	121	238	12.3	5.3	212	374	11.9	87.9	335
223	(35.7)	(29.7)	347	422	(1.6)	(7.7)	429	412	14.6	92.4	360
14,827	10.0	20.2	13,484	17,576	18.2	10.8	14,874	21,988	(6.4)	57.1	23,502
754	72.9	88.9	436	2,410	39.5	30.8	1,728	373	51.6	154.5	246
10,779	2.6	12.1	10,506	10,522	12.8	5.8	9,331	18,341	(7.2)	55.7	19,774
215	(14.0)	(6.0)	250	1,605	11.2	4.3	1,443	-	-	-	-
339	23.1	34.6	275	662	81.4	70.1	365	-	-	-	-
681	n.m.	n.m.	50	195	41.3	32.5	138	-	-	-	5
1,171	4.2	13.9	1,123	1,713	24.0	16.3	1,381	2,226	(17.3)	38.9	2,690
889	5.4	15.3	843	469	(3.8)	(9.8)	487	1,048	33.4	124.1	786

Colombia

Differential performance from all points of view

In 2014 Colombia has stood out as one of the **economies** that grew most in the world, with a growth rate of 4.2%. This has been the result of the good performance of public infrastructure works and private consumption, particularly in durable goods. There have also been substantial improvement in the unemployment rate and significant progress in increasing the level of formality in the economy.

With respect to the **price index**, inflationary pressure was not excessive, and the price rises have been within the Central Bank's tolerance band. In addition, the Government has maintained a current-account surplus and has guaranteed long-term external funding through foreign direct investment.

To sum up, the general results of the economy show that the country is consolidating its recent progress and transforming it into a better standard of living, reducing poverty and increasing the level of bank penetration among households.

The Colombian **financial system** has been one of the leading sectors in the country's economic growth, with expanding slightly higher than GDP growth. Lending has increased at a year-on-year rate of 12.9%. The mortgage segment has led this progress (up 20.0%), followed by consumer finance (up 12.2%) and corporate lending (up 11.5%). Deposits in current accounts have risen above the rate of total customer funds, reflecting a transactional demand in line with an expanding economy.

In this context, the banking and insurance business of **BBVA Group in Colombia** has performed very strongly. **Lending** grew by 18.4% in 2014, and total customer **funds** by 14.4%, with year-on-year gains in market share of 48 and 27 basis points, respectively. The growing contribution of Colombia to the business area loan book is mainly the result of the mortgage portfolio (up 15 basis points year-on-year in market share, with a 22.4% increase in the same time period) and loans to the commercial segment (up 54 basis points, a rise of 19.6%). In customer funds, there was a significant year-on-year growth of 40.2% in time deposits.

BBVA Colombia has seen its rating confirmed by Fitch Ratings as an AAA issuer in local currency, with a stable outlook.

The **risk** profile continues to be outstanding. BBVA Colombia stands out in this respect as the best bank among its peers. In addition, it closed the year with very good solvency levels, which respond to the demands of the regulator and absorb the increased capital requirements in accordance with legislative changes.

In terms of **earnings**, BBVA Colombia closed 2014 with a notable performance of revenue (increase of 14.7% in net interest income and 20.9% in NTI, resulting in a rise in gross income of 12.0%). However, operating expenses have risen by 9.4% due to the needs of the business and the requirements of the expansion plan underway in the country. Loan-loss provisions have also increased significantly (+33.6%) due to the application of a new local regulation related to generic provisions, as well as the growth in lending. As a result of the above, combined with greater tax pressure, BBVA in Colombia had a net attributable profit of €269m, down 2.9% on 2013.

BBVA Colombia's strategy focuses on **customer satisfaction**. For individual customers, it worked on specialized management of the high-value segments and specific groups. In Corporate and Institutions Banking, management has focused on the construction and the livestock sector. In the small businesses group, the bank has outpaced the growth levels of its peers in leasing and the granting of structured loans. Lastly, in means of payment there has been a significant increase, above the one experienced by the market as a whole, in the acquiring business and in consumer finance. Investment banking also had an excellent year, as it closed major agreements and began the appropriate processes to expand the customer base.

BBVA Colombia continued in 2014 to develop two brand recognition **campaigns**: "Donde Estés" (Wherever You Are), strengthening the Bank's image awareness in mobile banking with soccer player

Radamel Falcao; and The Cooking Tour Experience BBVA - Celler Can Roca, in collaboration with the chefs Harry Sasson and Leonor Espinosa, among others.

Lastly, BBVA Colombia has consolidated its position in 2014 as the leading bank in terms of **sustainability**, standing out through its management of corporate governance and socially responsible investment. The entity has been recognized as the bank with the second largest media impact in Environmental and Social Governance in the country by the Media Observatory Siglodata, which carried out an analysis of more than 1,000 entities in the public and private sectors in Colombia.

Peru

Good performance by BBVA Continental, in a context of slowing economic growth

In the third quarter of 2014, the Peruvian **economy** registered a year-on-year growth of 1.8%. The slowdown in GDP growth compared with previous years has been mainly linked to a deterioration in the foreign environment (downward correction of the prices of the metals exported by Peru and less favorable funding conditions on the international markets) and to supply problems that affected production in the mining, fisheries and agricultural sectors. On the demand side, public and private investment has been weak. To mitigate the economic slowdown the government announced a package of measures starting in May 2014 to boost short and medium-term growth, focused on higher public spending, permanent cuts in personal and corporate income tax and incentives to improve the business climate.

Despite the slowdown, **inflation** closed the year at 3.4%, above the Central Bank's target range of between 1% and 3%. This is due to the supply shocks that have affected the prices of various foodstuffs, as well as some demand pressure on the value of some services.

The performance of the **financial system** has reflected the reduced strength of economic activity. Banking loans to the private sector have grown by around 11.0% in 2014, with a particularly significant rise in mortgages and commercial loans. It is of note that during the year the Central Bank reduced the domestic-currency reserve requirements on a number of occasions to boost de-dollarization of the loan portfolio held by the banks. In terms of sources of funding, bank deposits have risen by around 5.0%. Lastly, the banks' profitability indicators have remained at attractive levels, while asset quality indicators have deteriorated slightly (the NPA ratio ended the year at 2.5%).

Against this economic and banking context, **BBVA Continental** has continued to increase its **loans** under management to 9.4% year-on-year, with significant progress in the mortgage portfolio (up 13.5%) and corporate loans (up 14.4%). Total customer **funds** have also increased by 8.9%, with a gain in market share of 100 basis points since the end of November 2013. There have been significant increases in both current/savings accounts and time deposits (gains of 77 and 150 basis points, respectively, in market share).

With respect to **earnings**, BBVA in Peru posted a net attributable profit of €169m in the year, a year-on-year increase of 6.7%. This rise can be explained mainly by the positive trend in recurring revenue, as well as moderate loan-loss provisions.

BBVA Continental has the goal of becoming the benchmark bank in customer satisfaction, prioritizing excellence in service quality and increasing the scope of its presence and the simplicity of its products and services. To do so it has accelerated its transformation in order to become the leading **digital bank** in the region. In 2014 its strategy focused on improving the capillarity of its customer service networks, simplifying processes and providing more and better digital banking channels. Online banking has been boosted by the launch of new products and services such as mobile banking. The bank has also continued to strengthen its links with customers through the offer of an innovative range of products and services, also geared to strengthening BBVA Continental's presence in new segments. This strategy includes the launch of the Delivery Loan, which allows customers to request a product online or by telebanking, together with other benefits, such as the possibility of choosing the best day for customers to make regular payments.

In all its initiatives, BBVA Continental has aimed to improve the **customer** experience and achieve a continuous improvement in its standards of service. As a result, it has closed the year in a leading position in service quality.

Also of note is that in a context of de-dollarization of assets in the financial system, BBVA Continental has actively managed the **liquidity** requirements in soles, as well as dollar surpluses.

The Lima Stock Exchange (BVL) has for the second year in a row rewarded BBVA Continental for its good practices in **corporate governance**, in particular its standards of transparency and professionalism, which generate trust in the stock market. The bank has also been included among the ten companies belonging to BVL's 2014 Good Corporate Governance Index.

Lastly, in 2014 BBVA Continental has hosted the Americas tour of **El Celler de Can Roca**, of which more details will be given below. In addition, among the different conferences and events sponsored by the bank is its participation in the CEO Summit 2014, which brought together prominent market leaders.

Venezuela

BBVA Provincial has anticipated the process of transformation toward digital banking, maintaining its customer-centric focus and profitability as its core elements

The latest official available information suggests that the Venezuelan **economy** shows a contraction above the 2.0% in the third quarter of the year. This drop in activity is a result of domestic demand, which fell by 1.9%, particularly its investment component.

Inflation increased significantly to 61.7% in 2014, with the food segment posting the biggest rise.

In **foreign exchange**, the financial statements of the year have been influenced by the use of the exchange rate resulting from the currency purchase-sale system called SICAD I (VEF 12/USD), which complements the official market. According to the Exchange Agreement No. 25, this system is applicable to international investments.

The relevant growth in the monetary aggregates in 2014 has meant that customer funds and lending in the **banking industry** have increased significantly. Through September, lending has increased by 74.0% in year-on-year terms, thanks above all to the strength of consumer finance and corporate loans. Customer funds have increased by 66.4% in the same period, strongly supported by the favorable performance of current and savings accounts.

BBVA Provincial has performed outstandingly well in 2014, and has been able to respond to the transformation of the financial system, conditioned by the new demands from customers and constant search for increased efficiency and simplicity. The bank has taken a lead and immersed itself in the process of transformation toward digital banking, maintaining its customer-centric focus and profitability as its core elements.

Thus, BBVA in Venezuela ended 2014 with another strong year-on-year growth in both **lending** (up 70.2%) and customer **funds** (up 56.7%). On the **earnings** front, BBVA Provincial closed 2014 with a net attributable profit of €162m, 19.0% below the figure in 2013, as factors such as net interest income, above all, have not offset the increase in operating expenses. There was also a greater negative adjustment for hyperinflation in 2014 than in 2013.

BBVA Provincial has made significant commercial efforts in 2014 as part of its **customer** attraction, loyalty and retention plans. It has made products available to customers that are adapted to their financial needs, such as previously approved loans for the "Crédito Nómina Instantáneo" (Instant Payslip Loan), "Línea de Crédito Instantánea" (Instant Credit Line) and Finance for Goods and Services.

With the renewal of the sponsorship agreement between BBVA Provincial and the Venezuelan Soccer Federation, the entity has consolidated its position as the **sport bank**. In addition, over the year BBVA

Provincial has continued to offer innovative products and an outstanding service in order to create and maintain stable and lasting relations with its customers, and thus become a leader in customer satisfaction.

The bank has also boosted its **transformation** toward digital banking, with specific actions linked to constant improvement in customer experience. A high-impact and high-profile advertising campaign has been launched based on these premises to promote the use of the Provinet and Provinet Móvil web tools, with the participation of the two brand ambassadors, Iker Casillas and Andrés Iniesta. Provinet Móvil is the only payment service on the Venezuelan market that offers customers more than 50 functionalities, with two security factors. Its recognition is reflected in the fact that over 649,000 customers use it regularly on their smart devices, generating more than 21 million transactions per month. Incentives have also been introduced for the use of digital channels through specific direct marketing actions that help customers who are not at ease in the digital world, with articles and video tutorials published on social networks (Twitter, Facebook and Blog), offering advice and clarifying concerns. Lastly, within the growing use of mobile devices and the entry of new digital competitors, BBVA Provincial, a pioneer in the Venezuelan market, has presented the first banking website in Venezuela with a responsive design, which allows access to BBVA Provincial's websites from any mobile device, providing full user-friendly navigation regardless of the size of the screen. These initiatives have allowed the bank to reach 1,493,000 online customers and 649,000 mobile customers. In addition, it closed the year with an average of 107,000,000 monthly operations on electronic channels (web, mobile, and ATMs), 95% of all the transactions carried out in the bank.

With regard to **security** in online banking services, BBVA Provincial has incorporated improvements in password validation, composition and expiration in online banking channels, ATMs, points of sale and mobile banking, thus strengthening the fight against fraud. Along these lines, an anti-fraud measure has been implemented aimed at protecting transactions with credit cards, foreign currency online and the Virtual Key mechanism, which prevents the use of customer cards without prior authorization.

Paraguay

In 2014, the Paraguayan **economy** grew by 4.0%, maintaining its position as one of the fastest growing in the region. The most buoyant economic sectors were construction, supported by various private initiatives, as well as livestock, which has recovered its volume of sales in a number of international markets following the eradication of foot-and-mouth disease. Likewise, there have been increases in investment and exports.

BBVA Paraguay has increased its profit thanks to the favorable evolution of good net interest income and moderate loan-loss provisions

The **inflation** rate stood at 4.2%, within the target range established by the Central Bank.

BBVA Paraguay's management has been positive during the year. The economic background, combined with the implementation of an ambitious business plan, has made it possible to achieve significant growth in activity, above all in the second half of the year. Thus, BBVA Paraguay closed 2014 with a notable year-on-year growth in **loans** under management (up 19.1%), boosted by the good performance of corporate lending, which was up 18.2% in the same period. With respect to customer **funds**, customer deposits under management also closed with a significant increase of 21.8%, with a particularly notable performance of time deposits (up 31.4%). BBVA Paraguay generated **earnings** of €23m in 2014, a year-on-year rise of 5.9%, strongly supported by net interest income and moderate loan-loss provisions.

It is worth noting that the bank's restructuring process, begun years ago and satisfactorily concluded in 2013, has enabled it to maintain greater focus on **customers** while increasing business diversification and adapting to market needs.

In 2014, BBVA Paraguay's initiatives for the **retail sector** have focused on establishing a pattern of recurring commercial campaigns. From the product point of view, the efforts have focused on providing innovative attributes for mortgage and auto loans, particularly designed for the public in agricultural areas.

With respect to the **wholesale business**, lending activity has been increased with the most important customers through the Credit Line Loyalty Plan and the development of more integrated management. In addition, a significant presence has been maintained in the main exhibitions and fairs in the country's most productive areas.

The efforts on the **product** side have been focused on improving transactional services.

Also of note is the transformation and increase in productivity achieved in the external sales force and telemarketing channels, thanks to the renewal of teams and methodologies.

At the same time, BBVA Paraguay has developed a number of initiatives in 2014 to improve the **digital** value offering:

- Renewal of mobile banking to make it stand out from the market.
- Launch of a new corporate website, which has been a major milestone in terms of improving the features available in digital channels.
- Launch of the first online cash advance product for credit cards, called "Adelante Efectivo" (Forward Cash).
- Online password self-management system to make it easier to access the bank.
- Development of the "Donde Estés" (Wherever You Are) campaign, helping, among other things, to boost various channels.

In terms of customer service quality, BBVA Paraguay has made a significant improvement in the results of the **IReNe** index, achieving the first place in the classification, compared with the third place in 2013.

Uruguay

Good performance by BBVA Uruguay's activity thanks to the several initiatives developed in 2014

The Uruguayan **economy** has grown by 3.7% in the third quarter of 2014, according to the latest available data. This performance has been marked by moderation in private consumption, due to lower real wages, and more moderate investment, given the end of the project of Montes del Plata cellulose manufacturer. However, this company has begun to export its production, and thus has improved the contribution of the foreign sector.

Although the Central Bank has fulfilled its monetary policy commitment, **inflation** stands at 8.3%, once more outside its target range of between 3% and 7%.

BBVA Uruguay has remained in second place in the ranking of private banks by volume of loans, with a year-on-year growth of 22.0% in **loans** under management and a market share of 20.3%, according to the latest available information as of November 2014. The growth in market share in lending has been led by the SME segment, thanks to the development of a more attractive value. In the area of individual customers, there was outstanding growth over the year in mortgage loans (up 19.0%) and consumer finance (up 11.4%), the latter strongly supported by the auto loan portfolio. Customer **funds** have grown by a year-on-year rate of 25.4%, placing BBVA in the third place of the ranking, with a market share of 17.3%. Overall, the net attributable **profit** of BBVA Uruguay in 2014 has been €20m, down 6.0% on the figure for 2013.

With respect to the main **initiatives** launched over the year:

- In auto loans, it has consolidated its leading position in the market, closing new agreements with importers and launching a new product for young people.
- In credit cards, the commercial agreement with the most important retailer in Uruguay has been maintained, allowing the bank to win new customers and achieve a global presence in the country.
- In mortgage loans, agreements have been closed with new housing developers, and the process of granting loans has been improved; the result has been a higher growth rate than that of the market as a whole.

- In distribution channels, a new BBVA Net has been launched for individuals, with a responsive design corporate model for cell phones and PCs. The "Un Cliente, Un Cliente Digital" (One Customer, One Digital Customer) campaign has also continued, leading to an increase in the active digital customer base of 26%.

South America. Data per countries

(Million euros)

Country	Operating income					Net attributable profit				
	2014	Δ%	Δ% at constant exchange rates	2013	2012	2014	Δ%	Δ% at constant exchange rates	2013	2012
Argentina	523	3.5	53.1	506	442	217	3.2	52.7	210	191
Chile	337	0.4	15.4	336	313	136	13.8	30.7	119	151
Colombia	560	6.5	13.9	525	516	269	(9.2)	(2.9)	296	295
Peru	652	0.1	5.1	651	642	169	1.7	6.7	167	170
Venezuela	731	(34.5)	20.4	1,116	1,061	162	(55.9)	(19.0)	369	329
Other countries [1]	72	(3.1)	2.9	75	50	47	(24.6)	(20.1)	63	35
Total	**2,875**	**(10.4)**	**18.6**	**3,208**	**3,023**	**1,001**	**(18.2)**	**6.3**	**1,224**	**1,172**

(1) Paraguay, Uruguay and Bolivia. Additionally, it includes eliminations and other charges.

Main highlights

Among the **prizes and awards** obtained in the region in 2014 it is worth noting that once more BBVA has been chosen as one of the "Best Companies to Work For" in the different countries, according to the ranking prepared by the global firm *Great Place to Work*. Other prizes and awards include:

Awards that recognize BBVA's leadership, soundness and solvency in the region

- BBVA Francés in Argentina, BBVA Continental in Peru and BBVA Provincial in Venezuela have been named by *The Banker* as Best Banks in their respective countries.
- At its 21st Best Banks in Latin America awards, the magazine *Global Finance* has once more named BBVA Best Bank in Peru, Venezuela and Uruguay, due to its profitability, good service, innovative products and the achievement of the best earnings figures in 2013. BBVA Continental (Peru) and BBVA Provincial (Venezuela) have obtained this award during 11 and 18 years respectively, (in Venezuela, for 8 years in a row) for attributes such as efficiency and profitability.
- The magazine *Euromoney* has named BBVA the Best Bank in Latin America. The award is a recognition of the leading position of BBVA in the region, as well as its soundness, solvency and growing customer base. Its subsidiaries in Peru and Venezuela have also earned the award at local level.
- The magazine *Latin Finance* has named BBVA Provincial and BBVA Continental as the best banks in Peru and Venezuela, respectively.
- BBVA Chile was recognized as one of the country's most socially responsible companies, according to the national Corporate Social Responsibility ranking drawn up by Fundación Prohumana and the magazine "Que pasa".
- BBVA Chile has received an important recognition in the Effie Awards. Under the slogan "Ideas que Funcionan", the silver award has been given, in the financial services category, for the campaign "Van a Hablar de Ti".
- BBVA Colombia and BBVA Provincial have received the award as the best providers of cash management services in 2014, granted by *Euromoney*.
- BBVA Francés won an award at the Effie Awards Argentina 2014, in the financial services category, for two campaigns: Estás Dulce, for simple loans, which won the Gold Effie; and Souvenir for the BBVA Francés Lanpass Cards, which won the Silver Effie.

Responsible business activities include a number of initiatives in the area of financial literacy and programs to boost financial inclusion

In **responsible banking**, a number of initiatives have been undertaken in the area of **financial literacy**, which is the core element of BBVA Group's Responsible Business Plan. The most relevant initiatives are:

- In Argentina, the Financial Literacy Program for SMEs was launched at the Business School of the Department of Economic Sciences of Universidad Católica Argentina.
- BBVA Chile has launched the fourth edition of the Young Social Entrepreneurs program, which was attended by 50 participants and 25 BBVA mentors. The young entrepreneurs take part in 9-month training workshops organized by Fundación Vertical, where they acquire the technical expertise and social skills needed to devise, plan and execute entrepreneurship and innovation projects. In addition, financial literacy microprograms were launched through various social networks and the CNN Chile channel, including a new website: www.educacionfinancierabbva.com.
- A program aimed at SMEs has also been implemented in Colombia through an alliance between BBVA and Universidad de los Andes that seeks to provide training to the country's SMEs in business administration and new trends for developing sustainable businesses. The partnership between both entities will offer a 54-hour training program to 150 entrepreneurs. BBVA has also established an alliance with the Ministry of Defense of Colombia and launched the Tarjeta Héroes card in the country. This alliance comprises a welfare project aimed at the members of the military forces that includes training in the use of financial products, support for the education of their children, and an offering of products and services at no cost for this group.
- In Peru, the bank has organized the second training conference and the second round of support for teachers at schools in the nine regions of the country taking part in the "Leer es Estar Adelante" (Reading Means Keeping Ahead) program. Momentum Project Peru has completed its first edition with an event at which the four social ventures selected had a chance to set out their growth plans to the audience, after months of training and work.
- In Venezuela the BBVA Provincial Foundation has announced the winners of the 16th Programa Papagayo 2014 contest. This initiative is tasked with providing education in values, through the promotion of creative reading and writing, to children in public and subsidized schools throughout Venezuela. This year 438 teachers from around the country were nominated, of whom 212 completed the process. The program has benefited more than 6,000 primary education students. Also in Venezuela, and for the third year in a row, the bank has organized the BBVA Provincial Foundation Entrepreneurship Chair, which aims to educate and train young people, professionals and communities using a perspective that seeks to encourage and promote entrepreneurship among those interested in setting up micro-enterprises or organized businesses through training in skill-building subjects.
- BBVA volunteer groups have run financial literacy workshops in Uruguay.

The following initiatives have contributed to the development of **financial inclusion**:

- BBVA Continental in Peru has launched "Efectivo Móvil" (Mobile Cash), which enables people to send cash from a cell phone and withdraw it from any of the bank's ATMs without the need to be a customer or use a card. This is a technological innovation that will benefit over 4 million self-employed people.
- In Colombia, the "Tarjeta de Crédito Congelada BBVA" has been launched. It is an initiative that provides a special credit card to people on low incomes.

Lastly, of note in **brand and image recognition** is the El Celler de Can Roca tour. The Roca brothers, who are the owners of the best restaurant in the world, visited Colombia and Peru, where they offered dinners for BBVA customers, businesspeople and leading personalities in these countries. In Colombia they selected two young cooking students, out of ten, from SENA (the National Learning Service) to study for four months at their restaurant, and three agricultural producers as suppliers of the Celler de Can Roca seal. In Peru, a restaurant was set up at the bank's headquarters and a number of conferences and events were organized, along with a bio-fair and an exhibition of gastronomic photographs.

Corporate Center

Income statement

(Milllon euros)

	Corporate Center			
	2014	Δ%	2013	2012
Net interest income	**(651)**	**(3.0)**	**(671)**	**(397)**
Net fees and commissions	(92)	n.m.	(3)	7
Net trading income	(60)	n.m.	347	597
Other income/expenses	139	18.2	117	184
Gross income	**(664)**	**216.3**	**(210)**	**391**
Operating expenses	(989)	(15.3)	(1,168)	(1,072)
Personnel expenses	(450)	(6.1)	(479)	(506)
General and administrative expenses	(80)	(68.6)	(254)	(216)
Depreciation and amortization	(459)	5.6	(435)	(351)
Operating income	**(1,653)**	**20.0**	**(1,378)**	**(681)**
Impairment on financial assets (net)	3	n.m.	(11)	(20)
Provisions (net) and other gains (losses)	(270)	215.9	(85)	(82)
Income before tax	**(1,920)**	**30.2**	**(1,474)**	**(783)**
Income tax	472	101.3	235	403
Net income from ongoing operations	**(1,447)**	**16.8**	**(1,240)**	**(380)**
Results from corporate operations	-	-	383	1,303
Net income	**(1,447)**	**69.0**	**(857)**	**923**
Non-controlling interests	3	n.m.	(116)	(72)
Net attributable profit	**(1,444)**	**48.4**	**(973)**	**850**
Net attributable profit (excluding the results from corporate operations)	**(1,444)**	**6.5**	**(1,356)**	**1,229**

Balance sheet

(Million euros)

	Corporate Center			
	31-12-14	Δ%	31-12-13	31-12-12
Cash and balances with central banks	14	(50.0)	29	114
Financial assets	2,894	(0.2)	2,901	2,738
Loans and receivables	24	(89.9)	238	2,786
Loans and advances to customers	24	(89.9)	238	2,448
Loans and advances to credit institutions and others	-	-	-	337
Inter-area positions	-	-	-	-
Tangible assets	2,245	6.9	2,101	2,012
Other assets	18,196	3.9	17,520	20,320
Total assets/Liabilities and equity	**23,374**	**2.6**	**22,787**	**27,971**
Deposits from central banks and credit institutions	-	-	2,148	93
Deposits from customers	-	-	(2,148)	1,072
Debt certificates	5,875	(23.9)	7,717	10,273
Subordinated liabilities	3,958	162.6	1,507	458
Inter-area positions	(14,700)	30.5	(11,265)	(5,698)
Financial liabilities held for trading	-	-	-	-
Other liabilities	6,733	38.1	4,877	10,402
Shareholders' funds	47,669	6.3	44,847	41,585
Economic capital allocated	(26,162)	5.1	(24,897)	(30,214)

Definition

The Corporate Center is an aggregate that contains those items that have not been allocated to the business areas, as it basically corresponds to the Group's holding function. It groups together the costs of the head offices that have a corporate function; management of structural exchange-rate positions, carried out by BBVA's Strategy and Finance Area; specific issues of capital instruments that ensure adequate management of the Group's global solvency; portfolios and their corresponding earnings, whose management is not linked to customer relations, such as industrial holdings; certain tax assets and liabilities; funds due to commitments with pensioners; goodwill and other intangibles. It also comprises the result from certain corporate operations carried out in previous years, such as the equity-accounted earnings from CNCB (excluding the dividends) for both 2013 and 2012. Lastly, in 2012 it includes the financial statements of BBVA Puerto Rico until its sale in December 2012.

Earnings analysis

In 2014, the Corporate Center registered a **net attributable loss** of €1,444m, compared with a loss of €973m the previous year, which included a positive €383m under the heading "results from corporate operations".

The most notable aspects of the different lines in the income statement are as follows:

- **Gross income** in 2014 has been a negative €664m. This figure compares with the negative €210m in 2013, which included high positive NTI resulting from good management of structural exchange-rate risk and the capital gains from the sale of some of the unit's holdings in industrial and financial companies.

- Operating expenses have accelerated their year-on-year decline to 15.3% due to the measures to keep costs in check applied in recent years. As a result, **operating income** totals a negative €1,653m (compared with a negative €1,358m in the previous year).

- There were no results from **corporate operations** in 2014. In 2013 this heading included: income from the Group's pension business in Latin America (including capital gains from its sale); the capital gains from the sale of BBVA Panama; and lastly, the effect of the signing of the agreement with CITIC Limited, which included the divestment of 5.1% of CNCB, and brought as a consequence the repricing of BBVA's entire stake in CNCB to market value, as well as the reclassification of the equity-accounted income from CNCB (excluding dividends). In 2012, the results from corporate operations amounted to €1,303m and included: the badwill generated in the Unnim operation, the earnings from the sale of BBVA Puerto Rico; and the figures from the pension business and the equity-accounted earnings from CNCB (excluding dividends) for that year.

- The Corporate Center also includes the figures from **BBVA Panama** until its sale, which was closed in December 2013.

Asset/Liability Management

The Assets and Liabilities Management unit in BBVA's Strategy and Finance Area is responsible for managing structural interest-rate and foreign-exchange positions, the Group's overall liquidity as well as shareholders' funds. Earnings from the management of liquidity and the structural interest-rate positions in each balance sheet are registered in the corresponding areas. With respect to the management of the exchange-rate risk of BBVA's long-term investments, the results are included in the Corporate Center. Likewise, this aggregate includes the earnings from specific issues of capital instruments to ensure adequate management of the Group's global solvency.

Liquidity and funding management aims to fund 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 funding. A core principle in BBVA Group's liquidity and funding management is the financial independence of its foreign banking subsidiaries abroad. This principle prevents the propagation of a liquidity crisis among the Group's different areas and guarantees correct transmission of the cost of liquidity to the price formation process.

In 2014, BBVA's balance sheet in the euro area continued its deleveraging process, in an environment of incipient recovery in loan demand and stability in customer funds. The wholesale funding needs have therefore been lower. The short and long-term wholesale funding markets had a positive performance in Europe and Spain as a result of the measures adopted by the ECB, the continued progress made in European construction and its banking union, and the improvement in risk perception among the European countries.

Against this backdrop, BBVA has been able to access the markets on normal terms, as demonstrated by the successful issues of covered bonds, senior debt and regulatory capital (eligible as additional Tier I), with a very high level of demand and acceptance among foreign fixed-income investors.

Outside Europe, the situation has also been positive in the geographical areas where BBVA operates, enabling the Group to strengthen its liquidity position in all the regions where it is present. The financial soundness of its subsidiary banks is supported by the funding of lending activity basically through the use of customer funds. Of note in this respect is the extraordinary performance of new deposits in Mexico over the year. In the case of BBVA Compass, the favorable liquidity position has been the dominant trend, despite the high demands of lending activity. Of particular note is the senior debt issue by BBVA Compass, which after seven years out of the market, has placed USD 1 billion at 3 and 5-year maturities with an excellent uptake by investors. With respect to the balance sheets of South America's subsidiaries, the liquidity situation has been strengthened by the growth in customer funds and also by issues on the respective local markets in Chile, Colombia, Argentina and Paraguay. All these issues have enjoyed an excellent uptake by investors. They have also allowed the banks to diversify their sources of funding and demonstrated BBVA's soundness in the region, as well as the good operation of local markets.

To sum up, BBVA's proactive policy in its liquidity management, the growth in customer funds in all geographical areas, its proven ability to access the market, even in difficult environments, its retail business model and the relatively small balance sheet size, provides a comparative advantage against its peers. Moreover, the increased weight of retail deposits within the balance sheet continues to strengthen the Group's liquidity position and to improve its funding structure.

The 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.

In 2014, BBVA maintained an active hedging activity that mitigated the impact in the income statement and practically isolated its impact in the capital base. For 2015, the same prudent and proactive policy will be pursued.

The unit also manages the structural interest-rate risk on the Group's balance sheet. This aims to maintain a steady growth in net interest income in the short and medium term, regardless of interest-rate fluctuations.

In 2014, the results of this management have been very satisfactory, with extremely limited risk strategies in Europe, the United States and Mexico. These strategies are managed both with hedging derivatives (caps, floors, swaps and FRAs) and with balance-sheet instruments (mainly government bonds with the highest credit ratings and liquidity). The amount of NTI generated in Spain, Mexico and the United States is the result of prudent portfolio management strategies, particularly in terms of sovereign debt, in a context marked by low interest rates.

The Bank's **capital management** has a twofold aim: to maintain levels of capitalization appropriate to the business targets in all the countries in which it operates and, at the same time, to maximize the profitability of the shareholders' funds through an efficient allocation of capital to the various units, adequate balance sheet and proportionate use of the various instruments that comprise the Group's equity: common stock, preferred securities, contingent convertible bonds and subordinated debt.

The highlights as regards capital management in **2014** are summarized below:

- January 2014 saw the coming into force of **Royal Decree 14/2013**, dated November 29, and of Bank of Spain Circular 2/2014, which aim to adapt the European solvency regulations CRD IV (CRR 575/2013 and CRD 2013/36, both of June 26) to Spanish law. These regulations have had a limited impact on the Group's capital adequacy ratios.

- Several debt **issues** have strengthened the Group's capital base and helped optimize its structure under CRD IV:

    1. The first, completed in February, was the second issue of contingent convertible securities, eligible as additional Tier I under the new regulations in force, for €1.5 billion and a coupon of 7%. Demand for the issue was over €14 billion, reflecting the high investor appetite for these instruments issued by BBVA.

    2. The second was issued early in April. It was a subordinated debt issue for €1.5 billion at 3.5%, and had a demand of over €7 billion, eligible as Tier II under the new solvency requirements.

    3. The third, in November, was a capital increase for €2 billion through an accelerated bookbuilt offering targeted at institutional investors. The capital increase strengthened the Group's capital adequacy ratios by 58 basis points (at the date of its execution), which will allow the Bank to address future growth from a sound solvency position.

- The Annual General Meeting held on March 14, 2014 approved the continuation of the "**dividend-option**" shareholder remuneration program, under which BBVA shareholders can continue to obtain a broader range of remuneration instruments for their shares, as it offers them the possibility of receiving their remuneration in new BBVA shares or in cash, as they choose. Three operations have been completed under this scheme in 2014, in April, October and December. The first was for a gross €0.17 per share. On this occasion, the holders of 89.2% of the free allocation rights chose to receive new shares, which resulted in the issue of 101,214,267 new BBVA shares. In October and December, the "dividend-option" program paid out a gross €0.08 per share. The percentage of shareholders who chose to receive new BBVA shares in October was 85.1%, and in December 86.0%. In the first case 41,746,041 new shares were issued and in the second 53,584,943. The high percentage of shareholders choosing to receive new shares confirms the confidence felt by shareholders in the future performance of the share.

- Furthermore, in July BBVA **paid a cash** dividend of €0.08 gross for each outstanding share.

- In 2014, BBVA has **repurchased** three subordinated issues which were no longer eligible as Tier II capital and, for January 21, 2015, announced the exercise of its call option on two issues of preferred debt subject to grandfathering: series E and F, at a nominal GBP 251m and €664.65m, respectively. These issues come from a liability management operation carried out in 2009. They were placed on the institutional market and are gradually becoming non-eligible as Tier I capital.

- Lastly, some Group **subsidiaries** have issued subordinated debt over the year, including BBVA Continental in Peru (third quarter) for USD 300m and BBVA Bancomer in Mexico (fourth quarter) for USD 200m. In addition, the subsidiaries in Colombia, Paraguay and Uruguay have issued subordinated debt for COP 200 billion, USD 20m and USD 15m, respectively.

To sum up, these measures mean that the current levels of the Group's capitalization easily meet the legal limits and enable appropriate compliance with all the capital targets.

Other information: Corporate & Investment Banking

Highlights in 2014

- Good performance of loan book and customer deposits in practically all the geographical areas.
- Strength and quality of gross income, strongly supported by the favorable trend in revenue from customer activity.
- Good risk indicators.

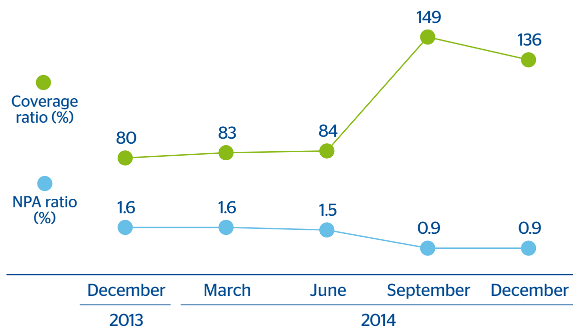
Activity (1)

Year-on-year changes at constant exchange rates
Balances as of 31-12-14

+9.2% Loans

+25.2% Customer funds

Risks



Results

2014. Million euros
Year-on-year changes at constant exchange rates

Net interest income	1,520	+7.0%
Gross income	2,873	+5.5%
Operating income	1,962	+5.7%
Net attributable profit	1,084	-3.4%

(1) Loans under management and customer deposits under management (including area's repos in Mexico). Excluding Global Markets' balances.

Income statement

(Milllon euros)

	Corporate & Investment Banking				
	2014	∆%	∆% [1]	2013	2012
Net interest income	**1,520**	**(1.9)**	**7.0**	**1,549**	**1,617**
Net fees and commissions	744	1.3	5.2	734	717
Net trading income	555	(15.3)	(2.0)	656	254
Other income/expenses	54	n.m.	75.2	7	46
Gross income	**2,873**	**(2.5)**	**5.5**	**2,946**	**2,633**
Operating expenses	(911)	1.4	5.0	(899)	(885)
Personnel expenses	(473)	(1.5)	(0.3)	(481)	(500)
General and administrative expenses	(419)	5.0	11.9	(399)	(368)
Depreciation and amortization	(19)	(0.9)	0.3	(19)	(18)
Operating income	**1,962**	**(4.2)**	**5.7**	**2,047**	**1,748**
Impairment on financial assets (net)	(200)	113.7	114.2	(94)	(165)
Provisions (net) and other gains (losses)	(72)	113.8	158.3	(34)	(13)
Income before tax	**1,689**	**(12.0)**	**(2.6)**	**1,919**	**1,569**
Income tax	(467)	(15.7)	(6.3)	(554)	(449)
Net income	**1,222**	**(10.5)**	**(1.1)**	**1,365**	**1,120**
Non-controlling interests	(138)	(13.3)	21.6	(159)	(129)
Net attributable profit	**1,084**	**(10.1)**	**(3.4)**	**1,206**	**991**

(1) At constant exchange rates.

Balance sheet

(Milllon euros)

	Corporate & Investment Banking				
	31-12-14	∆%	∆% [1]	31-12-13	31-12-12
Cash and balances with central banks	3,297	21.1	31.1	2,722	12,555
Financial assets	93,648	17.7	17.6	79,572	83,822
Loans and receivables	76,096	18.8	17.6	64,028	68,395
Loans and advances to customers	51,841	13.2	11.9	45,813	47,527
Loans and advances to credit institutions and others	24,254	33.2	31.8	18,215	20,869
Inter-area positions	3,262	(55.8)	(35.6)	7,377	6,203
Tangible assets	23	(10.3)	(14.3)	26	40
Other assets	3,424	29.5	30.3	2,644	3,233
Total assets/Liabilities and equity	**179,750**	**15.0**	**16.3**	**156,370**	**174,248**
Deposits from central banks and credit institutions	59,923	10.1	9.8	54,435	73,364
Deposits from customers	51,334	12.8	17.7	45,511	32,692
Debt certificates	(44)	(65.7)	(65.7)	(128)	(228)
Subordinated liabilities	1,514	20.8	19.7	1,253	1,567
Inter-area positions	-	-	-	-	-
Financial liabilities held for trading	57,328	23.4	23.4	46,442	56,001
Other liabilities	5,323	7.7	9.2	4,942	5,713
Economic capital allocated	4,371	11.6	11.3	3,915	5,138

(1) At constant exchange rates.

Relevant business indicators

(Million euros and percentage)

	Corporate & Investment Banking		
	31-12-14	31-12-13	31-12-12
Performing loans [1]	51.861	46.066	47.178
Customer deposits under management [1-2]	37.289	31.765	24.342
Mutual funds	1.093	713	860
Pension funds	-	-	-
Efficiency ratio (%)	31,7	30,5	33,6
NPA ratio (%)	0,9	1,6	1,5
NPA coverage ratio (%)	136	80	71
Cost of risk (%)	0,39	0,19	0,29

(1) Figures at constant exchange rates.
(2) Including area's repos in Mexico.

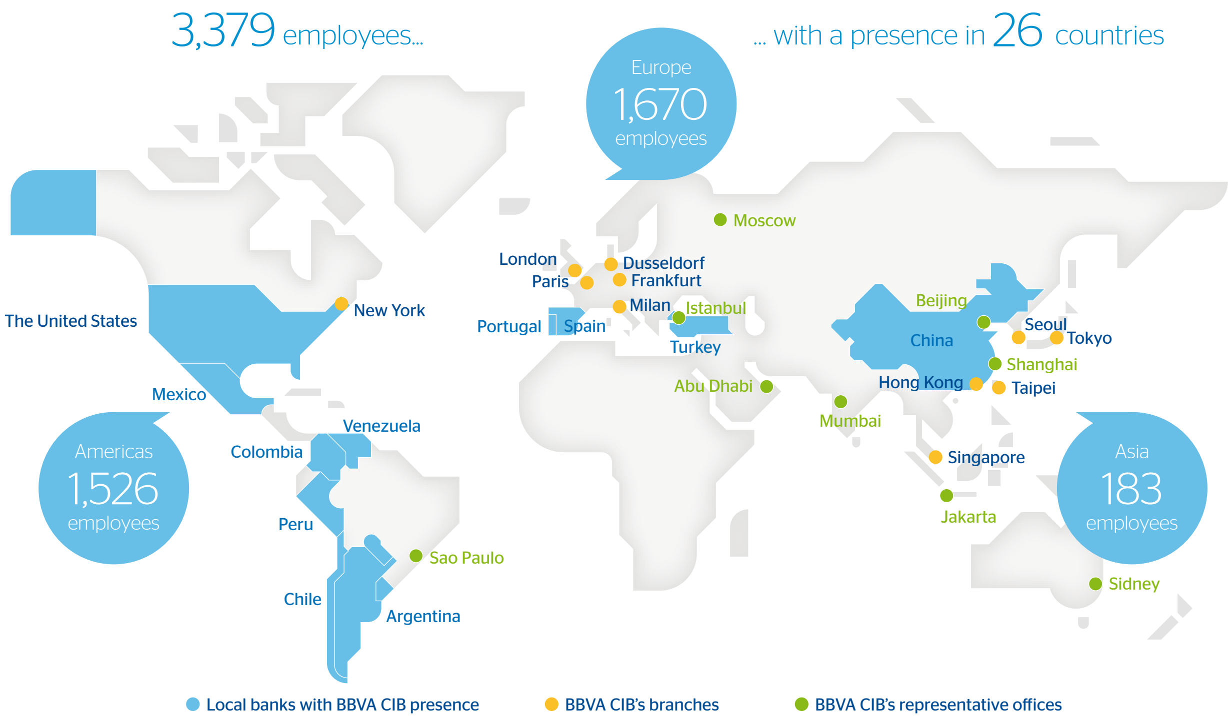
Definition

Corporate & Investment Banking (CIB or BBVA CIB) includes the Group's wholesale businesses, i.e. investment banking, global markets, global loans and transactional services for international corporate customers and institutional investors in all the geographical areas where it operates.

BBVA CIB is a provider of high added-value services that, thanks to its successful business model, offers a complete catalog of products for its customers, ranging from the simplest to the most complex solutions.

BBVA's significant presence and experience on the Latin American markets has allowed BBVA CIB to position itself as a benchmark for customers around the world with interests in this region.

CIB. A global business unit with a diversified business



Source: Figures from BBVA CIB human resources as of December 2014.

Macro and industry trends

As mentioned above, the **global economy** showed signs of recovery in 2014, although at a slower pace than expected and with differences between countries and regions: on the one hand, there is the positive trend reported by the United States, and on the other, the moderate recovery in the Eurozone.

With respect to **wholesale banking activity**, the year has been marked by historically low levels of volatility in the capital markets, although with some one-off episodes of risk aversion (particularly in October, though this returned to normal by the end of the year). It has also been strongly conditioned by the announcements and actions of the different central banks. In September, the Fed announced another reduction in its stimulus plan and a future normalization of its monetary policy, while the ECB made a further cut to interest rates and, after several years of resistance, began to buy financial assets to stimulate the economy and address the low inflation figures, with the clear intention of taking additional measures if necessary.

Wholesale activity has been marked by reduced levels of volatility, different economic policies applied by central banks, and abundant liquidity

In this environment, where liquidity has been abundant, with continued uncertainty regarding growth in some geographical areas (due to falls in the price of oil and other commodities) and inflation expectations continuing low, long-term interest rates have fallen. They have done it moderately in the United States but more aggressively in Europe, both in the core and the peripheral countries, where there has been a general reduction in the cost of risks.

In the **currencies market**, the diverging monetary policies have contributed to a significant and general appreciation of the dollar against the main currencies, in both developed and emerging countries. In this regard, it is worth noting that the impact of the year-on-year change in exchange rates has been negative on CIB's balance sheet, activity and earnings. All the comments below on rates of change will be expressed at constant exchange rates, unless expressly stated otherwise.

Management priorities

In **2014**, BBVA CIB has continued to strengthen its customer-centric strategy, boosting cross-selling and prioritizing profitability over volume. This has meant working on the following strategic priorities: maximizing its footprint, making progress toward a less capital-intensive model and continuing with cost efficiency and digital transformation. To sum up, progress has been made in three main directions:

Make progress toward a less capital-intensive and more efficient model, continue with the digital transformation and identify new business opportunities, all this while maintaining a customer-centric strategy

- Collaboration with the Group's local networks in all geographical areas as a basic lever for ensuring the profitability of the business structure. Here, worth highlighting is the development of the United States Plan, which is leading to an increase in the customer base and the growth of all the forms of CIB's business in the country.
- Migration to a less capital-intensive model through the execution of strategic plans focused on flow products (currencies, collection and payment management and foreign trade).
- Boost to the digitization of CIB as a key element in improving customer experience and implementing the business transformation plans.

With respect to the **future**, BBVA CIB's main objectives to ensure an outstanding contribution to the Group are:

- Continue with the development of the strategic plans of the different units, with the focus on core geographical areas and flow products.

- Identify new business opportunities and design plans and initiatives to make the most of these opportunities.
- Continue to make progress on digital transformation.

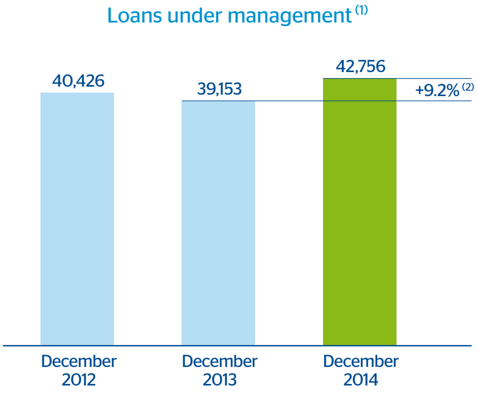
Activity analysis

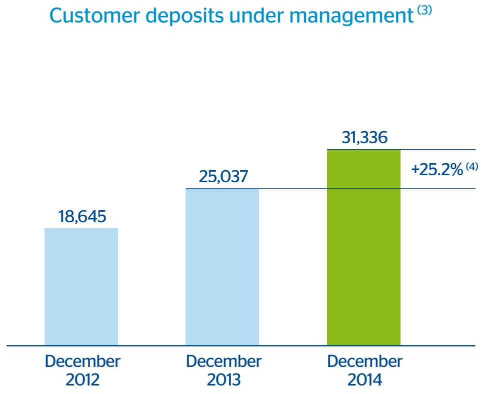
In lending, the deleveraging rate in Europe is slowing

At the close of 2014, **loans** under management in CIB increased by 9.2% in year-on-year terms, not including the figures from Global Markets. By geographical areas, there is an outstanding growth in Mexico and the United States, whose increases in the same period stand at 23.0% and 25.4%, respectively. Activity in South America has increased by 8.3%. In Spain and Europe, there has been a clear slowing of the rate of deleveraging in 2014, as a result of an incipient recovery in demand for loans. The balance of the loan book in Spain has increased by 2.2%, although in Eurasia it has fallen by 3.9%.

CIB. Key activity data

(Million euros at constant exchange rates)



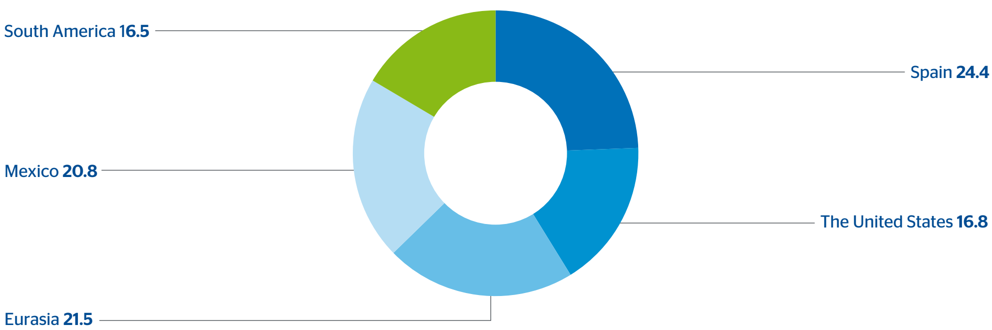


(1) Excluding Global Markets' balances.
(2) At current exchange rates: +10.6%.

(3) Incluiding area's repos in Mexico and excluding Global Markets' balances.
(4) At current exchange rates: +16.0%.

CIB. Loans under management breakdown by geographies [1]

(Percentage as of 31-12-2014)



(1) Excluding Global Markets' balances.

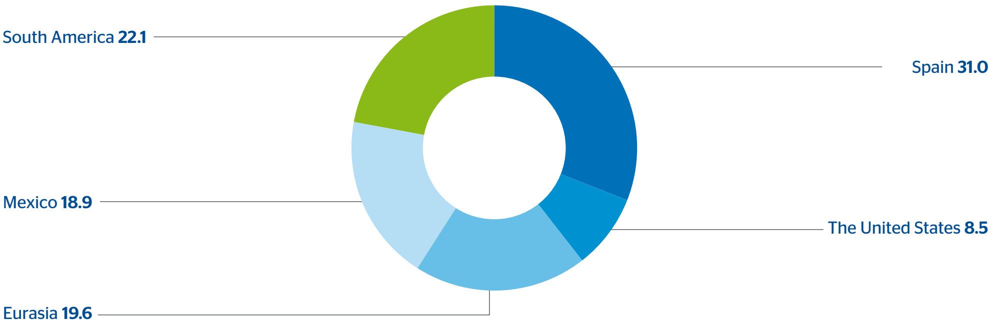
This increased activity is accompanied by an improvement in **asset quality**. The NPA ratio has declined to 0.9% (1.6% as of 31-Dec-2013) and the coverage ratio has increased to 136% (80% on the same date in 2013).

In 2014 there has been a significant increase in new customer **deposits** under management, with their balance as of 31-Dec-2014 increasing year-on-year by 25.2% (also not including the Global Markets unit), with good performance across all the Group's geographical footprint.

Significant increase in customer deposits

CIB. Breakdown of customer deposits under management by geographies

(Percentage as of 31-12-2014)



(1) Incluiding area's repos in Mexico and excluding Global Markets' balances.

As a result of the above, the commercial and liquidity gap of CIB's banking business continues to narrow.

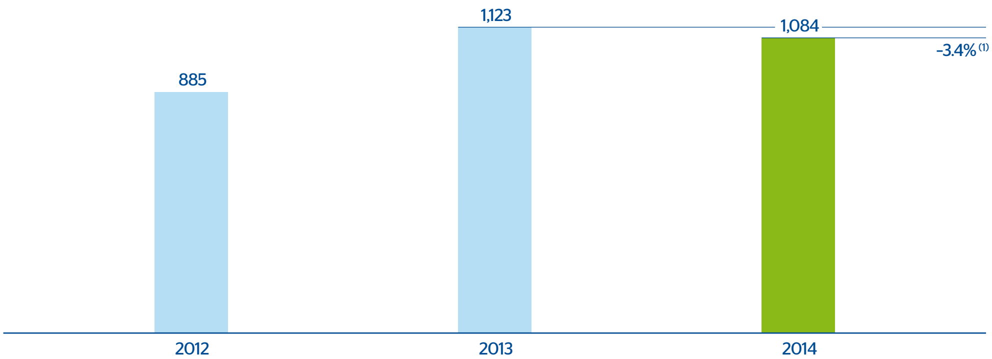
Earnings analysis

In 2014 CIB generated a **net attributable profit** of €1,084m, 3.4% less than in the same period in 2013. The main headings explaining this are as follows:

Good revenue performance, strongly supported by customer activity

CIB. Net attributable profit

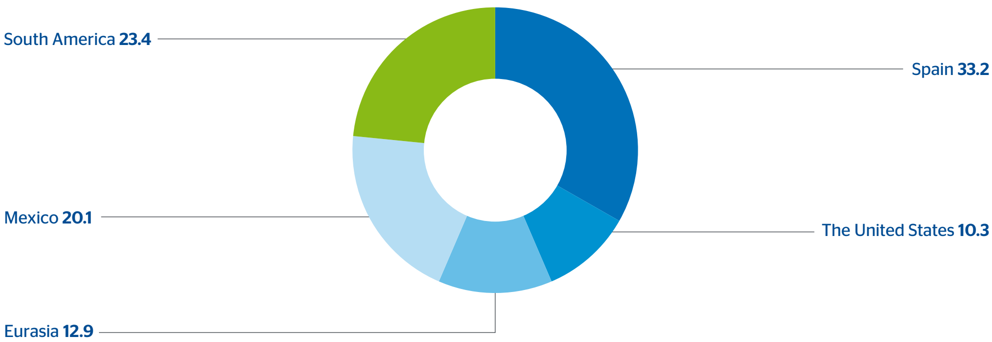
(Million euros at constant exchage rates)



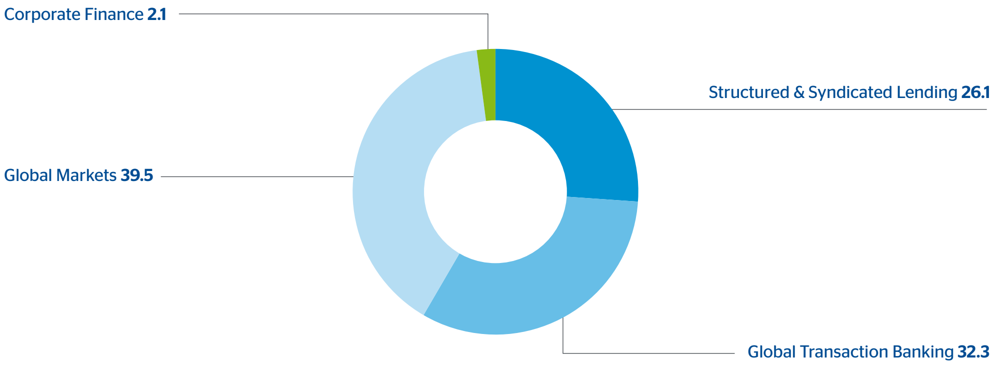
(1) At current exchange rates: -10.1%.

- Good revenue figures, with cumulative **gross income** for the 12 months growing year-on-year by 5.5%. Global Transaction Banking and Global Markets are the units that have contributed most to this growth.

CIB. Gross income by geographies
(Percentage as of 31-12-2014)



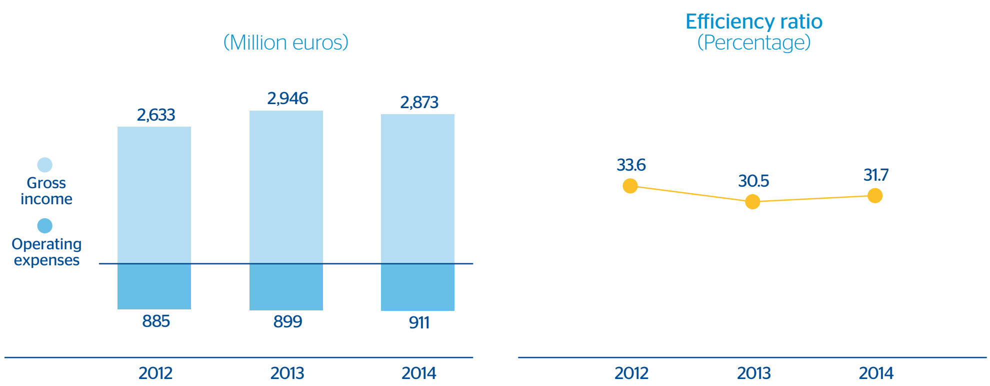
CIB. Breakdown of gross income by business line
(Percentage as of 31-12-2014)



- The slowdown in the increase of operating expenses to a year-on-year growth of 5.0%, despite the high level of inflation in some countries and the costs derived from the investments in technology carried out in recent years.

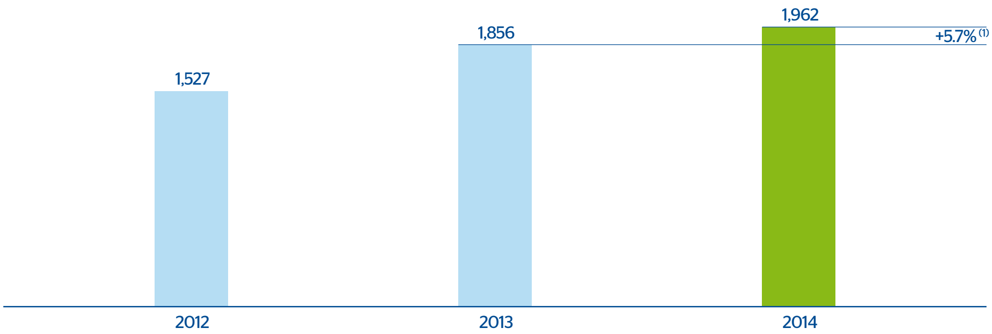
- The increase in revenue explains the growth in **operating income** of 5.7% in year-on-year terms.

CIB. Efficiency



CIB. Operating income

(Million euros at constant exchange rates)



(1) At current exchange rates: –4.2%.

- The year-on-year increase in the volume of **impairment losses on financial assets** is influenced both by the provisions derived from increased lending this year and, in particular one-off items registered last year.

Below are some of the highlights and most important deals carried out by the different CIB business units in 2014.

Corporate Finance

This unit provides financial advice in mergers, acquisitions and sales of companies and assets.

BBVA: leading financial adviser in the Spanish M&A market

BBVA has consolidated its position as the leading financial adviser in the **Spanish** mergers and acquisitions (M&A) market, with a total of 86 deals since 2009, according to *Thomson Reuters*. It has also performed well in Latin America. In 2014, BBVA was named "Spain Financial Adviser of the Year" by *Mergermarket* and "Best M&A House in Spain" by *Euromoney*. The following were some of the most important deals in 2014:

- Advice to the Irish government through ESB and to Osaka Gas of Japan on the sale of Bizkaia Energia to ArcLight Capital.
- Advice to FCC on the sale of a 51% stake in FCC Energía, its renewable energy division, to Plenium Partners.
- Advice to the Board of Directors of Campofrío in relation to the takeover bid launched by a consortium made up of Sigma (Mexico) and WH Group (China).
- Advice to Global Ports Holding of Turkey on the tender for the new passenger terminal for the port of Lisbon.

BBVA also plans to replicate the unit's success in the Spanish market in **Latin America** and **the United States**. That is why it has reinforced its teams in these geographical areas in recent years. The following are the highlights of the operations carried out there:

- Advice in Peru to Enagás on the acquisition of a 20% stake in TgP. This is the second most important investment in history carried out by a Spanish company in Peru.
- Advice in Mexico to Alsea on the acquisition of 71.76% of Grupo Zena.
- Advice in Mexico to Empresas ICA on the acquisition of Facchina Construction Group in the United States.

- Advice in the United States to Heritage-Crystal Clean on the acquisition of 100% of FCC Environmental, a subsidiary of FCC.

Main Corporate Finance transactions in 2014

Spain/Portugal/Turkey Sole financial advisor in the tender for the new Lisbon port passenger terminal 24,000,000 EUR Corporate Finance	Spain/China Financial advisor in the incorporation of a new partner and minority shareholder Confidential Corporate Finance	Spain/The United Kingdom Financial advisor in the sale of to 7,200,000,000 EUR Corporate Finance	Spain/Ireland/Japan Sole financial advisor in the sale of to Confidential Corporate Finance
Spain Financial advisor in the sale of a 51% stake to Confidential Corporate Finance	Spain/Mexico/China Fairness opinion provider in relation to 1,178,000,000 EUR Corporate Finance	Mexico/Spain Financial advisor in the acquisition of 72% of 260,000,000 EUR Corporate Finance	The United States/Spain Sole financial advisor in the acquisition of to 90,000,000 EUR Corporate Finance
Mexico Financial advisor in the acquisition of 3 shopping centers of 1,461,000,000 MXN Corporate Finance	Mexico/The United States Financial Advisor in the acquisition of the 100% of 100,000,000 USD Corporate Finance	Mexico Financial advisor in the transfer of the portfolio managed by or Afore Afirme Bajio to Confidential Corporate Finance	Peru Sole financial advisor in the acquisition of a 20% stake in TgP and a 30% stake in Coga to 481,000,000 USD Corporate Finance

Equity Capital Markets

BBVA consolidates its leadership in the capital markets

This unit carries out all the activities related to equity market issues. With 31 operations completed in 2014, BBVA has consolidated its leadership in the capital markets.

In **Spain**, BBVA has participated in the largest market operations, such as Endesa's follow-on offering, the initial public offerings of Logista and Merlin Properties, the accelerated bookbuilt offerings by Gamesa and Liberbank, and the issues of convertible securities by ACS and Acciona.

Major operations have also been carried out in **Europe**, including the initial public offerings of NN Group, Euronext and Espirito Santo Saude, and the capital increases by Telefónica Deutschland, Deutsche Bank, Banca Monte dei Paschi di Siena, Banco Espirito Santo and Banco Popolare.

Outside Europe of note has been the positive performance in **Mexico**, where BBVA has led the follow-on offerings of Fibra Uno, Alsea and Pinfra.

Main Equity Capital Markets transactions in 2014

endesa	Spain	3,000,000,000 EUR	Follow on	Equity Capital Markets	Global Co-ordinator
BBVA	Spain	2,000,000,000 EUR	Accelerated bookbuild	Equity Capital Markets	Co-bookrunner
Fideicomiso Hipotecario	Mexico	500,000,000 EUR	IPO	Equity Capital Markets	Co-lead manager
Atento	The United States	150,000,000 USD	IPO	Equity Capital Markets	Co-manager
DOGI	Spain	2,000,000 USD	Rights issue	Equity Capital Markets	Bookrunner
Telefónica	Germany	838,000,000 EUR	Rights issue	Equity Capital Markets	Co-manager
Gamesa	Spain	236,000,000 EUR	Accelerated bookbuild	Equity Capital Markets	Co-lead manager
Millennium bcp	Portugal	2,242,000,000 EUR	Rights issue	Equity Capital Markets	Co-manager
PINFRA	Mexico	460,000,000 EUR	Follow on	Equity Capital Markets	Co-manager
Logista	Spain	460,000,000 EUR	IPO	Equity Capital Markets	Co-lead manager
NN	Netherlands	1,800,000,000 EUR	IPO	Equity Capital Markets	Lead manager
Monte dei Paschi di Siena	Italy	5,000,000,000 EUR	Rights issue	Equity Capital Markets	Co-lead manager
Merlin Properties	Spain	1,250,000,000 EUR	IPO	Equity Capital Markets	Co-lead manager
Deutsche Bank	Germany	6,757,000,000 EUR	Rights issue	Equity Capital Markets	Co-bookrunner
Alsea	Mexico	462,000,000 USD	Follow on	Equity Capital Markets	Bookrunner
Euronext	Netherlands	845,000,000 EUR	IPO	Equity Capital Markets	Lead manager
liberbank	Spain	485,000,000 EUR	Rights issue	Equity Capital Markets	Joint bookrunner
Banco Espirito Santo	Portugal	1,044,000,000 EUR	Rights issue	Equity Capital Markets	Co-bookrunner
Fibra Uno	Mexico	1,861,000,000 EUR	Follow on	Equity Capital Markets	Bookrunner
liberbank	Spain	317,000,000 EUR	Accelerated bookbuild	Equity Capital Markets	Joint bookrunner
Banco Popolare	Italy	1,500,000,000 EUR	Rights issue	Equity Capital Markets	Co-bookrunner
ACS	Spain	405,000,000 EUR	Convertible	Equity Capital Markets	Joint bookrunner
Espirito Santo Saúde	Portugal	130,000,000 EUR	IPO	Equity Capital Markets	Co-lead manager
acciona	Spain	325,000,000 EUR	Convertible	Equity Capital Markets	Co-lead manager

Structured & Syndicated Lending

Corporate Lending

BBVA leads the rankings for syndicated loans in Spain and several operations in Latin America

BBVA's Corporate Lending team has a worldwide reputation for its excellence in structuring, underwriting and distribution of syndicated loans for corporate customers. In 2014 it has continued to lead the rankings for syndicated loans in Spain and collaborated on major operations with top companies in the rest of the geographical areas across the Group's footprint.

Among the finance operations with companies in **Iberia** are the syndicated loans for Almirall, Antolín, Aspro Ocio, Cepsa, EDP, Elecnor, Enagás, Mango, Mapfre, Maxam, Osborne, Roca and Grifols. Grifols in particular is of great importance, due to the work in underwriting and distribution, together with other banks, to other financial institutions and institutional investors.

In **Eurasia** there were outstanding operations for Anglo American, Bayer, China Mining & Metals, COFCO, Imperial Tobacco, Fiat Spa and SIAS Spa.

In **Latin America** BBVA has led several operations, such as the syndicated loan as sole bookrunner for San Luis Rassini; finance for the acquisition of EEB as joint bookrunner; and the first syndicated loan for Grupo Senda. It has also led the revolving credit facilities for Mexichem and América Móvil and the term loans for Grupo Gigante, Cinepolis, Pemex and Molymet (Chile). Lastly, it has been the mandated lead arranger in the finance arranged for Intercement in Brazil and Cerro Verde in Peru, and has underwritten the finance for the purchase of Alsea/Zena (Mexico/Spain), as well as providing financial support for an acquisition in Peru by Unacem using a bridge loan.

In the **United States** there was the signing of syndicated loan facilities for Caterpillar, Sealed Air Corp, Synchrony Financial and Torchmark Corp, and its role as bookrunner for the refinancing of Rent-A-Center.

Project and Leveraged Finance

BBVA, one of the main financing arrangers, through project and leveraged finance in Spain, Latin America and the United States

BBVA has remained one of the main arrangers of leveraged finance on the Spanish market, and has closed a number of operations in Europe, such as finance for the acquisitions of Deoleo by CVC, Derprosa by Teghleef Industries and Grupo Quirón by IDC Salud (a company controlled by CVC).

In **project finance**, BBVA has consolidated its leading position in support for customers through the advice and financing of infrastructure and energy operations such as: Saba Aparcamientos, EMASESA and the acquisition by Creuers of Port de Barcelona. BBVA has also played a key role in the financing of the Adana hospital and the STAR refinery in Turkey, the acquisition of the Bord Gais wind farms and the acquisition of the rights to the tariff deficit in 2013. It has also led the renewal of the Redexis Gas and Vinci Park debt, with hybrid bank loan/bond schemes.

In **Latin America**, BBVA continued to be extremely active in 2014, closing a number of deals and executing significant advice mandates, particularly in Peru and Mexico. Within the energy sector of note is the financing of the Ramones Sur gas pipeline in Mexico, as well as the finance provided for Javiera's photovoltaic plant in Chile. In infrastructures, of note have been the financing of new roads in Lima, consisting of the construction of a new urban toll road connecting the Pan-American North and South highway, as well as finance for the International Airport in Mexico.

In the **United States** BBVA has maintained its leading position in the financing of liquefied natural gas (LNG) export projects. The Bank has acted as joint lead arranger, bookrunner, co-structuring lead, documentation agent and derivative provider in the key Freeport Train 2 project, sponsored by the IMF (as financial sponsor) and Freeport. This project has received several Deal of the Year awards. In addition, worth mentioning is its role as joint lead arranger in the Cameron LNG project sponsored by Sempra Energy, GDF Suez, Mitsubishi and Mitsui.

Main Structured & Syndicated Lending transactions in 2014

Country	Company	Amount	Facility	Type	Role
Spain	GRIFOLS	5,800,000,000 EUR	Loan and credit revolving	Corporate Lending	Joint physical bookrunner/ Joint bookrunner
Germany	BAYER	14,200,000,000 USD	Acquisition facility	Corporate Lending	MLA
Portugal	edp	3,150,000,000 EUR	Credit revolving	Corporate Lending	Documentation agent/Bookrunner/MLA
Mexico	Mexichem	1,500,000,000 USD		Corporate Lending	Joint bookrunner
Peru	Cerro Verde	1,800,000,000 USD		Corporate Lending	MLA
Chile	MOLYMET	200,000,000 USD		Corporate Lending	Joint lead arranger/Bookrunner
Spain	saba aparcamientos	465,000,000 EUR		Project Finance	MLA
Turkey	STAR Oil Refinery	3,289,000,000 USD		Project Finance	MLA
Peru	Rutas de Lima Concesión Vial	2,018,000,000 PEN		Project Finance	MLA/Joint bookrunner
Mexico	AICM	1,000,000,000 USD		Project Finance	MLA
Ireland	Bord Gáis Energy / Brookfield	160,000,000 EUR	Wind Portfolio Acquisition Facilities	Project Finance	MLA
The United States	Freeport LNG / ifm investors	4,025,000,000 USD		Project Finance	Joint lead arranger/Bookrunner /Co-structuring lead/Documentation agent/Hedge provider

Global Transaction Banking

In 2014, the Global Transaction Banking (GTB) unit has continued with its Strategic Plan focused on the development of new products and solutions for digital channels in all the lines of the transactional business and for all customer segments.

In cash management a number of **products and services** were launched with the aim of providing customers with an innovative offering in each of the geographical areas, increasing flexibility and security and the speed of online banking and mobile banking processes. Below are the main new offerings for 2014 by geographical area:

- In Spain, the launch of the new BBVA net cash platform, with notable improvements in usability; the mobile security token for access and signature of transactions; and the new foreign trade services, FX-Online, Correo Seguro (Secure Mail) and Alertas (Alerts).
- In Mexico, the FX-Online and Formato Único SIT (single-format integrated cash management system) to improve the payment service for suppliers.
- In Argentina, the new functionality for making transfers abroad.
- In Chile, electronic services for international payment orders, issue of credit cards and the supplier platform for online accounts payable financing.

In 2014 the Strategic Plan implementation has continued, mainly focused on new solutions for digital channels

- In Colombia, foreign trade and accounts payable financing solutions, implementation of improvements in leasing operations and interbank online ACH transfers.

- In Peru, the management of the e-signature and improved information on daily debits.

- In Venezuela, the implementation of SWIFT messaging and the digitizing of bulk online deposit (DEM) checks.

- In the United States, the launch of the new version of the mobile access app for iOS and Android; the International ACH service for international transfers; and the start of the marketing of Direct H2H and SWIFT channels for companies.

- Lastly, Client Trade has been integrated into BBVA net cash for London and Paris, which allows management of their Trade Finance operations (import and export remittances, guarantees and SBLCs received) through online banking.

The main commercial operations are as follows:

- Issue of guarantees for several major international projects (such as the consortium awarded the Riyadh Metro), the construction of Line 2 of the Metro in Lima, the Xacbal Delta hydroelectric project in Guatemala, the extension and renewal of the hospital on the Caribbean island of Aruba, the construction of a power plant in Huelva, the counter-guarantees for the construction of the Windsor-Essex Parkway project in Canada, the bid bonds for the sustainable development project of the Matanza-Riachuelo basin, the construction of the new Cuzco airport in Peru and finance for the STAR project (the largest trade finance project in the history of Turkey). In addition, there was an outstanding increase in new acquiring business thanks to the comprehensive offering of cross-border solutions, which incorporate countries such as Finland, Norway and Italy, as well as the increase in revenue from cards, tax and social insurance.

- In Mexico, finance for the steel section plant in Ciudad Sahagún, in the state of Hidalgo, and the increased acquiring, payments, collection and payroll business.

- In Argentina, BBVA has participated in the signing and payment of the largest syndicated loan for a pharmaceutical multinational.

- In Peru, guarantees for the construction of the Gasoducto Sur gas pipeline.

- In the United States, the opening of operational accounts related to the extension of the North Tarrant highway in Dallas and finance for the Sierrita project for the construction of the gas pipeline system connecting Tucson and Sasabe in Arizona.

In addition, the Single European Payment Area (SEPA) has meant a major effort in Europe, both from the technical point of view due to the necessary adaptation of internal applications and communication channels, and from a commercial perspective, as it has involved giving advice for customers to make it easier for them to adapt to the new standards. BBVA has addressed this process satisfactorily, winning market share in transfers and debits.

In prizes and awards, *Trade Finance Magazine* named the Minera Chinalco agreement “Deal of the Year”; *Global Trade Review* named the coordination in the operation with Cambambe Hydroelectric “Best Deal”. The unit also received the title of “Best Sub-Custodian in Spain” in the World’s Best Sub-Custodian Banks 2014 Survey, and a prize at the World’s Best Internet Bank Awards in Latin America in 2014 in Colombia (regional category of “Best Information Security Initiatives”) granted by *Global Finance*. Lastly, the magazine *Euromoney* granted BBVA the award for “Best Cash Management Provider” in Venezuela, Colombia and Peru.

Main Global Trade Finance operations in 2014

Spain — Navantia
Bond
127,600,000 EUR
CESCE
3.5 years
31,900,000 EUR
Global Transaction Banking
MLA

Spain — FCC
Bond
19,716,147 GBP
CESCE
4.75 years
Global Transaction Banking
MLA

Spain — FCC
Bond
154,464 USD
CESCE
1 year
Global Transaction Banking
MLA

Spain — Mercasa
Bond
21,834,696 USD
CESCE
2.5 years
10,917,348 USD
Global Transaction Banking
MLA

Spain — Aplica
Bond
1,077,871 EUR
CESCE
2 years
Global Transaction Banking
MLA

Turkey — ZT Enerji
Buyer Credit
21,056,288 EUR
CESCE
8.25 years
Global Transaction Banking
MLA

Angola
Buyer Credit
123,957,868 USD
CESCE
10.5 years
24,791,574 USD
Global Transaction Banking
MLA

Ecuador
Buyer Credit
116,703,000 USD
CESCE
9 years
38,897,110 USD
Global Transaction Banking
MLA

Argentina — Petropack
Buyer Credit
1,185,750 EUR
CESCE
7.5 years
Global Transaction Banking
MLA

Mexico — CFE
Buyer Credit
324,568 USD
CESCE
5 years
31,900,000 EUR
Global Transaction Banking
MLA

Mexico
Buyer Credit
630,870 EUR
CESCE
5.5 years
Global Transaction Banking
MLA

Spain — FCC
Bond
18,227,755 GBP
CESCE
1 year
Global Transaction Banking
MLA

Turkey — STAR
SOCAR Turkey Aegean Refinery ECA Project
3,290,000,000 USD
CESCE SACE
18 years
162,255,000 USD
Global Transaction Banking
Cesce agente/MLA

Spain — Vicrila
Buyer Credit
4,927,280 EUR
EULER HERMES
5 years
Global Transaction Banking
MLA

Brazil — Galvani
Forfaiting ECA
21,000,000 USD
EULER HERMES
360 days
Global Transaction Banking
MLA

Colombia — Puerto de Mamonal S.A.
Buyer Credit
11,100,000 USD
DELCREDERE DUCROIRE
7 years
Global Transaction Banking
Arranger & bookrunner

Spain — FCC
Bond
175,997,921 USD
CESCE
2.3 years
33,555,135 USD
Global Transaction Banking
MLA

Angola
Commercial Loan
9,600,000 USD
5.5 years
Global Transaction Banking
MLA

Spain — INERCO
Bond
3,470,400 EUR
CESCE
2.75 years
Global Transaction Banking
MLA

Spain — acciona
Export Prefinancing
15,000,000 USD
CESCE
1.5 years
Global Transaction Banking
MLA

Spain — FCC
Bond
450,000,000 USD
CESCE
1 year
150,000,000 USD
Global Transaction Banking
MLA

Global Markets

BBVA leads the debt markets and, in Spain, the equity brokerage activity

Thanks to its customer-centric business model, geographical diversification and firm commitment to risk control, Global Markets has maintained the positive trend in **gross income**, which over the year has grown by 3.5% to €1,166m. There was an outstanding performance by the institutional segment (up 13% year-on-year) and the equity business at global level (up 12% year-on-year).

By **geographical areas**, customer revenue in Europe has grown year-on-year by 2%, strongly supported by the institutional segment (up 19%) and the equity business (up 13%), as well as by the recovery of the interest-rate business (up 10%). The trend in gross income has also been excellent in the United States (up 11.1% year-on-year) and Mexico (up 15.9% year-on-year), both boosted by the fixed-income and foreign-currency businesses.

BBVA has led the **debt markets** in 2014 and as a result renewed its award from *Euromoney* as "Best Debt House in Spain". As global coordinator, it has worked in operations such as the placement of hybrid subordinated debt for Telefónica, and the Almirall bond issue with the lowest coupon ever (4.62%) for a high-yield entity. In the public sector, BBVA has also acted as bookrunner in the biggest issue ever by the Spanish Treasury, at a nominal €10 billion, and two syndicated issues by the ICO, maintaining its leading position as a result. It has also acted as bookrunner in the issue of 12-year bonds by Repsol for €500m, and in issues by the French highway group APRR (Autoroutes Paris-Rhin-Rhône) for a nominal €1.4 billion.

In **Spain**, BBVA continues to lead equity brokerage activity on the Spanish stock market, with a market share of 13.8% at the close of the fourth quarter of 2014.

In **Mexico**, BBVA Bancomer has once more topped the ranking of local-currency issues.

As a result of this excellent performance, in 2014 BBVA was named "Best Bank in Interest-Rate and Currency Derivatives in Spain" and "Best Research Service" by the prestigious *Risk Magazine*. In addition, *Global Finance* has named BBVA CIB "Best Investment Bank in Spain", and Euromoney has chosen BBVA Bancomer as "Best Investment Bank in Mexico".

Main Deb Capital Markets transactions in 2014

Spain 1.000,000,000 EUR 50 years Debt Capital Markets Joint bookrunner	Luxembourg 300,000,000 EUR Floating rate note 7 years Debt Capital Markets Bookrunner	Spain 1,250,000,000 EUR 2 years Debt Capital Markets Bookrunner	Spain 500,000,000 EUR 3 years senior Debt Capital Markets Joint-lead manager
Switzerland 2,000,000,000 EUR Tier 2 Coco 10 years Debt Capital Markets Bookrunner	France 1,000,000,000 EUR Floating rate note 2 years Debt Capital Markets Bookrunner	France 700,000,000 EUR & 700,000,000 EUR Long 6 & long 10 years Debt Capital Markets Bookrunner	Spain 325,000,000 EUR 7NC 3 years Debt Capital Markets Bookrunner
The United Kingdom 1,500,000,000 EUR 4 & 9 years Debt Capital Markets Bookrunner	The United States 2,500,000,000 USD 3/10/30 years Debt Capital Markets Joint bookrunner	The United States 700,000,000 USD 8 years Debt Capital Markets Joint bookrunner	The United States 1,200,000,000 USD 5 & 10 years Debt Capital Markets Joint bookrunner
Mexico 2,000,000,000 EUR 7 & 15 years Debt Capital Markets Joint bookrunner	Mexico 1,000,000,000 USD 10 & 30 years Debt Capital Markets Joint bookrunner	Mexico 6,400,000,000 MXN 30 years Debt Capital Markets Structuring agent & sole bookrunner	Peru 500,000,000 USD 40 years Debt Capital Markets Joint bookrunner

244 Consolidated time series

Supplementary information

Consolidated time series

Income statements

(Million euros)

	IFRS (Bank of Spain's Circular 6/2008)							
	2014	2013	2012	2011	2010	2009	2008	2007
Net interest income	14,382	13,900	14,474	12,724	13,316	13,882	11,686	9,628
Gross income/ordinary revenues	20,725	20,752	21,824	19,640	20,333	20,666	18,978	17,271
Operating income/operating profit	10,166	9,956	11,450	10,196	11,573	12,308	10,523	9,441
Income before tax	3,980	954	1,582	3,398	6,059	5,736	6,926	8,495
Net income	3,082	2,836	2,327	3,485	4,995	4,595	5,385	6,415
Net attributable profit	2,618	2,084	1,676	3,004	4,606	4,210	5,020	6,126

Balance sheet

(Million euros)

	IFRS (Bank of Spain's Circular 6/2008)							
	31-12-14	31-12-13	31-12-12	31-12-11	31-12-10	31-12-09	31-12-08	31-12-07
Loans and advances to customers	338,657	323,607	342,163	342,543	338,857	323,441	335,260	313,178
Total assets	631,942	582,697	621,132	582,838	552,738	535,065	542,650	501,726
Total customer funds	417,391	398,973	373,723	357,683	421,977	389,815	372,715	369,177
Deposits from customers	319,060	300,490	282,795	272,402	275,789	254,183	255,236	219,609
Other customer funds (1)	98,331	98,483	90,928	85,281	146,188	135,632	117,479	148,532
Debt certificates	58,096	64,120	86,255	81,124	99,939	99,939	104,157	102,247
Subordinated liabilities	14,095	10,556	11,815	15,303	17,878	17,878	16,987	15,662

Additional information

(Million euros)

	IFRS (Bank of Spain's Circular 6/2008)							
	31-12-14	31-12-13	31-12-12	31-12-11	31-12-10	31-12-09	31-12-08	31-12-07
Number of shareholders (thousands)	960	974	1,013	987	953	884	904	890
Number of shares (millions) (2)	6,171	5,786	5,449	4,903	4,491	3,748	3,748	3,748
Number of employees (3-4)	108,770	109,305	115,852	110,645	106,976	103,721	108,972	111,913
Spain (3)	28,620	30,376	31,697	28,934	28,416	27,936	29,070	31,106
Abroad (4)	80,150	78,929	84,155	81,711	78,560	75,785	79,902	80,807
Number of branches (3-4)	7,371	7,420	7,978	7,457	7,361	7,466	7,787	8,028
Spain (3)	3,112	3,230	3,518	3,016	3,024	3,055	3,375	3,595
Abroad (4)	4,259	4,190	4,460	4,441	4,337	4,411	4,412	4,433

General note: BBVA Group's financial statements for the years 2014, 2013 and 2012 and 2011 show the Garanti Group figures consolidated using the equity method. The figures related to the income Guarantee Fund.

(1) The years 2013, 2012 and 2011 exclude the assets under management by pension fund administrators in Chile, Mexico, Colombia and Peru and pension and mutual funds from Garanti Group.
(2) The data for the year 1999 were re-calculated based on the share exchange ratio 5 BBV shares for 3 Argentaria shares.
(3) Including Unnim since 2012
(4) Excluding Garanti.

IFRS (Bank of Spain's Circular 4/2004)					Bank of Spain's Circular 4/1991				
2008	2007	2006	2005	2004	2004	2003	2002	2001	2000
11,891	9,769	8,374	7,208	6,160	7,069	6,741	7,808	8,824	6,995
19,853	18,133	15,701	13,024	11,120	11,053	10,656	12,241	13,352	11,143
11,279	10,544	8,883	6,823	5,591	5,440	4,895	5,577	5,599	4,376
6,926	8,495	7,030	5,592	4,137	4,149	3,812	3,119	3,634	3,876
5,385	6,415	4,971	4,071	3,108	3,192	2,897	2,466	3,009	2,914
5,020	6,126	4,736	3,806	2,923	2,802	2,227	1,719	2,363	2,232

IFRS (Bank of Spain's Circular 4/2004)					Bank of Spain's Circular 4/1991				
31-12-08	31-12-07	31-12-06	31-12-05	31-12-04	31-12-04	31-12-03	31-12-02	31-12-01	31-12-00
333,029	310,882	256,565	216,850	172,083	170,248	148,827	141,315	150,220	137,467
543,513	502,204	411,916	392,389	329,441	311,072	287,150	279,542	309,246	296,145
493,324	485,621	425,709	401,907	329,254	321,038	295,906	289,385	323,982	304,549
267,140	236,183	192,374	182,635	149,892	147,051	141,049	146,560	166,499	154,146
119,017	150,777	142,064	142,707	121,553	121,553	113,074	108,815	124,496	118,831
90,180	82,999	77,674	62,842	45,482	44,326	34,383	27,523	25,376	26,460
16,987	15,662	13,597	13,723	12,327	8,108	7,400	6,487	7,611	5,112

IFRS (Bank of Spain's Circular 4/2004)					Bank of Spain's Circular 4/1991				
31-12-08	31-12-07	31-12-06	31-12-05	31-12-04	31-12-04	31-12-03	31-12-02	31-12-01	31-12-00
904	890	864	985	1,081	1,081	1,159	1,179	1,204	1,300
3,748	3,748	3,552	3,391	3,391	3,391	3,196	3,196	3,196	3,196
108,972	111,913	98,553	94,681	87,112	84,117	86,197	93,093	98,588	108,082
29,070	31,106	30,582	31,154	31,056	30,765	31,095	31,737	31,686	33,733
79,902	80,807	67,971	63,527	56,056	53,352	55,102	61,356	66,902	74,349
7,787	8,028	7,499	7,328	6,751	6,848	6,924	7,504	7,988	8,946
3,375	3,595	3,635	3,578	3,385	3,375	3,371	3,414	3,620	3,864
4,412	4,433	3,864	3,750	3,366	3,473	3,553	4,090	4,368	5,082

statement, balance sheet and activity of the Group for 2013 and the asset for 2012 have been restated following the change made in accounting policy relating to contributions to the Deposit

BBVA

adelante.